

SENSITIVE

Office of the Minister of Housing

Cabinet Economic Policy Committee

Residential Tenancies Act 1986 amendments: pet bonds and other pet related matters

Proposal

- 1 This paper seeks agreement to changes to the Residential Tenancies Act 1986 (RTA) that will:
 - 1.1 allow landlords to charge tenants pet bonds
 - 1.2 make tenants liable for all careless and accidental pet-related damage that is beyond fair wear and tear and
 - 1.3 require tenants seek written consent to have a pet from landlords, who may only refuse consent on reasonable grounds.

Relation to government priorities

- 2 The proposals in this paper are aligned with the Coalition Agreement between the New Zealand National Party and ACT New Zealand (the National-Act Coalition Agreement), which includes a commitment for the Coalition Government to introduce pet bonds in this Parliamentary term.

- 3 s 18(d) 

Executive Summary

- 4 I am proposing the introduction of a pet bond and a series of other pet related changes to the RTA that will balance the concerns of landlords and the desires of tenants to be able to rent with their pets.
- 5 Many tenants who own pets or are interested in owning pets are struggling to find suitable rental properties due to landlords' reluctance to accept tenants with pets. For many landlords, this reluctance is due to:
 - 5.1 risks of pet damage;
 - 5.2 inability to recoup costs from the current bond system (up to four weeks' rent); and
 - 5.3 the current damage liability rules in the RTA.

6 Recently, Tenancy Tribunal adjudicators have found some ‘no pets’ clauses in tenancy agreements are unenforceable because such blanket clauses may breach a tenant’s right to quiet enjoyment of the rental property. Landlords have expressed concerns over these rulings, and the associated uncertainty for landlords.

7 To address these issues, I seek Ministers’ agreement to amend the RTA to:

7.1 introduce a two-week pet bond (that can be charged in addition to the existing bond)

7.2 make tenants liable for all pet damage to properties beyond fair wear and tear (so a tenant would be fully liable for any accidental or careless damage caused by pets, as well as any intentional damage) and

7.3 provide that tenants may only have a pet with the consent of the landlord, who may only withhold consent on reasonable grounds. A non-exclusive list would be included in legislation.

8 I seek policy decisions for the above proposed changes, including agreement to new unlawful acts and infringement notices to support compliance.

9 s 9(2)(f)(iv)

[Redacted]

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10 s 9(2)(f)(iv)

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Background

11 The National-Act Coalition Agreement includes a commitment to ‘introduce “pet bonds” to make it easier for tenants to have pets in rental properties.’

12 In the 2018 consultation on the Reform of the RTA, many tenants submitted they faced difficulties finding a home to rent that allowed pets, particularly dogs. This is supported by findings in the *Companion Animals in New Zealand 2020* report, which states of the 59 percent of people who do not have companion animals (around 375,000 households) would like to get one. A third of this group said a main barrier to having companion animals is the landlord or property where they live not allowing animals.¹

¹ *Companion Animals in New Zealand 2020*
<https://static1.squarespace.com/static/5d1bf13a3f8e880001289eeb/t/5f768e8a17377653bd1eebef/1601605338749/Companion+Animals+in+NZ+2020+%281%29.pdf>

- 13 A recent trend in Tenancy Tribunal decisions has given rise to a lack of clarity about the enforceability of ‘no pet’ clauses in tenancy agreements. Consequently, landlords and tenants are unclear about their rights and obligations in relation to having pets in rental properties.

Pet bonds and tenant liability for pet damage

- 14 In a tight rental market, many tenants have difficulties finding ‘pet friendly’ rental properties. This is especially the case for tenants with dogs.
- 15 Landlord reluctance to take on tenants with pets is largely due to the perceived or actual risk of pet damage to their rental properties which may not be covered by the current bond amount. Under the current law, landlords can require their tenants to pay up to four weeks’ rent in bond², from which money owed by a tenant can be recovered by the landlord. Bond can be applied to costs such as rent arrears, repairing property damage, or cleaning costs. No additional bond can be charged specifically for pet damage.
- 16 I also understand an additional barrier to landlords taking on tenants with pets is the current damage liability rules in the RTA. Tenants are liable for the full costs of intentional damage, and for careless damage up to four weeks rent or the landlord’s insurance excess, whichever is lower. Landlords are not fully compensated where damage is considered ‘accidental’, or ‘careless’ and the damage costs exceed four weeks’ rent and there is no applicable insurance. While some landlord insurance policies cover the risk of pet damage, I understand others expressly exclude pet damage. Landlords can face challenges recovering costs above four weeks’ bond.

