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### **Supreme Court of Maryland Strikes Down Westminster Management's Scheme to Charge Illegal Fees and Avoid Eviction Protections**

On March 25, 2024, the Supreme Court of Maryland issued an opinion concluding that Westminster Management violated state law by charging excessive fees related to the late payment of rent and attempting to avoid eviction protections for renting families. In their lawsuit, five tenants, on behalf of themselves and other Westminster tenants, alleged that Westminster engaged in a scheme to charge Maryland tenants illegal, excessive late fees, designate those fees as "rent" under their form leases, and then misapply tenants' payments first to the illegal fees and non-rent charges so it could claim that rent was still due and thereby obtain a faster eviction.

The Court concluded that every element of this scheme violates state law. First, the Court concluded that Westminster's practice of charging "agent fees" and other collection fees beyond a 5% late fee violates Maryland's statutory limit on late fees. Second, the Court concluded that Westminster's attempt to define "rent" in its form lease as all charges due is illegal as well. Designating all charges as "rent" would have allowed Westminster to collect the illegal "agent fees," repair charges, fluctuating utility bills, and dubious administrative fees in Maryland's rapid, high-volume, failure-to-pay-rent eviction docket. Instead, the Court held that rent "means the fixed, periodic payments that a tenant makes for the use or occupancy of the premises" regardless of the landlord's lease terms. Similarly, the Court concluded that Westminster could not misapply tenants' payments first to non-rent charges and then claim that "rent" is still due for purposes of an eviction case. According to the Court, "[Westminster's] allocation clause therefore results in a waiver of a tenant's right to be subject to summary ejection [eviction] only for failure to pay rent." The Supreme Court further held that the trial court should have considered the merits of plaintiffs' second request for class certification. The Supreme Court remanded the case to the Circuit Court for Baltimore City, where plaintiffs are expected to renew their request for class certification in light of the new ruling. Plaintiffs are represented by Brown, Goldstein & Levy; Santoni, Vocci & Ortega, LLC; and the Public Justice Center.

According to one of the five named plaintiffs, Tenae Smith, "This decision will allow Maryland residents a fair chance to catch up if they fall behind. Landlords will have to stop piling more and more fees on renters, driving them deeper into the hole. This will mean more housing stability and support for families."

Co-counsel for plaintiffs, Public Justice Center Attorney Matt Hill, commented, "The Court's decision recognizes that no landlord should be able to evade basic legal protections for tenants against excessive fees and unwarranted evictions. By enforcing legal protections against

eviction and homelessness, Maryland gives renters a fair opportunity to stay in their homes. And by keeping people in their homes, we keep their kids in school, and they hold onto their jobs, their doctors, and their networks of support. The whole community benefits.”

Andrew D. Freeman of Brown, Goldstein & Levy added, “The Maryland Supreme Court has agreed that state law limits the late fees a landlord can charge, protecting not just Westminster Management’s tenants but all tenants statewide. Tenants living paycheck to paycheck should not be unfairly penalized when they choose to feed their kids and pay their rent a few days late. We look forward to recovering the illegal fees Westminster has forced its tenants to pay since September 2014.”

“It has been a long journey, and we still have more to do, but we are grateful for our clients who have remained committed to this fight on behalf of all of Westminster’s current and past tenants. We are hopeful that the Court’s decision will show Maryland landlords they cannot take advantage of tenants without repercussions,” said Chelsea Ortega of Santoni, Vocci & Ortega, LLC.