

PRESS RELEASE

The CNMC challenges at court the Decree on vacation rentals in the Canary Islands. CNMC's lawsuit has been admitted by the Court

- The High Court of Justice of the Canary Islands has admitted the lawsuit presented by the CNMC.
- The Decree of the Canary Islands Government limits competition and favors incumbent operators.
- The restrictions on competition challenged by the CNMC are not justified from the standpoint of the general interest.

Madrid, 20 May 2016.- On November 2015, the Spanish Competition and Markets Authority (CNMC) lodged an administrative appeal at court against the Regulation on vacation rentals in the Canary Islands. In particular, the CNMC has challenged several regulatory provisions included in the Decree 113/2015, of 22 May, which approves the Regulation. The lawsuit presented by the CNMC has been admitted by the High Court of Justice of the Canary Islands.

The Decree passed by the Canary Islands Government bans the establishment of vacation rentals in lands declared as touristic by zoning regulations, thus excluding vacation rentals from areas where hotels and apartments are located. In addition, the Decree prohibits vacation homes to compete by renting separate rooms and it requires their owners to make a declaration to the public authorities and to register. Further, the Decree includes an array of unnecessary requirements on how vacation rentals must perform the service they provide.

All these restrictions substantially hinder both entry and the ability to compete of vacation rentals. In recent years, the supply of this type of homes has considerably increased throughout the so-called *peer to peer* markets, which have enabled vacation homes to become a “maverick” - a new entrant which competes in a very intense way in a market.

The CNMC analyzes all these limitations in the [economic report accompanying the](#)

[lawsuit presented by the CNMC against the Decree on vacation rentals of the Canary Islands](#) (in Spanish) In particular, the report notes that entry by vacation rentals is boosting the lodging industry in the Canary Islands, as it leads to greater variety in supply, more efficient prices and better quality in services. The Decree 113/2015 prevents these positive effects from being transferred to society and reduces general welfare.

The CNMC also notes that the restrictions included in the Decree are not justified either to correct a market failure or to safeguard an objective of public interest.

The CNMC, under Article 5.4 of the Law 3/2013, of June 4, creating the Competition and Markets Authority, is entitled to challenge at court the acts and regulations of the Spanish Public Administrations which are deemed to be contrary to the principles of effective competition and efficient economic regulation.

[Economic Report regarding Decree 113/2015 of 22 May, which approves the Regulation on vacation rentals of the Canary Islands](#)