I propose the introduction of a pet bond set at two weeks’ rent

- 17 To remove a key barrier to landlords allowing pets, I propose the introduction of a pet bond set at a maximum of two weeks’ rent. Landlords will only be able to charge one pet bond per property, notwithstanding how many pets a tenant is permitted to have. This amount is likely to be more than most pet damage claims,³ and I consider it sufficient to mitigate landlord concerns about pet damage costs while protecting most tenants from prohibitively high tenancy costs.⁴
- 18 To prevent unnecessary complexity, I do not propose the RTA includes a comprehensive list of what can be a pet. I expect landlords and tenants will take a commonsense approach to pets on a case-by-case basis when negotiating to allow for pets in the tenancy agreement. Landlords will be able to specify in the tenancy agreement or pet consent form which type of pets are permitted in the rental property.

² Residential Tenancies Act 1986, section 18.

³ Two weeks’ worth of the average national weekly rent is \$1160, which is 2.9 times the median pet damage costs awarded by the Tenancy Tribunal in recent decisions (i.e. \$402.50). The average rent for the month of December 2023 was \$580.

⁴ In the current tight rental market, landlords are likely to require the maximum pet bond, as tenants generally will not be able to negotiate a lower bond amount.

- 19 However, landlords will not be able to charge a pet bond for certified disability assist dogs as defined in the Dog Control Act 1996. Disability assist dogs are not pets and are vitally important for the quality of life of people who rely on them in their daily lives. They include mobility assistance dogs, hearing dogs, and autism service dogs. The Human Rights Act 1993 lists reliance on a disability assist dog as a prohibited ground of discrimination and disability assist dogs legally have special access to public places and private businesses.

New unlawful acts and infringement offences in relation to pet bonds

- 20 To encourage compliance and ensure consistency with the current bond provisions and obligations in the RTA, I recommend including the following unlawful acts and infringement offences⁵ in the RTA in relation to pet bonds:

20.1 a landlord requiring a pet bond greater than two weeks' rent

20.2 a landlord breaching the duties on receipt of the bond and

20.3 a landlord collecting or attempting to collect a pet bond from a tenant who does not have a pet or intend to keep a pet.

- 21 I propose penalties for the above unlawful acts and infringement offences be set at the same levels as those for other similar or related unlawful acts and infringement offences in the RTA. Accordingly, I recommend the fees and fines for the infringement offences as set out below:

21.1 maximum fine for landlords who have six or more tenancies, and boarding house landlords: \$3,000

21.2 maximum fine for all other landlords: \$1,500

21.3 infringement fee for landlords who have six or more tenancies, and boarding house landlords: \$1,000

21.4 infringement fee for all other landlords: \$500.

- 22 I propose the maximum amount of exemplary damages for each of the unlawful acts above is set at \$1,500.

The pet bond will be designed to integrate into the general bond system

- 23 The recommended operational components for the pet bond tool are set out in the attached Annex A. These are designed to be as consistent with the general bond scheme as much as possible. This will ensure the pet bond tool is relatively straightforward to implement and administer, and easy to understand.

- 24 The additional pet bond money is intended to be applied to pet-related damages. However, a tenant could agree some of their pet bond money is

⁵ The purpose of infringement offences is to deter conduct that is of relatively low seriousness and that does not justify the full imposition of the criminal law.

paid to their landlord to satisfy costs unrelated to pet damage at the end of a tenancy if not needed for pet damage (for example other types of damage or rent arrears).

