

**ARLA Propertymark Talking Points and FAQs**  
**Consultation on Banning Tenant Fees**  
**April 2017**

**Structuring the meeting with your MP**

**Purpose of the meeting**

- *AIM*: To gain support in opposing the ban on fees
- *SAY*: The proposal outlined by the Department for Communities and Local Government (DCLG) in the consultation will not achieve the Government's wider objectives of encouraging longer-term tenancies
- *ARGUE*: Costs for services that form tenant referencing should be exempt from a ban

**Why your MP should oppose the ban**

- Fees should be open, transparent and fair, not banned
- Fees cover legitimate costs which need to be met in order to keep businesses running
- Significant work is required to comply with the law, housing standards will drop
- **KEY POINT** - It is estimated that 60% of the lettings industry is made up of small businesses

**The current proposal won't work**

Rents will increase. ARLA Propertymark research<sup>1</sup> conducted with more than 1000 agents between 1<sup>st</sup> and 21<sup>st</sup> December 2016 showed that agents overwhelmingly (87%) believe that rent prices will increase as a result of banning fees.

Landlords will be affected. A significant proportion of costs currently met by tenants are likely to be passed to landlords. Landlords have already been hit by significant changes in recent years with the introduction of measures including higher rates of stamp duty (3% on top of current rates) and restriction of mortgage cost relief.

Standards will drop. Fees charged reflect real work which has to be undertaken, much of it required by law. Many of the services may not seem burdensome at first but a survey conducted by ARLA Propertymark finds that letting agents spend on average, eight hours undertaking credit checks, conducting viewings and collecting and checking references per contract.

**The referencing process should be exempt**

- We are disappointed that the current proposal is for an all out ban.
- Question Three of the consultation asks which charges should be exempted.

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<sup>1</sup> ARLA Propertymark Letting Agent Fees Research prepared by Opinium, January 2017

- Explain what this involves. Referencing is not simply a case of forwarding a prospective tenant's details to a third party. Referencing involves ensuring forms are completed properly, making requests to referees and guarantors, checking a tenant's credit history, liaising with an external referencing company, collecting employment information, liaising with the tenant's previous landlord, checking passport or other visa documents and storing copies securely to comply with Right to Rent checks as well as scheduling and carrying out any further checks necessary.
- Significant time is spent chasing all of the parties involved to complete the referencing process.

### **Comparison with buying a house**

Fees paid by tenants to arrange a tenancy are lower than those spent on buying a house. According to the research commissioned by ARLA PropertyMark shows that average fees in the rental sector are just under 3% of the tenant's total annual rent. This is lower than the 3.7% of fees due by buyers compared to their annual mortgage payments.

### **Say why your work is important**

The checks that need to be funded include:

- Organising viewings, gas certification, electrical checks, emergency lighting and fire safety (within HMO properties), arranging keys and accessing the property all take significant amount of time and resources within agencies and are all required by law
- Right to Rent checks on all adult occupiers, referencing (chasing previous landlords, previous and current employers, credit checks and additional searches. Referencing can take anything from three to eight hours
- Negotiating clauses between the tenant and landlord, giving the tenant time to go through the tenancy documents and answering any questions they may have creates significant cost burdens for agents
- Conducting comprehensive property inventories and schedules of condition, which offer protection to tenants as well as to landlords, can take many hours
- Testing smoke alarms and Carbon Monoxide detectors must be done on the day the tenancy starts which add even greater administrative burdens on agents
- Making sure that paperwork is correct and issuing the How to Rent guide, Energy Performance Certificate (EPC), deposit registration documents, Gas Safety certificate, property licenses, inventory paperwork, keys, copies of the tenancy agreements, and contact details

## **Frequently Asked Questions to support your conversations**

### **Q. How much is being charged on average by agents?**

A. There are differences across the industry, recent findings<sup>2</sup> show an average of £206 per tenant. There are undoubtedly agents who have charged higher fees but as part of ARLA Propertymark I believe in higher standards for tenants and as a professional I want the industry to be regulated.

KEY POINT: A total ban on fees would be bad for tenants, bad for landlords and bad for standards of property management.

### **Q. What evidence is there to back up your claims about rent increases?**

Research commissioned by ARLA Propertymark from credible economists Capital Economics\* found that Landlords are likely to pass on higher agents' fees to tenants in the form of higher rent.

KEY POINT: In the most plausible outcome, letting agents would lose £0.2billion in turnover. Landlords would lose £0.3billion in income and tenants would pay an increased rent of £103 per annum.

### **Q. How much time do you spend on services to tenants?**

This varies depending on how straightforward a tenant's situation is but it is not unusual for referencing, and credit checks to take around 8 hours. Ultimately tenants receive a service from letting agents and if they are banned, the balance of power will shift to the landlord.

KEY POINT: Agents manage the tricky role of serving both the tenant and the landlord, a total ban on fees will mean that tenants will have no-one in their corner.

### **Q. It doesn't take that long to check a passport does it?**

Right to Rent checks are one of several mandatory checks which need to be done before a tenancy begins. It is not simply a case of glancing at a passport. Arrangements need to be made for all adult occupiers to have face to face checks, often at different times; there is a long list of accepted ID and occupiers need to have the scheme explained to them and support with which items on the list they hold. Tenants (often those who are British Nationals) regularly object to the checks which takes more discussion and reference back to the gov.uk site. There is suspicion and occasionally hostility around the need for us to take copies of ID.

KEY POINT: Copies are made and filed for reference as necessary and we diarise follow up checks for tenants using time limited ID where we are required to spend time completing further checks.

### **Q. A fee ban does not appear to have damaged the sector in Scotland.**

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<sup>2</sup> Letting the market down? Assessing the economic impacts of the proposed ban on letting agents fees. Research commissioned from Capital economics by ARLA Propertymark

According to Scottish Government figures, rents rose 4.2% in Scotland in the first year after the ban was introduced in 2012. This is compared to England where rents, according to the English Housing Survey, rents decreased across the nation by 0.7% in the same period.

**Q. What do you actually do for your fees?**

Agents who manage properties have to comply with around 160 laws and mandatory regulations. To name but a few, these include the Housing and Planning Act 2016, Consumer Rights Act 2015, Smoke and Carbon Monoxide Alarm Regulations 2015, Deregulation Act 2015, Immigration Acts 2014 and 2016, Heat Network Metering and Billing Regulations 2014, Enterprise and Regulatory Reform Act 2013, Energy Act 2010, Gas Safety (Installation and Use) Regulations 1998, Housing Acts 1988, 1996 and 2004, Housing (Scotland) Act 2014, Housing (Wales) Act 2014 where applicable, alongside arrangements for Universal credit, as well as elements of tax relief for landlords which have been subject to change recently, assessing for risk of Legionella and selective licensing schemes which regularly emerge in new areas under Housing Act 2004.

KEY POINT: Agents need to stay up to date with regular changes in legislation in order protect both tenants and landlords.