

The Expiry of Lease Contracts under Rental Law No. 27 of 2014 (Bahrain)

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In February 2018, Article 4 of the Rental Law No. 27 of 2014 (the "Rent Law") will come into force. Article 4 deals with the right of the landlord to terminate a lease contract that has been concluded before the law comes into force.

The Rent Law is long-awaited as there was previously no single consolidated rental law and the provisions governing leases were to be found in numerous laws. Article 2 of the Rent Law provides for the abrogation of all existing rental laws, whilst Article 3 provides for the application of Civil Law No 19 of 2001 in the absence of a relevant provision in the Rent Law. In addition, the promulgation law states that the Rent Law shall be applied in accordance with Article 6, which states that the law shall come into force six months from the date of its publication in the Official Gazette (i.e. on 8 February 2015).

Leases that are subject to the provisions of Decree Law No. 9 of 1970 shall remain valid for a period of three years. The three-year period shall come into effect on 8 February 8 2015 and end on 7 February 2018. However, new contracts between landlords and tenants shall be concluded according to the new Rental Law. That is to say, contracts under Decree Law No. 9 of 1970 shall be renewed and extended by force of law for a period of three years. The tenant shall be afforded his rights under the agreement for this period, on the assumption that he complies with his legal obligations.

Over the past 70 years, leases have been subject to various laws, including the Civil Code and Act No. 9 of 1970. The significant difference between these laws and the recent Rental Law is on the issue of the legal extension of leases, which had been initially implemented in the Manama and Muharraq governorates, but was later extended to all governorates across the Kingdom by the Constitutional Court in a landmark judgment in case no. 2 of 2013.

Under legal extension, it is impossible for the lessor to evict the tenant if the leased unit is used for business purposes. The tenants occupied the premises without the landlord being able to evict the tenant, and without the landlord being able to increase the rent more than once and for a total percentage exceeding 10%.

By 8 February 2018, legal extension will be no longer be available and the landlord will be entitled to request the tenant to vacate the leased premises immediately upon expiry of the contract. Some therefore consider the new law to be in the favour of landlords, after a long period in which the law had given priority to the rights and interests of tenants.

As Article 4 of the Rent Law comes into force, there is a legal issue that requires the attention of landlords before a tenant can be evicted. The Rent law requires the landlord to notify the tenant that he will need to vacate the premises at least three months prior to the eviction request. Article 34/B of the Rent Law states:

"The Lessee shall, if he desires to vacate the Leased Premises, give the Lessor a registered letter informing the Lessor, and obtain an acknowledgment of receipt of the same, at least three months before the expiry of the Agreement".

As a result, it is unlikely that business owners will be made to vacate immediately after the

implementation of Article 4 or be evicted without being given proper notice and being afforded a reasonable period of time to find alternative units.

It is important for landlords to comply with the new law when seeking to evict tenants. The tenant must be notified three months before the relevant date and by a method that is in accordance with the law (i.e. registered mail with an acknowledgment of receipt). Such a method of service enables the court to ensure that the tenant is on notice. A failure to satisfy these legal requirements may result in the eviction proceedings being rejected by the Lease Disputes Committee.

However, it is still difficult to predict the quantum of damages that will be awarded to a tenant for an unlawful eviction, which is something that may be clarified in the coming months. It also remains to be seen whether the judiciary will afford legal protection and remedies to any tenant if it is proven that the landlord is abusing his right to evict the tenant.

Article 28 of the Civil Law states:

“The exercise of a right shall be unlawful in the following cases:

1. if the sole aim thereof is to harm another person;
2. if it is aimed to achieve unlawful interest or interests;
3. if the benefit or benefits it is desired to realise is out of proportion to the harm caused thereby to another person; and
4. if it is designed to cause a serious and unusual damage to third parties”.

The aforementioned Article of the Civil Law may afford legal protection to tenants against unlawful eviction. The likely remedy would be compensation, rather than forcing the landlord to renew the lease contract. However, the interpretation of Article 4 is untested before the Bahraini Courts and, in practice, it may be difficult for tenants to establish an abuse by the landlord.