- 25 Similarly, I also recommend the RTA is amended to provide the Tenancy Tribunal can award costs in favour of a landlord be paid out of the pet bond where total costs ordered exceed the general bond but are unrelated to pet damage. This is to avoid the additional cost, time, and administration associated with a landlord pursuing the tenant for costs by other legal means when they could obtain those costs out of the pet bond.

I also propose changing the damage liability rules for damage caused by pets

- 26 I propose further amending the RTA to make tenants fully liable for the cost of all accidental or careless pet damage which is not considered fair wear and tear without the need for a landlord to rely on their insurance. I consider this change will encourage more landlords to accept tenants with pets by addressing their concerns about excessive pet damage costs (particularly where the landlord's insurance does not cover these costs), while incentivising tenants with pets to take additional care in rental properties.

Clarifying the law regarding tenants keeping pets

- 27 The RTA is silent on the issue of tenants keeping pets in their rental properties, except for boarding house tenancies.⁶ It is considered standard practice for many landlords and property managers to include clauses banning pets ('no pet' clauses) in tenancy agreements, which were widely understood to be valid and enforceable.
- 28 Recently, Tenancy Tribunal adjudicators have found some 'no pets' clauses in tenancy agreements are unenforceable. This is because such clauses may breach a tenant's right to quiet enjoyment, depending on the particular facts. Relevant factors in coming to a decision about whether a tenant can keep a pet include the size and type of animal, whether it has caused damage or disruption in the past, or whether the property is suitable for a particular type of pet. This lack of certainty is a cause for concern for the tenancy sector.

I propose a tenant may only have a pet with their landlord's permission, who may refuse consent on reasonable grounds

- 29 The introduction of the pet bond tool presents an opportunity to clarify the rights and obligations of landlords and tenants in relation to keeping pets in rental properties. Landlords should be able to protect their properties from the risk of pet damage. However, I consider this right should be balanced against the benefits to tenants in being able to have pets in rental properties, depending on the circumstances.
- 30 Accordingly, I propose to amend the RTA to provide that:

⁶ In boarding house tenancies, a tenant may not keep a pet without the permission of the landlord.

- 30.1 non-boarding house tenants may only have a pet with the written consent of their landlord
- 30.2 a landlord must respond to a tenant's request for a pet in writing within 21 days and may only refuse consent on reasonable grounds and
- 30.3 a landlord will not be able to make their consent to a tenant's request for a pet subject to unreasonable conditions.

Most Australian states, as well as several U.K. jurisdictions, take this approach or are considering legislation to do so.⁷

31 I propose the RTA is amended to include the following non-exclusive list of grounds on which a landlord can refuse a pet:

- 31.1 The property is not suitable for the pet due to factors such as the size of the property, insufficient fencing, or unique features that would be difficult to remedy if damaged by a pet.
- 31.2 Relevant body corporate rules or council by-laws prohibiting pets.
- 31.3 The pet is unsuitable for the property due to:
 - a. the size and type of animal;
 - b. its propensity for causing damage to premises or disruption to the neighbourhood;
 - c. it being a dog that is classified under the Dog Control Act 1996 as dangerous or menacing; or
 - d. knowledge the pet has previously attacked people or other pets.
- 31.4 The tenant has not complied with any relevant local animal by-laws.⁸
- 31.5 The tenant has not agreed to the reasonable conditions proposed by the landlord as part of the consent to keep the pet.

32 I considered clarifying the law to ensure landlord 'no pet' clauses are enforceable as of right. However, I concluded that approach too blunt, and may undermine the intent of the pet bond proposal to encourage landlords to take on tenants with pets. The recommended pet consent proposal provides clear parameters around keeping pets and is fair for both landlords and tenants, taking into account the other proposals to address landlord concerns about pet damage.

⁷ Tenancy legislation in the following Australian states provides tenants may only have a pet with the written consent of the landlord, who may refuse consent on reasonable grounds: ACT, Northern Territory, Victoria, and Queensland. Three other Australian states as well as England are currently considering introducing similar provisions, and Scotland has introduced a Bill to the same effect.

⁸ For example, a tenant who owns a dog has not taken responsibility for any damage their dog does, such as digging up a neighbour's plants.

