SOUTHERN LANDLORDS ASSOCIATION

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162 Milner Road, Brighton, BN2 4BQ

Tel: 0845 475 3583 / 0845 475 3283 (fax) / 0845 475 2483 (help-line) / 01603 216399 (insurance)

info@SouthernLandlords.org www.SouthernLandlords.org

Welcome to our January 2010 newsletter

Southern Landlords Association (SLA) wishes all landlords a prosperous New Year. Welcome to the first E-letter of 2010.

DO YOU OWN A LEASEHOLD PROPERTY?

NEW RULES on RIGHT TO MANAGE

If you own a flat in a Right to Manage Block (RTM) your rules changed from December 2009. The Government issued a new set of Articles in line with the 2006 Companies Act. These rules may be adopted by any existing RTM company and must be adopted by all RTM companies by this time next year.

There are some far-reaching changes to the way an RTM company should be run and it is possible that existing RTM companies will have their rules changed by law without knowing it, as by 2010 their present rules will be obsolete.

Please contact our leasehold advisor, Shula Rich, (www.leaseholdrights.co.uk) for a new set of Articles and any advice about running and forming an RTM company.

HOUSING BENEFIT REFORM

Members housing tenants in receipt of Local Housing Allowance (LHA) will be aware that under the current system tenants can keep up to £15.00 a week of their LHA, provided they occupy a property where the rent payable is less than the LHA.

In April 2009 the Chancellor of the Exchequer, Alistair Darling, announced that the excess payment was to be scrapped as from April 2010. In the latest Pre-Budget Report, the Government has reversed that decision and will delay any reform until April 2011, as a recent consultation has indicated that there are significant disadvantages in withdrawing the excess.

As a result, Government is launching an immediate consultation on its approach to Housing Benefit reform and affordability. It will also introduce a package of administrative reforms that will save about £100 million per year by 2012/13. This includes measures to reduce the scope for fraud or error throughout the benefits system.

It is particularly good news for tenants who benefit from this payment, especially in the current difficult times. However, you can rest assured it is unlikely that the “excess” will remain in the longer term.

You may be aware that you can benefit from the excess if the tenant is over eight weeks in arrears by requesting that the Housing Benefit Department pay both the rent and excess (if any) to you, the landlord, provided the tenant agrees.

PURSUING EVICTION THROUGH THE COURTS

Can I charge for my time?

Members taking court action against tenants for possession (Section 8 / Section 21 notices) or for county court cases relating to making a deduction from a tenancy deposit may be interested to learn that they can actually charge for their legal input.

Rules contained on the Ministry of Justice web site on court procedures indicate that it is possible for a landlord to charge for legal input to a case, even if they are not a trained solicitor. The costs charged normally equate to two-thirds of what a qualified solicitor would charge and there is no cap on the amount, although the judge has considerable discretion on the total charge.

Interested members should look on the Ministry of Justice web site (www.justice.gov.uk), court procedures. However, it is one thing being awarded costs but quite another obtaining them from a tenant!

TENANCY DEPOSIT PROTECTION

“Watch out – Shelter is about”

Members will be aware that our Association does not support tenancy deposit regulation in the manner that it has been introduced, and strongly recommends that members either do not take a deposit or, alternatively, that they do take out insurance protection to cover damage. (Our insurance partners, Boswells [Tel: 01603 218000], can assist in this respect).

Your Association’s committee appreciates that many members who take deposits do use one of the three approved schemes. What is most disturbing is that Shelter is recommending to its advice centres that when a tenant seeks advice on a housing matter, and if a deposit has been paid, the adviser checks carefully to ensure that the landlord has complied with the requirements of the scheme, not only with regard to registering the deposit within 14 days but all the other requirements of the scheme. If any omission is discovered, the adviser, most likely, will recommend that the tenant commence legal action for recovery of three times the value of the deposit!

Ensuring the proper return of deposits is one thing; using the legislation to “catch” landlords is quite another. Shelter is quick to denounce landlords for unreasonable practices; it should look at “some of its own” before criticising others. Nevertheless, members are advised to ensure compliance with all the conditions of the scheme.

