

the property outlet

guide to landlord
essentials



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LANDLORD ESSENTIALS

There are lots of rules & regulations regarding the letting of property & landlords face a minefield of legal responsibilities ranging from producing gas & electrical safety certification to protecting tenant's deposits.

Breaches of certain types of legislation often have criminal sanctions attached, including fines, imprisonment or both. Therefore, it's essential that all relevant procedures & laws specific to your property & tenancy are followed.

Because we are specialists in our industry, we can guide you through each & every piece of legislation. Below is a brief overview of the recent regulations. We must stress that this is just a brief overview, for more detailed information, please contact us & we will be only too pleased to give more comprehensive information. We can arrange for safety checks & certificates to be carried out on your behalf.

THE FIRST STEP

Energy Performance Certificate (EPC) - All properties that are on the market to let must have an Energy Performance Certificate (EPC) which must be available for inspection by prospective tenants. An EPC gives prospective tenants information on the energy efficiency & carbon emissions of a building. They show the current running costs for heating, hot water & lighting for the property & its environmental impact & a list of energy saving improvements. Once an EPC has been obtained it will be valid for 10 years.

It is now law that all rental properties have an EPC. Failure to provide one could result in a fine.

Please be aware that property is NOT allowed to be marketed until an EPC has been obtained.

SAFETY REGULATIONS & LEGAL REQUIREMENTS

The Gas Safety (Installation and Use) Regulations 1998 - Government Legislation requires the Landlord to hold a Landlord's Gas Safety Certificate issued by a Gas Safe Registered Engineer concerning all gas appliances in rented property. The certificate issued, lasts for 12 months & must be renewed annually whilst the property remains let. A copy must be issued to both the landlord & the in-going tenant. No tenancy can commence until we are in receipt of a valid GSC. We can arrange this on your behalf. If you use your own contractor we will need proof of their Gas Safe Registration. Further information can be found on www.hse.gov.uk/gas

Portable Electrical Appliance Testing (PAT) - There are several items of secondary legislation under the umbrella of the Consumer Protection act which are directly relevant to the supply of electrical goods, including:

- The Low Voltage Electrical Equipment Regulations 1989
- The Electrical Equipment (Safety) Regulations 1994
- The General Product Safety Regulations 1994
- The Plugs and Sockets (Safety) Regulations 1994

All appliances supplied in a letting must be tested for safety. The landlord has a legal duty to ensure all portable appliances (any item with an accessible plug) such as fridges & kettles are safe – this applies to used & brand new appliances. Although at present there is not a legal obligation to hold an electrical safety certificate, however there is a duty of care regulation & we would advise that an electrical safety check be carried out, & a PAT Safety Certificate issued by an approved electrician annually.

If we are managing your property, we will require a current PAT Safety Certificate prior to the commencement of the initial tenancy & annually thereafter.

The Furniture and Furnishings (Fire) (Safety) Regulations 1988 - All upholstery & upholstered furnishings supplied as part of the tenancy must comply with current fire resistance standards. It is a criminal offence, punishable by a fine &/or a prison term, to let premises with furniture or soft furnishings which cannot be proven to comply with the above fire safety regulations. The Regulations apply to the following which must be match resistant, cigarette resistant & carry a permanent label:

- all upholstered furniture, suites & sofa-beds
- beds & divans including the upholstered bases, padded headboards & mattresses of any size
- furniture with loose or fitted covers, cushions & pillows
- children's furniture
- cots, high-chairs & other items used by a baby or small child
- garden furniture which may be used indoors

Items such as carpets & curtains are not included. Any furniture manufactured prior to 1950 will be exempt, provided that they have not been re-upholstered with an illegal filling. All furnishings must carry the appropriate permanent labels to show that they comply. Any furnishings which do not comply with the regulations must be removed prior to the start of the tenancy. We are able to organise the testing and the issue of a Safety Certificate for the furnishings of your property.

Electrical Mains Installation and Fixed Wiring Testing – PIR - The two main Acts of Parliament that impose a statutory duty on Landlords with respect to safety and electrics are:

- The Consumer Protection Act 1987
- The Landlord & Tenant Act 1985 (Section 11)

The only way a Landlord can check that the electrical installation (the fixed wiring) in the property is safe, is by having a Periodic Inspection & Report (PIR) carried out & signed off by a fully authorised electrician, (such as NICEIC qualified). This inspection identifies any deficiencies against the notional safety standard for electrical installations & issues a report. Any areas that require attention will be detailed in the report, together with a recommendation of remedial works required, if any, in order of priority. It is considered best practice to have a PIR carried out when a property is first prepared for letting, & every 5 years thereafter.

Oil and Solid Fuel - There is no specific legislation applying to oil and solid fuel currently, but we recommend that appliances are serviced regularly, to ensure their safety.

