



# **LANDLORDS' GUIDE**

## **Residential Lettings Procedures & Legislation**



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## **Section A: The First Stages**

1. Presentation
2. Unfurnished or Furnished Lettings
3. EPC & Floorplan

## **Section B: Permissions**

4. Mortgages and Insurance
5. Leasehold Properties

## **Section C: Safety Legislation and Regulations**

6. Fire & Soft Furnishings
7. Gas Appliances & Safety
8. Electrical Fittings & Appliances
9. Plumbing
10. Legionella

## **Section D: Lease's, Inventories and Tenants Legislation**

11. Assured Shorthold Tenancies
12. Company Lets
13. Inventories
14. Tenants Right to Rent
15. The Tenant Fees Bill

## **Section E: Tenancy Deposits**

16. Legislation
17. The DPS
18. Deposits

## **Section F: Rental Income Taxation**

19. UK Resident Landlords
20. Non Resident Landlords

## **Section G: 21. Landlord's Rent Recovery & Legal Guarantee**



## **Section A: The First Stages**

### **1. PRESENTATION**

A well presented property will not only achieve a higher rent but will attract better quality tenants.

The property should have neutral décor and preferably be freshly decorated. Carpets and curtains should also be neutral and in good condition. Gardens should be seasonally tidy and well presented. Large gardens or executive type properties we recommend that you employ a gardener throughout the tenancy. Any known repairs or maintenance issues should be remedied prior to the commencement of a tenancy.

Prior to the commencement of the tenancy the property should be cleaned (preferably professionally), and carpets and curtains professionally cleaned. Windows should be cleaned inside and out, and gardens should be seasonally tidy and well presented.

We will give you recommendations on any other work or improvements that we feel are necessary.

### **2. UNFURNISHED OR FURNISHED LETTINGS**

We find that most prospective tenants are looking for unfurnished accommodation; therefore we would strongly recommend that you let your property unfurnished.

An unfurnished property should have carpets, curtains and white goods to the kitchen (oven, hob / cooker, fridge, freezer etc).

If you cannot remove or store furniture and want to let furnished, the furniture must be in good clean condition and must comply with fire and furnishings regulations (See Section C) and be clearly labelled.

### **3. ENERGY PERFORMANCE CERTIFICATES**

Legislation came into effect from 1 October 2008 that all new properties being let should hold Energy Performance Certificates (EPC's). The certificate will be valid for 10 years – it can be renewed at any time the Landlord carries out work to improve the efficiency of the property. The legislation applies to all residential tenancies regardless of tenure type. The certificate must be provided to the tenant before the start of the tenancy.

From 1<sup>st</sup> April 2018 there is a minimum standard of EPC rating "E". Properties with EPC F or G ratings cannot be legally let (exceptions may apply for listed buildings), energy efficiency improvements and reassessment will be required prior to letting to new tenants or by 1<sup>st</sup> April 2020 to existing tenants.

### **3b. FLOORPLANS**

We recommend that properties should have a floorplan to assist with marketing. It is not a requirement but we have found that properties without floorplans have fewer enquiries and in many instances take longer to let. Many Energy Performance Surveyors will offer a floorplan with the EPC at a very small additional cost, as they have to draw a basic plan and measure each room in carrying out their service anyway.



## **Section B: Permissions**

### **4. MORTGAGES AND INSURANCE**

Property owners with non buy-to-let mortgages should contact their mortgage company prior to letting their property. Letting a property without the mortgage companies' permission could result in the mortgage company withdrawing their mortgage, they may even be entitled to repossess the property and evict your tenant. In our experience most lenders will allow a home owner to let their property for at least 12 months on their existing mortgage without insisting on a specialist buy-to-let mortgage.

Often the Lender will charge a letting fee or may increase the mortgage payment to the equivalent buy to let mortgage.

Buy to Let mortgages are generally slightly higher interest rates but are tailored to your requirements and take into account the rental income on amount of loan offered. Therefore many clients find that they can afford more investments properties than a standard mortgage based on salary would allow.

Landlords are responsible for insuring their buildings and their possessions left with the property. The insurance should also include personal liability insurance. Property owners should also contact their insurers to ensure that the insurer will cover them fully for damages by tenants.

There are a number of Landlord specific insurance policies available on the market, Regency Lettings & Property Management cannot recommend or advise upon insurance policies available, but we can provide you with the contact details of a broker if you require it.

Rent Recovery and Legal Costs insurance policies are also available to cover Landlords. See section G 20 at the end of the brochure.