Mike Stimpson's Winter Update

RUGG REVIEW / BRITISH RESEARCH ESTABLISHMENT REPORT

Members will be aware that Julie Rugg and David Rhodes produced a report (commissioned by Government) on the Private Rented Sector. That report was published in 2009 and formed the basis of a consultation paper. SLA responded to the consultation. The outcome was due to be presented late 2009 but has been put back until spring 2010.

Another report on HMO licensing produced by the British Research Establishment in the autumn of 2009 has still not been released. I am sure that Government has more pressing matters but it makes one wonder why it continually commissions reports then fails to publish its responses in a timely manner. Could it possibly be that the consultation responses have not supported Government objectives? We must wait and see.

LOCAL HOUSING ALLOWANCE (LHA)

Direct payments to landlords

Members will be only too aware that with the introduction of the Local Housing Allowance (LHA) in April 2008, payments (except in cases of vulnerability) are now made, in the main, to tenants, whereas previously, tenants had a choice as to whether Housing Benefit was paid to them or direct to the landlord.

Although one can understand Government's objective in paying the tenant – in order to give them personal responsibility for their financial affairs – it was realised by agencies acting on behalf of both landlords and tenants that this regulation would cause problems for both landlords and tenants and should not have been introduced.

It was made much worse as a result of many local authorities not accepting as "vulnerable" many tenants without onerous hurdles being passed, and in the same vein continued to pay tenants direct even after eight weeks arrears had been incurred.

A number of reports, both from landlords' and tenants' organisations, were submitted to the Social Security Advisory Committee, detailing the problems as a result of the "payment of LHA to tenants". The outcome of the representation is the production of the consultation paper mentioned elsewhere in this E-letter. It appears that what is being proposed is that in return for considering returning an element of choice to customers (LHA tenants) to have their benefit paid directly to their landlord, the landlord would be asked to improve the energy efficiency of their property.

Your Association will be responding to the consultation paper in due course. May I thank those members who kindly assisted with the earlier questionnaire. Today it is evidence to support cases that produces results.

Ian Harvey Reports

MORTGAGE and ECONOMIC VIEW

As discussed in my last article, the mortgage market is continuing to improve, albeit slowly. For landlords this is probably a good thing - too rapid an improvement would undoubtedly result in early and rapid increases in Bank base rates.

Whilst no lender has yet gone beyond the maximum of 75% LTV mentioned last time, there is a noticeable increase in lenders' willingness to actually agree mortgages!

The main problem at present is liquidity. Most lenders simply do not have enough money available to lend, and are under significant Treasury pressure to lend what they do have to individual owner occupiers and also small businesses - not to mention, of course, for Kraft to purchase Cadburys!

There are a number of new financiers looking to enter the Banking fray, and whilst Buy-to-Let and investment property lending may not be at the top of their product list, it is nevertheless a positive sign. There are rumours that the FSA may have as many as 30 applications for banking licences under consideration at present!

At least one major Buy-to-Let lender has indicated that it is likely to start providing mortgages again shortly, and this will doubtless be followed by other lenders.

Unsurprisingly many landlords are now opting for BBR or LIBOR based trackers, rather than fixed rates, 70% in the last quarter of 2009 as opposed to 45% in the previous quarter.

I am frequently asked when the market will improve, and when Bank rates will start to increase. Well, if only I had a crystal ball!

It is fair to say that in many parts of the country the property market has not only bottomed out, but begun a slight improvement. When, or indeed, if, it recovers to the frenetic and unsustainable levels of 2-3 years ago is another matter. I do however expect that within the next 12 months we will start to see more specific improvements.

As for interest rates, well "expert opinion" is that it is unlikely to increase much in the next 2 years or so. Some say it will remain static for 2010, whilst I personally expect it to end the year up at 1%, and perhaps 2% by the end of 2011. Increases beyond this would be likely to knock us straight back into recession.

The two most fundamental questions for a landlord looking at his portfolio and mortgages at present may be: should I remortgage, and should I buy more properties?

