Southern Landlords Association

February 2017, Newsletter 30

Another Year, Another Housing Act?

At the end of last year I gave a talk at an awards ceremony with the theme of changes to the law in the PRS since 2015, and I was absolutely astonished at the amount of 'stuff' that has come our way in that time.

All sorts of rules and regulations have been introduced, and the main reason? Lots of different politicians. In May 2015 we went from a coalition to a straight Conservative administration; then as a consequence of the Brexit vote another new Conservative administration, leading to 2 different Prime Ministers; 3 different Secretaries of State; and 3 different Housing Ministers – all wanting to stamp their own signature on the political landscape with different Bills.

The latest set of a new Prime Minister; Sec of State and Housing Minister have been in office for just over 6 months, and in spite of giving time to the outcome of the Brexit vote have had time to look at the Private Rented Sector (PRS), so clearly it is time for another Housing Act.

To that end a Housing White Paper has just been released. The full details are on the web site, but in summary is:

- A re-statement of the need to build more houses; in the right place; at an affordable rate. This time they have also stated that houses need to be built quicker
- This time they have also stated that planning will be relaxed to allow some building on the Green Belt
- There has also been an announcement of a new lifetime ISA to support young adults to save for an appropriate deposit to buy

It then goes on to talk about rental, stating they intend to:

- Make renting fairer for tenants (whatever that means);
- Cracking down on empty properties - this has been the aim since the 2004 Housing Act;
- stating, or rather re-stating previous facts:-
- According to the English Housing Survey (2014/15) rental properties are more likely to be sub-standard than owner occupier properties;
- To make tenants fees more transparent, and to ban agents fees (although missing the point that these fees will probably be charged to the landlords who will add to the rent);
- Bring forward banning orders introduced in the 2016 Housing Act (HA2016);
- Make electrical safety checks obligatory, also in the HA2016;
- Promote longer term tenancies. Whilst presenting this paper in Parliament, the Secretary of State talked about 3 year tenancies.
- It further intends to support housing associations to build more.

All this will be explained, and discussed at our meetings – see the list on the back page of the newsletter. Rest assured that the SLA will be taking this opportunity to make comments, and we would urge members to make individual comments.

Stop Press: The Housing Minister has confirmed that the longer tenancy proposals in the Housing White Paper will not apply to buy-to-let landlords, but only to institutional investors.

The Things That Have Been Thrown At Us Since 2015

Just to remind you of all the recent changes that have come our way

Minimum Energy Efficiency Standards (MEES)

For properties with an F or G EPC rating:

- from April 1st 2018 it will not be possible to start a new rental
- from April 1st 2020 no existing rentals will be allowed.

It will be possible to get an exemption from this, but it will have to be applied for, and to be renewed on a regular basis (frequency not currently known).
The exemptions in summary are:

- that if the works carried out would take more than 7 years to pay back. New double glazing would fall under this
- if the works would result in the property being devalued by more than 5%
- where third party consent cannot be obtained – refusal from the tenant or superior landlord; inability to get appropriate planning permission
- no EPC is required, e.g. listed building (but see below)
- or the EPC is more than 10 years old (won't be the case until after Oct 2017).

Briefly, the matter of a listed building is complicated. A listed building does not require an EPC if that EPC contains recommendations that are impossible because of its listed status – i.e. you would need an EPC to determine that you don't actually need one!!

The De-Regulation Act 2015

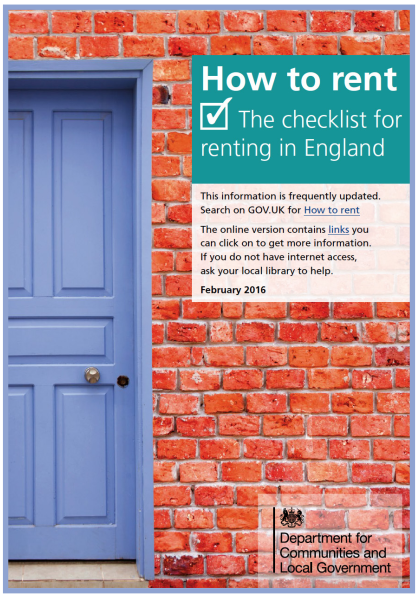
This act should be prosecuted under the Trade Descriptions Act as it brought in even more regulations!

The two main things it introduced for landlords are:

New Section 21

- it is a prescribed form, confusingly called Form 6A
- if your AST was raised after Oct 1st 2015, the new S21 must be used, but cannot be issued in the first 4 months of AST;
- Note that the new S21 can be used on an AST issued before Oct 1st 2015. Some courts are insisting that the new S21 has to be used for AST's – this is not the case. However, the new one is much easier to use than the old one.
- Must be used within 6 months of issue, i.e. within 4 months of it expiring;
- Tenants have statutory right to claim back any overpayment of rent;
- When you go to court must have a valid (where required):
  - EPC
  - gas safety inspection report, and;
  - the 'How To Rent' booklet issued by the Government (see below).
- Cannot be used
  - If deposit not properly protected;
  - Property not licensed where one was required.

'How To Rent' booklet is best obtained online at www.gov.uk – type How To Rent in the search line. There is an anomaly in the version you have to issue. It has to be the version relevant at the time the agreement started. The very best time to issue it is at the commencement of the tenancy, but be careful if you issue it late. As I said, this is an anomaly and the Government might eventually sort it out.



Retaliatory Evictions:

This is the second main matter to be introduced in this Act, whereby:

- if a tenant makes a complaint about the property in writing, the landlord must respond in writing within 14 days stating what they intend to do about the problem, and a timeline for doing the work. It is important to respond in time. If the landlord considers there is no problem, then that is the response, but they must be certain, because:
- the tenant can complain to the local authority, who have to inspect the property.
- If the local authority then serves an improvement notice or carries out emergency remedial action, any section 21 notice already served will be rendered ineffective and no further notice can then be served for six months.

The moral is, don't ignore any complaint; and be able to prove everything you say – that is always good advice.

Immigration Act 2016

Following on from the 2014 Act, and giving it more teeth.

Briefly the landlord must ensure that anyone occupying their property has the Right to Rent. This means all adults over 18 living there, not just anyone on the agreement. If it transpires that someone should not be there the landlord has to show they have taken all steps to minimise this problem, to get what the law calls a 'Statutory Excuse'.

There is a fact sheet on the SLA website about this, or go onto www.gov.uk and put *'Right to Rent'* in the search line. This will lead you to an unusual Government website – it works and is useful.

The Housing and Planning Act 2016

This has been reported on in this newsletter before, but the important sections are:

Part 2

A database of 'Rogue Landlords' and the ability for more legislation against them. This is still being consulted on, so full details are not yet known;

Part 3

Recovering abandoned premises. Again not fully in place, but will allow for a landlord to recover premises they know to be abandoned – note that this promises to be a complicated procedure. Note that currently a Section 21 and/or a Section have to be used. This route will continue.

