BLOGS

Rights and Liabilities of Lessor and Lessee

Khushi Malviya · 22 Feb 2024

Edit TABLE OF CONTENTS Lessor and Lessee Lease Agreements Understanding the Role of a Lessor Rights of a Lessor Duties of a Lessor Understanding the Role of Lessee Rights of a Lessee Duties of a Lessee Conclusion

Lessor and Lessee

A lessor is a party who grants the right to use or occupy property to another party in exchange for rent or other consideration. A lessee is a party who acquires the right to use or occupy property from a lessor in exchange for rent or other consideration. The lessor and lessee relationship is governed by the **Indian Contract Act, 1872**, and the terms and conditions of the lease agreement. Both parties have rights and responsibilities, and any breach of the contract may lead to legal consequences.

Lease Agreements

A lease is a legally binding arrangement where one party, known as the lessor, grants another party, known as the lessee, the right to use a permanent property for a specific period in exchange for periodic payments.

It is defined by **Section 105 of the Transfer of Property Act**. The lessor is the property owner providing these rights, while the lessee receives them and pays rent or a premium for such use. To form a legitimate lease, both parties must have the capacity to enter into the agreement, meaning they must share a common interest in the lease, the lessor must have the legal authority to lease the property, and the lessee should be of legal age.

Understanding the Role of a Lessor

The lessor, as the legal owner of a property or asset, grants the lessee the right to use it for a specified duration while retaining ownership. The lessee makes periodic payments to the lessor based on their agreement, compensating for any losses incurred due to damage or misuse.

The lessor must authorize any asset sale and is entitled to any resulting financial gains. While the lessor’s access to the asset is limited during the agreement, they may enter with the lessee’s permission and must notify the lessee of maintenance.

In cases of damage or illegal activity by the lessee, the lessor can terminate the lease without notice. At the end of the contract, the property is returned to the lessor, with an option for the lessee to purchase it.

Rights of a Lessor

Edit Right to AccretionsEntitled to any natural or lessee-funded additions to the property during the tenancy period. Lessee must deliver title to such additions after the tenancy ends. Right to Collect RentAuthorized to collect rent or agreed consideration from the tenant without interruption as per the contract terms.

Duties of a Lessor

Edit Duty of DisclosureMust disclose any material defects in the property, including latent defects that are not easily discoverable and apparent defects that are easily discovered. To Give PossessionObligated to provide possession of the property upon the lessee's request. This duty arises when the lessee requests possession. Covenant for Quiet EnjoymentMust not cause interruptions or interference in the lessee's peaceful enjoyment of the property during the tenancy period.

Understanding the Role of a Lessee

A lessee, also known as a tenant, rents property from a lessor. This arrangement involves specific obligations outlined in a legally binding lease agreement. Failure to comply with the lease terms can result in eviction.

Rights of a Lessee

Edit RightDescription of the Right Right to Charge for RepairLessee can make necessary property repairs at their expense and deduct the cost from rent or charge the lessor. Right to Remove FixturesLessee can remove fixtures during the lease but must restore

the property to its original condition after the lease. Right to Assign InterestLessee can sub-lease or transfer their interests unless restricted by the lease, remaining liable for lease obligations. Right to Have Benefits of CropsIn leases of uncertain duration, lessee can benefit from crops they grow during their tenancy.

Duties of a Lessee

Edit DutyDescription of the Duty Duty to Disclose Material FactsLessee must inform lessor of undisclosed material facts; failure to do so may lead to compensation for lessor's loss. Duty to Pay RentLessee must pay rent on time and as specified in the lease; non-payment can lead to eviction or legal action for arrears. Duty to Maintain PropertyLessee is responsible for property maintenance, allowing reasonable inspections; exceptions for irresistible forces. Duty to Give NoticeLessee must notify lessor if the lessor's rights or title are endangered by another party. Duty to Use Property ReasonablyLessee should use the property reasonably, as if it were their own. Duty Not to Erect Permanent StructuresLessee generally cannot erect permanent structures without lessor's consent. Duty to Restore PossessionAfter lease termination, lessee must return possession to the lessor; failure to vacate may lead to damages.

Conclusion

In the context of lease agreements, both the lessor and lessee have distinct rights and obligations. Both parties are protected by legal remedies in case of breach, with the lessor having the right to terminate the lease or seek damages, and the lessee entitled to a habitable living space.