- **Remortgaging** depends very much on the reasons why, what deal you currently have and what deal you could now obtain.
- If you have identified a **new purchase** at a good price, with a good demand and good likely return, then providing the deal makes sense factoring in the currently available mortgage terms, then now may well be a good time to buy.

Due to the complexity of lenders' offerings and the continuing volatility of the mortgage market it is essential that you obtain professional advice from a specialist investment mortgage broker.

In all cases you should take professional advice if you are unsure and the above is the view of the author only, and not of the SLA.

NEWS IN BRIEF

Landlords Remain Confident about Housing Market

A leading Buy-to-Let mortgage processing company has reported that the majority of landlords are applying for buy-to-let mortgages in order to expand their portfolios, with 69% of applications during the past quarter being for purchases.

House Prices Rise by 105% in a Decade

House prices rose by 105% during the past 10 years, with the UK average house price rising from £81,596 in 1999 quarter four to £167,020 in 2009 Q4. The Halifax has reported national average prices increased by 145% between the start of the 2000s and the peak in 2007 quarter three. This was followed by a 21% decline over the next seven quarters. Prices subsequently increased by 6% during the final two quarters of the decade. House prices ended the 2000s at a level similar to that in Q3 2005.

Landlord Mortgage Arrears Down

Two major Buy-to-Let lenders have reported in the last few days that their B2L arrears situation has improved significantly. This is obviously good news for both them and the unfortunate landlords who were previously in arrears.

Private Landlords Urged to Fill Housing Gap

The British Property Federation (BPF) annual housing conference has highlighted the need for private rented sector landlords to fill Britain's housing gap.

Research from Hometrack shows a massive gulf between social housing and home ownership. Despite the housing crash, ownership remain unaffordable for many and without new investment from pension funds or buy-to-let investors - both of whom drive the private rented sector - there will not be enough homes to meet demand from those that don't qualify for social housing but who can't afford to buy.

EPCs on Rental Property

We are receiving word that local Trading Standards Offices are starting to "get heavy" with landlords, and prosecute where no Energy Performance Certificate has been obtained. If you don't have an EPC for a letting commencing after 1st October 2008 and should have, get it now!

There are also suggestions that the managing agent could be held jointly responsible for ensuring the EPCs have been carried out.

NATIONAL MEETINGS

SLA representatives have and will be attending and contributing to the national scene throughout 2010, including:

19 January	Private Sector Forum (House of Lords)
21 January	National Fuel Poverty Conference;
26 January	British Property Federation quarterly meeting (London)
26 January	quarterly meeting of the PRS group for Energy Efficiency Partnership for Homes
17 February	Industry Forum (London)

BUY-TO-LET

Following a successful case in Bristol High Court in December 2009, a "Buy-to-Let" investor was ordered to pay damages of over £130,000 after pulling out of an "off plan" purchase. It appears that this is one of "hundreds" of legal actions being pursued by developers and investment intermediaries.

I am sure our members understand that if you contract to purchase a property "off plan", then regardless of whether the property has increased or decreased in value by the time it is ready for occupation, you have contracted to complete the purchase at an agreed price, that is unless you can prove that you were induced to invest under false pretences or were given negligent advice.

Our Association has always advocated an exit strategy: if you cannot sell it, can you rent it? Proper research should give you a good perspective, especially when considering "city centre flats" in alleged "hot" locations.

Weekly Advice Drop in for SLA Members

From the beginning of this year there's a new SLA service – a drop in Advice Evening - a face to face discussion for landlords' issues, in addition to the Telephone Help Line.

Shula Rich – who wrote the SPLA Training Manual for landlords - holds the drop-in every Thursday evening with a volunteer Solicitor and a Right to Manage expert. The drop in deals with anything you would usually call SLA Help-line for. There is no limit to the number of visits members can make.

'As long as the problem is there – we're there for you, to help, support, and advise' says Shula, who also specialises in Leasehold issues, and writes the Block Management courses for the National Federation of Property Professionals.

Many Landlords, especially those in the South East, will be renting out Leasehold flats.

'As leasehold landlords, legally we are often in a weaker position when it comes to extra charges than our own tenants' Shula says.

