



VELFERÐARRÁÐUNEYTIÐ

Ministry of Welfare

Multi-Owner Buildings Act, No. 26/1994, as amended by Act No. 136/1995, No. 127/1996, No. 135/1998, No. 83/2008, No. 66/2010, No. 77/2010, No. 162/2010, No. 40/2011 and No. 126/2011.

CHAPTER I

Scope, definitions, etc.

Scope, The term “multi-owner building”.

Article 1

This Act contains rules on the rights and obligations of the owners of multi-owner buildings.

For the purpose of this Act, “multi-owner buildings” are all buildings which are divided into private property units owned by more than one party and common parts which may be the property of all parties or of some of the parties.

Thus, the Act covers, i.a.:

1. Multi-dwelling residential buildings consisting solely of flats.
2. Building consisting of both flats and premises for other purposes.
3. Buildings used solely for purposes other than as residential accommodation, e.g. for business activities.
4. Terraced houses and other joined or connected buildings, either exclusively for residential purposes or to some extent or entirely for other purposes, as appropriate.

The provisions of this Act may be applied, as appropriate, to other buildings which are owned or used by more than one party.

This Act shall apply to legal relations between the owners of completed multi-owner buildings, including their lots. The provisions of the Act may also be applied to multi-owner buildings during construction, including their lots, as appropriate.

Binding rules. Authorization for derogations.

Article 2

The provisions of this Act shall be binding unless otherwise stated in them or other conclusions are entailed in the circumstances. Thus, owners shall generally be prohibited to arrange their affairs, rights and obligations in ways other than those prescribed in this Act.

If, however, a multi-owner building is exclusively the venue of business activities, then the owners may derogate from the prescriptions of this Act by mutual agreement. In such cases, the provisions of this Act shall apply to all matters on which no other unambiguous terms have been agreed. Furthermore, the provisions of this Act shall be valid as a complement to such agreed terms. If no agreement is extant regarding other arrangements, or if no full consensus concerning alternative terms can be reached among the owners, the provisions of this Act shall apply in full to such premises.

The term “building”.

Article 3

For the purpose of this Act, the term “building” means a structure which is permanently joined to the ground and stands independently and separate from other buildings, or distinguishes itself from

them, even though they are joined to or connected with it, in such a way as to make it natural and convenient to treat it under this Act as an independent building.

Although joined or connected buildings may be considered as two or more independent buildings under paragraph 1, the provisions of this Act shall still apply as appropriate concerning those items and concerns which are common to them, such as the lot of it is jointly owned to some extent or entirely, and to the appearance and overall aspect, where these are of concern. The same shall apply, if appropriate, to matters of joint interest between independent unconnected multi-owner buildings and/or buildings of other types.

The term “private property unit”.

Article 4

For the purpose of this Act, “private property unit” means a demarcated part of a building or lot as described in the registered declaration of division of ownership or agreement on division of property and/or other registered documents pertaining to the building, together with everything pertaining specifically to that part, whether this consists of space inside the building itself, a garage on its lot or on the joint lot belonging to several buildings, a part of a lot, equipment or other items according to the same documents, the provisions of this Act or the circumstances.

Further definitions of private property units.

Article 5

Under Article 4, the following shall be considered private property units in multi-owner buildings:

1. All demarcated areas in the building which are private property units according to registered documents, and everything contained within their walls.
2. All the inner surface of the surrounding walls, floors and ceilings, including insulation material.
3. All dividing walls which are not also supporting walls.
4. All devices, equipment and similar items inside the private property unit, even though they are connected to a joint system or conduits.
5. That part of the window frames which is inside the private property unit, and also the glass in windows and doors.
6. Doors which divide private property units from the common parts, and also balcony doors; the residents’ association shall have the power to determine their construction and design.
7. Conduits and equipment of any description whatever, irrespective of where they are situated, which serve the needs of the relevant private property unit exclusively.
8. The inner surface of balcony walls and the floor surfaces of balconies; however, the residents’ association shall have the power of decision regarding all modifications, fittings and other items on balconies which have an effect on the appearance and overall aspect of the building.
9. Part of the lot, e.g. a car park, which is private property according to registered documents or according to the circumstances, e.g. a private parking place in front of a garage.
10. Other parts of the building or lot, a garage on the lot of a building or fittings and conduits which are stated in registered documents to be private property or which may be considered as such according to the circumstances, e.g. if the party concerned has paid for them, *cf.* Article 9.

The term “common parts”.

Article 6

For the purposes of this Act, “common parts” are all those parts of a building, both inside and outside, and of the lot, which are not unequivocally privately owned under Article 4, and also all systems, equipment, circuits and devices which primarily serve the requirements of the entire entity or of a part of it in such a way that it is fair and natural that all the owners, or, as appropriate, a specific group of them, should bear the expense and risks associated with them.

Even though a multi-owner building consists of units or parts (staircases) which are to some extent independent or discrete, and whether it stands on a single lot or on more than one lot, all the outer surface of the building in every part, the roof, outer walls and gables, shall be the joint property of all the owners of the building.

Common parts shall be the joint property of all owners except in cases involving common parts belonging to some owners under Article 7.

Common parts belonging to some owners.

Article 7

Common parts shall belong to some of the owners when:

1. It is stated in, or may be concluded from, registered documents that this is the case.
2. When the location or use made of the common parts, or the scope for such use, in such that it is fair and natural that they should belong only to those who have access to them and a chance of using them. This shall apply, i.a., when a wall divides a building in such a way that only some parts of the private property units pertain to the same passage, staircase, balcony, stairs or other common space, conduits, equipment, etc.

Thus, under item 2 of paragraph 1, space and other items in individual staircases in instances where a multi-owner building consists of more than one staircase shall be the joint property of the owners on those staircases, and shall be no concern of other owners of the building.

Further definitions of common parts.

Article 8

Under Article 6, the following, i.a., constitute common parts in a multi-owner building:

1. All the outer surface of the building, the outer walls, roof, gables, outer doors (excluding, however, balcony doors) and outdoor steps and staircases.
2. All the bearing structure of the building, the foundations, the foundation block, plinths, load-bearing walls and roof-bearing structure.
3. All outer window frames, both in the private property units and in the common parts.
4. The outer surface of the balconies, and their supporting and bearing structures, including balcony rails.
5. The entire lot of the building, and structures, equipment and devices on it, including car parks, unless registered documents state that they are private property or that conclusion follows from the nature of the circumstances.
6. All space in the building, of any description whatever, which is not considered private property, e.g. corridors, stairs, storerooms, boiler rooms, laundries, drying rooms, cold rooms, leisure activity rooms, storerooms for prams and bicycles, attics, lofts, etc., irrespective of their location, their utilization potential and the use requirements of individual owners in the short and long term.
7. All conduits, e.g. for hot water, cold water, sewage, electricity, telephones, door telephones, television and radio aerials, which serve joint requirements and the requirements of the entity, irrespective of their location in the building. In general, it shall be assumed that conduits in a multi-owner building are the joint property of all the owners.
8. All equipment, systems and the like, irrespective of their location, both inside and outside the building, such as lifts, electrical systems, heating systems, water systems, telephone systems, door-telephone systems, television and radio aerials, playground and leisure equipment, etc., which serve the requirements of the entity, excluding, however, devices and equipment which are connected to the systems within each private property unit.
9. The right to build on top of, or adjacent to, the building, or on its lot.

Private property or joint property.

Article 9

In resolving the question of whether something constitutes private property or the joint property of all or some of the owners, attention shall be given to the provisions of Articles 4–8 and also to how the construction of the building was undertaken and how the construction cost was divided, if clear evidence on these points is available.

If the construction operation was undertaken jointly, and the costs were borne jointly, then the property shall be joint except where other significant reasons pertain against this interpretation.

If the owner alone paid the cost of specific equipment, a specific operation or part of the construction, then, in the same way, it is likely that it will be his private property.

CHAPTER II

Division of buildings. Principal rules governing ownership, and their limitations.

Division of multi-owner buildings. Characteristics of the form of ownership.

Article 10

Property in multi-owner buildings may be of three types:

1. Private property, *cf.* Articles 4 and 5.
2. Common parts of all the owners. *cf.* paragraph 1 of Article 6 and Article 8.
3. Common parts of some of the owners, *cf.* Articles 7 and 8.

All private property units shall be accompanied by a share in the common parts under items 2 and 3 of paragraph 1 according to a certain ratio, *cf.* Article 14. If the ratios have not been determined, all private property units shall enjoy the same rights and bear the same obligations.

Private property units shall be accompanied by the right and obligation, according to their ownership ratios, to participate in the association of all the owners dealing with the building, i.e. a residents' association in which all joint matters shall be discussed and decided.

The rights and obligations referred to in paragraphs 2 and 3 are indissolubly connected to the private property units and may not be separated from them.

Each ownership unit is a separate property unit.

Article 11

Each ownership unit, together with its special appurtenances and its ownership share in the common parts, shall be considered a separate property unit, providing the legal requirements regarding the registration and assessment of real property are fulfilled.

Principal rights.