Part 5

A mixture of matters all shoved together

- the (probable) introduction of mandatory electrical certificates for all rental property. Being consulted on;
- the ability for Local Authorities to obtain information from the supposedly sacrosanct information held by the tenancy deposit schemes. Although not mentioned, surely the tax man won't be far behind!;
- A landlord could be ordered to make certain information available to certain tenants groups. Ouch, but we don't know all the details yet.
- Anyone being declared bankrupt, and/or have their Right to Remain (visa has expired) will not be allowed to hold an HMO license;
- Gives the Government the ability to introduce a Money Protection Scheme for all agents. This is long overdue.

Schedule

At the end of the Act. This would allow local authorities to decide whether to prosecute an errant landlord, as now. This would mean the fine going to the Government. Or the local authority would be able to issue a Fixed Penalty Notice imposing a fine of up to £30,000 that can be kept by that local authority. Guess which one they are keen on.

Right to Rent

More and more we are finding legislation is poorly drafted, leading to confusion. The best example was the section in the 2004 Housing Act dealing with Tenancy Deposit regulation. The first time it went to court the Judge threw the case out as he wasn't certain what the legislation intended. The latest one is about the Right to Rent checks. If you are an agent; act as an agent; or a landlord using an agent you need to be aware of this.

If an agent is contracted to conduct the referencing/credit check ARLA believe that they have to also take on the Right to rent checks, and cannot pass that back to the landlord by their T&C's.

However, we have written to the Home Office to get clarification and their response was

"A letting agent will only become the liable party under the RTR scheme where they have an agreement in writing with the instructing landlord".

Possible amendments to HMO Licensing

The Government have consulted on making amendments to HMO Licensing. They are proposing to extend mandatory licensing to all HMO's with 5 or more occupiers, regardless of the number of storeys; currently mandatory licensing only happens for an HMO with 5 or more occupiers **and** 3 or more storeys. In the same consultation they proposed bringing in minimum room sizes for licensed properties:

- 6.52 sq. m for one person
- 10.23 sq. m for two persons

We await the outcome of this consultation.

Homeless Reduction Bill

There is a new bill making its way through Parliament which will place duties on councils to prevent homelessness. Minister for local government Marcus Jones, who has responsibility for homelessness, announced the government will provide additional funding to cover the costs councils will face in taking on new responsibilities to prevent homelessness. A spokesman for the Department for Communities and Local Government said it had not been decided how much funding would be made available but it would be enough to cover "reasonable" costs councils will incur.

It is almost certain to go through, and will mean that councils will be seeking even more accommodation from the PRS.

The Future – Buy To Let Or Commercial Properties?

Members will be interested to know that investors who previously attended residential auctions to purchase residential investments are now moving to commercial auctions for their investments. It is very clear that Government, by its actions during 2016, will have (if it has not already) calmed the buy to let sector and will probably discourage new entrants, or, for current investors, further purchases, with a number exiting from the market in part or altogether. The result will be an even bigger crisis for those seeking rented accommodation.

Government appears not to have made any provision for the outcome of its policies and, to put it bluntly, in many areas rents are at a level where many such tenants seeking accommodation to rent cannot afford to pay. Shrewd landlords therefore will be looking for opportunities, and that's where commercial properties come to mind. By commercial properties it is not meant just shops but it could be shops with residential accommodation above or offices or industrial units. The returns, if chosen carefully, can be considerably better than those obtainable for buy to let properties. On the other hand, one has to understand the commercial market – the benefits and the downside as well.

We are not recommending that landlords buy such properties but suggests that the benefits, which include no 3% stamp duty land tax additional charge, are worth looking at. With this in mind, members may well wish to know that offices purchased can often be converted into residential without planning permission and of course without paying the 3% additional stamp duty.

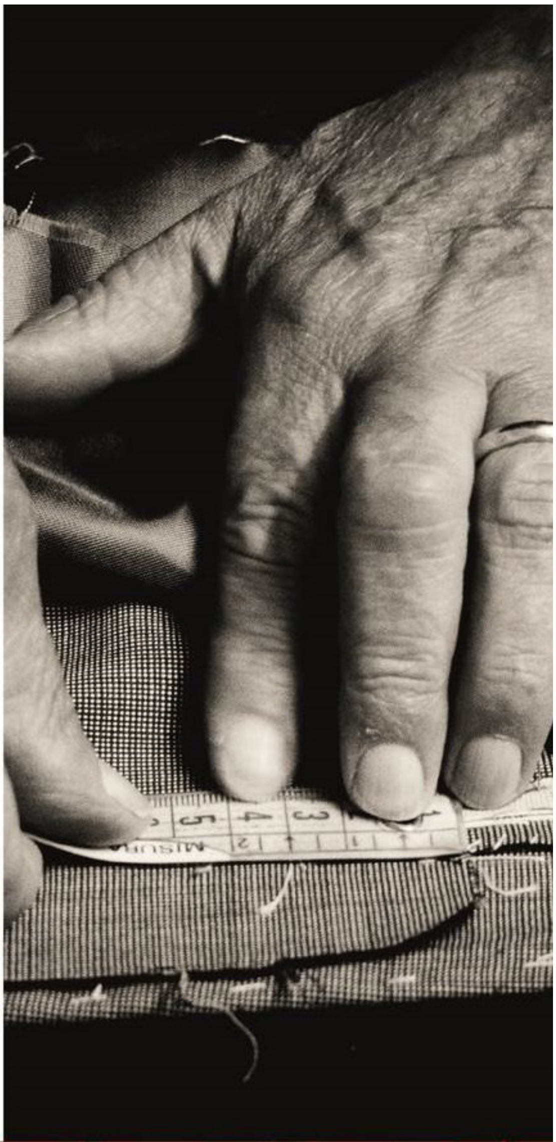
It is also interesting to note that many local authorities themselves are returning to the commercial auction market to purchase investments, no doubt as a result of the returns that can be achieved.

Sales & Lettings

FIND A BETTER FIT IN 2017.

After all, nobody likes feeling restricted.

MADE TO MEASURE



Whether you're a landlord currently represented by another agency or an existing client of ours, we can ensure you get a letting agreement tailor-made to your needs.

We're not your typical letting agency.

At MTM we make it our business to deliver a bespoke service to every one of our clients.

Whether you're a landlord with just one property, or have many - our experienced, qualified and dedicated team will create a custom package to maximise your investment and streamline the letting process.

Renting your property should be easy, so let us take the stress out - speak to our dedicated team at Brighton's premier letting agency to find your fit.

WE FIND IT'S THE FINER DETAILS THAT MATTER:

TAKING THE RISK OUT OF RENT ARREARS

Our landlords haven't lost a single penny in rent in the last three years, so you can relax in knowledge your money is in safe hands.

24/7 ONLINE REPAIR REPORTING SERVICE FOR ALL PROPERTIES

Saving our landlords both time and money by reducing unnecessary call outs and resolving issues quickly.