- 33 I do not propose changing the prohibition on pets in boarding houses. This is reasonable given the nature of shared facilities and communal living in boarding houses, giving rise to a higher likelihood that a tenant's pet could interfere with the quiet enjoyment of other tenants. However, tenants will not have to seek consent for disability assist dogs, as due to the reasons above, disability assist dogs will be excluded as 'pets' under the RTA.

New unlawful acts in relation to pet requests and consents

- 34 To encourage compliance with the new pet rules, I propose the following new unlawful acts be included in the RTA:

34.1 a landlord unreasonably withholding consent to a tenant's request to keep a pet and

34.2 a landlord not responding to a tenant's request to keep a pet within 21 days without reasonable excuse.

- 35 I propose the maximum amount of exemplary damages for each of the above unlawful acts is set at \$1,500, which is the same level as those for other similar unlawful acts in the RTA.⁹

Health, safety, nuisance, and animal welfare issues would be addressed through other regimes

- 36 Where there are health and safety, nuisance, or animal welfare issues caused by tenants' pets, there are existing tools and enforcement officers outside of the RTA that would apply, including council by-laws, dog control officers, the Animal Welfare Act 1999, and SPCA inspectors.

Implementation

Pet bond tool will be designed and implemented by MBIE

- 37 MBIE administers the tenancy bond system and will be responsible for collecting, holding and refunding pet bonds. MBIE has a modernisation programme underway to replace the 20-year-old Tenancy Bond ICT System to reduce technology risk, improve customer service deliver and to support better outcomes across the wider residential tenancy regulatory system. The design and implementation of the pet bond tool will be undertaken in conjunction with this project.

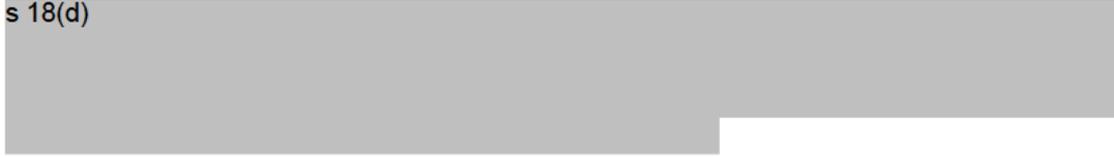
Commencement of provisions needs to allow for time to develop of pet bond tool

- 38 I recommend the pet bond provisions be commenced by Order in Council with a backstop date of 24 months after the Bill has come into force. I anticipate MBIE will develop the pet bond system and have it ready for implementing sooner than two years. However, the longer backstop date allows additional time in case there are unexpected delays or unforeseen issues which arise.

⁹ For example, maximum exemplary damages for a landlord failing to consent to a request for a minor change or failing to respond to a written request for consent to assignment of a tenancy.

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s 18(d)



Transitional matters

40 When the provisions come into force, there may be pressure on tenants to pay a pet bond for existing or additional pets, depending on the terms of the tenancy agreements they have signed with their landlord.

41 To address the various scenarios for existing tenancies at the time the amendments come into force, officials will consider transitional issues in consultation with the Parliamentary Counsel Office in the context of drafting the Bill. I seek delegated authority from Cabinet to decide on the transitional provisions which will be included in the Bill.

Officials will develop business processes, forms, and guidance

42 Officials from Te Tūāpapa Kura Kainga - Ministry of Housing and Urban Development (HUD) and MBIE will develop business processes, relevant forms and templates (including those for pet bonds, pet requests, and pet consents), and tenancy sector guidance as part of implementing the pet related changes.

Cost-of-living Implications

43 Tenants who wish to keep pets in their home are likely to need to pay pet bonds, and they will potentially face higher damage costs in the event their pet causes damage to their property. As people on lower incomes are more likely to rent and are more affected by cost-of-living issues, these proposals will place some cost pressure on lower income renters who own pets.

44 Costs will be incurred by tenants over time as existing tenancies end and tenants need to find new rental properties where a pet bond may be required. Tenants who are on benefits or lower incomes may struggle to afford pet bonds. HUD officials will work with the Ministry of Social Development (MSD) on the interface between the pet bond and the provision of financial assistance for housing costs.

