



Cancellation & Early Termination Guide

Introduction

A lease agreement is a binding legal contract for a fixed period. Cancellation or early termination is therefore not informal and cannot occur simply because one party changes their mind.

This guide explains, in practical terms, how cancellation operates under the NR Nagel Attorneys Inc Lease Agreement and what Landlords and Tenants can expect if a lease is terminated before expiry.

The process is structured, notice-driven, financially regulated, and subject to applicable legislation — including the Consumer Protection Act 68 of 2008 (CPA) where it applies.

The Role of the Consumer Protection Act (CPA)

The CPA may apply to fixed-term residential lease agreements depending on the legal status of the parties and certain financial threshold values. Where the CPA applies, it regulates fairness, notice periods, and cancellation penalties.

Importantly, the Lease expressly recognises that no provision may contravene the CPA or the Rental Housing Act. If the CPA applies to the transaction, its provisions will prevail over any conflicting lease clause.

Under the CPA:

- A Tenant may cancel a fixed-term agreement on 20 Business Days' written notice.
- The Landlord may impose a reasonable cancellation penalty.
- The penalty may not be punitive and must reflect actual or reasonable losses.
- The Landlord has a duty to mitigate damages.

The Lease has been structured to align with these statutory requirements.

Understanding the Fixed Term

The Lease runs for the Initial Period recorded in the Schedule. At the end of that period, it automatically continues on a month-to-month basis unless proper notice is given or the Tenant is in material breach.

This means that unless one party formally elects not to continue, the tenancy does not simply end automatically.

Where the CPA applies, the Tenant must be notified in advance of the expiry of the fixed term and the implications of continuation, ensuring transparency and informed decision-making.

When a Tenant Terminates Early

1

Notice Requirements

If a Tenant wishes to cancel the Lease before expiry of the Initial Period (and not because the Landlord is in material breach), the Tenant must give at least 20 (Twenty) Business Days' written notice to the Landlord in terms of clause 20 of the NR Nagel Attorneys Inc Lease Agreement.

In accordance with clause 26 of the Lease, notice must be given in writing and delivered to the Landlord at the Landlord's chosen *domicilium citandi et executandi* as recorded in item 1.14 of the Schedule.

The Lease recognises delivery:

- By hand, which is deemed received on the date of delivery;
- By prepaid registered post, deemed received on the fifth Business Day after posting; or
- By electronic mail, deemed received on the date of transmission

It is important to note that the 20 Business Day notice period runs from the date the notice is deemed received in terms of the Lease, not from the date it is sent.

Failure to give proper written notice in the prescribed manner may render the attempted cancellation invalid and may expose the Tenant to continued rental liability.

2

Cancellation Penalty

Early termination triggers a **reasonable cancellation penalty**.

Under the NR Nagel Inc. Lease Agreement, the maximum early termination penalty is capped at two months' rental. However, the actual penalty imposed must still be reasonable and justifiable in light of the CPA.

This penalty is not a punishment. It is intended to compensate the Landlord for actual losses that may arise from:

- Vacancy during re-letting
- Advertising expenses
- Administrative costs
- Professional fees
- Loss of rental during the notice period (if applicable)

If a replacement Tenant is secured during the notice period for the same or longer duration, the outgoing Tenant's liability may be limited to the re-advertising and administrative fee recorded in the Schedule together with the Firm's professional fee.

The CPA requires that the Landlord mitigate damages. This means reasonable steps must be taken to re-let the property as soon as possible.

When a Landlord May Cancel

1

A Landlord does not have unrestricted rights to cancel a fixed-term lease. Cancellation is limited to specific contractual and statutory circumstances.

Two-Month Cancellation Right

The Lease allows the Landlord to cancel on **two (2) months'** written notice in the following circumstances:

- If the Landlord intends to move into the Premises personally; or
- The Landlord intends to sell the property.

This is a specific contractual right created in clause 21 of the Lease Agreement. The notice must be given in writing and delivered to the Tenant at the Tenant's chosen *domicilium citandi et executandi* in accordance with the notice provisions set out in clause 26 of the Lease Agreement.

2

Immediate Risk Situations

The Lease further provides for short-notice cancellation in serious circumstances involving unlawful conduct. The Landlord may cancel on **seven (7) days'** written notice if:

3. The Tenant is conducting criminal activity from the Premises; or
4. The Tenant is dealing in counterfeit goods.

These grounds are specifically recorded in clause 21 of the Lease Agreement and relate to unlawful activity and public policy considerations. Such cancellations must still be effected formally in writing and delivered in accordance with the notice clause of the Lease.

Cancellation for Breach

1

If the Tenant Breaches the Lease

If the Tenant fails to pay rental on due date or commits any other breach of the Lease, the Landlord must follow the formal breach procedure set out in clause 23 of the **NR Nagel Attorneys Inc Lease Agreement**

The process is structured and time-driven. The Tenant must first receive written notice calling upon the Tenant to remedy the breach.