Article 12

The principal rights of the owners are as follows:

1. The right to dispose, by contract, of the composite right, *cf.* Article 10, to the extent that restrictions to this right are not prescribed in law or by the rights of other parties, e.g. the residents' association.
2. The sole right to the control and utilization of the private property, with the restrictions prescribed by this Act, the legal principles governing the legal relations of neighbours or the nature of the circumstances.
3. The right to utilize and use the common parts, providing that the right of other owners to do the same is respected.
4. The right of membership of the residents' association and to take part in making decisions regarding the common parts and matters of common interest.

Principal obligations.

Article 13

The principal obligations of the owners are as follows:

1. The obligation to be a member of the residents' association and to comply with and respect its lawfully-made decisions.
2. The obligation to pay a share of joint expenses.
3. The obligation to show natural and fair consideration towards other owners in the utilization of private property units.
4. The obligation to respect the rights and interests of other owners in the utilization of the common parts.

Ownership ratios.

Article 14

Ownership shares in the common parts shall be calculated on the basis of ownership ratios.

The calculation shall be based primarily on the area and volume of buildings; nevertheless, ownership ratios may be determined on another reasonable basis, e.g. the relative values of private property units in the case of multiple-owner buildings which contain, to some extent or entirely, premises other than residential premises.

Each property unit may have more than one ownership ratio, if appropriate, according to the common parts involved, *cf.* items 2 and 3 of paragraph 1 of Article 10.

Rules on the calculation of ownership ratios shall be set in a regulation¹⁾ issued by [the Minister]²⁾.
¹⁾ Regulation No. 910/2000, *cf.* No. 1110/2007. ²⁾ Act No. 126/2011, Article 186.

Significance of ownership ratios.

Article 15

Ownership ratios are of significance in, i.a., the following instances:

1. As a general principle, joint expenses shall be divided according to ownership ratios.
2. Revenues from common parts shall be divided according to ownership ratios.
3. In voting at meetings of the residents' association, and on other occasions when joint decisions are taken, the weighting of votes shall reflect ownership ratios, either exclusively or in addition to other weightings.
4. An ownership ratio indicates the ownership share in the common parts. If common parts are divided, or if part of them is sold, then they, or the sale price, shall be divided according to the ownership ratios.
5. All other things being equal, the party owning the greater share in a multi-owner building shall have priority regarding the right to build on top of the building or adjacent to it, or on its lot.

Declaration of division of ownership.

Article 16

Declarations of division of ownership shall be made for all multi-owner buildings in cases where no satisfactory, clear and registered agreement on property division exists.

[A declaration of division of ownership shall be signed by all the owners if it involves the transfer of rights of ownership, special encumbrances, the waiver of rights or more extensive limitations of authority over property than are prescribed by this Act, *cf.* the provisions of section A of paragraph 1 of Article 41. If a declaration of division of ownership contains only a summary, registration and description of the building and its division in conformity with registered documents, and a calculation of the ownership ratios in conformity with the current rules pertaining thereto, it shall be sufficient if it is signed by the committee of the residents' association where there are six or more ownership shares, or by a majority of the owners, based either on the number of owners or on ownership ratios. The right and authority of the owners to call such a declaration of division of ownership in doubt are covered by the provisions of Article 18.]¹⁾

In case of new buildings, the local authorities shall make the issue of a declaration of division of ownership a precondition for the signing of a lot agreement. The declaration of division of ownership shall be registered not later than when the building is weather-proof.

It shall be a precondition for the registration of the transfer of ownership of a multi-owner building or part thereof that the declaration of division of ownership be in existence and that the transfer of ownership be in conformity with the declaration.

If modifications are made to a multi-owner building, or if internal transfers of ownership take place which change or upset the declaration of division of ownership and the ownership ratios, the owners shall, without unreasonable delay, make a new declaration of division of ownership and have it registered.

[In the case of multi-owner buildings containing state-assisted flats covered by the provisions of Chapters V and VI of the State Housing Authority Act, No. 97/1993,²⁾ with subsequent amendments, the relevant housing committees shall have declarations of the division of ownership of the building prepared and registered without cost to the owners.

If an owner considers his rights are violated by a declaration of division of ownership under paragraph 8, he may avail himself of the authorizations and remedies provided for in Article 18. If that test of the case reveals that his criticisms are based on reasons and are just, so that it is necessary to make changes to the declaration of division of ownership, the housing committee shall bear the resulting costs. Furthermore, the committee shall pay the owner concerned any expenses which he has demonstrably incurred in this connection.]¹⁾

¹⁾ Act No. 136/1995, Article 1. ²⁾ Now Act No. 44/1998.

[Preparation of declarations of division of ownership.

Article 16 a

After 1st June 1996, only those who have received special licences from [the Minister]¹⁾ may undertake to prepare declarations of division of ownership.

Licences shall be issued for terms of five years, and the person concerned shall pay to the Treasury a fee for a licence certificate in accordance with the Treasury (Additional Revenue) Act. Advertisements about the granting and revocation of licences shall be published in the Official Gazette.

The conditions for the granting of a licence shall be as follows:

1. Legal competence the capacity to dispose of one's own assets.
2. That the person concerned demonstrate that he has a competent knowledge of the legislation covering multi-owner buildings, the construction legislation, the Real Estate Registration and Assessment Act, the Registration Act and other relevant legislation, and the knowledge required to apply the valid rules and procedures regarding calculation, all of which shall be in conformity with further specifications which will be set out in a regulation.

When preparing a declaration of division of ownership, a licensee shall at all times exercise great care and ensure that it contains all the necessary information and is correctly made with regard to the evidence on which it is based and the instructions of the valid laws and regulations.

For preparing a declaration of division of ownership, the licensee shall be entitled to a reasonable fee from the party requesting the work. The amount of the fee shall be based on the extent of the work, the time it takes and how demanding it is. In all cases where it is possible, the fee shall be agreed in advance. The parties may refer disputes concerning fees to [the Housing]²⁾ Complaints Committee, which, before stating its opinion, shall seek the comments of the relevant municipal construction inspector.

If a licensee is guilty of negligence and carelessness in the preparation and making of declarations of division of ownership, or if he violates the provisions of laws or regulations applying thereto, or loses any of the qualifications for holding a licence, [the Minister]¹⁾ may revoke his licence.

[The Minister]¹⁾ shall issue regulations³⁾ containing further provisions on the conditions for granting licences, concerning, e.g., study materials, courses, rights, the obligations and duties of licensees and other relevant matters. In this connection, the minister shall consult other authorities concerned.]⁴⁾

¹⁾ Act No. 162/2010, Article 13. ²⁾ Act No. 66/2010, Article 11. ³⁾ Regulations No. 233/1996. ⁴⁾ Act No. 136/1995, Article 2.

Contents of the declaration of division of ownership.

Article 17

The following shall be stated clearly in the declaration of division of ownership:

1. The multi-owner building involved. This shall be stated using the street name, house number and local government area.
2. A general description of the building, including its size, type and nature.
3. A description of each private property unit, its position (both as to the storey and within the storey), its size in square metres and the number of rooms where appropriate, the nature of the unit and what pertains to it in particular.
4. The ownership ratio(s) of each private property unit, the basis on which the ratios are calculated, and by whom they have been calculated.
5. Whether a right to a garage or a special right to a particular parking place pertains to the private property unit, in which case this shall defined in an unambiguous manner.
6. Whether a special right to build on top of, or adjacent to, the building, or on its lot, pertains to the private property.
7. A clear description of all the common parts and joint equipment of the building, both inside and outside it, including the lot.
8. If a specific space, or equipment, is jointly owned by some, but not all, of the owners, this shall be stated clearly.

In addition to the above, clear mention shall at all times be made of all special definitions, codes and markings which a property unit or part of a property unit has in the property register according to the rules of [the Registers Iceland.]¹⁾

When it is registered, a declaration of division of ownership shall be accompanied by a drawing of the multiple-owner building and a site plan showing, as far as possible, the items specified in paragraph 1. Drawings and plans shall be in A4 format, with dimensions in square metres and cubic metres.

The declaration of division of ownership, together with drawings and other documents, shall be delivered to the building officer for confirmation, and he shall be obliged to send a copy of it to [the Registers Iceland.]¹⁾ The municipal construction inspector shall seek the opinion of the office if there is doubt as to code numbers...²⁾

Further rules on the basis, preparation, content, form and presentation of declarations of division of ownership, drawings and plans and calculation of dimensions under this Article shall be set out in regulations³⁾ issued by [the Minister.]⁴⁾

¹⁾ Act No. 77/2010, Article 5. ²⁾ Act No. 136/1995, Article 3. ³⁾ Regulation No. 910/2000, cf. No. 1110/2007. ⁴⁾ Act No. 162/2010, Article 13.

Amendments to declaration of division of ownership and ownership ratios.