Financial Implications

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Legislative Implications

52 A Bill amending the RTA will be required to implement the proposals in this paper s 18(d)

[Redacted]

53 s 9(2)(f)(iv)

[Redacted]

Impact Analysis

Regulatory Impact Statement

- 54 Impact analysis requirements apply to this paper and a Regulatory Impact Statement (RIS) has been prepared and is attached to the Cabinet paper as Annex B.
- 55 The Regulatory Impact Analysis Panel at HUD has reviewed the RIS and confirmed that it meets RIS requirements.

Climate Implications of Policy Assessment (CIPA)

- 56 The CIPA requirements are not relevant to this paper.

Population Implications

- 57 Approximately one in three New Zealand households rent their homes, rather than own them, the highest proportion since the 1950s. Tenants that already own a pet or are interested in owning a pet will benefit from the proposals in that it will be easier to find ‘pet-friendly’ rental properties. However, there is also likely to be an increase in the costs of securing those tenancies for tenants wishing to own pets due to the introduction of the pet bond system.
- 58 To the extent that a population group disproportionately lives in rented homes, these proposals will naturally affect pet-inclined tenants from that population disproportionately. Particular population groups affected by the proposals are set out below:

Population group	Comment
Low-income people	Low-income people are more likely to rent than the general population, since they are often unable to afford to purchase a home.
Māori	At the time of the 2018 census, 52.8 percent of Māori were living in rented homes (homes that were not owner-occupied or held in a family trust, a small proportion of which would not be paying rent) compared to 37.7 percent of the general population.
Pacific Peoples	At the time of the 2018 census, 65 percent of Pacific Peoples were living in rented homes, which means that they will also be more affected by the recommended changes to the RTA than the general population.
Seniors	The Retirement Commission estimates that the number of older people renting will double to 40 percent over the next 25 years. Pet ownership has many benefits for older people including providing company, reducing levels of depression, and has been linked in some recent studies to helping slow down cognitive decline.
Disabled people	A higher proportion of disabled people rent their homes than non-disabled people. Of note, many rely on disability assist dogs to aid in their daily lives. As outlined above, disability assist dogs will be excluded from the pet bond tool, and landlords will not be able to charge a pet bond for a tenant with a disability assist dog. This is in accordance with the Human Rights Act 1993, which lists reliance on disability assist dogs as a prohibited ground of discrimination.

Rural communities	While urban/suburban tenants outnumber rural tenants, many rural tenants (e.g. farm workers) own pets. The Ministry of Primary Industries has pointed to the importance of pets for people living in rural and isolated areas, particularly in light of the issue of mental health in rural communities.
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Human Rights

- 59 The proposals in this paper appear to be consistent with New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993. A final view on whether these proposals are consistent with the Bill of Rights Act 1990 will be made once legislation is drafted.
- 60 In particular, the proposals include excluding disability guide dogs from the definition of ‘pets’, to prevent landlords from being able to charge a pet bond for a disability assist dog or refuse a tenant’s request to keep a disability assist dog, as defined in the Dog Control Act 1996. Section 21(1)(h)(vi) of the Human Rights Act 1993 includes reliance on a disability assist dog as a prohibited ground of discrimination.

Consultation

- 61 The following agencies were consulted on the development of this Cabinet paper: Ministry of Business, Innovation and Employment, the Ministry of Social Development, the Ministry for Primary Industries, Kāinga Ora – Homes and Communities, the Treasury, Te Puni Kōkiri, the Ministry of Health, the Ministry of Justice, Parliamentary Counsel Office, Whaikaha – Ministry of Disabled People, the Office for Seniors and the Department of Prime Minister and Cabinet.

Communications

- 62 I propose issuing a press release to announce these changes at an appropriate time. My officials will prepare a communications plan to support an announcement.

Proactive Release

- 63 This Cabinet paper will be proactively released within the prescribed 30 days of these decisions being confirmed by Cabinet. Proactive release will be subject to redactions as appropriate under the Official Information Act 1982.

