



Response to Bank of England Prudential Regulation Authority Consultation Paper on 'Underwriting standards for buy-to-let mortgage contracts' from Association of Residential Letting Agents (ARLA)

Background

The Association of Residential Lettings Agents (ARLA) was formed in 1981 as the professional and regulatory body for letting agents in the UK. Today ARLA is recognised by government, local authorities, consumer interest groups and the media as the leading professional body in the private rented sector.

In May 2009 ARLA became the first body in the letting and property management industry to introduce a licensing scheme for all members to promote the highest standards of practice in this important and growing sector of the property market.

ARLA members are governed by a Code of Practice providing a framework of ethical and professional standards, at a level far higher than the law demands. The Association has its own complaints and disciplinary procedures so that any dispute is dealt with efficiently and fairly. Members are also required to have Client Money Protection and belong to an independent redress scheme which can award financial redress for consumers where a member has failed to provide a service to the level required.

Comments

ARLA believes that buy-to-let lenders should be considering more than finance when deciding on a landlord's suitability for a buy-to-let mortgage. In our view there should be a minimum understanding of the market to help minimise the risk to the lender. We recommend that this could be achieved via a training course or landlord accreditation scheme for example. It would also help to raise standards and improve the professionalism of the private rented sector.

In the section 'Income affordability test' on pages 12 and 13 of Consultation Paper, and in particular section 2.9 (a) (iii) on page 13, we believe that where a letting agent is used to assess rental income, only those agents who hold a professional qualification, such as the National Federation of Property Professionals (NFoPP) Awarding Body Technical Award in Residential Letting and Property Management Qualification can be defined as "suitably qualified." ARLA believes that this would be de-risking for the banks and provide an incentive for professional training for the industry.



Furthermore, on page 13 of the Consultation Paper, section 2.9 (c) (ii) 'Essential expenditure and living costs' it refers to the costs of council tax and the utilities within the examples of expenditure relating to the borrower's rental properties. Here ARLA would make the point that usually tenants pay council tax and the utilities in rental properties and therefore, these should not be taken into account when assessing the landlord's affordability.