### **5. LEASEHOLD PROPERTIES**

We recommend that you contact your freeholder / superior landlord to advise that you are intending to let your property, in most cases permission will be required.

Some freeholders will charge a fee for this approval.



## **Section C: Safety Legislation & Regulations**

### **6. FIRE AND SOFT FURNISHINGS**

Consumer Protection Act 1987  
The Fire and Furnishings (Fire)(Safety) Regulations 1998  
The Fire and Furnishings (Fire)(Safety)(Amendment)Regulations 1993  
The Housing (Fire Safety in Houses in MO) Order 1997

Furniture and Soft Furnishings (e.g. sofa's, chair seats, beds) supplied within a property must comply with current regulations and show labels as being fire retardant. Curtains and other window dressings do not fall under the legislation.

### **7. GAS APPLIANCES AND SAFETY**

Gas Appliances Gas Safety (Installation & Use) Regulations 1998

Landlords must ensure that gas appliances are checked for safety every year by a Capita 'GAS SAFE' (formerly CORGI) registered engineer and certificate (CP12) of it is provided to the tenant and/or prospective tenants, and records are kept for 2 years. Maintenance and installation of gas appliances must be carried out by a GAS SAFE (formerly CORGI) registered engineer. Fines and prison sentences have been given to Landlord's and Agent's in breach of the legislation.

### **8. ELECTRICAL FITTINGS AND APPLIANCES**

Consumer Protection Act 1987  
The Electrical Equipment (Safety) Regulations 1994  
Plugs and Sockets (Safety) Regulations 1994  
Building Regulations (Part P) 2005  
Landlord and Tenant Act 1985, Section 11  
Smoke and Carbon Monoxide Alarm (England) Regulations 2015  
The Electrical Safety Standards in the Private Rented Sector (England) Regulations 2020

In January 2019 the Government announced that they would be bringing in legislation to have 5 yearly electrical installation check carried out by a qualified electrician (recognised by NICEIC). Legislation commences from 1<sup>st</sup> July 2020 for all new tenancies and 1<sup>st</sup> April July 2021 for all existing tenancies.

Legislation:

- Landlords must ensure that the electrical safety standards are met during any period when the residential premises are occupied and any remedial works or investigations are carried out within 28 days.



- Every electrical installation in the residential premises is inspected and tested at regular intervals by a qualified person at intervals of no more than 5 years.
  - An electrical inspection and a report on the condition of the property (EICR) performed by a qualified person must be obtained from the person conducting that inspection and test, which gives the results of the inspection and test and the date of the next inspection and test.
  - A copy of the EICR report must be given to the tenant within 28 days.
- There currently is no legislation requiring Periodic 'PAT Testing' – testing and recording of all electrical equipment (washing machines, cookers etc) supplied to ensure they are safe and that the correct fuses are fitted. Though IEE guidance recommends annual testing and many tenant companies request PAT testing certificates as standard.

On 1st October 2015 regulations came in force stipulating that smoke alarms are required to be fitted to each floor of a property, and carbon monoxide alarms in any room with a solid fuel appliance.

#### Legislation:

- Smoke alarms should be fitted to each floor of the property and maintained by the tenant annually.
- Carbon monoxide alarms are installed (portable or fixed) in any room with a solid fuel appliance.
- Building Regulations (Part P) 2005: this is amongst the most extensive legislation to appear in recent years.

#### Other legislation:

- Part P Buildings Regulations – include any electrical work being carried out in a kitchen or bathroom or exterior of a property (together with installation of new circuits) must be carried out by a Part P certified qualified electrician. A certificate (BS7671) must be provided and available to the tenant. It is illegal to use non-certified engineers.
- Work can be carried out by recognised qualified engineers without Part P certification for minor works, or if Buildings Regulations approval has been applied for and approved (prior to any work commencing) by the local council. Failure to comply with Building Regulations can result in a fine and an order to remove work if it does not conform to the required standards.

Knowingly having illegal non-certified work carried out can result in a fine and/or a prison sentence in the event of the death or injury to a tenant or others. The Agent and Landlord (or person acting for him) can be held jointly accountable.

## **9. PLUMBING**

There is currently no legislation regarding the use of qualified engineers (except with regards to gas boiler installation and repairs). Though it is highly recommended by all within the industry that Landlord's use qualified engineers who are registered to GAS SAFE (CORGI) or the Institute of Plumbers. Registered engineers should always be used for installation works. Using such registered engineers will afford the Landlord the highest level of protection. It is our company procedure to only use registered engineers.

