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Amendments to Russian Urban Development Code: Clarifications on Tort Liability

Significant amendments affecting the liability of self-regulating organizations and building owners became effective on 1 July 2013.

Significant amendments to the Urban Development Code of the Russian Federation (the Code) took effect on July 1.¹ The Code is a key source of law governing urban planning, land usage, and property development. The most important changes to the Code are summarised below.

Joint and Severable Liability of Self-Regulating Organizations

"Self-regulating" organizations (SROs) are not-for-profit organizations established for the governing and licensing of certain activities of their members. Previously, SROs of construction companies could be held secondarily liable, under some circumstances, for certain harm caused by their members. Under the new rule, SROs may be held jointly and severally liable.

Owner's Liability for Harm Caused to Third Parties

The amendments clarify that owners of buildings may be held liable for harm caused to third parties as a result of the destruction or deterioration of their buildings or violations of safety requirements. However, if the harm is inflicted during the construction or renovation of a building, the developer, project manager, or general contractor will generally be held liable rather than the owner.

Fixed Compensation

In addition to their duties to provide full compensation for actual damages suffered by injured persons as a result of building defects, building owners are now required to pay additional compensation to injured persons in a fixed amount ranging from 1 million rubles (approximately US\$30,000) to 3 million rubles (approximately US\$100,000) depending on the seriousness of the harm. Corresponding amendments have been added to the Russian Civil Code and bankruptcy legislation.

Right of Recourse (Regress)

A new rule clarifies that, in certain cases, the owner of a building, general contractor, developer, or project manager may claim the full amount of actual damages plus the fixed compensation due to injured persons from contractors or subcontractors that have performed engineering surveys, design work, or specific construction, renovation, or capital repair assignments with respect to the relevant property. Such claims may also be made against SROs whose members were involved in the project, state agencies that reviewed the project documentation, or the regional or federal governments.

1. Pursuant to Federal Law No. 337-FZ, "On amendments to the Urban Development Code of the Russian Federation" (28 Nov. 2011).

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