Smoke Detectors - Properties built after June 1992 must have mains interlinked smoke detectors on each floor. Although older properties do not fall under these regulations, The Property Outlet would recommend that a property for let have at least one fully operational battery operated detector on each floor, as a minimum requirement.

PERMISSION & CONSENTS

Houses in Multiple Occupation (HMO) Licensing - Houses in Multiple Occupation are properties which are occupied by four or more sharers who do not form a single household. This is governed by statute. In the event of a house being classified in this way, strict criteria must be met before the property has a registration certificate from a local authority to ensure that the property meets additional fire & electrical safety standards. The legislation sets a limit to the number of occupants in a property & the size of an HMO determines whether you need a licence. This varies between councils. Information may be found at www.communities.gov.uk.

Mortgage Lender Permission - If you have a mortgage on the property then you must contact your mortgage provider to make sure that you are allowed to let the property under their terms & conditions. If you require a 'Buy to Let' mortgage, or need to remortgage, we have an independent mortgage broker available who is able to offer you advice.

Insurance - It is the landlord's responsibility to arrange Buildings Insurance on your property, including cover for your own contents & public liability. Many standard policies do not cover rental properties. If you already have your own policy in place, you must advise the insurer that your property is to be let, otherwise you may invalidate the cover. We recommend that you take out specialist insurance aimed at landlords, as this cover will protect & safeguard your needs & include many additional features associated with letting property, for example, damage caused by a tenant. We are able to put you in contact with HomeLet & other insurance companies, who are able to provide you with quotations for all types of insurance policies available to landlords, including Portfolio policies, Contents Insurance & Emergency Assistance.

Leasehold Consent - If your property is leasehold you must ensure that you have written confirmation from the freeholder (or their agent) that your property can be let & on what terms. If The Property Outlet is managing your property, we will also require a copy of the Head Lease which can be given to the tenant to ensure that they comply with the leasehold regulations that govern the property.

Management Company - If your property has a Management Company, you must make sure that they are aware that you are going to be letting the property out, & that they have your contact address & details to be able to contact you.

OTHER ESSENTIALS

Inventories - There is a great importance of having an inventory compiled on any property to let, particularly following the introduction of the Tenancy Deposit Scheme. Without an inventory, landlords can face hefty charges for repairs or breakages that might have otherwise been recovered had the inventory been prepared by a skilled professional who is trained to avoid omissions or errors.

We use a highly professional & experienced independent company to compile a detailed inventory. We recommend that all landlords have an inventory of their property, even if they are going to manage the let themselves. If The Property Outlet is managing your property, we will require a comprehensive & up to date inventory each time we arrange a new tenancy. Please ask for information and prices.

Rent Guarantee Cover - Letting a property does come with some risk. As a landlord, you rely on tenants to pay the rent on time & vacate the property at the end of the tenancy. However sometimes a tenant may get into difficulty & not be able to pay their rent. If you want complete peace of mind, you may want to take out rent guarantee cover.

Absolute Rent Guarantee covers the property, not the tenant & offers you the following...

- Cover for the total monthly rent, no matter how many tenants live in your property or the rental amount
- 100% of the monthly rent paid for up to a maximum of six months from the date of the first arrears
- Legal expenses up to £25,000 to cover eviction should your tenant fail to vacate the property when obliged to do so in accordance with the tenancy agreement
- 50% of the rent paid for up to two months after vacant possession has been obtained, whilst you look for new tenants

Please ask us for more information should you require more information.

FINANCIAL IMPLICATIONS & THE LEGAL ASPECT

Deposit Protection - Since April 2007, landlords are legally required to safeguard tenant's deposits & must be registered with one of 3 schemes within 14 days of receipt of deposit. This legislation covers virtually all new AST contracts through which private landlords let property in England and Wales. However, the following will not need to be registered with a tenancy deposit protection scheme:

- Resident landlords (those living in the property)
- Landlords of tenancies with rent of over £25,000 a year * (This amount will rise to £100,000 from 01/10/2010)
- Company lets
- Student accommodation let directly by universities or colleges

Failure to comply will affect the ability of the landlord to gain possession of their property under the usual Section 21 route of the housing Act 1988. Landlords can also face a fine up to three times the deposit amount. The aim of this legislation is to ensure that deposits are returned to tenants correctly & the deposit money is not unfairly withheld.

There are two types of schemes available for landlords to protect the deposit.

Custodial schemes

The DPS is the only custodial deposit protection scheme. Money is held by the scheme until it is time for it to be repaid at the end of the tenancy. The custodial scheme is free to use. The landlord simply puts the deposit into the scheme at the beginning of the tenancy.