## **10. Legionella**

As a landlord you have a duty of care to your tenants to make sure your water supply is working properly to protect them from Legionella.



*The information within this guideline is a summary of current legislation. Should you require full detailed legislation documentation you should contact the relevant government department authority or governing body.*

## **Section D: Leases and Inventories**

### **11. ASSURED SHORTHOLD TENANCY AGREEMENT**

The majority of UK tenancy agreements (leases) are Assured Shorthold Tenancies (ASTs), which fall under Housing Act 1988 and 1996 amendments. The majority are for an initial term of six or twelve months.

The 1988 Housing Act gave Landlord protections they did not previously have such as important repossession rights. The 1996 Housing Act amendments also enabled Landlords to let their properties for periods of less than six months (though repossession under Housing Act legislation cannot be granted until the tenancy has run for six months).

ASTs are valid for properties with an annual rental up to £100,000 p.a (£8,333.33 per calendar month).

### **12. CONTRACTUAL TENANCY AGREEMENTS AND COMPANY LETS**

Tenancy agreements to individuals over the £100,000 annual rent threshold (£8,333.33 per calendar month) are drawn up as contracts and are outside of the 1998 and 1996 Housing Act.

Contractual Tenancy Agreements contain many of the same clauses as Assured Shorthold Tenancy agreements, but exclude clauses relating to Housing Act legislation. Like all contracts they are recognised in Court, and one party can bring action against the other if they are in breach of contract.

The threshold is for 'pure rent' only. Therefore if the rental includes garden maintenance the cost of the gardener is deducted from the annual rent.

Leases of residential property to Companies, Trust and Registered Charities are not covered by the 1988 and 1996 Housing Act.

Company Lets are only possible to PLCs, Ltd Companies and LLPs (limited liability partnerships). A sole trader or business partners wishing to let a residential property the lease would have to rent as an individual under an AST or Contractual Tenancy Agreement (if the annual rent was over £100,000). Initial terms for Company Lets are normally a minimum of twelve months. The contracts will contain clauses relating to rent reviews, options to renew amongst others.



## **13. INVENTORY & SCHEDULE OF CONDITION**

We use independent Inventory Clerks to prepare the Inventory & Schedule of Condition for each property. We recommend that the Inventory Clerk carries out the check-in at the commencement of the tenancy and the check-out at the end of the tenancy.

The check-out report will detail any damages or deterioration to the property (excluding fair and reasonable wear and tear), and together with the inventory is essential for making a dilapidations claim against a tenants security deposit.

## **14. TENANTS RIGHT TO RESIDE IN THE UK**

As of 1<sup>st</sup> February 2016 all landlords in England will be responsible for checking that potential tenants have the right to reside in the UK.

Under the Immigration Act 2014 all landlords (or the agents acting on their behalf) will be required to check the immigration status of all potential tenants, to ensure they have the right to live in the UK, prior to them taking up residence in a privately rented property.

As part of these checks landlords, or their managing agent, will be required to ensure the documentation provided by prospective tenants (i.e. passports, visas etc.) is genuine and that the person renting the property matches the person listed on the document. They'll also be required to take a copy of the documents and store them (in a secure manner) for at least 12-months after the tenancy ends.

Regency Lettings & Property Management will be using HomeLet Verify service alongside the Homelet referencing and credit checking we use for all tenants.

## **15. THE TENANTS FEES BILL**

As of 1<sup>st</sup> June 2019 no fees or third party charges can be levied upon tenants.

Under the Tenant Fees Act 2019 landlords or agents can no longer charge tenants for referencing/credit checks, part costs of tenancy agreements, or part costs of inventories. Under the act the maximum security deposit taken is capped at the equivalent of five weeks rent (or six weeks for properties with rent over £50,000 per annum).

Higher rents can be charged to tenants with pets if the property is advertised with a pets option rent as well as the standard rent.

Charges can be made for changes to the tenancy (requested by the tenant), reasonable landlord incurred costs from early termination of the tenancy (requested by the tenant), and default fees for loss of keys or interest on arrears.





## Section E: Tenancy Deposits

### **16. TENANCY DEPOSIT SCHEME LEGISLATION**

Legislation came into effect in 2007 when deposits taken on or after 5 April 2007 on Assured Shorthold Tenancies (ASTs) must be held under one of three available tenancy deposit schemes – two insured and one lodged.