Article 18

[All owners shall have the opportunity to be consulted on amendments to a registered declaration of division of ownership and ownership ratios. The consent of all owners with an interest at stake shall be required if the amendments entail a transfer of ownership or encumbrances on property units as covered by paragraph 2 of Article 16. All the owners shall take part in such amendments and sign the necessary documents. If the amendments involve only corrections in accordance with registered documents concerning the building and individual property units and the determination of ownership ratios in accordance with valid rules, it shall be sufficient, in buildings where there are six or more property units, if the committee of the residents' association has such amendments made and signs the documents necessary for this purpose. Before this is done, the committee shall give all the owners an opportunity to express their views and make comments. If there are fewer than six property units, it shall be sufficient if a majority of the owners, cf. paragraph 2 of Article 16, sign the necessary documents.]¹⁾

All owners shall have the right to demand that the ownership ratios indicate and reflect the true division of the building and thus constitute a true and natural basis for the division of rights and obligations.

Any owner who considers that the ownership ratio figures are wrong or that the ownership ratios in the building are unnatural or unfair may demand that they be amended and corrected.

If other owners are not willing to take part in the necessary amendments, the party concerned may have assessors appointed by a court in order to recalculate or redetermine the ownership ratios in the building. It shall be sufficient to appoint one assessor for a first-instance assessment and two for a superior assessment.

If, after an assessment has been obtained under paragraph 4, no agreement is reached, the owner who wishes to make an amendment on the basis of the assessment may bring a legal action against the other owners for the invalidation of the current ownership ratios and the recognition of the new ones. If judgement is delivered in his favour, he may have the judgement registered, and it shall then replace the declaration of division of ownership.

The provisions of this Article may also be applied, as appropriate, when no registered declaration of division of ownership exists and the necessary unanimity between the owners on the preparation of a declaration of division of ownership can not be reached.

¹⁾ Act No. 136/1995, Article 4.

The right to dispose of common parts.

Article 19

Common parts in a multi-owner building may not be disposed of by the residents' association by contract unless all the owners agree to it. The same shall apply to substantial modifications to the common parts of their utilization.

It shall, however, be permitted to let an insignificant part of the common parts if all the owners are given the opportunity to take part in the decision to this effect at a lawful meeting of the residents and at least 2/3 of the owners, based on both their number and their ownership shares, agree.

Disposal of property units.

Article 20

The owner of a property unit in a multi-owner building may only dispose by contract of his rights and obligations as a whole, i.e. his private property unit, his share of the common parts and his rights and obligation to take part in the residents' association. These rights and obligations may not be separated, cf. paragraph 4 of Article 10.

In other respects, owners shall have the same authority to dispose of their property as a whole, to sell, let, mortgage or encumber it and to dispose of it by a *donatio mortis causa*, as owners of real property generally have according to law.

No special restrictions apply concerning the letting of parts of a private property unit, e.g. of individual rooms, and the rights of owners in this respect shall conform with general rules.

Restrictions on owners' rights to dispose of their property may, however, be entailed by the State-Assisted Housing Act, other special statutes and encumbrances in the registered documents concerning the property or the building. Such restrictions may not be incorporated in a valid manner in the constitution of the residents' association without the agreement of all the owners or, if they are not of a general nature, of the owners of the property to which they apply.

Division and disposal of part of a private property unit.

Article 21

Owners may not dispose of (sell or mortgage) specific parts of their private property units unless those parts are accompanied by a share of the common parts and the right and obligation to take part in the residents' association.

Disposal of this type of individual demarcated parts of private property units to external parties, whether this involves space in a building, a part of a lot or something else, shall be subject to the approval of all the owners, and shall not be registered unless a new declaration of division of property concerning the building has previously been registered and the disposal or transfer of ownership is in accordance with the declaration.

The permanent division of a private property unit into independent utility units, without any sale being envisaged, shall also be subject to approval of all the owners, and shall depend on a new declaration of division of ownership having been made and registered.

Garages and their disposal.

Article 22

Garages, whether they are built into the building, are adjacent to it or stand separately on its lot, shall at all times accompany specific private property units in the building; the separate sale of garages, or the assignment of garage rights to parties other than the owners of the building, shall not be permitted.

If an owner intends to let his garage, the other owners shall have first option on renting it. If more than one wishes to avail himself of this priority right, the owner shall decide to which of them he lets the garage.

When an owner sells his private property unit, he may not omit a garage or garage rights from the sale unless he owns another property unit in the same place. The same shall apply to other private property units.

If garages or car-ports are on a lot which is common to more than one building, then they may be disposed of between the buildings concerned, the provisions of paragraph 1 notwithstanding.

[Garages owned by external parties.

Article 22 a

If a garage is owned by an external party and he wishes to dispose of it into the ownership of another party, e.g. to sell it, he shall give the owners concerned and the residents' association an option in writing to purchase the garage.

They shall respond in writing to this offer of sale within 14 days unless substantial reasons argue for and justify a longer period. If no reply is received within this period, the offer of sale shall be considered as having been declined. If more than one party wishes to purchase, the owner of the garage shall decide to which of them he sells it.

If no agreement is reached on the purchase price, the parties may approach the relevant district court and have a court-appointed assessor assess the price of the garage. One assessor shall be sufficient to for a first-instance assessment and two for a superior assessment.

Similarly, the parties may agree to refer their dispute on the purchase price to [the Housing]¹⁾ Complaints Committee and to abide by its ruling.

If neither individual owners nor the residents' association are interested in purchasing a garage belonging to an external party which is offered for sale in the manner described above, the owner may dispose of the garage to other parties, notwithstanding the restrictions prescribed in Article 22.

Before a purchase agreement is made, he shall present evidence that neither the owners nor the residents' association wish to purchase, and that he is therefore permitted to make the disposal. Any purchase agreement made in violation of this provision shall be invalid.

Documents on the transfer of ownership of the garages referred to may not be registered unless it is beyond doubt that the above conditions have been met.]²⁾

¹⁾ Act No. 66/2010, Article 11. ²⁾ Act No. 136/1995, Article 5.

Transfer of ownership within a building.

Article 23

The transfer of ownership of parts of private ownership units within a building to other owners shall be subject to the approval of a simple majority of the owners, based both on numbers and ownership ratios; the declaration of division of ownership shall then be amended and the amendment registered. Otherwise, the transfer of ownership may not be registered.

[Amendments to declarations of division of ownership in connection with the transfer of ownership within the building shall be subject to the provisions of paragraph 1 of Article 18.]¹⁾

¹⁾ Act No. 136/1995, Article 6.

Registration of the declaration of division of ownership as the precondition for rights in the common parts.

Article 24

If transfers of ownership and amendments have taken place in accordance with Articles 21–23 in such a way that the number of private property units has increased, but without a new declaration of division of ownership or the necessary amendments having been made and registered, no independent rights to the common parts shall pertain to the new private property units.

Obligation to give information in connection with sale.

Article 25

When a property unit covered by this Act is sold, the seller shall, before the purchase agreement is signed, show the purchaser the declaration of division of ownership, agreement on the division of ownership, special agreements of the residents' association, where these exist, the accounts of the residents' association and the standing of the property unit vis-à-vis the residents' association and its contributions to its funds.

Furthermore, the seller shall give satisfactory and exhaustive information regarding current or planned development work, repairs or renovations.

The seller shall at all times, if this is possible, obtain and present a certificate or declaration from the residents' association concerning the above matters which concern the association.

In the case of a building under construction, the seller shall be obliged to state clearly the stage of construction, and also the currently due costs of construction and an estimate of the final construction costs.

If a licensed estate agent handles the sale of a property unit in a multi-owner building, he shall ensure that the documents and information listed in paragraphs 1–4 are to hand and that they are shown and thoroughly explained to the purchaser before the purchase agreement is made and signed.

*Control over, and utilization of, private property units. Maintenance.
Remedies available to the residents' association.*

Article 26

The owner shall have the sole right to the utilization and control of his private property unit, subject only to the restrictions which are prescribed in this Act or other statutes or follow from unwritten rules governing the legal relations of neighbours or the nature of the circumstances, or are based on the lawful decisions or Rules of the residents' association.

Owners shall be obliged to maintain all their private property units in good condition and to use and utilize them in such a way that the other owners or parties using the building are not subjected to unnecessary and abnormal disturbance, i.e. more annoyance, disturbance and inconvenience than is unavoidable and is considered normal in comparable buildings.

If necessity so demands, the residents' association or persons acting on its behalf shall have the right of access to a private property unit to inspect its condition and the way it is being treated, with suitable notice and showing full consideration to the party concerned.

If an owner does not attend to the normal and necessary maintenance and care of his private property unit with the result that the common parts of the building, or individual private property units, suffer as a result of this neglect and become subject to damage, or if the lack of maintenance causes substantial annoyance or reduction in the value of other property units, the other owners (the residents' association) may, after at least one written request and warning, have maintenance and repairs, and other measures, carried out at his expense. The owner shall be obliged to grant unimpeded access to his private property unit for this purpose. If the residents' association has to make outlays to cover costs in this connection, it shall have recourse in the form of a statutory lien on the property unit, *cf.* Article 48.

If a malfunction occurs in conduits passing through or into a private property unit, the owner of the unit shall be obliged to give access to his property unit and permit the necessary repairs. This shall apply to both common conduits and other owners' private conduits. The owner shall be informed of the repairs with suitable notice, and they shall be carried out with suitable speed and completed as soon as possible. The entire private property unit shall be restored to the condition it was in before the repairs at no cost to the owner. If the repairs result in substantial inconvenience or loss of use, the owner shall be entitled to appropriate compensation.

