



PM ESTATES

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Tenant Fee Ban

Landlord Legal Update



The Tenant Fee Bill 2019

What's it all about?

Lettings agents and landlords in England will no longer be able to charge mandatory fees or require tenants to take or use a specific services or insurances. This is extremely frustrating from our perspective as we have been managing properties for all of our clients in an honest and transparent manner, whereby we have been charging tenants an administration fee of £250.00+VAT (up to 4 tenants) for referencing and all the relevant compliant paperwork.

We also charge new in-going tenants a fee for Inventory Compilation and check in dependent on the size of property. All of our fees are explained to prospective tenants in an up front an honest manner before they are in a situation to reserve the property.

For this, tenants receive a comprehensive Inventory whereby our fully trained staff attend the property and compile an up to date Inventory with 200 – 700 date stamped photos to coincide and back up the written account of the condition of the property. Tenants also receive assistance with setting up Gas, Water, Electricity, Council Tax, Parking schemes, School admissions, right to rent checks and various other administrative tasks / requests. This is how we have managed to keep a fully managed service down to 9%+VAT with no hidden set up costs or fees. This process has received extremely positive feedback for the past ten years and also offers a true account of the condition of the property for both tenant and Landlord. Furthermore, the Inventory is now considered just as important as the tenancy agreement due to the nature of the deposit scheme rules and the legal system we have to adhere to.

If a Landlord cannot prove the condition of the property on or before the tenant took up occupation no deposit deductions can lawfully be put forward.



Unfortunately, multiple rogue Letting Agencies were doubling up on the fees and charging the in-going tenant and the Landlord for the same fees. Also, rogue Landlords were charging new in-going tenants extortionate administration fees. There have been examples whereby Landlords have been charging up to £1000.00 administration fees per tenant in high demand areas. These are the main reasons why the Government has now intervened.

The main concern I currently have in respect of reserving properties available to prospective tenants is that we are no longer to request 1.5 times the rent as a dilapidation deposit, this has now been restricted to a deposit with a maximum of 5 weeks rent, or 6 weeks on a property with rent over £50,000 per year.

Secondly the actual holding deposit to remove the property from the market is to be no more than one weeks rent as opposed to £500.00 and a £1000.00 dependent on the rental value that we currently take. We are investigating the best and safest way to administer

this, and we will update you in due course.



Please see information and guides on the tenant fee ban below;

The information detailed below applies only to properties in England as Scotland, Wales and Northern Ireland each have their own laws around tenant's fees.

When does the Tenant Fee Bill become Law?

1st June 2019

What fees are being banned?

Landlords and letting agencies will no longer be able to charge for:

- Administration charges
 - Credit checks
 - Referencing
- Charging for guarantors
 - Property Inventories
- Requirements for tenants to use specific insurance companies

- Renewal or exit fees

The following services can be offered as optional extras with the tenant's express permission:

- Cleaning services when vacating the property
- Defleaing a property as a result of tenants having pets
- Gardening or grounds maintenance



What Fees can be Charged?

From the 1st June 2019, the only fees that a landlord or letting

agent can charge their tenants on commencing a contract are:

1. Rental Income

2. A deposit with a maximum of 5 weeks rent, or 6 weeks on a property with rent over £50,000 per year.

3. A holding deposit of no more than one weeks rent.

4. Reasonable charges for lost keys or security fobs.

5. Reasonable charges for breach of contract including late payment of rent after 14 days.

6. A charge of no more than £50 for a change of tenancy, such as adding a new person to the tenancy agreement at the tenant's request.



What are the Penalties?

For a first offence, up to £5,000.

A second offence within 5 years is a criminal offence and is liable to an unlimited fine. An alternative fine of up to £30,000 can be levied in place of a criminal charge.

**Please see Government Tenant Fees Act
2019: guidance for Landlords and
Lettings Agents below:**

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/791273/TFA Guidance for LandlordsAgents.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/791273/TFA_Guidance_for_LandlordsAgents.pdf)



Existing Tenancies & Renewals

You will not need to refund any fees charged as part of the original tenancy agreement (pre 1st June 2019), but no additional fees can be charged after this point. If a tenancy is renewed, then the new law will apply and no additional charges can be levied. If you have

charged a check out fee upfront then this is a prohibited payment and will need to be returned within 7 days of signing the tenancy renewal.

UP UNTIL MAY 31ST 2019

AGENCY FEES CAN STILL BE CHARGED AS NORMAL.

JUNE 1ST 2019

FROM THIS DATE, THE 'TENANT FEES BILL' WILL COME INTO EFFECT. THERE IS A 12 MONTH TRANSITION PERIOD UP UNTIL MAY 31ST 2020. ANY PREVIOUSLY AGREED FEES PRIOR TO THIS DATE, CAN STILL APPLY TO EXISTING TENANTS.

AFTER 1ST JUNE 2020

THE FEE BAN WILL ALSO APPLY TO ALL PRE-EXISTING TENANCY AGREEMENTS IN ENGLAND.



Other Restrictions to Think About

Landlords and agents will not be able to offer different levels of rent, such as lower introductory rent for three months before the price goes up. This is to prevent agents & landlords from offsetting the loss of income from fees through higher rent. In the event of late payment of rent (over 14 days), agents will not be able to charge more than 3% over the Bank of England base rate in interest from the date of late payment. Charging for reminder letters is not permitted. For tenants with pets, agents cannot charge an increased deposit or holding deposit for the pet(s). But you can charge more rent for a pet, so long as you make it clear about the extra weekly/monthly fee in the contract

This newsletter is aimed at providing a general overview of the recent legal changes. If you have any further queries, or require more information please contact the office on:

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Alternatively, please see some website links below which include further reading.

Please see below useful Websites:

<https://www.rla.org.uk/landlord/guides/tenant-fees-ban-guidance.shtml>

<https://www.gov.uk/government/collections/tenant-fees-act>

<https://www.arla.co.uk/lobbying/letting-agent-fees.aspx>



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