

BENHAM ^A_N^D REEVES
RESIDENTIAL LETTINGS

LANDLORDS GUIDE

Many of our clients use our property management service – they find it takes the hassle out of managing a rental property themselves – and it’s the simplest way to be assured of running their business efficiently.

But, however you decide to organise the letting and management of your property, all landlords need to be aware of the legal, financial and practical issues involved so we’ve put together this useful guide to help you.

1 LEGAL ISSUES

Consents to Let - Prior to letting your property, it is essential:

1. If your property is mortgaged, to obtain consent from your mortgage lender.
2. If your property is leasehold, to obtain permission from the freeholder.
3. To inform your insurance company of your plan to let the property.

Types of Tenancy - Selecting the appropriate tenancy agreement will ensure you are completely protected while letting your property. We will, of course, always advise you on which type of tenancy agreement is suitable, each time we let your property.

1. Assured Shorthold Tenancy (AST)

The most common type of tenancy agreement, this is used when rent is less than £100,000 pa. The tenant must be an individual or group of individuals, rather than a company. The tenant is provided with certain protection under the Housing Act 1988, but the landlord is still entitled to regain possession of the property by giving two months’ notice (subject to the terms of the agreement).

2. Contractual or Common Law Tenancy

This agreement is used if the rent is more than £100,000 pa and the tenant is an individual or group of individuals but does not offer the tenant any additional statutory protection. Both parties are bound only by the terms of the agreement. A contractual tenancy is not governed by the Housing Act 1988 but is subject to other statutory regulations such as the Protection from Eviction Act 1977 (which means a possession order is needed in order to evict a tenant).

3. Short-term Letting Agreement

This is used when the initial term is less than six months. The tenant does not have any additional statutory protection and both parties are bound only by the terms of the agreement.

4. Company Tenancy

With this type of agreement, you enter into a tenancy agreement with the company as your tenant. The tenancy agreement should also include the name of the person who will be living in the property (the licensee). The tenancy does not receive any additional statutory protection.

5. Premium Lease

This is a special type of agreement with a company which chooses to pay rent in advance for tax reasons, for the entire tenancy – the amount paid in advance is known as a ‘premium’. Before entering into this type of agreement, you must consult an accountant to ascertain how this will affect your own tax situation.

Notices - In order to terminate a tenancy, you must serve the tenant with a valid notice or letter, even if the initial term is fixed. Failure to do this means that the tenancy will automatically continue after the initial term, under the same terms and conditions and payment of rent, until either you serve the tenant with a valid notice or the tenant surrenders possession.

Energy Performance Certificate (EPC) - All rental properties legally require an EPC (which is valid for ten years), showing the energy performance of a property. Landlords must make a copy of the EPC available for prospective tenants and must provide the tenant with a copy. We can arrange for an EPC to be provided by an approved supplier.

2 SAFETY REGULATIONS

A landlord has a legal obligation to ensure that a rental property is safe for tenants to live in. Penalties for non-compliance with regulations are severe, resulting in fines and even prison sentences. We therefore insist that landlords ensure compliance with all relevant legislation.

1. Gas Appliance Safety

The Gas Safety Regulations 1998 require that all gas appliances (including gas boilers, water heaters, gas, coal and log fires, gas hobs and ovens) are inspected prior to tenants moving into a property and then annually, to ensure that they comply with regulations. A gas engineer certified by the Gas Safe Register must carry out the inspection. Noncompliance with these regulations is a criminal offence with a penalty of six months in prison or a fine of up to £5,000.

We can arrange for a Gas Safe registered engineer to carry out the required initial inspection before tenants move in, as well as subsequent annual inspections, ensuring that all documentation remains up-to-date.

2. Electrical Safety

The Electrical Equipment (Safety) Regulations 1994 require that

all electrical appliances in a property are safe and present no risk of personal injury or death. We can organise a qualified electrician to carry out a Portable Appliance Test (PAT) at your property.

3. Smoke Alarms

To comply with Building Regulations, properties built since June 1992 must be fitted with mains operated smoke detectors and alarms on each floor. We also recommend that you fit a carbon monoxide detector.

4. Furniture and Furnishings Regulations

All furniture in a rental property must comply with the Furniture and Furnishings (Fire) (Safety) Regulations 1988 and its subsequent amendments. Regulations apply to sofas, beds, bedheads, furniture covers, cushions and pillows as well as other items. Curtains, carpets, bedlinen, duvets and mattress covers are not included. Furniture manufactured before 1950 is exempt.

3 FINANCIAL ISSUES

1. Rent

We will collect rent on your behalf in accordance with the tenancy agreement. This will be paid into your nominated bank account, usually within three working days of receiving cleared funds from the tenant.

You’ll have access to your own secure account online so you can view all your statements when it’s convenient to you. You can register online for our text messaging service which will advise you as soon as a rental payment has been credited to your account.

2. Deposit

We will hold a deposit, usually of 6 weeks’ rent, which will be registered, if applicable, with a deposit protection scheme in accordance with the Housing Act. Larger corporate tenants often provide a letter of guarantee instead of a deposit.

3. Tax

All rental income from property in the UK is taxable. You must declare all rental income to the Inland Revenue using a Self Assessment Tax Return. Where the property is jointly owned each owner of the property must complete their own Tax Return.