Changes in the utilization of private property units.

Article 27

Changes in the utilization of private property units as compared with that which has been the case or was originally allowed for, and which result in substantially more disturbance, interference or inconvenience for the other owners or users than previously, and than is normally the case in comparable buildings, shall be subject to the consent of all the owners of the building.

Notwithstanding the provisions of paragraph 1, an owner may not oppose such a change if it is demonstrated that it will not result in any interference with his lawful interests.

In the case of a change in utilization which is not substantial, it shall be sufficient to obtain the consent of a simple majority, based on numbers and ownership ratios.

If a change in the utilization of a private property unit involves substantial inconvenience or disturbance for some of the owners (one or more), but not for others, those who are able to demonstrate that this is the case shall have an independent right to demand that the change does not take place.

Building rights.

Article 28

An owner's special right to build on top of, or adjacent to, the building, or on its lot, must be based on registered documents. Failing this, such building rights shall be owned jointly by all the owners of the building.

Unless otherwise prescribed in registered documents, building of the type referred to in paragraph 1 shall be subject to the approval of all owners unless it has been allowed for from the outset in an approved drawing.

Building according to approved drawings.

Article 29

If building is in conformity with approved drawings, and if the building rights are owned by a specific owner, *cf.* sentence 1 of paragraph 1 of Article 28, he may proceed with the work after receiving the necessary building permission providing he shows due consideration towards the other owners in carrying out the work and makes every effort to minimize the disturbance and inconvenience involved.

If building is in conformity with approved drawings, and if the building rights are owned jointly, work may be begun if at least 2/3 of the owners, in terms both of numbers and ownership ratios, give their consent.

Other building and modifications.

Article 30

In the case of building, modifications or development work which was not originally allowed for or shown on an approved drawing, work may not commence unless all the owners give their consent if it involves substantial modifications to the common parts, including the appearance of the building.

In the case of work which involves modifications to the common parts, outside or inside the building, which nevertheless can not be considered substantial, the consent of 2/3 of the owners, based both on numbers and ownership ratios, shall be sufficient.

In all cases, however, the consent of a simple majority based on ownership ratios shall be sufficient for minor modifications and renovations.

Changes in the utilization of the common parts.

Article 31

The rules of Article 30 shall be applied, as appropriate, to changes in the utilization of common parts of parts thereof, even though they do not involve having work carried out, *cf.* also Article 19.

Priority building rights. The right to compensation.

Article 32

All other things being equal, the owner of the larger part of the building shall have a priority right to build on top of, or adjacent to, the building, or on its lot, unless registered documents prescribe otherwise. If two or more owners own equally large parts which are the largest parts, then priority shall be established by the drawing of lots.

If an owner intends to exercise his priority right under paragraph 1, he shall, before work is begun, offer financial compensation to other owners who own the building rights with him; if no agreement can be reached, this shall be in accordance with an assessment made by court-appointed assessors.

If work is begun without compensation being offered, the other owners may demand that it be stopped.

Car parks.

Article 33

Car parks on the lots of multi-owner buildings shall be common and undivided unless it is stated in registered documents that specific parking places pertain to specific private property units.

Undivided car parks may not be divided unless all the owners consent to this, in which case the necessary amendments to the declaration of division of ownership shall be made and registered.

[Dogs and cats. Consent of all owners.

Article 33 a

The keeping of dogs and cats in multi-owner buildings shall be subject to the consent of 2/3 of the owners who share a common entrance or staircase.

Where this is the case, the residents' association or section of a residents' association may, with the consent of 2/3 of the owners, grant either general permission for the keeping of dogs and/or cats, or permission for individual owners for specific animals. The residents' association may make such permission subject to conditions.

Owners shall obtain the consent of other owners and receive permits for their animals according to the rules of the local authority in question, where applicable, before bringing the animal into the building. Owners shall provide the residents' association with a photocopy of the permit.

The principle of equality shall be observed in the granting of permits under paragraph 1 of this Article, and discrimination between owners, who have equal rights in this matter, shall not be allowed.

Consent shall be non-revokeable where no change takes place in the premises on which it was based, but in order for it to apply in good faith vis-à-vis later owners, it shall be necessary to register it.

If consent has been granted for the keeping of dogs and cats in a multi-owner building in accordance with this Article, but an owner, or someone in his family, has an allergy to dogs or cats of so serious a nature as to render it unbearable for him/her to live in proximity to a guide dog or assistance dog, this being attested by medical evidence, the Housing Complaints Committee shall seek solutions after obtaining the opinion of allergy specialists and specialists in other fields, where appropriate.

Visits by dogs or cats for short periods shall be permitted if no one objects to them, but they shall not be allowed to stay overnight unless permission has been obtained in accordance with paragraph 1 or 2 of this Article.

These restrictions shall not apply in the case of an assistance dog, *cf.* Article 33 *d.*]¹⁾
¹⁾ *Act No. 40/2011, Article 1.*

[Consent not necessary.

Article 33 b

When there is neither a common entrance nor a common staircase, *cf.* Article 33 *a*, the consent of other owners for the keeping of dogs and cats in the building shall not be necessary. This applies, for example, where the separate entrance for a flat is on the ground floor, or from common outdoor steps. This shall apply even where the ground plot is commonly owned and other common parts exist in the building. Where a common staircase is outdoors, and the entrances to flats are from a balcony, the consent of those owners whose access is via the staircase shall be required.

Before an animal is brought into the building, the owner shall inform the residents' association in writing of the fact that he or she keeps an animal and submit a photocopy of the licence from the relevant local authority, where appropriate.

The residents' association may impose restrictions on the keeping of dogs and cats in such a building, in its rules and decisions taken by a simple majority at residents' meetings, providing these are natural, relevant and based on considerations of equality.

In the same way, a residents' association may prohibit the keeping of animals if it causes other residents substantial annoyance, disturbance and disruption and the owner of the animal refuses to remedy the situation.]¹⁾

¹⁾ *Act No. 40/2011, Article 1.*

[Common rules.

Article 33 c

The keeping of animals that are subject to registration and licensing requirements in multi-owner buildings as allowed for under Articles 33 *a* and 33 *b* shall be prohibited unless a licence for the animal has been issued by the local authority, where this applies.

Dogs and cats may only be in the common parts of the building or on the commonly-owned ground plot when they are being taken to and from a privately-owned unit. They shall at all times be on a lead and under the care of a person who has complete control over them. The free and uncontrolled movement of dogs through the common parts or on the commonly-owned ground plot constitutes a serious violation, *cf.* paragraph 4 of this Article.

A condition for keeping cats and dogs in multi-owner buildings is that the animals are properly kept and well treated. In addition, it shall be ensured in every way that they do not cause other inhabitants of the building annoyance, disturbance or inconvenience.

If the owner of an animal fails substantially or repeatedly to meet his obligations and warnings have no effect, the residents' association may, by a decision according to item D of paragraph 1 of Article 41, revoke consent granted under Article 33 *a*, prohibit the keeping of the animal under Article

33 b and oblige him to remove the animal from the building. If all else fails, gross or repeated violations may result in the residents' association applying the remedies provided for in Article 55 against the owner of the animal.]¹⁾

¹⁾ Act No. 40/2011, Article 1.

[Guide dogs and assistance dogs.

Article 33 d

If an owner, or another permanent resident under his protection, is blind or disabled in another way with the result that he needs a specially-trained guide dog or assistance dog, he may keep such a dog irrespective of the guidelines and restrictions set forth in this Act.

Such a dog shall be specially trained and registered as a guide or assistance dog, and specialist certificates confirming the necessity of the dog and the training it has received shall have been issued. Evidence of this shall be submitted to the residents' association together with information and directions concerning such dogs, the training they have received and how they are to be treated.

The committee of the residents' association shall have a declaration registered stating that there is a guide or assistance dog in the building. The committee shall also mention this fact in declarations issued by the association in connection with the sale of flats.

If an owner, or someone in his family, has such a serious allergy to dogs as to render living in proximity to a guide or assistance dog unbearable, and this is confirmed by medical evidence, the Housing Complaints Committee shall strive to find a solution after receiving the opinions of medical allergy specialists, the trainers of guide or assistance dogs and specialists in other fields, if necessary.]¹⁾

¹⁾ Act No. 40/2011, Article 1.

CHAPTER III

Further provisions on rights and obligations.

Utilization of common parts.

Article 34

The owner of a private property unit shall, together with and in association with other owners, have the right to utilize those parts of the multi-owner building which are jointly owned, and also the common lot and equipment.

This right extends to the common parts as a whole, and is restricted only by the interests and equally strong rights of the other owners; these restrictions are to be found in this Act and in the constitution and rules of the residents' association based on this Act.

The right to utilize the common parts does not depend on ownership ratios, and all owners shall have an equal right to utilization even though their ownership ratios are unequal.

Restrictions to the right of utilization.

Article 35

Every owner and user shall be obliged to show fair and normal consideration towards other owners and users when utilizing the common parts and comply in all respects with the lawful rules and decisions of the residents' association concerning their use.