EXPERIENCED AND QUALIFIED STAFF

All members of our team achieve recognised qualifications to ensure we offer sound advice that's right for you.

IN 2016 WE:

> Let 522 properties
> Collected £10m in rent
> And lost £0 for our landlords

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Disappointment... But Perhaps Opportunity As Well

The Board of the Southern Landlords Association trusts you all had an uneventful Christmas, so far as property problems were concerned, and although we would wish you a prosperous new year we believe that the current Government, who appear to be anti-private landlord, will ensure that virtually no landlords have a prosperous 2017. However, articles within the Newsletter may give you ideas for alternative investments with better income.

With that in mind, SLA has set out regulations that have been implemented during 2016, together with the possibilities of further regulation in 2017. They are entitled – ***the good, the bad and the possible.***

2016 : The Good

Obtaining possession for abandonment
Without the necessity of obtaining a court possession order

2016 : The Bad

Stamp duty surcharge
3% stamp duty surcharge on second homes / buy to let properties

Capital gains
Standard reduction to either 10% or 20% not applicable to landlords

Interest claimable
Buy to let tax changes for landlords purchasing in individual names

Removal of fair wear and tear allowance

Right to rent
Immigration checks

2017 : The Good

Abandonment
The Government intends to introduce legislation whereby a landlord will be able to reclaim possession of a property where it has been abandoned by a tenant, without the need for obtaining a county court possession order. It is intended that upon the service of certain letters following abandonment, the landlord will be able to enter the property without the need for a county court possession order. However, the proposed legislation includes the right to appeal by the tenant against having been evicted for a period of up to 6 months following the landlord taking possession of the property.

Mike Stimpson comments:
The SLA is hopeful that such an unreasonable requirement included in the proposed legislation is either reduced to a reasonable period of, say, one month or is removed altogether, as Government must realise that if a tenant abandons the property, which normally includes non-payment of rent, then the tenant has a responsibility to notify the landlord and should not be allowed 6 months to appeal against the landlord recovering possession. It is also most unfortunate that this, in reality, is the only good thing the Government has proposed during 2016.

2017 : The Bad

Stamp duty surcharge on second homes / buy to let investments
If a landlord, operating as an individual, purchases buy to let properties the purchase will be subject to 3% additional stamp duty. At the time, it was alleged by the then Chancellor of the Exchequer that this was to discourage buy to let landlords from increasing their portfolios in order to calm the market and give preference to first time purchasers / owner-occupiers.

Mike Stimpson comments:
"This surcharge has been challenged by a significant number of organisations representing landlords and tenants and alike. What in effect it has done is to add another cost to a buy to let landlord's purchases and, in effect, an increase to the rents of the tenants to compensate for this not small surcharge. If

Government was concerned about first time buyers, it would ensure a planning system to build sufficient houses for people to occupy and not, at this point in time when the housing situation is in crisis, do things to curtail buy to let landlords and ensure that if they do make purchases, then they will pay well for doing so and rents will increase accordingly".

Capital gains reduction to 10% or 20%
The reduction to either 10% or 20% capital gains, dependent on the level of income, has not been afforded to landlords, who are still required to pay either 18% or 28%. In other words, an 8% surcharge. Over time, indexation and tapering have been removed. Landlords are in effect having to pay a capital gain based on the original purchase price with no indexation or tapering and now, as an added insult, are required to pay a surcharge of 8% on any capital gain made from selling an investment property.

> *"Once again, the Government has penalised landlords who wish to dispose of or change their property portfolio with a surcharge that is completely unjustified, and one wonders where the resistance / legal action to oppose such unfair regulation is coming from. There appears to be no enthusiasm by National Landlords' Associations or, for that matter, regional landlords' associations to take legal action as appropriate against the Government for such unfair regulation. It is one thing talking to Government but when words do not produce results, action needs to be taken, if appropriate, and monies need to be raised to enable this to occur."*

Buy to let properties: Interest claimable reductions / purchases in individual names
Members who hold properties in individual names and with mortgages should be well aware of the changes in the way interest can be claimed on those mortgages between the tax years 2016-2017 and 2019-2020. Interest able to be claimed will be reduced over that period to the basic rate of 20% which then can only be deducted from the net profit.

Our association, at a number of general meetings, has provided speakers who have commented on the options available to members who hold properties in individual names. For example, should those properties be placed into a company which would not be affected by the interest rate limitations? However, such decisions need to be made following advice, as it is not straightforward to move from an individual portfolio to a company portfolio easily without incurring capital gains and stamp duty charges. Members have been advised to seek professional advice in such cases.

Mike Stimpson comments:
"Once again the Government, by introducing such unfair regulations against private landlords and making those regulations to apply to all existing borrowings rather than future borrowings, demonstrates that it has no time for private landlords, and is determined to make it extremely difficult for private landlords who wish to purchase investment properties with the assistance of a buy to let mortgage to be able to make a decent return, thereby discouraging investments. In fact, many landlords who are already buy to let investors will find that this change to the interest claimable will make their property portfolio unprofitable and a number, no doubt, will sell-up.

Not only has Government again attacked private landlords to significantly increase the revenue Treasury takes but has also made it quite clear that private landlords increasing their portfolios are not welcome. In addition, Government has imposed strict criteria for assessing the amount that a landlord can borrow against a buy to let investment, in the *same way as they have introduced similar criteria for the owner-occupier wishing to purchase with the aid of a mortgage.*

At a time when the need for housing couldn't be greater, Government has, in a number of ways, as demonstrated above, set about discouraging private landlords from increasing or even retaining existing investment properties. Private landlords are the biggest investors in properties to let and are only second in number to owner-occupiers. At a time of crisis, Government should be looking at ways of encouraging landlords to increase their portfolios and not be doing everything possible to reduce the private rented sector and make more people homeless – people who local authorities / housing associations are unable/ unwilling to house".

Removal of fair wear and tear allowance
Government has removed the fair wear and tear allowance of 10% of the gross rental for fully furnished properties, commencing with the 2016/2017 tax year. This, again, was an easy way of claiming in respect of replacements for fully furnished properties without the need to produce invoices, etc. Although generous in nature, it was simple and well understood. Government will no doubt increase significantly its revenue take as a result of this regulation.

Mike Stimpson comments:
"Government has said that it is easier for landlords to claim actual expenses in respect of replacements than it was to simply claim the 10% fair wear and tear allowance. Government then goes on to say that if a landlord replaces a washing machine with a washer-dryer, that landlord should attribute the 'dryer' proportion of the cost to capital and the 'washer' proportion as revenue but must not forget to deduct the sale price of the old machine. That is an example of the way Government says it is simpler – by making actual costs applicable and not an overall 10% reduction. Government appears not to understand that it costs money to dispose of a washing machine and in the case of a refrigerator it can usually only be disposed of in commercial waste recycling depots, which often charge £15 plus VAT".

Right to Rent
You will know that Government has introduced requirements that a landlord has to check documents to establish that anybody proposing to take a tenancy, not only tenants but all occupiers over 18, must be checked against documentation to establish their right to rent.