You must pay income tax on the profit generated by letting your property but there are a number of deductible allowances that can be used to reduce your tax liability. These include mortgage interest, letting and management fees, insurance, ground rent and service charges, legal and accounting fees, repairs, maintenance and redecoration, as well as a wear and tear allowance on furnished properties.

We are required by the HM Revenue & Customs to disclose details of the income of any landlord that we represent. We recommend that you consult an accountant for specialist advice.

Overseas landlords

You are liable to pay UK tax on rent that you receive in this country under the Income and Corporation Taxes Act 1988 and the Taxation of Income from the Land (non-residents) Regulations 1995, even if you do not live in the UK.

We are obliged by law to deduct tax at the appropriate rate from rent received on your behalf and pay this to the HM Revenue & Customs, in accordance with the Non-Residents Landlord Scheme. We must do this unless we have authorisation from them, addressed to us in writing, to pay the income to you without deducting tax. If you will be living outside the UK while the property is let, you must complete the appropriate form and send it to HM Revenue & Customs. We can supply a copy of this form on request. Alternatively, you can obtain more information and download the form at www.hmrc.gov.uk/cnr/nr_landlords.htm

4. Fees

Fees are payable on the introduction of a new tenant and also on any renewals, extensions, holdovers or new agreements set up after the initial period. Full details can be found in our Terms and Conditions.

4 GETTING READY FOR A TENANT TO MOVE IN

1. Inventory and check-in procedures

The Housing Act requires a full inventory to be produced prior to a tenant moving in, outlining the contents of the property and their condition.

We can prepare a full inventory for your property if you do not already have one.

The inventory will establish the condition of the property and its contents before the tenant moves in, safeguarding you should there be a dispute at the end of the tenancy. The inventory will then be checked against the condition of the property at the end of the tenancy.

It is essential to have supporting documentation and evidence in order to be able to make deductions from a deposit at the end of a tenancy. This means that a professional inventory, check-in and check-out report are vital. Without it, a tenant has a legal right to challenge a proposed deduction. As part of our service, we can organise a professional inventory clerk to check the tenant into the property, ensuring that you meet all the required criteria.

2. Handing over the keys and moving in the tenant

If we hold the keys, we can hand them over to the inventory clerk or to the tenant on moving-in day. We will also supply the tenant with contact details of whoever is responsible for managing the property.

3. Utility bills

The tenant is usually responsible for utility bills such as gas, electricity, water, telephone, as well as council tax and the TV licence. When a new tenant moves in you must inform the utility companies and provide them with meter readings taken at the start of the tenancy. You should also inform the local council that the tenant will be taking over responsibility for the council tax.

At the end of a tenancy, the tenant must notify utility providers and the local authority. You also need to inform the relevant companies that you are taking over responsibility for services again when a tenant leaves, until a new tenant moves in.

If we are managing the property for you, we will carry out this on your behalf.

5 MAINTAINING YOUR PROPERTY

You have a contractual obligation to your tenant as well as a duty of care. And, of course, you will want to keep your property in good condition to maintain and enhance its value.

We can help take the stress out of the day-to-day issues involved in being a landlord. If you use our property management service, we'll assign you a dedicated property manager who will take responsibility for the management of your property.

Our property manager can handle all your needs, from organising repairs, contacting utility companies, paying your service charge, advice on legal or tax issues and keeping you up-to-date with legislation.

1. Maintenance and repairs

We have long-standing relationships with trusted contractors who we use to carry out repairs and maintenance on the properties we manage. We know that they will carry out all work to a high standard and in line with current building regulations. And we know how important it is to respond quickly if a tenant informs us that there is a problem, so our contractors are available 24 hours a day, 7 days a week.

It's often not possible for a landlord to be at the property to provide access for a contractor, so we provide a key-holding service for clients, holding your keys securely and arranging for contractors to gain access to your property to carry out repairs or maintenance. This also allows us to gain access if there is an emergency and the tenant is not available.

2. Property inspections

We can also undertake regular inspections of your property to make sure that everything is in order. Your assigned property manager will make one inspection each year, checking that the property is being looked after. After this visit, we will send you a full report, outlining details of any work that may need to be carried out.

6 WHY CLIENTS CHOOSE OUR PROPERTY MANAGEMENT SERVICE

Tenants (particularly corporate tenants) demand a high standard of service and it can be time-consuming to meet their requirements. That is why many clients find our property management service to be invaluable. And, in fact, many companies looking to relocate their staff insist that they only rent managed properties.

You can be certain of our complete professionalism; we are a fully licensed agent so you can rest assured that your money is protected at all times.

We are members of ARLA Propertymark, (Association of Residential Letting Agents), the Tenancy Deposit Scheme (TDS) and the Ombudsman for Estate Agents (OEA). All our staff are fully trained and we operate a strict Code of Practice and Code of Conduct. We also have a formal complaints procedure with independent arbitration and redress.

We have been letting properties for over 60 years and over that time we have perfected our administration procedures. You won't find this level of experience with any other lettings agent. So you won't just receive great service, you'll have complete peace of mind when it comes to letting your property.

We will:

- Provide a single point of contact – a dedicated property manager will handle all aspects of the management of your property
- Organise all relevant legal inspections (gas safety, electrical safety, etc)
- Arrange transfer of utilities
- Provide a key-holding service
- Arrange payment of bills
- Organise repairs and maintenance
- Provide a 24/7 emergency service
- Carry out an annual property inspection
- Carry out a full inventory and handle check-in and check-out processes

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