

# TENANT FEES ACT (2019): WHAT LANDLORDS NEED TO KNOW

## Tenant Fees Act (2019): What Landlords Need to Know

The Tenant Fees Act will come into force on 1st June 2019. At the centre of the new legislation is a ban on Tenant fees, including admin and agency fees. However this only touches the surface on the changes and their implications for you the Landlord and us as your Agent.

I fully understand that with the ever changing world of lettings legislation it can sometimes be difficult to keep up to date with how the changes affect you. To assist with the impacts of the Tenant Fees Act, we have broken down the changes into sections to help you understand the impacts and our responsibilities:

### Summary of Tenant Fees Act (2019) and what is changing:

- Prohibited and Permitted Payments
- Tenancy Deposits
- Rules on Holding Deposits
- Returning of Holding Deposits

### Prohibited and Permitted payments

As Agents will no longer be allowed to charge tenants for anything except: the rent, the tenancy deposit and a holding deposit and three other exceptions. This means you will no longer be allowed to ask tenants to cover the cost of their own referencing. You also won't be able to charge check-in, inventory or admin fees.

Details of the permitted payments now allowed are detailed as follows:

Before the tenancy starts

- Holding Deposit: when applicable, a refundable holding deposit (to reserve a property) capped at no more than one week's rent of a property
- Cash Deposit: a tenancy cash deposit capped at the equivalent of 'five weeks' rent for a property (previously '6 weeks')

During the tenancy

- The agreed rent for a property
- Payments to change the tenancy, when requested by the tenant, for alterations to the tenancy agreement or tenant swaps, capped at £50.00
- Payments associated with early termination of the tenancy, when requested by the tenant
- Payments in respect of utilities, communication services, TV licence and council tax

- A default fee for late payment of rent, charged at 3% of the rent amount due (when payments are over 14 days late)
- Payment for the reasonably incurred costs for the loss of keys/security devices

### **Cap on Cash / Security Deposits**

From 1st June 2019 there will be a 5-week cap on security deposits meaning this is the maximum Agents and you as the landlord can request from your tenant, unless the rental exceeds £50,000 per year. If rental exceeds £50,000, 6 weeks can be taken as a deposit. In addition it has previously been acceptable to take more than a 6-week security deposit to hold against damage occurring from the keeping of a pet. Once the Tenant Fees Act is in place Landlords will not be able to take more than a 5-week deposit.

### **Current tenancies and the deposits we are holding**

Landlords and Letting Agents are not obliged to immediately refund part of a tenancy deposit that is above the cap if paid by the tenant before 1st June 2019. If a tenant signed a tenancy agreement before 1st June 2019 (and that tenancy is continuing or is a statutory periodic agreement) then the tenant will be bound by the terms of that contract until it is either renewed or terminated.

As part of our responsibilities as an Agent we are obligated after the 1st June, that any Tenancy that is renewed, we are required to reduce the deposit to 5 weeks. We will be writing to all tenants prior to renewal to reduce the deposit amount to five weeks and refunding the balance to the tenant accordingly, ensuring you are informed at every step of the way.

Where tenancies have fallen into a Statutory Periodic Tenancy, we will be contacting you to discuss this as the transition period in which to get the deposits compliant with the law will end on 1st June 2020.

### **Rules on Holding Deposits**

Holding deposits will be limited to one week's rent.

This is a significant change, since most holding deposits are currently much more than a week's rent. The Tenant Fees Act includes new rules about how holding deposits must be treated. Landlords will now have 15 days to enter into a Tenancy Agreement with a tenant once a holding deposit has been received by the landlord or agent unless this is extended by mutual written agreement and a 'deadline' date is agreed. At or before the 'deadline' date, contracts need to be signed and the tenant must pay their initial monies, comprising of a 5 week deposit and a month rental.

During the agreed 'deadline' date, the property will be removed from the market.

### **Returning of Holding Deposits**

The holding deposit must be returned to the tenant: either in payment back to the tenant, or being put towards the first rental payment, or the security deposit relating to the Tenancy.

However, there are some exceptions. In the following cases the landlord can keep the holding deposit:

- The tenant provided false or misleading information which in turn affects the Landlord decision to let the property to the tenant

- The tenant failed a Right to Rent checks
- The Tenant failed to take all reasonable steps to enter into the agreement
- The Tenant decided to withdraw from the proposed agreement

Agents and Landlords must refund a tenant's holding deposit in full within 7 days of:

- Entering into a tenancy agreement with the tenant
- You choosing to withdraw from the proposed agreement; or
- The 'deadline for agreement' passing without a tenancy having been entered

The decision of whether to choose to accept a Holding Deposit or not is the choice of the landlord. However this does mean that we as the Agent are required to stop advertising the property. It also means that all documents need to be signed, property vacated and monies paid within the 'deadline' date which is not always possible.

In Summary we understand that there are a number of changes that need to be taken into consideration, however if you would like more advice or guidance please don't hesitate to get in touch with one of the Let Solutions team.