Private landlords are not immigration officers but are always prepared to help to ensure that illegal immigrants are not accepted into their properties. Those landlords who fail to carry out proper checks are liable to very significant fines, and that is reasonable, but where a landlord makes a genuine mistake, it is unreasonable for that landlord to have to pay a heavy fine or even any fine at all. Landlords are not paid for undertaking such obligations and Government should understand and recognise the situation and be more tolerant towards those landlords who make genuine mistakes and not expect them to have to spend much time in proving that they made a mistake rather than deliberately accepted an illegal immigrant.

Possible Changes in 2017
The Good & The Bad

Mandatory licensing
In addition to larger houses in multiple occupation (HMOs) that are already subject to mandatory licensing, Government is currently consulting on whether mandatory licensing should be extended to smaller HMOs, many of which are already the subject of additional licensing and have been inspected and brought up to standard. Most HMOs are occupied by either students or young professionals who are usually physically fit and able to deal with any problems within the properties they occupy.

Your association has replied to the consultation, objecting to the extension of mandatory licensing for such properties. The only justification for it, it seems, is to retain/increase local authority personnel to do inspections – at high cost to landlords in many cases. We shall report further on the result of the consultation.

Reduction in interest claimable – properties owned within companies

Members will be well aware of the reductions in interest claimable in respect of properties held in individual names. It has been brought to our attention that Government may well be considering imposing similar restrictions in interest claimable on properties mortgaged within a company. We trust this will not happen.

Compulsory education/training for all landlords

As an alternative to licensing, Government is considering whether compulsory education/ training for all landlords will be a way in which they can be accredited and, hopefully, be exempt from future licensing of their properties.

Removal of the 3% stamp duty surcharge

This is a subject high on the agenda of a number of national organisations, particularly representatives of institutional investors who are interested in providing the money for build to rent properties. It has been suggested that if those investors are to pay a 3% surcharge on their property purchases, a significant number of schemes will not be viable and therefore the pressure is on Government to remove the additional stamp duty from such developments/investments.

Mike Stimpson comments: It is hoped that as a result of the pressure being mounted by such companies, private landlords will also be able to benefit if this surcharge is removed for such investors, and hopefully to include all investor purchases.

Ban on agents' letting fees for tenants

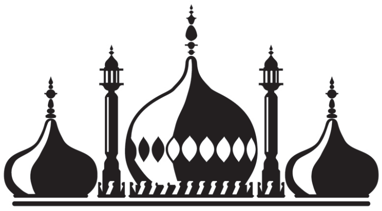
Members may well be aware that this subject has been discussed for a number of years but now a consultation is taking place, with a view to introduction of banning agents charging fees for tenants, commencing 2018. The effect of such changes will mean that landlords will be charged the fees normally charged to tenants and as a result will no doubt increase rents to cover the cost of these fees, as has happened in Scotland where legislation has already been introduced. Landlords, on the other hand, will ensure that the fees they are paying to agents are consistent with the duties carried out by such agents and may well take much keener interest in what is being charged to them as compared with what was being charged by the agent to the tenant. On the other hand, a number of members may well consider removing the management of their properties from agents and carrying out the functions previously carried out by their agents themselves, and this, in particular, is where the Southern Landlords Association provides the toolkit and assistance to enable landlords to operate their own businesses without the need to engage a managing agent.

Landlords as businesses

It has been a contention of our association that landlords who manage their own property letting operation are given the opportunity of being a business and not simply an investor, regarded by Government as an 'activity'. Our association believes that landlords should be given the choice of being investors or businesses when they fully manage their own property portfolio. If they were given business status, it would have significant benefits when selling properties and buying other properties with the money released by deferring capital gains tax. It would also enable those landlords as part of their income to make pension provisions, with the tax benefit that entails. On the negative side, National Insurance would have to be paid on the 'earned income' part of the income.

Our association has made personal representation to the Housing Minister in respect of this particularly sensitive subject and received some encouragement and understanding and we hope that this Government will now act fairly towards landlords, especially where they operate their own property management.

Around The Branches



Gary Waller's News Update

Chairman of Brighton and Hove Branch

Rent Smart

We have been working closely with Brighton & Hove City Council, both University Housing teams, Brighton Housing Trust, Citizen's Advice Bureau and Brighton & Hove Estate Agents Association and others to produce a web site that informs tenants about renting a home in the City. The SLA are the only Landlord association to put both money and time behind the project.The web site is stuffed with useful information for both tenants and landlords alike. www.rentsmartbrightonhove.org Please share the information with your tenants and future tenants. We will be contributing to the blog site. Have look at the site, you can even find a picture of me talking at the launch!

Council Housing Waiting List

With 28,000 on the council housing list the council has made some key changes to the allocations policy, this has resulted in reducing the waiting list to 8,000. Roughly 700 council properties come up each year. The changes include change to the local connection, increased to five years from two. Excludes home owners, exclude people with rent arrears on other related debt to the council, with some exceptions, exclude people who have disposed of a property purchased from the council under the right to buy scheme, increased anti fraud checks etc.

Licensing

Before we get into the complexities and differences of mandatory and discretionary licensing, selective licensing and additional licensing, with a Labour council majority and strong support from the Green party it is clear that there is a very strong political will for licensing right across the City for all property types. Start saving your money, things are going to get expensive for landlords. This enthusiasm will hopefully be tempered by central government legislation. The council have produced a 28 page paper entitled "Private Rented Sector Discretionary Licensing Scheme: The evidence and next steps", plus evidence from research provided by Mayhew Harper Associates Ltd. Both papers are well worth a read, they can be found on the council web site and we will also add them to our web site. We will concentrate on licensing at a future branch meeting, (Wednesday 5th April)

Council Building, Again

I sit on the council run Strategic Housing Partnership, this has representation from various council departments, estate agent associations, developers, the Universities, BHT etc. We recently had a trip around some of the exciting new developments that the Council are building in Brighton.

This included 57 flats at Kite Place in Whitehawk and 45 flats at Brooke Mead, Albion Street. Then numerous projects where the council have built on small sites including 5 new homes on a former car park site at Darwell Court, Kemp Town, 3 flats at St James House, Kemp Town converted from bin rooms, store areas and caretaker rooms. Plans are place to built 28 units at Clermont Road on the site of a former Children's home. I was struck by the quality of the developments. The council are investing for the long term in good quality accommodation with the aim of minimizing the long-term cost of running these sites. The funding for each of these and many more sites is complicated and each site is unique with various combinations of central government funding, council funding and loans.

Kite Place, 57 flats

Although many of the sites and developments are small in number, the council can use these new builds to encourage people in larger council accommodation to downsize and with warden assistance some of the sites can be used to house the more vulnerable members of society.

Darwell Court, 5 flats

Brook Mead, 45 flats

Useful websites for London

If you rent in London you might be interested in the following sites:

www.londonpropertylicensing.co.uk
Looks at licensing in all the London boroughs, and the latest requirements.

