

Is a Landlord Allowed to Charge Late Fees?

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Question: When a landlord rents an apartment to a tenant, is he allowed to write in the contract that the tenant will be charged a fee if his rent is late?

Answer: Charging a late fee on a loan would be prohibited as *ribbis*. Chazal also prohibited late fees on *ribbis derech mekach*; however, it is only forbidden if the fee could grow and become compounded the longer the amount owed remains unpaid. A one-time fee is permitted. Accordingly, a landlord could write in a contract that the tenant will be charged a one-time fee of \$25 if he is late in paying his rent, and he can charge him this fee every time that he is late; however, this fine must remain at \$25 and cannot be compounded.

Even if the landlord doesn't plan on actually charging a compounding fee and just wants to put it into the contract to push the tenant to pay on time, it would still be forbidden because there is a prohibition to have *ribbis* in a contract even if it is never charged.

This discussion is very relevant to phone bills in Israel, where the phone company is owned by Jews. The bills contain late fees that grow and become compounded the longer they aren't paid. One would not be allowed to pay this fee because it is *ribbis*. (A way around the problem would be to have a friend pay the bill on your behalf if he is willing to pay it without being reimbursed. Alternatively, some Poskim allow paying the fee in order to avoid losing service if there is no other way to do so.)