

## **AN INTRODUCTION TO LETTING**

The amount of properties let in Great Britain is comparatively small when compared to those in most other European countries. Recent Governments have persuaded people in Britain to buy property as an alternative to letting. Despite this, the amount of rented accommodation in Great Britain has increased dramatically over the last 10 years, fuelled by investment landlords who see property as an alternative to traditional pension policies. Letting your property can be a successful and profitable affair if handled properly. It can however be costly and stressful if handled badly. For a comparatively small cost, Hetterleys can ensure that the letting of your property is carried out in a professional and correct manner.

### **WHO LETS PROPERTIES ?.**

1/ The Investor Landlord. If you have spare capital and wish to place this surplus in property, letting may be a viable option. Annual yields of around 5% can usually be achieved. You may also benefit from increases in the properties value over the years. Many people now view property investments as a viable alternative to personal pensions.

2/ You may have the opportunity of going overseas for a while. Whether for business or pleasure, you may need an income from your property in order for mortgages, bills etc to be paid. There is also the security aspect to consider. Is it wise to leave your property unoccupied for months? Most insurance policies become void if your property is left unoccupied for in excess of twenty one days. Letting your property will provide an income as well as a house sitter.

3/ The largest group of people who opt to let their properties probably fall in to the third category. A property which you have been unable to sell. You may have moved with your job, inherited the property, or perhaps your circumstances have changed and the property is now surplus to requirements. An empty property is a financial liability and a worry. Letting may only be a stopgap but it may provide you with a very useful income until such a time that the property can be sold again.

### **WHY DO I NEED AN AGENT ?.**

Firstly it is not mandatory to have an agent. Some mortgage companies will however only allow you to let your property if they have had sight of a legally binding contract. We have all heard the alarming stories of what can go wrong. Most lets arranged through reputable agents are trouble free. For a comparatively small cost, an agent will ensure that the letting of your property is carried out legally and professionally. If you decide to manage the letting yourself, you greatly increase the risk of running into costly and stressful problems.

### **LET ONLY SERVICE**

- To provide you with a free market rental appraisal of your property –
- To advise you of legal legislation and requirements
- To produce a property listing with colour photographs
- To display your properties details within our office
- To provide you with a To Let board
- To escort prospective tenants around the property
- To receive and process an application for tenancy which includes;
- Employment, Bankers, Character and Previous Landlord referencing
- Interviewing of applicants with the landlord if you wish
- To prepare a Tenancy Agreement and detailed Inventory Schedule
- To arrange cleaning, Gas and /or Electrical checks and notification to utilities of new occupiers
- To collect the first months rental together with a deposit bond \* Bond held by us in a protected non interest bearing clients deposit account
- Issuing of an invoice with payment of rent less agents charges for monies received.

### **FULL MANAGEMENT SERVICE**

#### **ALL SERVICES LISTED AS LET ONLY PLUS:**

- Quarterly property checks and issuing of a visiting report
- Arranging property repairs and handling tenants general enquiries
- Issuing of notices for landlords right of possession
- Final property check following the tenants vacation
- Processing of any dilapidation claims
- Notification of final meter readings to utility companies

## **HOW LONG CAN I LET MY PROPERTY FOR ?**

The ultimate decision is yours. We will usually arrange a letting for between three and twenty four months. In offering a fixed term tenancy on an Assured Shorthold Agreement, means that you will not be able to gain possession until the end of the fixed term period. It may therefore be wise to let for shorter durations of time, thus giving you the option of possession at more frequent intervals.

### **WARNING**

If a tenant refuses to vacate a property at the end of a fixed term period, further legal recovery action may be necessary to gain possession and a further period of time will be required for legal proceedings to be brought against a tenant. Further recovery action is not included in our normal management fees. At additional cost, we may arrange to prepare the necessary Court papers. Alternatively the services of a Solicitor could be engaged.

## **FURNISHED OR UN-FURNISHED?**

Any of the following options are available to you.

### **Un-furnished.**

A minimum requirement of carpets, curtains, clean bathroom suite and a range of kitchen units

### **Part furnished**

Anything that meets in excess of the requirements of un-furnished but does not meet the criteria of fully furnished.

### **Fully Furnished**

All items as stipulated under the heading of un-furnished let plus a sufficient supply of furniture and appliances to furnish each room. Kitchens should be supplied with cutlery, crockery, kettle etc. Televisions, Video players, Stereo's, Bed linen and Towels are not usually provided. These are not considered essential.