Members often say licensing doesn't affect them because they don't have an HMO. Well it might, firstly they might actually have an HMO and just not realise it; secondly Selective Licensing is for non HMO's and is becoming more prevalent.

www.rentersrightslondon.org
Actually a web site for tenants to attack bad landlords, and the significant word is bad. None of us want bad landlords in the industry; it just gives all a bad name.
It gives examples of typical tenant questions, which I have to say, are horribly close to landlord questions.

Airbnb
Another matter that affects only London is letting for less than 90 consecutive nights is a change of use which requires planning permission. In fact Airbnb has had to react to this by banning the renting of an entire home for more than 90 days via their web site in London. They have also extended this to properties in Bristol, Liverpool, Manchester and Newcastle.

Homeless Charities

Is It Sensible To Take In People Recommended By Homeless Charities?

Mike Stimpson reports:

In August last year, I was approached by St Mungo's homeless charity to take in a person for whom they gave an excellent reference, inasmuch as he was in full time employment, had not been on drink for over 6 months and was attending recovery projects, etc. He was taken in on the basis that he paid a small amount of rent in advance and then paid his rent weekly.

At the time of interview, he seemed to be a very reasonable person. However, after one day in occupation the property was visited and a large number of empty alcohol cans were spread across the floor of his accommodation. That was followed by payment of 2 weeks rent and then no further payment whatsoever until he was evicted with a court order, having incurred over £2,000 in rent arrears, plus the cost of obtaining a court order and engaging bailiffs. During his time in occupation, he lost the keys to the premises twice, and on both of those occasions the charity contacted us, pointing out our obligation to replace the keys but not in any way apologising for giving incorrect information to us in order to obtain accommodation for their client.

After he was evicted, we found in his accommodation a list of criminal offences, some relating to violence and drunkenness, with unpaid fines totalling over £1,700. That information would have been known to St Mungo's but it was not passed to us, as we certainly would not have accepted this person as a tenant.

We have written to the Chief Executive of St Mungo's, seeking an explanation for their abysmal behaviour and have made it clear that we will never accept any potential tenant recommended by that charity, which means that, unfortunately, even persons who would make good tenants will not be accepted.

The purpose of bringing this matter to your attention is that many homeless charities are provided with money to arrange housing for homeless people and this instance demonstrates the way in which we were deceived in order to house a thoroughly disrespectful and dishonest tenant. Members should be very careful when accepting such people and should ensure that the charity concerned is telling the truth and perhaps check, if possible, what they are saying about their client.

Rent Arrears

Property costs in Brighton are high and any member wishing to extend their portfolio in the Brighton and Hove area will find that it is most difficult to purchase a property and make a reasonable return unless the property is let as a shared house, and even then the level of profitability is reducing significantly as a result of Government regulation by the 3% additional stamp duty, the reduction over 4 years in the amount of interest that will be able to be claimed if the property is purchased in an individual's name, together with the loss of the 10% fair wear and tear allowance.

Government has also significantly increased the tax on insurance premiums and it will soon be at a level commensurate with VAT. All in all, landlords have been targeted by this Government to such a degree that it is clear that private landlords are seen by this Government as a 'cash cow' to be exploited at every opportunity.

In addition to the above, Local Housing Allowance has been frozen for 4 years and despite landlords' increased costs, those tenants subject to Local Housing Allowance will not see any increase in their Local Housing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tenant find packages.
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and quote:
SLA20
Find great tenants, fast.
Upad is the UK's largest online letting agency. We've helped over 12,500 landlords save thousands on high street agent fees. Visit www.upad.co.uk.

Allowance but will no doubt see increases in rent payable. In these circumstances, it is believed that many landlords who house such tenants will find those tenants struggling to pay the rent, and arrears will increase.

Government has allocated a 3% increase in Local Housing Allowance in certain areas of the country but, to date, no such increase has been granted for areas in the south of England, where rents in many of those areas are rising and are often unaffordable for the economically poor. Members should be aware of the Local Housing Allowance being frozen and should ensure that they take steps to give notice to tenants where rent arrears accumulate and not bear the cost themselves. In this regard, tenants who are able to work but do not have employment have been subject recently to a further overall benefit cap. It is thought that up to 700 private sector tenants in Brighton and Hove will be adversely affected by this benefit cap and, as a result, they will not be able to pay their rent.

Brighton and Hove City Council is keen to become involved with any tenant on benefits who is adversely affected by the benefit cap. Members should contact Brighton and Hove City Council Housing Department (Homeless / Temporary Accommodation section) in order that it can take up with the tenant options that are available, which may even involve making a discretionary payment in order that the tenant does not lose their accommodation.

Universal Credit

Members who attended the Members' meeting in December 2016 on this matter heard an excellent talk given by John Francis of Brighton & Hove City Council, in which he outlined the effects of the benefit cap and also the move of tenants in stages from Local Housing Allowance to Universal Credit.

In the main, it is only single people on Jobseeker's Allowance who are currently on Universal Credit. If a member has a tenant who is significantly in arrears and wishes to request payments to be made directly to the landlord they should first ascertain from Brighton and Hove City Council Housing Benefit Department whether the tenant is in receipt of Local Housing Allowance and, if not, then he/she is most likely to be on Universal Credit. If that be the case, the application for payments to be sent to the landlord must be made to the Universal Credit Department and before such an application can be made, the landlord must serve a notice seeking possession on the tenant (usually a Section 8 notice, grounds 8, 10 & 11).

The experience of the Universal Credit Department by some members is that, to put it bluntly, it is unfit for purpose. Applications made are simply ignored, as are reminders, with the result that tenants who may have been able to retain their accommodation are being evicted, directly as a result of the Universal Credit Department not functioning effectively, or even at all. This failure of that department is being pursued via the Minister in charge. It would be most helpful if any member experiencing problems with the Universal Credit Department would give details to our association (Email: info@southernlandlords.org or post to our Tonbridge office).

Bank Of England Gets Powers To Regulate Buy To Let Mortgage Lending

These new powers will allow the bank to place limits on buy to let mortgage lending in relation to loan to value ratios and interest coverage of ratios which, in effect, will reduce the amount that can be borrowed against buy to let investments. Yet another obstacle for buy to let investors.

