

“Options for landlords in turbulent times”

As the downturn continues unabated, landlords are seeing a rise in tenants struggling to meet their leasehold obligations. So what options are open to them when tenants are in rent arrears?

Commenting, Phil Wood, managing director of chartered accountants and licensed insolvency practitioners said, “The most appropriate course of action depends upon a number of factors. For example, is the tenant’s business likely to survive in the longer term, can the property be re-let, were the rent obligations supported by either a guarantor or rent deposit. Forfeiture may well be an option so long as it has been provided for in the lease. This is likely to be the best course of action where the tenant cannot settle arrears and meet future rent obligations. In those circumstances where there is a guarantor under the lease, a degree of care is necessary as not all instances of early lease termination entitle the landlord to require a guarantor to step into the shoes of a tenant.”

Forfeiture is not the only option and there are likely to be a number of possible remedies including commercial rent arrears recovery which has now replaced distress.

“Taking into account the current economic circumstances, a landlord could well attempt to find a mutually acceptable agreement to deal with rent arrears such as a reduction or monthly rather than quarterly payment of rent which could mean the difference between the tenant’s business surviving or failing,” added Phil.