If the Tenant remains in breach for **7 (Seven) calendar days** after dispatch of the written notice, the Landlord is entitled to claim specific performance together with recovery of arrear rental and/or damages.

If the Tenant remains in breach for **20 (Twenty) Business Days** after dispatch of the written notice, the Landlord is entitled to cancel the Lease forthwith. Upon lawful cancellation, the Tenant and all persons occupying through the Tenant are required to vacate the Premises immediately.

If the Tenant disputes the cancellation but remains in occupation, the Lease expressly provides that rental and all other charges must continue to be paid pending resolution of the dispute. Acceptance of such payments does not prejudice the Landlord's cancellation claim.

The Consumer Protection Act does not remove the Landlord's right to cancel for material breach. However, it reinforces the requirement that proper written notice be given and that cancellation follow fair and lawful procedure.

2

If the Landlord Breaches the Lease

The **NR Nagel Attorneys Inc Lease Agreement** also regulates the position where the Landlord commits a Material Breach.

If the Landlord fails to fulfil a material obligation under the Lease, the Tenant must first give the Landlord written notice calling upon the Landlord to remedy the breach.

If the Landlord fails to remedy the Material Breach within **20 (Twenty) Business Days** after such written notice, the Tenant is entitled to cancel the Lease without penalty.

In addition to cancellation, the Tenant may approach a competent Court:

- To compel specific performance of the Landlord's obligations; or
- To recover damages suffered as a result of the Material Breach.

Where applicable, the Tenant may also refer the dispute to the Rental Housing Tribunal.

The Consumer Protection Act reinforces the Tenant's right to fair value, habitability, and lawful performance of the Landlord's obligations. It further ensures that cancellation rights arising from a Landlord's breach cannot be contractually excluded or unfairly limited.

Financial Consequences of Termination

Termination of the Lease Agreement does not automatically extinguish financial obligations. Rental remains payable up to the effective termination date, and where cancellation arises from breach, additional damages may be recoverable in terms of the Lease Agreement.

Rental is payable monthly in advance on the first day of each month, and the Tenant may not withhold or set off rental for any reason whatsoever. The Lease Agreement expressly prohibits the Tenant from using the deposit in place of the last month's rental.

Interest accrues on overdue amounts at the rate of **2% per month** as recorded in the Schedule. In addition, failure to pay amounts due may trigger further administrative or collection costs as provided for in the Lease Agreement.

Where legal enforcement becomes necessary, the Tenant may be liable for legal costs on an attorney-and-own-client scale, together with collection commission and related charges.

The Consumer Protection Act does not remove these financial obligations. However, it requires that any cancellation penalty or charge imposed upon early termination be reasonable and proportionate to the actual loss suffered.

Exit Process and Deposit Reconciliation

Upon termination of the lease — whether by expiry, early cancellation, or breach — the outgoing inspection process is triggered.

The Landlord and Tenant are required to conduct a joint outgoing inspection within 3 (Three) days prior to the Termination Date to assess the condition of the Premises against the original ingoing inspection report. If the Tenant fails to attend the inspection, the Landlord may conduct the inspection within 7 (Seven) days after termination.

Following the inspection, the deposit may be applied toward amounts for which the Tenant is contractually liable. This may include:

- Arrear rental;
- Cleaning fees where the property is not left in a desirable condition;
- Key return penalties if keys are not returned on time;
- Outgoing inspection fees;
- Damages beyond fair wear and tear;
- Any other outstanding contractual amounts.

The deposit is invested in an interest-bearing trust account for the benefit of the Tenant. After lawful deductions have been made, the balance of the deposit, together with accrued interest (less permitted administration costs and statutory allocations), must be refunded within 14 (Fourteen) days after conclusion of the outgoing inspection.

Both the Consumer Protection Act and the Rental Housing Act reinforce transparency in the handling of deposits and prohibit unfair, arbitrary, or unsubstantiated deductions. All deductions must be reasonable, justifiable, and supported by the inspection findings and the terms of the agreement.

Conclusion

The NR Nagel Attorneys Inc Lease Agreement provides a structured and legally compliant framework for cancellation and early termination.

Where the Consumer Protection Act applies, it strengthens consumer protection by requiring proper written notice, reasonable and proportionate penalties, mitigation of damages, and procedural fairness in the exercise of cancellation rights.

Tenants may terminate early, but remain liable for reasonable and justifiable costs arising from the premature termination.

Landlords may cancel only in defined contractual and statutory circumstances and must follow due process before termination becomes effective.

By aligning the Lease with the Consumer Protection Act and the Rental Housing Act, cancellation is administered in a manner that is lawful, transparent, and balanced, protecting the rights and financial interests of both Landlord and Tenant.