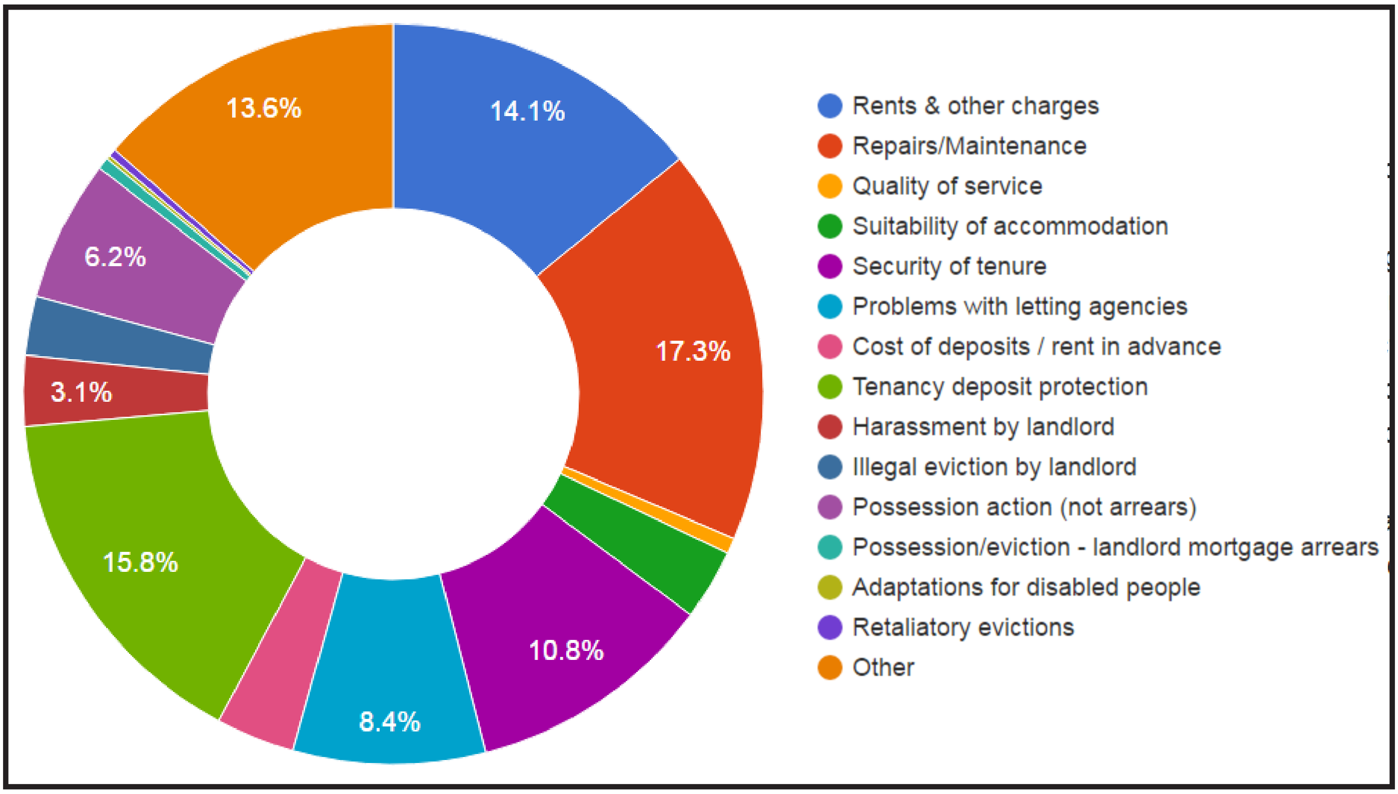
The Citizens Advice Bureau

These charts were received from the Brighton Branch of the Citizens Advice Bureau. In 2016 they received over 4,000 calls / visits. The top enquiry that citizens had was concerning Welfare payments, the second was debt and debt problems while employment and housing related questions were joint third.

Almost 700 questions related to private sector housing, of which the breakdown is shown. In Brighton and Hove many more people are taking in lodgers, it can be lucrative and tax free, the CAB said that the number of Lodger issues including harassment had risen dramatically.

Private Rented Sector Housing

Rents & other charges	82
Repairs/Maintenance	101
Quality of service	4
Suitability of accommodation	18
Security of tenure	63
Problems with letting agencies	49
Cost of deposits / rent in advance	20
Tenancy deposit protection	92
Harassment by landlord	18
Illegal eviction by landlord	15
Possession action (not arrears)	36
Possession/eviction - landlord mort	3
Adaptations for disabled people	1
Retaliatory evictions	2
Other	79
Not recorded/not applicable	91
	674



Mike Stimpson's Column

Firstly, may I wish you all a prosperous new year but, as you all know, it will not be a good year for private landlords unless the Government changes its attitude towards them.

By the time you read this column you will have read 'The good, the bad and the possible', which has dominated the earlier pages of this Newsletter. In summary, 2017 can only be described as a very bad year for private landlords. Property prices, in general, are still increasing and landlords wishing to increase their portfolios are not only subject to the increases but are also subject to the offensive 3% extra stamp duty land tax which, when added to the restrictions in interest claimable and the removal of the fair wear and tear allowance, will probably make further investment most unattractive, and a number of members will, as a result, not only consider not purchasing further residential property but may well consider reducing their current portfolio, especially if they have high levels of borrowings and will be significantly affected by the reduction in the way they can claim their interest payable over the next four years.

On a brighter note, members who are astute will realise that if they purchase commercial properties or mixed commercial/residential, especially within a company, they are not subject to the 3% additional stamp duty land tax and could well find that a mixed development will produce a better return than purchasing residential property. The difference can be significant when dealing with commercial/office/industrial properties, and members should become familiar with the potential benefits and drawbacks before venturing into this area of investment, but it is well worth considering for the future.

As an active auction attendee, I have become aware of the massive increase in attendances at major commercial auctions and I am informed that the two significant changes in attendees/purchasers are private landlord investors now choosing the commercial market as an alternative to the residential market and local authorities purchasing significant well covenanted properties as part of their investment funds for good returns. That alone may encourage members to investigate the commercial and mixed commercial/residential investment area.

Members will be well aware that as a professional landlords' association, we act not only to give services to our members but also to challenge unfair legislation, whether it occurs locally or nationally. To do this requires us to seek extra funds from members, either by donation at the time of the challenge or by seeking voluntary donations towards a 'fighting fund'. The SLA Board decided that any member can donate up to £250 in addition to their usual subscription in any year. Although the renewal notice and the receipts for payment both have a request for this donation, I would like to stress that our association cannot undertake expensive litigation unless it has the funds to do so. Any member has the option of donating anything between, say, £5 and £250 towards our fighting fund, where the money will be separated from membership money in order that it is ring-fenced for the purpose that it is intended.

Finally, may I wish you all a successful, albeit challenging, 2017 and you can be assured that the Southern Landlords Association will do its utmost to ensure fair treatment of landlords and hopefully persuade Government to change some of its unreasonable legislation. Don't forget that your subscriptions for membership are tax deductible. That is, of course, if there's a profit for it to be deducted from.

Brighton And Hove City Council Is Proposing To License The Majority Of Landlords In The City

Mike Stimpson reports:

I have just read an article in the Argus of Saturday 21st January stating that Brighton and Hove City Council is proposing to introduce additional licensing for all houses in multiple occupation (HMOs) in the city, and selective licensing of other rented properties in a significant number of wards. It is also, once again, proposing that landlords who let HMOs pay business rates, in the same way as hotels, shops, etc do.