Recommendations

The Minister of Housing recommends that the Committee:

- 1 **note** that the Coalition Agreement between the New Zealand National Party and ACT New Zealand includes a commitment to introduce pet bonds in this Parliamentary term;

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s 18(d)

Pet bond and liability for pet damage

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agree that the RTA be amended to:

- 3.1 provide landlords can charge a monetary amount to tenants as security for damage caused by pets ('pet bond'), for deposit into the Ministry of Business Innovation and Employment (MBIE) bond system (additional to the current bond);
- 3.2 provide the maximum amount for a pet bond is equivalent to two weeks' rent under the tenancy agreement;
- 3.3 exclude disability assist dogs (as defined in the Dog Control Act 1996) as pets;
- 3.4 reflect the operational elements of the pet bond tool as set out in Annex A, which are largely consistent with the general bond scheme;
- 3.5 provide a tenant can agree some of their pet bond money is paid to their landlord to satisfy costs unrelated to pet damage at the end of a tenancy if not needed for pet damage;
- 3.6 provide the Tenancy Tribunal can order costs in favour of a landlord be paid out of the pet bond where total costs ordered exceed the general bond but are unrelated to pet damage;
- 3.7 include the following new unlawful acts and infringement offences:
 - 3.7.1 a landlord requiring a pet bond greater than two weeks' rent;
 - 3.7.2 a landlord breaching their duties upon receipt of a bond;
 - 3.7.3 a landlord collecting or attempting to collect a pet bond from a tenant who does not have a pet or intend to keep a pet;
- 3.8 provide the following fees and fines will apply in relation to the new infringement offences in recommendation 3.7:
 - 3.8.1 maximum fine for landlords who have six or more tenancies, and boarding house landlords: \$3,000;
 - 3.8.2 maximum fine for all other landlords: \$1,500;
 - 3.8.3 Infringement fee for landlords who have six or more tenancies, and boarding house landlords: \$1,000;
 - 3.8.4 Infringement fee for all other landlords: \$500;

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- 3.9 provide the maximum amount of exemplary damages for each of the above new unlawful acts in recommendation 3.7 will be set at \$1,500;
- 3.10 provide tenants are liable for the costs of all damage caused by pets that is not fair wear and tear;

Consent for a tenant wanting to keep a pet

4 **agree** that the RTA be amended to:

- 4.1 provide a non-boarding house tenant may only have a pet with the written consent of the landlord, who may only refuse consent on reasonable grounds;
- 4.2 provide reasonable grounds for refusing a pet could include:
 - 4.2.1 the property is not suitable for the pet due to factors such as the size of the property, insufficient fencing, or unique features that would be difficult to remedy if damaged by a pet;
 - 4.2.2 relevant body corporate rules or council by-laws which prohibit pets;
 - 4.2.3 the pet is unsuitable for the rental property due to:
 - 4.2.3.1 the size and type of animal;
 - 4.2.3.2 the propensity for causing damage to premises or disruption to the neighbourhood;
 - 4.2.3.3 it being a dog that is classified under the Dog Control Act 1996 as dangerous or menacing; or
 - 4.2.3.4 knowledge the pet has previously attacked people or other pets;
 - 4.2.4 the tenant has not complied with relevant local animal laws;
 - 4.2.5 the tenant has not agreed to the reasonable conditions proposed by the landlord as part of the consent to keep the pet;
- 4.3 require a landlord to respond in writing to a tenant's pet request within 21 days;
- 4.4 provide a landlord will not be able to make their consent for a tenant to keep a pet subject to unreasonable conditions;
- 4.5 include the following new unlawful acts for each of which the maximum amount of exemplary damages is set at \$1,500:

- 4.5.1 a landlord unreasonably withholding consent to a tenant's request to keep a pet;
- 4.5.2 a landlord not responding to a request by a tenant's request to keep a pet within 21 days without reasonable excuse;

Commencement

5 **agree** that the pet bond amendments like the amendments in the companion paper will be commenced by Order in Council with a backstop date of 24 months after the Bill has come into force;

6 s 18(d) [Redacted]