Further legislation came into effect under the Deregulation Act 2015 whereby deposits taken prior to 5 April 2007 must now be held under one of these schemes.

On 1st October 2010 legislation increased the AST threshold to £100,000 annually (previously £25,000). Tenancies between £25,000 and £100,000 annual rental would have previously been Assured Tenancies. These tenancies will now become Assured Shorthold Tenancies (ASTs) and new deposits taken or renewals to existing tenants after 1<sup>st</sup> October 2010 must be protected under the tenancy deposit schemes.

The legislation does not apply to tenancies outside of the Housing Act (i.e. Company Lets and Assured Tenancies being over £100,000 annual rental or more).

Under the Tenant Fees Bill 2019 the maximum deposit taken is capped to the equivalent of five weeks for rents under £50,000 per annum and the equivalent of six weeks for rents at or over £50,000 per annum.

### **17. THE DPS**

At Regency Lettings & Property Management we lodge all deposits in a custodial scheme with the Deposit Protection Scheme (the DPS).

Full details of this scheme are available on request or by visiting the DPS website:

<http://www.depositprotection.com/landlord-info>

<http://www.depositprotection.com/documents/terms-and-conditions-custodial.pdf>

### **18. DEPOSITS**

- Under new legislation from the Tenant Fees Bill 2019, from 1<sup>st</sup> June 2019 a maximum deposit equivalent of five weeks' rent for annual rents under £50,000 and six weeks' for rents at or over £50,000 per annum.
- From 1<sup>st</sup> June 2019 no increase in deposit can be taken for tenants with pets, we therefore recommend a higher rental price for tenants with pets.
- Any deposits already held above the threshold prior to 1<sup>st</sup> June 2019 would need to be part refunded upon renewal.
- At the end of the tenancy the property is checked against the Inventory & Schedule of Condition at the check-in, fair wear and tear is excluded.



- Any damages and dilapidations must be agreed by both the tenant and the landlord.
- If the property has been professionally cleaned at the commencement of the tenancy then the tenant is liable to have the property returned to professionally cleaned standards.
- If the property has had curtains dry cleaned at the commencement of the tenancy then the tenant is liable to have the curtains dry cleaned at the end of the tenancy.
- In the event of parties not agreeing a free arbitration service is available via the Deposit Scheme, any element of deposit in dispute will not be released until either agreement is reached or the arbitrator rules.

## Section F: Rental Income Taxation

### **19. TAX FOR UK RESIDENT LANDLORDS**

You are required to declare any rental profits in your Self-Assessment tax returns. Expenditure such as mortgage interest payments, insurances, letting fee's and associated expenditures and repairs are generally tax deductible.

Between 2017 and 2021 there will be a phasing out of mortgage interest relief and landlords will be given a basic rate tax reduction.

Please refer to HMRC or your tax advisor for recent changes.

### **20. TAX FOR NON UK RESIDENT LANDLORDS**

Overseas Landlords - tax must be retained by either the agent (for rent collection and full management services) or the tenant (for tenant find) and paid to HMRC quarterly. Exemption certificates can be applied for which enable the rental to be paid across tax free, in these cases the income is declared within the annual Self-Assessment tax return for payment the following year.

We can supply you with the links to HMRC documents upon request.

You should contact an accountant or tax advisor for full and professional advice.

***The information above is of general advice and assistance only. Professional advice should always be taken.***



## Section G: Rent Recovery & Legal Cover

### **21. LANDLORDS RENT RECOVERY & LEGAL GUARANTEE**

At Regency Lettings & Property Management we carry out stringent vetting of prospective tenants and thorough market leading insurance & referencing provider Homelet carry out full credit checks and referencing on all tenants. Such stringent vetting makes it unlikely for our Landlords to experience problems with non-paying tenants.

Occasionally however tenants can encounter difficulties beyond their control such as losing their job and being unable to pay the rent or full rent, even more rarely tenants may fail to move out of the property at the end of the tenancy or break the terms of their tenancy agreement.

Rent Guarantee policies are available to cover such eventualities but many are expensive, complicated to manage and often will not cover properties which let for over £3,000 pcm or will not cover Landlords who have taken out a let only service.

Regency Lettings & Property Management offer what is possibly the most competitive and comprehensive rent recovery and legal guarantee coverage available for all Landlords (including tenant find) on properties with rentals up to £7,500 pcm.

Please ask for a brochure for full details.

***Similar policies are available direct through Landlord specialist insurers.***

### **Regency Lettings & Property Management Ltd**



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