Owners and other users shall not be permitted to use common building space or lots for purposes other than those for which they are intended.

Owners and other users shall be obliged to treat common building space and lots, and also the common furnishings and equipment of the building, properly and cleanly, and in particular to ensure that their conduct does not cause inconvenience and disturbance to other people in the building.

Individual owners may not be given additional and special rights to utilize the common parts over and above those of other owners unless all the owners consent to this.

Owners' rights to dispose of the common parts.

Article 36

No owner may independently make any modifications to the common parts or take over a specific part thereof for his private use. An owner may not acquire special rights (rights of ownership or additional rights of use) to the common parts on the basis of custom and usage.

An individual owner may not, acting independently, take decisions or take measures concerning the common parts or matters of common interest unless the conditions of Articles 37 and 38 apply.

Measures to prevent damage.

Article 37

Owners may take urgent measures in order to prevent impending damage to the common parts or individual private property units without waiting for a joint decision by the residents' association or its committee, where appropriate. They shall, as far as possible, ensure that such measures are not more extensive and more expensive than the need demands, and the expense shall then be considered joint.

Owners may also take measures regarding the common parts which are prescribed by law and which may not be postponed, *cf.* paragraph 1.

Necessary maintenance. Failure to act by the residents' association.

Article 38

Owners may have necessary repairs made to the common parts at the expense of all the owners if the common parts, or private property units, are suffering damage due to neglect regarding maintenance and it has not proved possible, despite appeals and requests, to have the residents' association or other owners act together and take action in the matter.

Before work begins, the owner concerned shall always acquire proof of the necessity of the repairs, their extent and the expense involved, and other matters which may be of importance. Repairs shall then be carried out on that basis, insubstantial and unavoidable deviations being of no consequence.

Expenses in connection with the preparation of such repairs and their execution shall be treated as joint expenses under this Act.

General rules on decision-making.

Article 39

All owners concerned shall have an undiminished right to be involved in and take part in all decisions concerning the common parts, both inside and outside the building, and matters of common interest concerning the common parts directly and indirectly.

The right of decision under paragraph 1 shall apply, *i.a.*, to arrangements, organization, appearance, extensions, modifications, development work of all kinds, renovations, maintenance, operations, disposal by contract, the utilization of common parts and private property units and the setting of rules pertaining thereto.

In the case of common parts of some owners, but not all, *cf.* Article 7, it shall be sufficient that those concerned be involved in a decision, unless it concerns matters or development work which also affects the interests of the others, even though they bear no obligation regarding payment, *e.g.* matters concerning the appearance of the common parts.

Joint decisions shall be taken at joint meetings of the owners (a residents' meeting); however, the committee of the residents' association may take certain decisions on behalf of the owners which shall be binding on them, *cf.* Articles 69 and 70. Moreover, in certain instances, *cf.* Articles 37 and 38, individual owners shall have the right to take measures which are binding on the others even though they have not been discussed by a meeting.

Remedies available to an owner if he is not consulted on a decision.

Article 40

If an owner is not invited in the manner prescribed by this Act to a residents' meeting at which a decision is taken regarding matters of common interest, he shall not be bound by the decisions taken at that meeting, *cf.* however, paragraph 3.

If a decision is taken regarding a joint undertaking, he may demand that it be stopped and refuse to pay a share of the cost of the undertaking until a lawful decision is taken. The owner shall make his opposition known without unreasonable delay and as soon as there is an occasion to do so.

If the owner attends the meeting without being invited, or despite unsatisfactory notice, he may not invoke flaws in the notice of the meeting, and the decisions taken by the meeting shall then be binding on him.

The residents' association shall rectify or confirm a decision which is flawed in this respect at a second meeting, which shall be held as soon as possible. If this is done, the decision shall be binding on the owner concerned, and he shall be obliged to pay a share of the expenses.

Notwithstanding the provisions of paragraphs 1 and 2, in the case of other insubstantial flaws in the notice of a meeting, or in a meeting, the owner may not refuse to make a payment if a decision has been taken regarding an urgent undertaking, e.g. necessary maintenance, or if it is evident that his presence at the meeting, his statement of his point of view and his vote would not have made any difference to the conclusion and the decision, e.g. if the overwhelming majority of the owners were present at the meeting and voted in support of the decision.

Rules on decision-making.

Article 41

The following rules shall apply to the taking of decisions regarding matters of common interest in multi-owner buildings, *cf.* Article 39:

- A. The consent of all the owners shall be necessary for decisions regarding the following:
1. Amendments to a registered declaration of division of ownership and ownership ratios, *cf.* Article 18.
 2. The disposal of a substantial part of the common parts, *cf.* paragraph 1 of Article 19.
 3. The sale of private property units to external parties, *cf.* paragraph 2 of Article 21.
 4. The permanent division of a private property unit into more than one unit, *cf.* paragraph 3 of Article 21.
 5. Substantial changes in the utilization of a private property unit, *cf.* paragraph 1 of Article 27.
 6. Building, development work and renovations which result in substantial modifications to the common parts, *cf.* paragraph 2 of Article 38 and paragraph 1 of Article 30.
 7. Substantial changes in the utilization and use of the common parts, *cf.* Article 31.
 8. The division of car parks, *cf.* Article 33.
 9. Special additional rights of individual owners to use the common parts, *cf.* paragraph 4 of Article 35.
 10. Greater and more extensive limitations to the owners' rights of disposal and utilization of their private property units than are prescribed in this Act or follow from the nature of the circumstances, *cf.* paragraph 3 of Article 57.
 11. Highly unusual and expensive equipment and other items which are not normally found in comparable buildings.
 12. On measures and decisions which do not concern the common parts and matters of common interest, but concerning which the owners consider it desirable that they should be involved together and decide jointly.
 13. ...¹⁾
- B. The consent of 2/3 of the owners, based both on numbers and on ownership shares, shall be necessary for decisions regarding the following:
1. The sale or rental of insubstantial parts of the common parts, *cf.* paragraph 2 of Article 19.
 2. The building of an extension in conformity with an approved drawing, *cf.* paragraph 2 of Article 29.
 3. Building construction and renovations which do not substantially alter the common parts, *cf.* paragraph 2 of Article 30.
 4. Insubstantial changes to the utilization of the common parts, *cf.* paragraph 2 of Article 30 and Article 31.
 5. Embarking on repairs to the common parts due to negligence on the part of an owner, *cf.* paragraph 4 of Article 26.
 6. Prohibiting owners and users who have committed offences from residing in, or utilizing, private property units and having them move out and sell their property, *cf.* Article 55.
 7. The Adoption of special residents' associations' constitutions, *cf.* Article 75, except in the case of matters for which the consent of all owners is required.
 8. Derogations from the rules on the division of joint expenses, *cf.* Article 46.
 9. Renovations, alternations and innovations which are substantially greater in scope and substantially more expensive and extensive than ordinary and necessary maintenance.

- [10. Whether dogs and/or cats may be kept in the house, *cf.* Article 33 a.]¹⁾
- C. The consent of a simply majority of the owners at a residents' meeting, based both on numbers and ownership ratios, shall be necessary for decisions regarding the following:
1. The approval and setting of the residents' association rules, *cf.* Article 74.
 2. The transfer of property between owners of parts of private ownership units, *cf.* paragraph 1 of Article 23.
 3. An insubstantial change in the utilization of a private property unit, *cf.* paragraph 3 of Article 27.
 4. Work which is paid for in equal shares, and operational and administrative matters, *cf.* Section B of Article 45.
 5. The election of the committee of the residents' association and those who are to fill other positions on its behalf.
- D. The consent of a simple majority of the owners at a lawfully-called residents' meeting, based on ownership ratios, shall be sufficient for all decisions other than those listed in Sections A–C above.
- E. A minority of the owners, which shall nevertheless constitute a minimum of ¼, based either on numbers or ownership ratios, may demand:
1. That a fund be established for the building in order to meet joint costs, *cf.* Article 49.
 2. That the residents' association's auditor shall be a chartered accountant, *cf.* Article 73.
 3. That a residents' meeting be held on specific matters, *cf.* item 2 of paragraph 1 of Article 60.
- If a demands concerning any of the above matters are presented by the required number of owners, the residents' association, other owners and the committee of the residents' association shall be obliged to comply with them and act upon them.

¹⁾ Act No. 40/2011, Article 2.

Attendance requirement at meetings.

Article 42

A residents' meeting may take decisions in accordance with Sections C, D and E of Article 41 irrespective of the attendance, providing that the meeting has been lawfully called.

In the case of decisions covered by Section B of Article 41, at least half of the owners, based both on numbers and ownership ratios, must attend the meeting and the required majority of them must vote in support of the proposal.

If the attendance is insufficient in terms of paragraph 2, yet a proposal is nevertheless approved with 2/3 of the votes at the meeting, based both on numbers and ownership ratios, then a new meeting shall be held within 14 days and the proposal shall be submitted to it. That meeting may take a decision irrespective of the attendance of the meeting, and if the proposal receives the required (2/3) majority at the meeting, it shall be considered as passed.

Joint expenses.

