

Commercial property management across borders

Luxembourg

What can a landlord do when its tenant doesn't pay the rent?

Landlord remedy for failure to pay rent	Covid-19 restrictions	What can the landlord do now?
Forfeiture of the lease		
<p>A landlord can forfeit the lease for serious and legitimate reasons.</p> <p>As per article 1728 of the Luxembourg Civil Code, the obligation to pay rent is one of the main obligations of the tenant. Consequently, the non-payment of rent might be used as an argument to terminate the lease agreement.</p>	<p>No specific Covid-19 restrictions apply to office leases.</p> <p>The Luxembourg government issued several regulations and laws suspending the time limits in jurisdictional matters and temporarily adapting certain procedural modalities before the courts. Eviction orders in matters of residential leases are currently suspended until 31 March 2021. The exception does not apply to office leases.</p>	<p>The landlord can forfeit the lease in the event that the tenant has failed to pay outstanding rent amounts, either (i) by invoking a specific termination clause in the lease agreement or by (ii) seeking termination of the lease in court.</p> <p>A unilateral termination of the lease by the landlord can always be challenged by a tenant in court.</p>
Enforcement of rental security		
<p>The vast majority of lease agreements governed by Luxembourg law include a security deposit clause or bank guarantee in order to ensure that the tenant complies with its obligations under the lease agreement (including the obligation to pay rent). The security may be used to cover outstanding rent arrears.</p>	<p>No specific Covid-19 restrictions.</p>	<p>In the event of significant rent arrears, the landlord should consider using the rental security provided under the respective lease agreement.</p> <p>Such rental securities are generally in the form of an independent and autonomous bank guarantee or a cash deposit and may be used without any possibility for the tenant to oppose the calling in of the guarantee.</p>

Landlord remedy for failure to pay rent

Covid-19 restrictions

What can the landlord do now?

Seeking court judgement

A landlord may initiate court proceedings against a tenant who has failed to comply with its obligation to pay rent.

The landlord may request the termination of the lease agreement in court and/or the payment of the rent arrears (including damages, late payment interest etc.).

A judgement may also order the forced eviction of a tenant, should it refuse to leave the premises voluntarily.

None, but the tenant may try to invoke several arguments such as hardship, (partial) loss of the premises and/or force majeure in order to defend the suspension of rent payments.

The chances of success of such claims largely depend on the specific language of the lease agreement and the extent to which performance is excused as a result of Covid-19.

Landlords may request protective and provisional measures to a judicial authority (seizure of bank accounts belonging to the tenant, seizing and selling the tenant's goods, etc.).

Key Contacts

Please do not hesitate to get in touch with any of the A&O contacts listed below if you have any questions on any of the matters discussed in this note.

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