## **AM I RESPONSIBLE FOR APPLIANCES AND FURNITURE SUPPLIED ?**

Yes, if a landlord supplies an item, the landlord is responsible to retain it in good safe working order. If an appliance becomes faulty, it must be repaired immediately. If it cannot be repaired then a replacement of like must be supplied. Soft furnishings such as lounge suites, mattresses, divan bases, support cushions etc must comply with the Fire and Furnishings act 1988. A safety label confirming that the soft furnishings do comply with the regulations must be attached to each and every item. If a label or sufficient proof of date of purchase is not available, the item **MUST** be withdrawn. Properties with none compliant soft furnishings will not be let by Hetterleys. Carpets and curtains within residential properties are not currently regulated under this act. Landlords and Agents who supply let properties with non-compliant furniture are liable to fines and imprisonment. Landlords must expect a degree of 'fair wear & tear' with regards to carpet wear, deterioration of decoration, wearing of soft furnishings etc.

## **OTHER RESPONSIBILITIES**

Legislation exists in relation to the supply of Gas and Electrical pipes, cables and apparatus. The regulations are covered in greater detail below:

## **GAS REGULATIONS**

Any property with a gas supply must have an inspection by a **CORGI** registered gas engineer. The engineer will provide you with a safety certificate that confirms that the supply pipes and any apparatus are safe. Any failings will be shown on the certificate and must be rectified prior to a tenant taking up occupancy. The certificate must be renewed every twelve months. In line with CORGI recommendations, the gas safety certificate should be renewed at tenancy changeover times, even if this is well within the 12 month service anniversary as we cannot guarantee that a former tenant has not tampered with any gas appliances. . Hetterleys have arranged very competitive rates with several local contractors for carrying out this service. Landlords who wish to make their own arrangements for this service should speak to us prior to engaging a contractor in order that we may notify you of the contractors' requirements.

## **ELECTRICAL SAFETY**

New regulations now dictate that an electrical safety check is carried out prior to a property being let. Recommendations from the NICEIC state that a re-inspection should be carried out every 5 years or at each tenancy changeover if sooner. As with the gas safety certificate, landlords and by association their letting agents have a duty of care. An electrical safety check must be carried out prior to a tenant commencing occupation of a property. Any repairs or recommendations must then be adhered to. In order to ensure that the electrical service and any electrical appliances included in a letting are safe. Visual checks will also be made on our quarterly property visits for those landlords who choose our Full Management Service but we are not qualified electricians, hence this visual check can only usually spot frayed wires, scorch marks, loose sockets etc. The cost of a full electrical report which covers the electrical supply and all electrical appliances supplied is approximately £125.00. This is much less than a damages claim that may be brought against you by a tenant for supplying faulty or dangerous goods. Hetterley Associates have once again negotiated these competitive rates for landlords choosing to have this check carried out via ourselves. Our recommendation is that these checks are carried out at least every other year.

**Electrical safety checks are now mandatory, as a landlord you have a duty of care to your tenant to supply all electrical services in good safe order at ALL times. .**

## **HOUSES IN MULTIPLE OCCUPATION**

The 'Housing Act 2004, Houses in Multiple Occupation', (HMOs) requires the licensing of ALL HMOs with three or more storeys (including basements, attics and shops) and five or more occupiers, (except where the HMO is a house that only consists of self contained flats, or is owned or managed by a housing association, local authority or by education/police/health services). The aim of licensing is to ensure satisfactory management in this higher risk area of the private rented housing market. The definition of a HMO is a house occupied by more than one household, who share (or lack) kitchen/bathroom / toilet facilities, i.e. the accommodation is not 'self contained'. A household is a family, i.e. people who are blood relatives, or are living together as man and wife (including same sex couples).

Licences are expected to cost between £300-£350.00 for a property with up to 6 bed/bed-sit rooms. The licence will last for 5 years. A deadline as at (November 2005) has yet to be set by the Government. To obtain a licence your HMO will need to have adequate facilities and space for the number of people it is to be licensed for. The house will also need to meet the standards for management of HMO's including those for safety of gas, electrical appliances, furniture and fire alarm systems. Once your house has been licensed a council officer will assess your HMO to identify any serious hazards under the new housing health and safety rating system. If any serious hazards are found, the council will serve a legal notice explaining what you need to do to remedy them.

## **THE INLAND REVENUE AND TAX**

Rental income derived from property within the British Isles is a taxable income and should be declared as such. For landlords who live in Great Britain for the duration of their property letting, no liability is held by the agent for your tax affairs. If requested, Hetterleys is legally bound to supply the Inland Revenue with information in respect of all landlords' income that we have received. You should therefore declare this income on your yearly tax returns. Some allowances may be made, deductions for our charges including VAT, property repairs (but not general upgrading), new interest payments on mortgages and a wear & tear value of approx 10% on furnished lets may usually be deducted from any income before tax is payable. We are not however tax specialists and you should contact your local tax office to discuss your own tax position in more detail.. Landlords who will reside overseas during a letting will need to obtain a tax exemption form, (FICO Certificate). This allows the agent to pay rent monies to a landlord without having to deduct an amount for basic rate tax on the income, less commissions and disbursements. Paid for the period accounted. Agents could be held liable for a landlords tax liability on their rental income if the said landlord does not settle his own tax account in respect of the letting. Therefore if an overseas landlord does not obtain a FICO certificate, Hetterleys will have to deduct an amount equivalent to the basic rate of tax from the income received on your behalf. This will be repaid to you once the Inland Revenue has notified us in writing that no further tax liability is due for the relevant tax year. Alternatively if requested to pay an amount to the Inland Revenue for unpaid tax, this will be paid as requested. A FICO certificate must be addressed to Hetterleys and must be sent directly from the Inland Revenue. Details of how to obtain a FICO certificate may be obtained from our office.