Financial implications of pet bond

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Next steps

11 **authorise** the Minister of Housing to issue instructions to the Parliamentary Counsel Office to give effect to the recommendations in this paper;

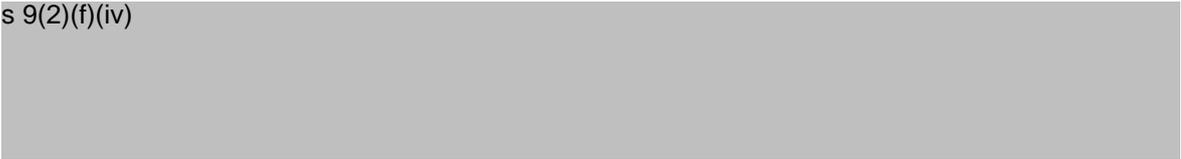
12 **authorise** the Minister of Housing to make final decisions on transitional provisions, and minor and technical changes not inconsistent with the policy intent of the proposals in this paper;

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Authorised for lodgement

Hon Chris Bishop

Minister of Housing

Annex A

Recommended operational elements of pet bond tool

1.	A landlord would only be able to charge a maximum of one pet bond per tenancy.
2.	For an existing tenancy, a pet bond could either be: <ul style="list-style-type: none"> • added to the existing bond; or • lodged as a standalone pet bond, where no general bond has been lodged for the tenancy.
3.	All tenants on a tenancy agreement with an associated pet bond would be jointly and severally liable for pet damage costs, notwithstanding which tenant owned the pet.
4.	MBIE would treat the pet bond in the same way as the general bond in terms of the lodgement, approval, and refund process. <i>As an example of how MBIE would administer the pet bond, if a landlord applied for a refund of a pet bond and the tenant did not contest the application in writing within 10 working days after being notified, MBIE would pay out the pet bond. If there was a dispute over the bond, the parties could lodge an application to the Tenancy Tribunal to resolve the dispute.</i>
5.	A tenant could agree pet bond money be paid to their landlord to satisfy costs unrelated to pet damage at the end of a tenancy if not needed for pet damage (for example other types of damage or rent arrears).
6.	The Tenancy Tribunal could award costs in favour of a landlord to be paid out of the pet bond where total costs ordered exceed the general bond but are unrelated to pet damage (e.g. for rent arrears). <i>This is to avoid a potential “money-go-round” where the tenant is paid out the pet bond but still owes money to the landlord for other tenancy-related costs. We wish to avoid any additional cost, time, and administration associated with a landlord accessing pet bond money to settle a debt, for example through garnishee proceedings.</i>
7.	Unclaimed pet bond money (when a tenancy has ended) would be treated the same as the general bond, that is, vested in the Crown if it remains unclaimed for six years after the tenancy ends.
8.	If a tenant wanted their pet bond returned prior to the end of the tenancy (e.g. if their pet died), this would need to be agreed with their landlord, and any dispute could be resolved through the Tenancy Tribunal.

Annex B

Regulatory Impact Statement: Residential Tenancies Act 1986 amendments to introduce pet bonds and address other pet related matters



Cabinet

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

Residential Tenancies Act 1986 Amendments: Pet Bonds and Other Pet Related Matters

Portfolio Housing

On 11 March 2024, following reference from the Cabinet Economic Policy Committee (ECO), Cabinet:

Background

1 **noted** that the Coalition Agreement between the New Zealand National Party and ACT New Zealand includes a commitment to introduce pet bonds in this Parliamentary term;

2 s 18(d)

Pet bond and liability for pet damage

3 **agreed** that the RTA be amended to:

- 3.1 provide that landlords can charge a monetary amount to tenants as security for damage caused by pets ('pet bond'), for deposit into the Ministry of Business, Innovation and Employment (MBIE) bond system (additional to the current bond);
- 3.2 provide that the maximum amount for a pet bond is equivalent to two weeks' rent under the tenancy agreement;
- 3.3 exclude disability assist dogs (as defined in the Dog Control Act 1996) as pets;
- 3.4 reflect the operational elements of the pet bond tool as set out in Annex A of the paper under ECO-24-SUB-0016, which are largely consistent with the general bond scheme;
- 3.5 provide that a tenant can agree that some of their pet bond money is paid to their landlord to satisfy costs unrelated to pet damage at the end of a tenancy if not needed for pet damage;
- 3.6 provide that the Tenancy Tribunal can order that costs in favour of a landlord be paid out of the pet bond where total costs ordered exceed the general bond but are unrelated to pet damage;