Article 43

Joint expenses consists of:

1. All expenses, of any description whatsoever, which concern the common parts of the multi-owner building, both inside and outside, its common lot and joint equipment and conduits, which result from lawful decisions by the committee of the residents' association, a general meeting of the association and the measures which individual owners have the authority to take.
2. Public taxes which are levied on the building as a whole, and also charges in connection with water, heat and electricity.
3. Damages, both within a contractual relationship and out of contract, which the residents' association is made to pay, and damage to private property units or other parties' private property due to malfunctions or neglect of maintenance of the common parts or joint equipment, *cf.* Article 52.

In addition to the expense items named specifically in paragraph 1, joint expenses shall include the construction of extensions, alterations, renovations, replacements, maintenance, repairs, care, cleaning, operation, administration of the building, insurance premiums, etc.

Joint expenses of some, or of all the owners.

Article 44

Joint expenses under Article 43 shall be shared by all the owners, though in some exceptional cases they may be shared by some, but not all, of the owners, *cf.* Article 7.

Rules on the division of joint expenses.

Article 45

Joint expenses shall be shared between the owners concerned according to the following rules:

- A. All joint expenses, of any description whatsoever, which do not unequivocally fall under sections B and C below, shall be divided between the owners according to their ownership ratios in the relevant common parts.
- B. The following expenses shall be divided and paid in equal shares:
 - 1. Expenses in connection with the construction, maintenance and operation of common, undivided car parks, and similar expenses in connection with driveways.
 - 2. Maintenance and operation expenses in connection with common laundries, including the purchase price and maintenance costs of shared equipment.
 - 3. The maintenance and operating expenses in connection with lifts.
 - 4. The purchase price and maintenance of door telephones, television and radio systems, aerials, post-boxes, name plates and other items of which the owners make equal use and from which they derive similar benefit.
 - 5. All joint operating expenses, e.g. of electricity, heat and water in the common parts and the care of the joint building space and the lot.
 - 6. Expenses in connection with the administration of the building and the auditing of the accounts.
 - 7. Joint subscription fees and membership fees.
- C. Expenses, no matter of what type, shall, however, always be shared in accordance with the use made by the owners if it is possible to measure the use made by each and every one in an unequivocal manner.

Derogation from the rules on the division of expenses.

Article 46

If the utilization of a private property unit, or a change in the utilization, or the furnishings and equipment in it, results in special or additional joint expenses, a meeting of the residents' association may decide that the owner of the unit shall pay a proportionally higher share of the joint expenses than is specified in Article 45.

Derogations may also be made from the provisions of Article 45 in the case of buildings which consist to some extent or in their entirety of premises for purposes other than dwelling, e.g. mixed dwelling and business premises, or purely business premises.

Authorization to derogate shall be conditional on the rules of Article 45 on the division of expenses being inappropriate and unfair to one or more of the owners. In such cases, other rules and points of view may be taken as the basis for the division of joint expenses, e.g. taking greater account of differences in the use made by the individual owners and their benefit and degree of utilization.

Decisions under paragraphs 1 and 2 shall be taken at a residents' meeting, and the approval of 2/3 of the owners, based both on numbers and ownership ratios, shall be required for their adoption. If the new division of expenses is intended to have general validity and to apply permanently in the future, a declaration concerning it shall be registered.

If an owner demonstrates that a division of expenses according to the prescriptions of Article 45 is unnatural and unfair towards him, and the residents' association does not act on his demand for a rectification, *cf.* paragraphs 2–4, or if the decision of a meeting on this point results in an unacceptable conclusion, the owner may demand the invalidation of the division of expenses and the recognition of another which is fairer and more natural on the basis of the views referred to in paragraph 3.

Owners shall present their objections and demands under paragraph 5 to the residents' association as soon as the situation arises. The deadline for initiating legal proceedings shall be three months from the date that the residents' association takes a final decision on the matter. If an owner does not initiate

proceedings before the deadline expires, he shall be regarded as accepting the decision and shall be bound by it.

The deadline for initiating proceedings under paragraph 6 shall not apply if the proceedings are initiated by the residents' association against an owner to recover his share of the expenses referred to; in such a case the owner may present all his views and demands regarding the division of the expenses even though the deadline may have expired.

Obligation to pay joint expenses.

Article 47

The obligation to pay a private property unit's share of the joint expenses shall apply to the party who is the owner of the unit at any given time.

If property in a multi-owner building is sold, the seller shall inform the residents' association in a demonstrable manner of the change of ownership without unreasonable delay.

The party who is the registered owner at any given time shall be responsible towards the residents' association for the share in the joint expenses, and the residents' association shall have the right to direct its demands to him unless a change of ownership has been reported to the association and there is no doubt that a new owner has taken over the rights and obligations.

Statutory liens.

Article 48

If an owner does not pay his share of the joint expenses, including contributions to the joint residents' association's fund, then the residents' association or the other owners shall acquire a statutory lien on his share of the property as a security for the claim. The lien shall also cover interest and collection costs in connection with the claim, where these apply.

This statutory lien shall take priority over both older and subsequent contractual liens and liens made in enforcement of judgements, and also over other subsequent statutory liens.

The lien shall be established when payments are made by the residents' association or the other owners, or, in case of arrears, on the due dates of the contribution to the residents' association's fund.

The statutory lien shall expire if it is not followed up by a legal action or claimed at a sale in execution within one year of its establishment. Out-of-court recognition by the owner shall not be sufficient to revoke expiry.

The residents' association's fund and contribution to it.

Article 49

A residents' association's fund shall be established in order to bear the costs of joint expenses if a minimum of ¼ of the owners, based either on numbers or ownership ratios, so demand.

The annual general meeting of the residents' association shall determine the contribution to the fund for the coming year on the basis of an estimate of joint expenses (an estimate of operation costs and the costs of new projects) for the year. The residents' association's fund may be both an operation fund and a development fund, according to further rules set by a residents' meeting. Contribution to the residents' association's fund shall be paid each month on the 1st day of each month, unless a residents' meeting or the committee decides otherwise.

Contributions to the fund shall be determined and divided according to the rules of Article 45 on the division of joint expenses. The owners may not, however, invoke minor deviations from this, which shall be evened out when the accounts of the residents' association are balanced for the year as a whole.

Maintenance of private property units. Individual expenses.

Article 50

Owners shall be in charge of, and pay for, all maintenance and operation of their private property units, including the equipment, devices and conduits pertaining thereto, *cf.* Articles 4 and 5. All such expenses, of any description whatsoever, shall be considered individual expenses.

Article 26 specifies remedies available to the residents' association and the other owners in connection concerning failure by owners to carry out the necessary maintenance of their private property units.

Tortious liability of owners.

Article 51

The owner of a private property unit shall be liable towards other owners of the building and parties entitled to use it for a financial damage which occurs to their property and results from:

1. Failure to maintain the private property unit, its equipment and conduits.
2. Mistakes in its treatment and maintenance.
3. A malfunction in the equipment of the private property unit and its conduits, even though the owner can not be blamed for it.

Tortious liability under paragraph 1 shall also apply to consequential damage, such as the loss of use.

Tortious liability of the residents' association.

Article 52

The residents' association shall be liable towards individual owners and parties entitled to use in the same manner as is stated in paragraphs 1 and 2 of Article 51 when loss results from:

1. Failure to maintain the common parts, their equipment and conduits.
2. Mistakes in their treatment and maintenance.
3. A malfunction in the equipment of the common parts and common conduits, even though no party for whom the residents' association is responsible can be blamed for it.

Insurance.

Article 53

The owners and the residents' association shall at all times purchase and hold insurance policies according to the opportunities available in order to meet liabilities and risks under Articles 51 and 52.

If a residents' meeting so agrees by a simple majority of votes cast, based on ownership ratios, such insurance shall be purchased for the entire multi-owner building, i.e. for all private property units and the common parts.

External liability of owners.

Article 54

The external liability of the owners as regards joint obligations and undertakings towards those who hold claims against the resident' association shall be personal (extending to all their property), and they shall be jointly and severally liable (in solidum).

The owners' liability shall also be direct, but before bringing a claim against an individual owner, the holder of the claim shall first attempt to have it paid by the residents' association. If no payment is obtained, despite attempts at collection, within 30 days of the beginning of such attempts, the holder of the claim may seek satisfaction of the entire claim from one or more of the owners.

A judgement against the residents' association shall be enforceable against individual owners if they had an opportunity to defend their rights and express their views during the conduct of the legal action.

If an owner had discharged his joint financial undertaking, he shall acquire a right of recourse against the residents' association or the other owners in proportion to their shares in the relevant expense following the deduction of his share. This right of recourse shall include a statutory lien on the ownership shares of the others in the same manner as is described in Article 48.

Remedies available to the residents' association in the event of non-performance and violation by an owner.

Article 55

If an owner, or other inhabitant of the building or party entitled to use is guilty of gross or repeated violation of his obligations towards the residents' association or one or more of the owners, the residents' association may, by a decision under item 6 of Section B of Article 41, prohibit the residence and presence of the offender in the building, oblige him to move and demand that he sell his ownership share.

Before resorting to measures under paragraph 1, the residents' association shall, at least once, appeal to the offender to mend his ways and warn him of the consequences if he fails to comply with

this appeal. Whether further measures are lawful shall depend on such a warning, which shall be in writing and sent in a verifiable manner, having been given and sent, and not having produced results.

