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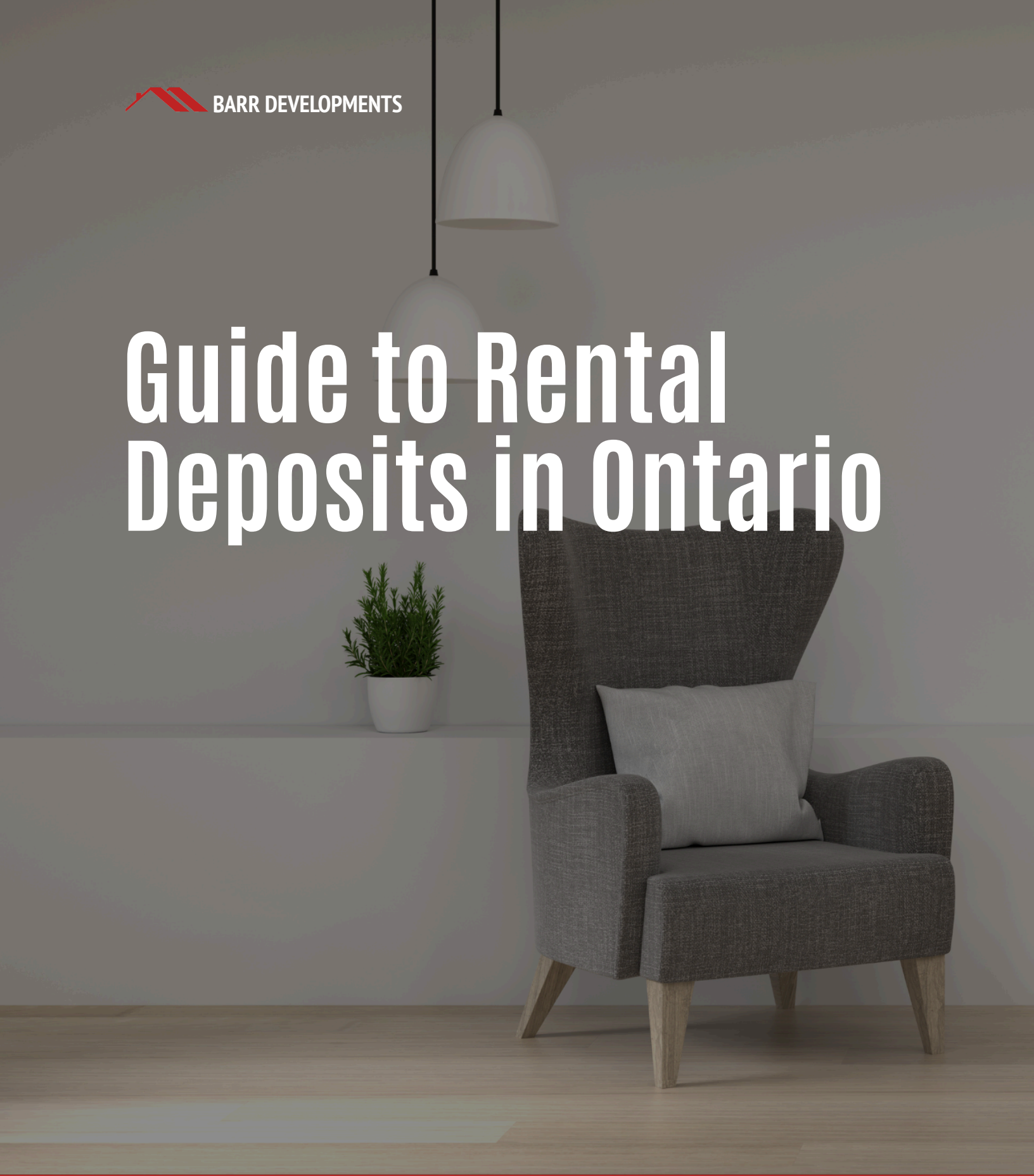
Guide to Rental Deposits in Ontario



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In Ontario, landlords can collect rent deposits covering one rental period.

Landlords may request first and last month's rent before moving in, but only the last month's amount functions as the deposit, while the first payment covers the first rental month. ACTO explains these rules in its rent deposit guide.

Rental Deposit Rules for Ontario Tenants

Last Month's Rent Deposit

Landlords can request a rent deposit before tenancy begins, but cannot introduce this requirement later. Ontario limits the deposit to one rental period and controls how landlords can use it.

For monthly rentals, these rules apply:

- Maximum deposit equals one full month's rent
- Deposit covers only the final rental period
- Deposit cannot cover cleaning or repair expenses
- Deposit cannot cover damage caused by tenants
- Deposit follows the tenancy after ownership changes

Weekly tenants can provide a maximum one week deposit. Landlords must apply every rent deposit toward the final rental period.

Ontario's Residential Tenancies Act establishes these requirements.



Key Deposits

Ontario landlords may collect refundable deposits for access devices, provided the amount reflects replacement costs. They cannot use key deposits as general security against damage or unpaid rent.

Permitted access devices can include:

- Unit keys supplied with the rental unit
- Building keys required for common area access
- Entry cards used for secured building access
- Garage remotes supplied with the rental unit
- Key fobs used for electronic building entry

Landlords must return the deposit after tenants return their access devices. Lost devices can carry replacement charges, but they cannot charge more than direct replacement costs.

Read Ontario Regulation 516/06 for more information on refundable key deposits.

Deposits Landlords Cannot Require

Ontario law restricts landlords from collecting additional security deposits beyond permitted rent and key deposits. Lease clauses cannot create additional deposit requirements that conflict with provincial tenancy law.

Prohibited deposits can include:

- Damage deposits collected against possible future damage
- Pet deposits required because tenants own pets
- Cleaning deposits collected before cleaning becomes necessary
- Furniture deposits covering possible future furniture damage
- General security deposits beyond permitted rent deposits
- Extra deposits covering unspecified future rental expenses

Tenants remain responsible for unreasonable damage they cause during tenancy. Landlords must address those costs separately instead of collecting advance damage deposits.

Interest on Last Month's Rent

Landlords must pay tenants interest on their rent deposits every year. Ontario uses the applicable rent increase guideline to determine the annual interest rate.

A lawful rent increase can also increase the required deposit amount. Landlords can request the difference between the existing deposit and new monthly rent. They can apply annual deposit interest toward that difference.

Tenants can deduct unpaid deposit interest from a later rent payment. Section 106 of the Residential Tenancies Act governs these requirements.

Illegal or Unreturned Deposits

Tenants can challenge certain illegal deposits through Ontario's Landlord and Tenant Board. Form T1: Tenant Application for a Rebate of Money the Landlord Owes covers several deposit disputes.

Tenants can use Form T1 for:

- Illegal deposits collected by their landlord
- Illegal charges connected with their tenancy
- Rent deposits improperly retained by landlords
- Deposits retained without providing rental possession
- Interest owed on last month's rent deposits

Some T1 claims carry a twelve month filing deadline. Tenants should review the Landlord and Tenant Board T1 instructions before filing.

Tenants should keep leases, receipts, payment records, and written correspondence throughout their tenancy.