



REVIEW OF THE RENT CONTROL LAW IS LONG OVERDUE

Background

The Rent Control law (1986) PNDC 138 as amended by law 163 prohibits landlords/ladies from taking more than six months' rent advance prior to allocating their facilities. Ghana currently has a housing deficit of 1.7 million. With property owners at the supply end, and tenants at the demand side of the sector, property owners have become incredibly powerful regardless of their limits in the Ghana Rent Act, and thus, dictate the terms of the rental agreement. However, the practice of charging several years advance has become a bane on our members (who are mostly small scale firms) seeking for space to run their business. This seriously impedes our bid



to expand since the greater percentage of our liquid capital has to be paid as rent leaving little for actual business investment. The change of government in 2016 has stalled the process of finalizing the revised draft of the Rent law and its subsequent passage by Parliament. Among other things, the revision of the Rent laws is to make accommodation for small-scale business more business-friendly and accessible with strict implementation codes.



Facts from the Housing Industry

- According to the Ghana Statistical Service, Ghana currently has a housing deficit of 1.7 million. The current housing deficit has given property owners the power to dictate the terms of rental agreement regardless of their limits in the Ghana Rent Act.

Proposed Reforms to the Rent Act by CIBA

- Among many of the reforms in the Rent Act 220 is a proposal of a monthly rent payment as opposed to the 6-month rent advance payment detailed under the current law.
- In Ghana, the notice of non-renewal is set at 90 days, however, there is not much information if the reviewed Rent Act still pegs the notice at the same duration.
- Council for Indigenous Business Association (CIBA) has tried to intervene to dialogue with government to control the upper hand of property owners by

proposing an amendment to the Ghana Rent Act 220 which was passed in 1963.

- The reviewed Ghana Rent Act seeks to shift power from landlords to the Department of Rent Control who will act as the facilitating body.

Challenges Associated with Renting in Ghana

- High cost of rents affecting working capitals of small scale businesses in the country.
- Total absence of enforcement of the provisions of the rent law is a major hurdle businesses face. Property owners have taken advantage of the situation and are abusing the system.
- There has been a significant hike in retail and domestic rent in the country. This is predominantly due the ability of foreigners to pay any amount charged by property owners.
- Lack of financial will from Government to bridge the housing deficit, leading to a significant rise in rent.



Impact of the Renting Challenges on Ghanaians and Business Community

- The high cost of rent has significantly led to the close down of small scale business in the country. Property owners charge exorbitant rent and are always bent on taking 2-5 years advance rent at the expense of businesses.
- In the informal rental sector, for example, property owners inflate utility and other bills at the expense of tenants just to make money from them contrary to provision outlined in their signed tenancy agreement.

Benefits of Review of the Rent Law to Ghanaians

Among other benefits the review of the current Rent Law will:

- Empower the Department of Rent Control under the Ministry of Works and Housing whose mandate it is to oversee rent control and its related issues to set a ceiling on standard rent to prevent landlords from exploiting desperate tenants.
- Empower the Rent Office to send inspectors around to educate both tenants and landlords concerning their rights and responsibilities. The main aim of the law is to limit the powers landlords currently wield and protect tenants while empowering the Department of Rent Control to be an influential mediator between both parties.

- For tenants, this new law, if passed, seems like salvation from unfair practices of some landlords such as wrongful termination of contracts, eviction, and outrageous demands for rent advance. The amended law promises to restore some sanity to the rental system.
- To landlords, this proposal might seem unfavorable since the mandate given to the Rent Control Office to set a price ceiling on rent reduces their control on pricing and dictating the terms of payment. However, every cloud certainly has a silver lining. A careful examination of the newly proposed monthly rent payment could be beneficial to landlords as it could provide a steady stream of income.
- Tenants looking for flexible property for rent would have it easier, should these laws in the new Ghana Rent Act be passed and enforced. For a tenant looking to relocate or in need of a temporary rental deal, the monthly rent proposal seems ideal and doesn't involve much commitment.
- For most tenants, coming up with one-two years rent advances requires loans and funds from friends and family. Hence, the proposal of monthly rent payments might come as a relief to workers since it offers affordability and paying according to a monthly budget.

Recommendations & Solutions

- Government to Empower the current Rent Law to restrict property owners from collecting rent advance payments for long periods of time.
- Government to enforce the GIPC law to curtail the invasion of foreigners from the retail/indigenous businesses reserved for only Ghanaians.
- Empower the Rent Control Department under the Ministry of Works and Housing with all needed support to prosecute property owners who go contrary to the Law when passed.

Current State of the Review Process of the Rent Law

- CIBA completed wide stakeholder consultation and media campaign to make inputs into the new rent law. This was completed before 2016 election.
- The Attorney General's Department is finalizing work on the draft new rent law to subsequently submit it to Cabinet for their approval.

Action

- Relevant duty bearers to finalize work on the draft of the new rent law and get it operationalized before the next general election in 2020.



P.O.Box AN 18660
Accra-North
cibaghana@yahoo.com
0264895958/0233895958

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