Insurance-based schemes

Under the insurance schemes the landlord keeps the deposit, & pays the insurance scheme to insure against the landlord failing to repay the tenant any money due to him. There is a choice of two insurance-based schemes, The Dispute Service (TDS) & my deposits. For more information please visit www.thedisputeservice.co.uk or www.mydeposits.co.uk.

If The Property Outlet is managing your property, we will protect the deposit received from your tenant using the DPS. The DPS will hold the deposit on your behalf & will release to us as your agent at the end of the tenancy providing that we can agree with the tenant how much should be repaid to them. Any amount that is agreed to be kept by the landlord for the cost of cleaning/repairs will be returned to the landlord (or us as your agent). If an agreement cannot be reached with the tenants, the DPS will examine the claim from each side & will decide how much of the deposit is to be returned. The decision from the DPS is final & legally binding.

If you are managing your tenancy yourself, we are happy to place the deposit into our DPS account for you, but will not get involved in any negotiations between landlord & tenant. We will only ask the DPS to release the deposit once we have written permission from the landlord & the tenant.

TAXATION OF RENTAL INCOME

Income Tax - Rental income is liable to tax. Expenditure which you incur in the running of the property is allowable as a tax-deductible expenditure. This will include mortgage interest, our management fees, & the cost of insuring the property & a wear & tear allowance (in the case of furnished property). You are then taxed on any profit that you make.

UK Resident Landlords - If you are a UK based landlord, The Property Outlet will pay your rental income to you gross, less fees and expenses. You are then responsible for your own tax affairs. Therefore, if you are not accustomed to dealing with H M Revenue & Customs (HMR&C) or making annual tax returns, we strongly recommend that you employ an accountant on your behalf to deal with this for you.

Non UK Resident Landlords - If you are living abroad for more than six months, you will be considered to be an overseas landlord & required to register your status with the Inland Revenue, by completing a NRL1 Form. You will still have to pay UK income tax on any profits you receive from renting your property. If we are managing your property, we are obliged by law to deduct basic rate tax from any rent we collect & send it to the Inland Revenue on a quarterly basis.

To receive your rental payments gross you can apply to the Inland Revenue for an Exemption Certificate. If the property is in joint names then you will need to apply for one certificate each, Once the Inland Revenue have confirmed that a landlord is registered with them on this basis, they will issue authority for us to pay you your rent without deducting tax.

The NRL1 Form is downloadable from http://www.hmrc.gov.uk/cnr/nr_landlords.htm

From time to time the Inland Revenue will also ask us for information relating to rental payments paid to landlords. We are legally obliged to provide them with this information.

LANDLORDS OBLIGATIONS

Property Presentation - It is very important that a property is handed over to a tenant in a very clean & tidy condition. A professional clean is usually required, including carpets & curtains. If The Property Outlet feels that a property requires attention prior to the first let, we will discuss this with the landlord & agree a schedule of works. The Property Outlet can arrange for the work to be carried out at the landlord's request but all costs will remain the landlord's responsibility.

The garden needs to be well presented with the grass mown & hedges trimmed. Under our tenancy agreement, the tenant is responsible for the maintained of the garden. If possible, you should leave the appropriate garden tools at the property, for example a lawn mower. Large or high-maintenance gardens cannot reasonably be considered a tenant's responsibility so in such cases it is usually recommended that the cost of gardening is included in the rent. The Property Outlet can then arrange a contract with a local gardening company to ensure the garden.

Ongoing Maintenance & Repairs - Landlords are legally required to maintain their properties & undertake repairs. This includes the structure & exterior of the building, the fixtures & fittings, as well as the electrics, heating hot water & sanitary conditions. If we are managing your property for you, we will arrange for a local & reliable contractor to carry out the necessary repair work. If any of your appliances have service contracts, maintenance agreements or under guarantee, please make sure that you supply us with the details and a copy of any documents.

Utilities & Council Tax- We recommend that the landlord contacts all service providers to advise that you are no longer responsible for the bills. It remains the landlord's responsibility to ensure that services & utility companies are made aware that they have moved out & provide their forwarding address for final invoices. Also, any utility charges between tenancies remain the landlord's responsibility. If The Property Outlet is managing your property, we endeavour to take meter readings on the day the tenancy begins and will write to the electricity, gas & water suppliers as well as the council tax office to provide them with meter readings and the names of new tenants at the start of a tenancy & the end of the tenancy.

The tenant is responsible for all charges for electricity, gas or oil (where applicable), water & council tax for the duration of their tenancy. They must also pay for any telephone & internet connections, satellite/cable services & a television TV licence where applicable. A landlord is not expected to provide internet, satellite or cable facilities within a property, although provision of a standard telephone line is strongly recommended. It is the tenant's responsibility to find out if these services are available prior to renting a property.