

LETTING AGENT


HELP & COMPLIANCE GUIDE

TENANT FEE BAN

Let Alliance are here to help letting agents understand the tenant fee ban and thrive in a post-fee ban world. This guide will lay out some important points around the tenant fee ban and answer some key questions to help you further understand the Let Alliance proposition and how it can transform your business.

The tenant fee ban applies to:

- Assured Shorthold Tenancy (AST)
- Licence to Occupy
- All assured shorthold tenancies, student accommodation tenancies and licences to occupy housing in the private rented sector in England. The majority of tenancies in the private rented sector are assured shorthold tenancies.



Permitted Payments

The Tenant Fees Act – what can you charge?

- Rent
- A capped refundable tenancy deposit
- A capped refundable holding deposit
- Payments in the event of a default
- Payment on variation, assignment or novation of a tenancy
- Payment on termination (surrender) of a Tenancy
- Payments in respect of Council Tax
- Payments for utilities (electricity, gas or other fuel, water or sewage)
- Payments for a television licence
- Communication services (telephone other than a mobile telephone, the internet, cable television, satellite television)
- Green Deal charge



Prohibited Payments

All charges not specifically listed as a Permitted Payment are prohibited under the tenant fee ban. Examples include but are not limited to:

- Application fees
- Tenancy set up costs
- Referencing of tenants and referencing for future landlords
- Contract negotiation
- Inventory

It is illegal for landlords and letting agents to charge a higher rent in any one payment period compared to any other payment period in the tenancy.

Landlords and letting agents cannot cover costs by charging a higher rent for the first month, or any other month.

WHAT DO YOU EARN FROM LET ALLIANCE AND WHAT DO YOU NEED TO DECLARE AS A REFERRAL FEE?



Commission from Nil Deposit sales – this should be declared. Don't forget you earn 20% of the 1 weeks rent as commission.



Utilities switching – commission from successful sales should be declared. Don't forget you can earn up to £65 per property for using this service.

WHAT DO YOU EARN FROM LET ALLIANCE AND WHAT DO YOU **NOT** NEED TO DECLARE AS A REFERRAL FEE?



Rent Guarantee – by offering your own rent guarantee service to your landlords, you are able to retain 100% of the fee charged. You simply purchase Rent Guarantee from Let Alliance to protect your risk, this is paid for, but you keep all of the difference as your bottom-line profit. This does not need to be declared.

In May 2019, Let Alliance held a series of webinars to prepare agents for the tenant fee ban. Here's a list of the questions we answered during these webinars:

THE TENANT FEE BAN

1. Are we allowed to charge guarantors referencing fees?

The short answer is no, any fee you can't charge a tenant is also the case for anyone linked to the tenancy this includes guarantors, current tenants and prospective tenants.

2. Can we charge tenants for late rental payments?

Yes, in a way but it is capped and has a lot of rules around it; You can only charge interest on the rent arrears, and even then, the amount can only be 3% above the Bank of England's base rate. This charge can't be claimed until the tenant is at least 14 days in arrears, but the charge can be backdated to the original due date of the rent once 14 days have passed.

3. Can we charge a tenant for ending their contract before the end of the fixed term?

Yes, you can charge an early surrender fee that is no more than the total outstanding rent. It has been suggested you will be able to charge the re-letting cost and any rent owed on the property.

4. Can we charge for a professional clean at the end of a tenancy?

No, though this isn't a recent change, you shouldn't have been charging previously for this either. [Click here](#) to access the full Government guidance for landlords and agents.

SAME DAY REFERENCING & OPEN BANKING

The tenant fee ban has brought many changes to our industry and letting agents who will thrive in the post fee ban world are those who are constantly embracing new ideas and technologies to grow their business. Same Day Referencing from Let Alliance has made waves in the lettings world and since launching in June 2019 has already changed the game for hundreds of letting agents across the UK. For the first time ever in the UK, Let Alliance now provide tenant references using the same data that banks, building societies and credit card companies use through our partnership with TransUnion – accessing the applicants full financial information and credit file, not just publicly available data. This combined with Open Banking and the unique Let Alliance affordability algorithms, based on 9 years' experience of providing market leading Rent Guarantee insurance is now available exclusively to Let Alliance customers. Here are some key questions we've answered to help you better understand how Same Day Referencing can transform your business:

1. How do we encourage tenants to go with paid referencing when they can get free credit reports from firms like Credit Karma and Check My File?

Let Alliance provides so much more than just the credit report only. Whilst we can access the full credit profile, we then verify income and rentals payments, as well as the right to rent if global is selected. We can then build our relationship with the tenant and supply tenants insurance and Nil Deposit if this has been requested by the agent. Let Alliance takes away the risk from your agency and helps you to generate more income.

2. Is there any contract between agents and Let Alliance or can we use you for referencing on a pay as you go basis?

No contract, you use us and earn from us as much or as little as you wish, we are firm believers that we are as good as it gets so have no need to contract to our services.

3. With this change do we need to be informing applicants and getting them to agree in writing to this deeper financial check?

No, we will handle all permissions.

4. How much more information will this new form of referencing allow you to access?

886 different types of information with regards to the credit profile scan, we'll be accessing the full credit profile rather than the basic public information. With the new information available to us we can even further manage your business risks and quickly pass quality tenants.

5. Can we only have a genuine affordability-based reference if the tenant opts into Open Banking?

No, while Open Banking speeds up our process and allows us to confirm a lot of provided information we will be performing a full credit profile check regardless.