We do not know the exact proposals, which will be discussed at a Council meeting on 12th March 2017. However, in order to introduce selective licensing within the city, the Council needs to firstly establish:

a) that there is low demand
b) that there is antisocial behaviour

As prime objectives, in that the areas selected are so run down that nobody wishes to live there, properties are normally boarded up and that the only tenants living in the areas are those that nobody else would wish to house and, as a result, antisocial behaviour arises from such conditions.

I would be very pleased if any members could tell me of areas within Brighton and Hove city that could be described as areas of low demand, i.e. where tenants do not wish to live and the properties are empty, and where antisocial behaviour is occurring as a result of the physical conditions in the area.

Brighton and Hove City Council is also suggesting, through the report in the Argus, that landlords should be paying business rates on houses in multiple occupation. Members will be aware, with regard to people living in HMOs, that it is their home and as such is subject to council tax and not unified business rates. Government has already made it clear to Liverpool City Council that business rates are NOT applicable, and Brighton and Hove City Council should understand that people's homes are not subject to business rates and never will be.

Your Board will take a very keen interest in the proposals and whether they are in accordance with the regulations affecting discretionary licensing. It is very much in the interest of all landlords in this city that our Local Authority acts in accordance with the law and does not act as though it is above the law. This is a very clear example of a local authority intent on making life as difficult and costly as possible for private landlords and does not recognise the very significant contribution that our members make to housing in the city. The discretionary fund to enable us to take legal action against unlawful action by local authorities is paramount and the optional additional subscription is essential if members wish to be properly protected.

LETGATE

Why managing your property effectively requires more than a simple landlord app

If you work in the property industry you are likely to already know a little bit about the latest buzzword "proptech", used to describe innovations that combine property and technology.

Whilst these 'cloud' communication services can be immensely valuable they can also become somewhat of a burden if they are not managed effectively. Furthermore, there are so many emerging proptech developments, each claiming they are set to 'disrupt the industry', how are we supposed to choose which is right for us?

Apps are generally suited to handling simple tasks so if you are looking for a more comprehensive solution for managing your property then you are best off selecting a web application.

For finding tenants, Rightmove and Zoopla dominate the market but don't rule out Gumtree for effective free listings and Spare Room. TDS, DPS and MyDeposit are the traditional routes for deposit protection but Reposit and Tenant Circle offer an alternative online approach. Scanbot allows you to scan documents from your phone and Ask a Lawyer offers useful legal advice.

For everything else, Letgate allows you to manage every aspect of your property rental in one place and even offers a separate portal for your tenant / housemate.

The UK's leading property investment show delivers 11 Property Shows in 2017.

National Landlord Investment Show is the UK's leading property investment show. The exhibition provides landlords and investors a chance to meet with leading suppliers in property investment, tax, legal, insurance, mortgage services plus much more. It also features 10+ seminars from renowned property experts – all included in the complimentary admission.

Tracey Hanbury (Director) explains "Our shows offer advice to help both seasoned landlords/ investors, as well as those considering entering the buy-to-let market, we are delighted to have successfully delivered over 40 exhibitions so far throughout the UK since our inception in May 2013".

The largest residential property exhibition offers visitors a chance to expand their knowledge, keep up-to-date with developments in the market including Brexit and will feature topics covering the entire spectrum of buy-to-let. This interactive environment is a popular format for visitors, who use it to ask questions, discuss and make new connections. Visitors will also be able to expand their networks at the Morning Networking Events, starting just before the show doors open at 9am on the morning on the show. It's a fantastic opportunity to expand business networks, both locally and further afield and they are totally complimentary to attend.

Tenancy Deposit Scheme, who have exhibited at all 43 National Landlord Investment Shows comment 'The National Landlord Investment Show is a really well run event and has gained the popularity it deserves within the industry.'

Registration is free at www.landlordinvestmentshow.co.uk

NATIONAL LANDLORD INVESTMENT SHOW

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ServiceMASTER Clean®

It's just not clean unless it's ServiceMaster Clean

Did you know, according to a recent study, the average carpet can hold up to four times its weight in dirt? Scary?

Well, did you also know that bacteria can live for up to four weeks in the threads and fibres of a carpet? In the same study, 90% of people said they would pick up food they'd dropped on the carpet and eat it?

It's not worth thinking about but thankfully for you, we do!

ServiceMaster Clean has been providing professional carpet, upholstery, and hard floor cleaning as well as property deep cleans, disaster restoration and emergency cleaning for over 55 years.
Our service is designed to take the stress out of your end of tenancy cleaning.

When it comes to ensuring rented properties are fit for purpose, we know it's not just about the look and feel of the property but your obligation to provide a clean and safe space for your tenants. Regular vacuuming and quick cleans are important to maintain a certain level of cleanliness but only a professional carpet clean or deep clean using the correct specialist products will provide your tenants with a clean, sanitised property.

Do you feel you have to throw away a carpet or sofa rather than having it cleaned as it doesn't seem to make any difference when it's been cleaned using the equipment you have available? We aren't miracle workers but few cleaning problems defeat our trained technicians. With a national network of British Damage Management Association-qualified technicians, our teams provide a guaranteed, insured and accredited service, working to new Insurance standards BSI12999 and PAS 64.

When disaster does strike, our professional cleaning teams can respond within 2-4 hours to clean after floods, escape of water and fire damage. We work independently and with many of the UK's leading insurance providers, providing property drying certificates to help satisfy your insurance company.

For more information on how ServiceMaster Clean can help you, contact Ian Colpus on iancolpus@servicemaster.co.uk or 07917 038828.

ALLIANCE REMEDIAL SUPPLIES

If you own properties, residential or commercial that are suffering from remedial problems or are about to undertake a redevelopment project or HMO conversion then Alliance Remedial Supplies are the supply partner to the SLA for all materials used in restoration, preservation, renovation and repair.

SLA members enjoy trade discounts ranging from 5% to 30% depending on the type of products and the volume required. Ranging from extract fans to full blown waterproofing systems for basement conversions, Alliance Remedial Supplies are on hand to provide technical support which is available over the phone, by email or even, on-site survey visits.

Chris Reynolds, the Director, is a qualified PCA waterproofing designer and experienced remedial surveyor. On top of which, he is a Landlord and fully understand the challenges faced by Landlords across many issues but especially damp issues.

Alliance Remedial Supplies have a 3000 sq ft trade counter showroom based in Gosport which includes a display and training mezzanine level and anyone wishing to learn more about Condensation Control, Damp Proofing and Waterproofing can attend one of their monthly courses. Ideal for Letting Agents, Property inspection agents and maintenance contractors. For further advice and information call 01329 235252.

upad

How to ace online property marketing

With 92% of prospective tenants searching online for their next property, landlords must transform themselves into 'digital marketeers' to let their property quickly and to find the right tenants. Thankfully, it's quite simple to create a compelling property advert.