## **PROPERTY REPAIRS**

You are required to retain and maintain the property, its services and any other items supplied under the agreement in good working order at ALL times. Emergency repairs, ie those which can cause immediate distress, severe hardship, risk of injury or cause damage to the property, must be repaired immediately upon notification. Other valid repairs must be attended to without delay, but certainly within 7 days of us being notified.

## **INSURANCE**

The landlord is required to insure the property and any contents that you provide. Many insurers will now also offer legal protection, rent guarantee schemes and accidental damage cover. Tenants are responsible for insuring their own possessions and we do ask that they also take out accidental damage cover for any items provided by the landlord. Failure to advise your insurance company of a letting, may invalidate any claim that you may subsequently make. We are agents for **HOMELET** who offer a comprehensive range of landlord and tenant insurance policies, ask us for more details.

## **TENANCY DEPOSIT PROTECTION SCHEME**

By law, ALL landlords and agents in England and Wales taking deposits on an Assured Shorthold tenancies, starting after the 5<sup>th</sup> April 2007, MUST join a government authorized tenancy deposit protection scheme. Hetterleys are a registered member of Tenancy Deposit Solutions Ltd who's scheme is designed to meet the necessary requirements. A fee of £35.25 including vat is charged for registering a tenants deposit on the scheme. This fee is payable each and every time a new tenant takes up occupancy, coinciding with the payment of a new tenancy deposit bond. Landlords are usually charged this fee, although there is no statutory prohibition restricting landlords from charging their tenants this fee. A tenant may however choose to take an alternative property if that landlord is prepared to pay this deposit fee. Please speak to our lettings team for further clarification on this matter.

## **MORTGAGED PROPERTIES**

You should notify your Bank or Building Society of your wish to let. The lender may wish to see a draught copy of the tenancy agreement prior to consent being given. We can arrange to send this on your behalf. Some lenders may increase the mortgage rate you pay. Some lenders may limit the term of the letting and most lenders usually charge you a small fee for obtaining their permission to let.

## **LEASEHOLD PROPERTIES**

If you wish to let a leasehold property, a study of your head lease should be made. Many lease hold agreements forbid sub letting. Where this is the case, we regret that we would not be able to let the property on your behalf. A copy from the original head lease will be required for our files if this states consent for subletting.

## **HOW MUCH IS MY PROPERTY WORTH**

Whether buying a new washing machine, a new car or letting a house, we all have an idea of what is fair value. If something is fair or realistically priced we will buy it. If it is too expensive, we wait until it is reduced or we buy elsewhere. These simple thoughts apply to prospective tenants when visiting properties. Be realistic and fair and your property will let in a relatively short space of time. Usually two to three weeks can see an application received and processed. Be un- realistic or greedy and you may just be lucky but the chances are that your property will hang around on the agents register until you reduce it to a realistic level. The rent that you achieve is based on many factors:-

### **Location, Size Of Accommodation, Specification, Furnishings provided and General appearance**

The location and size of accommodation is something that you can do little about. Amending the specification is not realistic. Installing double-glazing or central heating may help to let your house but financially you will be out of pocket. A fully furnished property usually fetches an extra fifteen percent of the amount payable for an un-furnished let. This can be higher if the quality of the furnishings is above average. It is not usually advisable to purchase additional furnishings in order to make a higher profit. There is currently as equally strong a market for un-furnished properties as there is for furnished. You must also take in to account your liability for appliances and furniture as detailed in the previous section.

So that leaves general appearance. This is something that every landlord can benefit from. A good quality, clean and tidy property may only fetch a little more in terms of rental income than one which is less fetching, but you are likely to let it much sooner and to attract a more conscientious and caring tenant. Properties must be in good clean order before we will accept instructions to let on your behalf. We will expect the tenant to return the property to us in the same order as it was let to them. A deposit bond is retained by the agent to safeguard the landlord in this respect.

## **A FINAL WORD**

You are probably now far more aware of the complications that are involved with the letting of property. The need for a professional, knowledgeable and reliable letting agent should now be obvious. We have attempted to cover the legal requirements that you need to fulfill in providing a property to let. What we cannot do is to warn you of every problem that may arise. The job of a letting agent is to manage not only the property, but, the legislation and the people involved in the equation. To offer help, advice and guidance.

Life is all too complicated. By allowing Hetterleys to manage the letting of your property, we hope to lessen that burden.