



PM LETTINGS

Fees to Tenants

Independent Redress

Client Money Protection



TENANT FEE SCHEDULE

The legislation requires that a landlord (or agent) must not require a relevant person to make a **prohibited payment** to the landlord (or agent) in connection with a tenancy of housing in England (sections 1 & 2). The scope of such payments is extended to include making payments to any other nominated third party, or a requirement to enter into a contract with a third party for the provision of any service (other than utilities and communication contracts) or insurance.

Holding Deposits

The payment of a holding deposit is a permitted payment but subject to a maximum limit of ONE week's rent. The Act makes specific provisions for the acceptance and treatment of the holding deposit:

- Once accepted, the parties have 14 days in which to carry out reference checks etc. and come to an agreement regarding the tenancy (although the parties may make a written agreement to alter this time period).
- The holding deposit must normally be refunded to the applicant tenant where the landlord decides not to enter into a tenancy agreement, subject to a list of exceptions.

The exceptions where the Landlord may decide not to grant a tenancy, and not refund the holding deposit are:

- The Applicant does not have a right to rent a property in the UK and the Landlord or his Agent did not know, and could not reasonably have been expected to know this, before the holding deposit was accepted;
- The Applicant provides false or misleading information, and the Landlord or his Agent is reasonably entitled to take into account the Applicant's actions or the difference between the false and correct information in deciding whether to grant a tenancy to the Applicant;
- The Applicant notifies the landlord or letting agent within 14 days from receipt of the holding deposit that the Applicant does not want to enter into a tenancy agreement;
- The Landlord or his Agent takes all reasonable steps to enter into a tenancy agreement, within 14 days from the date of receipt of the holding deposit, but the tenant fails to take all reasonable steps to enter into the agreement before that date.

Security Deposits

The payment of a tenancy deposit is a permitted payment but the legislation will now restrict the size of tenancy deposits that may be held – to a maximum of **FIVE** weeks rent (or **six** weeks for high rent cases where the annual rent is £50,000 or more). PM Lettings use TDS (Tenancy Deposit Scheme) to hold any deposits throughout the tenancy.

Prohibited Payments

With the exception of rent, dilapidation deposits and holding deposits, almost any other type of payment that the tenant may be required to make in connection with the occupation (tenancy or licence) will be a prohibited payment. Tenancy terms that require a payment, or service with a third party are in most cases now banned.

Permitted Payments

Schedule 1 to the Act makes obvious permitted exceptions such as the payment of rent, dilapidation or tenancy deposits, and holding deposits but all these are subject to special rules which are detailed later in this Factsheet. This list of permitted payments may change at the discretion of the Secretary of State who has delegated powers to amend this schedule.

The Act provides for a class of 'default' payments which may be charged in specified situations - which currently only includes charging a payment for 'loss of a key' and a late rent payment charge.

The landlord or his agent may also make a charge where the tenant wishes to terminate the tenancy early, or vary the terms or assign the tenancy.

Breach of Tenancy Agreement

The Act allows the landlord or agent to seek reasonable compensation or damages where a breach of the tenancy agreement has occurred.

Alterations to a Tenancy Agreement

The Act allows the landlord or agent to make a charge 'in consideration of the variation, assignment or novation of a tenancy at the tenant's request'. If the payment exceeds £50, then the payment must be restricted to the reasonable costs of the person to whom the payment is to be made.

Similarly, a payment may also be requested where the tenant requests to end a tenancy early, either as early termination of a fixed term tenancy, or in termination of a periodic tenancy without giving the legally required period of notice. Such payments are only permitted where they do not exceed the loss suffered by the landlord as a result of the early termination.

Permitted Services

The Act makes it illegal for a landlord or agent to require the tenant to enter into a contract with a third party 'in connection with a tenancy of housing'. However, the Act specifies a number of exceptions to this rule:

- Payments in respect of council tax
- Contracts and payments in respect of utilities (electricity, gas or other fuel) including water and sewerage
- Contracts and payments in respect of television licence or service, and other communication services

Default Payments

The legislation permits the payment of two types of default payment:

- Where there is loss of a key or other security device giving access to the property
- Following failure to pay rent in full within 14 days of it becoming due

In either case, the amount charged to the tenant must not exceed the costs reasonably incurred.

For late rent payments, landlords are also restricted in terms of interest rates that can be applied – to 3% above Bank of England base rate (calculated annually).