# Fact Sheet 29: Calculation of compensation for early termination of a rental agreement (lease breaking)

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| This fact sheet is about changes to Victoria’s renting laws that have not happened yet. They will be in place from 29 March 2021.  For information on current laws, visit the [Renting section - Consumer Affairs Victoria website](https://www.consumer.vic.gov.au/renting) <consumer.vic.gov.au/renting>. |

When a renter terminates a rental agreement earlier than the required notice period, the renter will be liable to compensate the rental provider (landlord) for lease breaking. The rental provider can apply to VCAT for an order that the renter pay compensation.

## What is a lease break?

A lease break happens when a renter:

* ends their fixed-term rental agreement earlier than the agreed date listed in the agreement, or
* ends their periodic (month-to-month) rental agreement earlier than the required notice period of 28 days.

## How is the amount of compensation determined?

If the rental provider goes to VCAT, the main factors considered in determining the amount of compensation are:

* any relevant advertising costs and reletting fees (in proportion to the actual cost to the rental provider to secure the renter)
* the amount of lost rent that could have been reasonably avoided by promptly reletting the property to a new renter
* any severe hardship the renter would have been expected to suffer due to an unforeseen change in circumstances, if the agreement had continued.

**Example for calculating advertising and reletting costs**

A renter has lived in a rental property with terms including a 12-month fixed term, $500 rent per week and a $600 reletting fee.

They notify the property manager that they will terminate the rental agreement six months before the end date of the fixed term.

The property manager advertises the property for rent immediately and finds a new renter. The advertising costs were $250. The new renter enters the property one week after the previous renter vacates.

The rental provider's costs of advertising and reletting fees are $1050. This is made up of:

* $500 for a week’s rent
* $300 for the reletting fee. This is half of the $600 fee, because the renter lived in the property for half of the 12-month fixed term, and
* $250 advertising costs.

## Do these rules apply in caravan parks and residential parks?

These requirements also apply when VCAT calculates compensation payable to the site owner by a site tenant who has terminated a site agreement earlier than the required notice period.