If the offender does not heed the warning under paragraph 2, the residents' association may prohibit his residence and presence in the building and order him to move out with notice which shall not normally be shorter than one month. The notice period may, however, be shorter if the nature of the offender's violations, or his reaction to the warning or other pressing circumstances, render it impossible to defer taking measures.

In the same way, the residents' association may demand that the offender sell his share of the property as soon as possible. He shall be given a reasonable period in which to do this, though generally not longer than three months.

If the offender does not comply with the demands of the residents' association under paragraphs 3 and 4, it may have them enforced through prosecution at law and, according to the circumstances, and injunction and/or eviction without a judgement having been delivered. On the basis of a judgement concerning the obligation of the offender to sell his property, the residents' association may demand that it be sold by compulsory auction under the Act No. 90/1991, *cf.* paragraph 3 of Article 8 of that Act.

If a violation or disturbance mainly or solely affects a single owner, or a few owners, and the residents' association is unwilling to apply the remedies prescribed in the above paragraphs of this Article, those (one or more) whose rights are violated may, without the involvement of the residents' association, take action against the offender and apply and enforce the remedies prescribed above.

CHAPTER IV

Residents' associations.

Residents' associations and membership thereof.

Article 56

Residents' associations exist in all multi-owner buildings under this Act, *cf.* paragraph 3 of Article 10, and it is not necessary to establish them specifically and formally.

All the owners, and only the owners, shall be members of the residents' association of the relevant multi-owner building, *cf.* Article 74. The right and obligation to participate in the residents' association shall be indissolubly linked to the right of ownership of the individual property units. No owner may refuse to take part in a residents' association or resign from it except by selling his property unit.

Role, purpose and area of competence.

Article 57

The role and purpose of residents' associations is principally to see to the preservation, maintenance, improvement and operation of the common parts so that they best serve the joint requirements of the owners, and to promote and follow up these aims through a constitution, rules and decisions so that the utilization of the building, both of the privately property units and the common parts, is at all times normal and that properties retain their value.

The area of competence of a residents' association shall be limited to the common parts and decisions which concern them and are necessary in connection with the common parts and the joint interests of the owners.

A residents' association may not take decisions against the will of an owner which involve greater and more extensive restrictions on his right to dispose of and control his private property unit than are prescribed in this Act or by the nature of the circumstances.

General meetings. Attendance.

Article 58

Supreme power in the affairs of the residents' association shall reside with its general meetings (residents' meetings).

All members, and their spouses and cohabitees, shall have the right to attend meetings. A spouse or cohabitee may exercise a member's right to vote at a meeting without a special instrument of proxy.

A member may authorize any legally competent person to attend a meeting and vote. At the meeting, the proxy shall present a written and dated instrument of proxy. Such instruments of proxy may be revoked at any time.

The meeting may authorize tenants in the building, and others who may have interests to defend, to attend meetings and to address them, but may not grant them the right to make proposals or to vote.

Members of the committee, the manager and the caretaker shall be obliged to attend meetings unless their attendance is evidently unnecessary or they have legitimate reasons for not attending.

The residents' association's auditor may attend meetings, address them and give explanations.

The annual general meeting. Announcement of the meeting.

Article 59

The annual general meeting of the residents' association shall be held before the end of April each year.

The committee shall send out written announcements of the annual general meeting in a verifiable manner with a minimum of 8 days' notice and a maximum of 20 days' notice. If a member does not reside in the building, he shall notify the residents' association of an address to which announcements of meetings are to be sent if he wishes to receive them.

The announcement of a meeting shall state the time, place and the order of proceedings of the meeting. It shall also mention the matters on the agenda and the main contents of the proposals which are to be submitted to the meeting.

If an owner wishes to have a matter discussed and put to the vote at an annual general meeting, he shall inform the committee of it with sufficient notice to enable it to be mentioned in the announcement of the meeting.

Other general meetings. Announcement of such meetings.

Article 60

Other general meetings shall be held:

1. When the committee deems necessary.
2. When this is demanded in writing by $\frac{1}{4}$ of the members, based either on numbers or on ownership ratios, and they also specify the matters they wish to have discussed, addressed and dealt with.
3. Meetings shall also be held in accordance with the decision of a previous meeting.

The committee shall call general meetings with a minimum of 4 days' notice and a maximum of 20 days' notice. If a member does not reside in the building, he shall notify the residents' association of an address to which announcements of meetings are to be sent if he wishes to receive them. Announcements of meetings shall be made in a reliable manner. The announcement of a meeting shall state the time and place of the meeting, the matters on the agenda and the main contents of proposals.

If the committee does not respond without unreasonable delay to a demand under item 2 of paragraph 1, the owners concerned may call the meeting themselves and hold it, and it shall then be considered lawful providing other conditions are met.

Duties of the annual general meeting.

Article 61

The following matters shall be addressed at the annual general meeting:

1. The committee's report and discussions of the report.
2. Submission of the annual accounts for approval, and discussion of the accounts.
3. Election of a chairman.
4. Election of other committee members.
5. Election of alternates.
6. Election of an auditor and his alternate.
7. Submission of the operational and new venture estimates for the following year.
8. A decision on contributions to the residents' association's fund.
9. Matters on the agenda in the announcement of the meeting.
10. Other matters.

The duties of other meetings.

Article 62

Residents' meetings other than the annual general meeting shall discuss the matters stated in the announcement of the meeting.

Any member may refer decisions by the committee which concern him to a residents' meeting.

All members shall have the right to have specific matters discussed at a residents' meeting, but not put to the vote unless they have been stated in the announcement of the meeting.

If all members are in attendance, the meeting may approve extraordinary procedures and discuss and vote on matters even though they were not mentioned in the announcement of the meeting. This shall also apply to annual general meetings.

Voting and the weighting of votes.

Article 63

Articles 39–42 of this Act contain provisions on the weighting of members' votes in decisions and on the power and authorization of the residents' association and its meetings when decisions are taken.

Direction of meetings. Minutes.

Article 64

Residents' meetings shall be directed by the chairman of the residents' association; if he is not present, the meeting itself shall elect a chairman of the meeting from among the members.

Under the supervision of the chairman of the meeting, and at his liability, the main points of all matters discussed and all decisions taken, and how the votes have been divided, where relevant, shall be entered in a special minutes book.

At the end of the meeting, the minutes shall be read aloud and corrected, and comments shall be recorded. The minutes shall then be signed by the chairman of the meeting and at least one other member nominated by the meeting.

Minutes shall at all times be accessible to the members, and they shall have the right to obtain certified transcripts or photocopies of them.

Disqualification from taking decisions.

Article 65

No person may, as a member or a member's proxy, take part in voting on agreements or matters if he has special personal or financial interests to defend in the matter.

The committee, elections, eligibility, etc.

Article 66

A residents' association shall have a committee which is elected at the annual general meeting.

The committee shall normally consist of at least three persons, one of whom shall be the chairman who shall be elected separately. If it is deemed to be necessary, an equal number of alternates shall be elected. They shall then be elected as 1st, 2nd and 3rd alternates, and shall take their seats on the committee in that order.

Members, their spouses or cohabitants and close relatives shall be eligible for election to the committee. Members of the committee shall be legally competent.

The term of election of the committee shall be one year, or from one annual general meeting to the next, and shall therefore end at the end of the annual general meeting in the year in which the term ends.

Members of the committee shall allocate tasks between themselves as they see fit.

No special committee needed in smaller buildings.

Article 67

In the case of multi-owner buildings containing six private property units or fewer, it shall not be necessary to elect and have a special committee, in which case all the owners shall jointly exercise the power and perform the tasks which would otherwise be the responsibility of a committee under this Act.

In such buildings, one owner may be entrusted, to some extent or entirely, with the tasks of the committee, in which case the provisions of this Act dealing with the committee may be applied, as appropriate, to him.

Committee meetings.

Article 68

The chairman shall call committee meetings when he considers necessary, and meetings shall also be held if any member of the committee so demands.

Meetings shall be called with suitable notice; three days' notice shall normally be considered sufficient.

When possible, members of the committee shall at all times be informed in advance of the matters to be discussed at meetings.

The chairman shall direct meetings; if he is unable to attend and no deputy chairman has been elected, the committee itself shall elect a chairman of the meeting from among its members.

The committee shall be quorate if a majority of the committee members are present at the meeting and it has been called in a satisfactory manner.

Issues shall be decided by a simple majority of the votes at committee meetings. If the voting is evenly divided, the chairman shall have a casting vote.

The committee shall record in a minutes book the main points of the proceedings and decisions at meetings. The minutes shall be signed by all members of the committee present.

Duties and tasks of the committee. Managing director. Disqualification.

Article 69

The committee shall be in charge of the joint affairs of the residents' association between the association's meetings and shall see to the maintenance and operation of the common parts and all matters of common interest in accordance with the provisions of this Act, other statutes and the resolutions and decisions taken by residents' meetings.