6. Does Open Banking negate the need for Let Alliance to obtain an employment reference?

Yes, based on the information we can access through Open Banking we can confirm an applicant's employer by identifying regular payments over a period of time from an employer. As long as our data shows consistent payments each month over a certain amount of time, employment references will be confirmed via Open Banking. If we do require any further information to back up our reference, we will obtain this on your behalf.

7. Is there a reference report that can be sent to landlords - like a summary report that does not disclose the tenant contact information?

No, due to GDPR this would not be something we could do. Also, the landlord isn't trained to read and understand the report so it would be something we would advise you to discuss with them.

NIL DEPOSIT

The ultimate deposit replacement scheme and perfect alternative to taking a standard deposit from the tenant. Nil Deposit means fewer void periods for landlords as properties become more attractive. Nil Deposit is also a guarantee to you, for your landlord, up to a maximum of 6 weeks' rent PLUS £5,000 minimum accidental damage cover. Nil Deposit is not a fee that the tenant fee ban would abolish, it is simply a choice for tenants to either pay the equivalent of 1 weeks rent +VAT to Let Alliance or choose the traditional deposit. This means the fee ban doesn't stand in the way of you offering Nil Deposit to your tenants, and you can take your share of over £100,000 in commission that has already been paid to letting agents across the UK – recouping any lost income from the fee ban and significantly enhancing your bottom line profit.

1. How much does the tenant pay for Nil Deposit?

A one-off payment of the equivalent of one weeks rent +VAT and an extension fee of £15 +VAT every 6 months thereafter and we will guarantee up to 6 weeks rent to the agent. Tenants liability insurance is also required for Nil Deposit.

2. Is Nil Deposit not a banned fee (as defined in legislation)?

Yes, you can still claim on the deposit, in line with the current deposit protection regulations. It is up to the tenant if they claim on their insurance or not.

3. Can you have Rent Guarantee with a Nil Deposit Scheme tenant?

Yes. This is one of the Let Alliance differences in comparison to our competitors. Everything we offer is in-house and backed by an A-rated insurer. We will cover this for the deposit replacement service, advise your landlords that you can do Nil Deposit and guarantee rent.

4. What happens if there are rent arrears under Nil Deposit Scheme?

If Rent Guarantee is in place, this will cover that. If this is not in place, we will cover up to the value of 6 weeks on the Nil Deposit Scheme (covering arrears and dilapidations).

5. Is there a cooling off period where the Nil Deposit can be cancelled?

No, with our Nil Deposit Scheme there is no cooling off period because it is not an insurance product (unlike other deposit replacement schemes).

6. Does the tenant have to pass a reference to get Nil Deposit?

Yes, they must pass in their own right or with a satisfactory guarantor. They must have been living in the UK for 6 months or more and their income cannot be solely from benefits.

7. What wording needs to be in the tenancy agreement with regards to Nil Deposit?

We will provide you with sample tenancy agreements for Nil Deposit and can advise how this should be worded.



TENANT & LANDLORD INSURANCE

Ensure you and your customers are fully protected with market leading insurance cover options and commission structures, enhancing your revenue and customer service proposition despite the tenant fee ban being in place. Our landlords building and contents insurance are tailored to meet your landlords' requirements with multi-property portfolio options available, nil excess options and 5* rated cover. Whilst our tenants insurance means that your tenants and your landlords are protected at unbeatable prices, providing complete peace of mind for your customers, and significant commission for your business.

1. Is passing landlord details onto you to set up Landlord Insurance compliant with GDPR?

Providing the landlord is happy for you to pass the details on to us you are complying with GDPR.

2. What happens if the tenants don't claim on their Liability Insurance, but we find damage at the end of the tenancy, can the agent still claim on the deposit?

Yes, you can still claim on the deposit, it is up to the tenant if they claim or not.

3. Can you cover Building and Contents for HMO properties?

We can provide Building and Contents cover for 99% of properties including HMO properties.

4. If the tenants make a claim on the Liability Insurance say for a lounge carpet, who replaces that carpet, and does it need to be 'like for like?' i.e. the same color and quality carpet?

It is the tenants responsibility to claim on the insurance, they are then encouraged to talk with you regarding the damage, it is up to the tenant to have the item replaced and up to them to replace with like for like with the exception of new for old.

5. Is there a Contents only option? (for flats for example)

Yes, we can cover just Contents or Building and Contents.



RENT GUARANTEE

When a let goes wrong, a tenant may refuse to pay rent, leaving the landlord with typically a year's rent loss and a year's loss of fees for the letting agent – almost always resulting in a customer loss for the letting agent. In the post fee ban world, it's now more important than ever to ensure you and your landlords are covered should the worst happen. Rent Guarantee from Let Alliance provides comprehensive cover should a tenant default on the rent and/or breach the tenancy agreement. Our nil excess policy with a total claims limit of £50,000 ensures rent is payable until vacant possession, with all claims handled in-house, including the option for a per property monthly payable policy. Total peace of mind for you and your landlords.

1. Does Rent Guarantee cover the rent during eviction proceedings?

Yes, unlike similar rental guarantee products we cover the rent until the tenant has vacated the property.

2. Does Rent Guarantee only cover the rent?

No, it also covers the legal costs to obtain possession of the property if the tenant fails to pay the rent or breaches the tenancy agreement giving grounds for possession.

3. Is there a minimum contract length for a Rent Guarantee policy?

Rent Guarantee is available on a monthly rolling contract so can be stopped and restarted as needed.



For more information on how Let Alliance can help your business to thrive in the post tenant fee ban world, contact our team on:

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