This drop-in, unique in the UK, can also advise on

- Service charges
- Managing agents
- Freehold purchase
- Lease extensions
- Right To Manage Procedures which enable leaseholders to replace any managing agent with their own choice of manager

The regular face to face help it provides is a first for the SLA, adding value to an already worthwhile membership.

SLA Members Drop-in times

Thursday evenings from 5.30pm to 7pm
Friends Meeting House Ship Street Brighton
Email info@leaseadvice.org
Telephone 01273 705432

INVESTMENT PROPERTY FOR SALE

A member has an investment property for sale in Brighton, situated adjacent to the Royal Sussex County Hospital in Eastern Road, consisting of 4 flats, all let, and producing over £28,000 gross (£22,000 net) annually. It is fully licensed and complies with current regulations. Price: £460,000.

For further details contact Andy Lees of Graves Jenkins on Tel: 01273 601060.

GARAGE FOR SALE

An Italian member has a lock-up garage for sale situated off Hove Street, Hove. Offers in the region of £20,000.

For more information contact Mike Stimpson on Tel: 01273 571580.

YOUR ASSOCIATION NEEDS YOU!

- Would you like to be involved or know someone who would?
- This association is for YOU the members. If you wish to offer your services or know someone you would like to propose, or contribute in any way please contact us.
- We are especially keen to find a Treasurer - voluntary at first
- We are pleased to receive items for consideration for publication in future issues of this newsletter.
- We are also keen to receive feedback and suggestions (preferably constructive!) regarding the Association and its future.

IF YOU HAVE NOT YET JOINED US THEN NOW IS THE TIME!

For a low annual membership fee of £75 (£82.50 for couples, £5 discount if paying by Standing Order) you get all the great benefits of membership of an association dedicated to YOU and your interests:

- representation to government
- excellent expert assistance on our helpline
- web site, including dedicated and secure members area (coming soon)
- free access to quality documentation, including ASTs, Section 21s and Section 8s
- discounted insurance via our insurance partner, Alan Boswell
- insurance to cover the cost of defending an HMRC investigation
- and so the benefits go on - don't delay, join today!

Many members find that they cover the membership cost just on the buildings insurance premium savings.

WANTED - YOUR CONTRACTOR or SUPPLIER

DO YOU HAVE A GOOD, RELIABLE CONTRACTOR or SUPPLIER THAT YOU CAN RECOMMEND?

We are wishing to establish a list of recommended contractors, particularly builders, electricians and heating engineers / plumbers for your benefit. If you use a person / organisation that you could recommend, please let us know.

FORTHCOMING MEETINGS

We are holding meetings throughout the South East starting immediately. These will be at convenient suitable venues, with two significant local speakers who can address topical local issues. Meetings are open to members and non members (who we will hope to recruit to membership). If you are not involved in your local group but wish to become involved please contact us.

Guildford	23rd February by Guildford and Woking & Waverley Councils
Southampton	24th February
High Wycombe	25th March
Bromley	26th April
Southampton	26th May

All are provisional and subject to change, especially if market or legislation situation dictates.

The LONDON branch are having a series of Social meetings (all welcome):

Tuesday 2nd February – The Green Man, No 1 Poultry, (Bank Underground Station, Exit 9) London EC2R 8EJ

Tuesday 2nd March – The William Morris, Swan Island, 2-4 King Street, London W6 0QA (Hammersmith Tube 2 minutes walk)

Tuesday 6th April - The New Fairlop Oak, Fencepiece Rd, Fairlop, Essex, IG6 2JP (Fairlop Tube {Central Line} about 5 minutes walk)

Tuesday 4th May – The Catford Ram, 9 Winslade Way (shopping centre) London SE6 4JU (Catford, or Catford Bridge, British Rail about 5 minutes walk)

Meetings start at about 5.30p.m, and go on until about 8 or 9p.m. If you need any further information please contact Derek Jenkinson on 07831 115 127

If you have any contributions, ideas or wish to communicate please contact the editor, Ian Harvey, at ian@southernlandlords.org.