The committee shall keep clear accounts of the revenues and expenditure of the residents' association. It shall collect from the owners their share of the joint expenses and their contributions to the residents' association's fund. The committee shall also keep and invest the residents' association's financial assets in a secure and profitable manner.

The committee may engage a managing director or other employee to assist it with the day-to-day operations. If this is done, the committee shall give the employee directions, determine his salary and other terms of service and ensure that he fulfils the duties associated with his work.

In the same way, the committee may entrust specific tasks to an independent contractor, e.g. a residents' association service.

The chairman or managing director may not take part in the taking of decisions or the handling of matters in which he has special personal or financial interests to defend.

The committee and managing director shall be obliged to give the owners information and explanations concerning all matters relating to the affairs of the residents' association, its operation, maintenance of the common parts, its financial standing and monetary position. The owners shall have the right to examine the association's books, accounts and vouchers at suitable notice, though always in the presence of a committee member.

Duties and area of competence of the committee – further provisions.

Article 70

The committee of a residents' association shall have the right and duty to take decisions of all types concerning ordinary day-to-day operations of the common parts and the defence of interests in connection with them.

The committee may, on its own initiative, have minor maintenance and repairs carried out and take measures which are urgently needed and can not be postponed.

In the case of measures and work which are more extensive than those covered by paragraphs 1 and 2, the committee shall, before embarking on such measures, submit them to a residents' meeting for discussion and decision according to the provisions of this Act. This shall apply without exception to

projects which are substantial in terms of cost, extent and the inconvenience involved. This provision shall apply even to desirable or necessary measures.

Power of procuration. Capacity.

Article 71

In external dealings, the residents' association shall be bound by the signatures of the majority of the members of the committee, of which the chairman shall normally be one.

If the members of the committee enter into undertakings which exceed their authorization and area of competence as defined by this Act or the decision of a residents' meeting, they shall be responsible, and, as appropriate, liable to pay damages, to the residents' association according to general rules.

A residents' association may appear as a party in a legal action, either as plaintiff or as defendant. This shall apply both in cases against a third party and against one or more of the members.

Bookkeeping and accounts.

Article 72

The committee shall ensure that the residents' association's books are kept in a correct and satisfactory manner.

Balance sheets and profit and loss accounts shall be drawn up in the customary manner. The association's financial year shall be the calendar year.

Auditor.

Article 73

An auditor, who shall be elected at the annual general meeting for a term of one year at a time, shall audit the residents' association's accounts.

The auditor shall be a chartered accountant if this is demanded by a minimum of ¼ of the members, based either on numbers or ownership ratios.

The auditor shall have access to all the residents' association's books, and may demand any information which he considers to be of significance for his work.

The auditor shall examine whether joint expenses have been divided in accordance with the provisions of this Act, and confirm that this is the case.

The annual accounts shall be signed by the auditor, with or without comments according to what he deems necessary.

House rules.

Article 74

The committee of the residents' association shall compile and submit to a residents' meeting for approval, *cf.* item 1 of Section C of Article 41, rules on the utilization of the common parts and private property units to the extent permitted by this Act.

These rules, the house rules, shall include the most detailed provisions possible on the conduct of the residents towards each other, the treatment and use of the common parts and the division of use, if appropriate; all this to be proper to the circumstances and as is deemed to be suitable to be expressed in rules in the building involved.

The following matters, i.a., shall be addressed in the rules of multi-dwelling buildings:

1. The treatment of the common parts and their use and utilization.
2. The prohibition of the violation of the right of quiet and peaceful residence in the building at least between midnight and 07.00 hours in the morning, and exemptions from this prohibition.
3. The division of the use of the common laundry.
4. How the cleaning of the common parts and the care of the lot is to be arranged, and the obligations of the owners in this respect.
5. Rules on the keeping of dogs and/or cats, if this is permitted, *cf.* item 13 of Section A of Article 41.
6. Rules on the use of joint car-parks.
7. Rules on the utilization of private property units to the extent possible.

A special constitution for the residents' association. Registration.

Article 75

If there is a need for special rules for the multi-owner building, the use of private property units, the building's common parts, the residents' association, its committee, tasks and area of competence, etc., and to the extent not excluded by the binding provisions of this Act, the residents' association may set itself a special constitution by a decision under item 7 of Section B of Article 41, or under Section A of the same article if it contains points which must be approved by all the owners.

If the residents' association sets itself a constitution under paragraph 1 containing provisions which deviate from or complement the provisions of this Act, it shall be registered. This shall also apply to all amendments to the constitution which contain such provisions. The same shall also apply to decisions by the residents' association other than the constitution and amendments thereto which are of such a nature as to require the approval of all the owners, *cf.* Section A of Article 41.

Registration under paragraph 2 shall be necessary for the conferring of protection under law vis-à-vis a third party; however, registration shall not be a condition of validity in dealings between the owners themselves. The significance and binding validity of such deeds between the owners, even if they have not been registered, shall be in accordance with this Act and general rules.

Divisions within the residents' association.

Article 76

When a residents' association is divided into units, e.g. by staircase, the owners involved shall be in sole charge of their internal common matters, *cf.* paragraph 2 of Article 7 and paragraph 3 of Article 39, providing that they alone bear the expenses, *cf.* Article 44.

When these circumstances obtain, the owners shall be in charge of their common interests under the auspices of a division of the residents' association, which may either be more or less independent or may function within the overall residents' association.

The provisions of this Act regarding residents' associations shall apply to such divisions within residents' associations and also to their decision-making, meetings, committees, division of expenses, etc., as appropriate.

CHAPTER V

**Older agreements, promulgation of this Act,
the Complaint Committee, commencement, etc.**

Validity of older agreements.

Article 77

If there exists a registered agreement, constitution or declaration of division of ownership made before the commencement of this Act which contains provisions which are contrary to the binding provisions of this Act, such contractual provisions shall be set aside and replaced by the provisions of this Act. However, this shall not apply to agreements on multi-owner buildings which contain business premises only, *cf.* paragraph 2 of Article 2.

Promulgation of this Act; advice and directions.

Article 78

[The Ministry]¹⁾ shall see to the promulgation of this Act and regulations issued under it. The Minister may decide to entrust promulgation to [the Housing Financing Fund]²⁾ or other parties.

[The Minister]¹⁾ may also entrust [the Housing Financing Fund]²⁾ or other parties, such as an organization of the owners of multi-owner buildings, with providing owners with information, advice and directions regarding their rights and obligations and other aspects of this Act.

The cost of promulgation and advice under paragraphs 1 and 2 shall be paid by the Treasury; however, moderate fees may be charged for legal advice and directions. Booklets publicizing and explaining the Act may also be sold at moderate prices.

¹⁾ Act No. 162/2010, Article 13. ²⁾ Act No. 66/2010, Article 12.

¹⁾

¹⁾ Act No. 66/2010, Article 13.

Article 79

...¹⁾
¹⁾ Act No. 66/2010, Article 13.

[Appeals.]¹⁾

¹⁾ Act No. 66/2010, Article 14.
Article 80

In the event of a dispute between the owners of multi-owner buildings concerning their rights and obligations under this Act, they (one or more) may apply to [the Housing Complaints Committee, *cf.* Rent Act, No. 36/1994, with subsequent amendments],¹⁾ and request a statement on the matter in dispute.

Applications to the Complaints Committee shall be made in writing, and contain a clear account of the matter in dispute, the party's demands and the reasoning on which they are based.

The Complaints Committee shall give the respondent the opportunity to express himself and present his views and his demands. He shall be given a short period in which to do this. The Complaints Committee may call for all the necessary information and evidence and request comments from other parties whom the matter concerns or on whom it has a bearing.

The Complaints Committee shall present its view, backed up by reasons, as quickly as possible, and at all times within two months of receiving the application. Appeals in matters of dispute may not be made to any other authority.

If the Complaints Committee considers that this Act has been violated and that a party's rights have been violated, it shall appeal to the respondent to remedy the situation.

Parties may present their disputes to the courts in the ordinary manner.

[The Minister]²⁾ shall issue regulations³⁾ setting further provisions covering applications to the Complaints Committee, its functions, tasks, area of competence, working conditions, etc.

¹⁾ Act No. 66/2010, Article 14. ²⁾ Act No. 162/2010, Article 13. ³⁾ Regulation No. 881/2001.

Regulations.

Article 81

[The Minister]¹⁾ may issue regulations setting further provisions and instructions on the implementation of this Act.

¹⁾ Act No. 162/2010, Article 13.

Commencement.

Article 82

This Act shall enter into force on 1st January 1995 ...

...

[Interim provisions.]

The provisions of Article 16 stating that a registered declaration of division of ownership shall be a precondition for the registration of the transfer of ownership in multi-owner buildings shall take full effect on [1st January 2001].¹⁾

Owners and residents' associations shall use the period of notice and adaptation stated here to prepare and make declarations of division of ownership, and the relevant authorities shall use the period for education, publication and other preparatory measures, *cf.* Article 16a and Article 78.]²⁾

¹⁾ Act No. 135/1995, Article 1. ²⁾ Act No. 136/1995, Article 7.

[This translation is published for information only.
The original Icelandic text is published in the Law Gazette.
In case of a possible discrepancy, the original Icelandic text applies.]