- 3.7 include the following new unlawful acts and infringement offences:
 - 3.7.1 a landlord requiring a pet bond greater than two weeks' rent;
 - 3.7.2 a landlord breaching their duties upon receipt of a bond;
 - 3.7.3 a landlord collecting or attempting to collect a pet bond from a tenant who does not have a pet or intend to keep a pet;
- 3.8 provide that the following fees and fines will apply in relation to the new infringement offences in paragraph 3.7 above:
 - 3.8.1 maximum fine for landlords who have six or more tenancies, and boarding house landlords: \$3,000;
 - 3.8.2 maximum fine for all other landlords: \$1,500;
 - 3.8.3 infringement fee for landlords who have six or more tenancies, and boarding house landlords: \$1,000;
 - 3.8.4 infringement fee for all other landlords: \$500;
- 3.9 provide that the maximum amount of exemplary damages for each of the above new unlawful acts in paragraph 3.7 above will be set at \$1,500;
- 3.10 provide that tenants are liable for the costs of all damage caused by pets that is not fair wear and tear;

Consent for a tenant wanting to keep a pet

- 4 **agreed** that the RTA be amended to:
 - 4.1 provide that a non-boarding house tenant may only have a pet with the written consent of the landlord, who may only refuse consent on reasonable grounds;
 - 4.2 provide that reasonable grounds for refusing a pet could include:
 - 4.2.1 the property is not suitable for the pet due to factors such as the size of the property, insufficient fencing, or unique features that would be difficult to remedy if damaged by a pet;
 - 4.2.2 relevant body corporate rules or council bylaws which prohibit pets;
 - 4.2.3 the pet is unsuitable for the rental property due to:
 - 4.2.3.1 the size and type of animal;
 - 4.2.3.2 the propensity for causing damage to premises or disruption to the neighbourhood;
 - 4.2.3.3 it being a dog that is classified under the Dog Control Act 1996 as dangerous or menacing;
 - 4.2.3.4 knowledge the pet has previously attacked people or other pets;

- 4.2.4 the tenant has not complied with relevant local animal laws;
- 4.2.5 the tenant has not agreed to the reasonable conditions proposed by the landlord as part of the consent to keep the pet;
- 4.3 require a landlord to respond in writing to a tenant’s pet request within 21 days;
- 4.4 provide that a landlord will not be able to make their consent for a tenant to keep a pet subject to unreasonable conditions;
- 4.5 include the following new unlawful acts for each of which the maximum amount of exemplary damages is set at \$1,500:
 - 4.5.1 a landlord unreasonably withholding consent to a tenant’s request to keep a pet;
 - 4.5.2 a landlord not responding to a request by a tenant’s request to keep a pet within 21 days without reasonable excuse;

Commencement

- 5 **agreed** that the provisions relating to pet bonds ^{s 18(d)} [redacted] will commence by Order in Council, with a backstop date of 24 months after the Bill has come into force;
- 6 **noted** that the commencement date of the other pet-related provisions will be considered in conjunction with ^{s 18(d)} [redacted] when drafting the Bill;

Financial implications of pet bond

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Next steps

- 13 **invited** the Minister to issue drafting instructions to the Parliamentary Counsel Office to give effect to the above decisions;
- 14 **authorised** the Minister to make final decisions on transitional provisions, and minor and technical changes consistent with the policy intent of the decisions in the paper under ECO-24-SUB-0016;

s 9(2)(f)(iv)

s 9(2)(f)(iv)

Rachel Hayward
Secretary of the Cabinet

Secretary's Note: This minute replaces ECO-24-MIN-0016. Cabinet agreed to amend paragraph 8.