Firstly, take some great photos of your property, or hire a professional, so your property advert stands out amongst competition online and to show you have put the effort into portraying your property in the best way possible. Plus, 91% of tenants surveyed by Upad placed property photography as the most important factor when searching online.

Secondly, and this may seem obvious; price your property right first time. It's tempting to try a higher rent than you may think possible but with the ever-growing buy-to-let market, tenants will become overwhelmed with choice and only look at those properties that fit their budget. Be realistic about how your property will be benchmarked against others and do your research on the property portals, like Rightmove and Zoopla.

Finally, ensure you've described your property in enough detail for tenants to not be put off about contacting you to get more information.

REPOSIT

Will the Tenancy Deposits be a thing of the past?

Every year, £3 Billion worth of tenant's money is registered with the deposit protection schemes. In reality the vast majority of this money is handed back to the tenant. Less than 1% of the money is disputed, and, it not only puts a financial strain on prospective tenants in an ever increasingly pricey rental market, it also breeds distrust.

Under the current system, landlords must by law register the tenants deposit within 30 days or face a fine of three months rent. This also costs money and administration to you. Under Reposit's system you wouldn't be taking a deposit.

Reposit is a new and innovative product that seeks to abolish the need for a landlord to take a tenancy deposit from a tenant and help them let their properties faster.

Their new model works like this:
A tenant pays Reposit one weeks rent as a fee saving significantly on the average six week deposit.
If they damage anything during their tenancy that isn't in line with the inventory (save for fair wear and tear) or have unpaid rent arrears or cleaning costs at the end of the tenancy, the tenant will be liable to pay this amount up to the maximum of six weeks rent to Reposit.
Reposit will pay the Landlord/Appointed Letting Agent the full owed amount.
If there is a dispute, we will have an independent ADR specialist look at the case.
They break it they pay for it. Simple.

If you would like more information on Reposit you can call them on 020 3868 4070 or visit their website getreposit.uk

Since April of last year landlords have been subject to an additional 3% surcharge on stamp duty on all BTL property and second homes. When the change was introduced, the government predicted £630m in additional revenue in the first year. However, looking at the figures recently published by HMRC, it appears the scheme has commanded much higher revenues than first thought.

Within the first nine months of the scheme HMRC have announced £1.19 billion of additional revenue being generated, £560 million more than they predicted in a full 12 months. If the current rate were to continue it's likely an additional 1 billion could be raised by the end of 2016/2017 financial year according to the Residential Landlord Association (RLA). The RLA have also stated that the Office for Budget Responsibility predicts that the surcharge could raise £3.1 billion more than forecast over 4 years.

With these figures in mind many industry experts are calling for a review of the plans to reform mortgage interest relief for landlords. Under the current plans landlords stand to pay huge amounts of extra tax as a result of the removal of the ability to deduct their mortgage interest rates as a legitimate deductible expense. A recent RLA survey suggests 58% of landlords are considering a reduction on investments in their portfolio with 66% believing this will put them under pressure to increase rents or leave the industry entirely.

At MTM we will be keeping a keen eye on developments in this area and offering advice to all landlords where we can. If you're concerned or would like some advice on how the market is reacting the please feel free to contact one of our lettings team who will be happy to help. We have a large portfolio of properties across East Sussex ranging from professional studio apartments to 10 bedroom student accommodation and deal with both individual property landlords and those with larger portfolios.

If you have a query regarding the sale, value or letting of your property call or us on 01273 645797 or email enquiries@mtmproperty.co.uk

Meeting Venues

London Social
First Monday of every month, commencing 6.30 pm. To be held upstairs at the Constitution
42 Churton Street, SW1V 2LP. 020 7834 365.

Thanet Social
First Thursday of every month, commencing February. 7pm. To be held in the newly re-furbished, and renamed Botany Bay Hotel (formerly the Fayreness)

Marine Drive, Kingsgate, Broadstairs, Kent CT10 3LG. 01843 868 641. If using Sat Nav put CT10 3LH

Brighton & Hove
The Brighton & Hove meetings are held at The Ralli Hall. 6:30pm for a 7pm start. Easy parking in Hove Station.

Ralli Hall, 81 Denmark Villas, Hove, BN3 3TH
Tea and Coffee will be provided before and during the meeting.

Southampton
Meetings are at Highfield House Hotel
Highfield Lane (corner of Shaftesbury Avenue), Portswood, Southampton, SO17 1AQ

Meetings/Exhibitions 2017

Make a note in your diary, details on the web:

- Wednesday March 1st - Landlord and Investor Show (North London)
- Thursday March 2nd - Thanet Social
- Monday March 6th - London Social
- March 7-9th - Ecobuild Excel, London
- Wednesday March 8th - Brighton branch meeting. Inheritance Tax Planning
- Monday March 13th - Southampton branch meeting
- Wed March 22nd - Woking branch meeting – to discuss proposed Licensing in Woking
- March 24th - April 9th - Ideal Home Show, Olympia
- Monday April 3rd - London Social
- Wednesday April 5th - Brighton branch meeting; Licensing in Brighton
- Thursday April 6th - Thanet Social
- Tuesday April 25th - Worthing branch meeting
- Wednesday April 26th - Medway Landlords Forum
- Wednesday May 3rd - Landlord and Investor Show (Croydon)
- Thursday May 4th - Thanet Social
- Monday May 8th - London Social
- Wed May 10th - Tunbridge Wells branch meeting
- Monday May 22nd - Brighton branch meeting
- Thursday June 1st - Thanet Social
- Monday June 5th - London Social
- Thursday June 15th - Landlord and Investor Show (Olympia)
- June 20th - 22nd - Firex, Excel Centre

- Monday July 3rd - London Social
- Thursday July 6th - Thanet Social
- Thursday August 3rd - Thanet Social
- Monday August 7th - London Social
- Monday September 4th - London Social
- Wednesday September 6th Landlord and Investor Show (East London)
- Thursday September 7th - Thanet Social
- Wednesday September 13th Landlord and Investor Show (Brighton)
- Monday September 18th - Southampton branch meeting
- Thursday September 21st - Annual Brighton and Hove Social
- Thursday September 21st - Landlord and Investor Show (Kent)
- Monday October 2nd - London Social
- Wednesday October 4th - Ashford branch meeting
- Thursday October 5th - Thanet Social
- Wednesday October 19th - Medway Landlords Forum
- Thursday November 2nd - Thanet Social
- Monday November 6th - London Social
- Thursday November 7th - Landlord and Investor Show (Olympia)
- Monday November 13th - Brighton branch meeting
- Monday November 27th - Southampton branch meeting
- Monday December 4th - London Social
- Thursday December 7th - Thanet Social

Meeting Subjects & Newsletter Content

We are always happy to hear from you, if there are any particular subjects we should be covering at our landlord meetings – let us know.

Likewise if you woud like us to cover a particular topic in the newsleter, or if you would like to contribute an article then please make contact with Gary Waller on:
gary.waller@southernlandlords.org

Obituary

It is with great sadness that we were informed of the death of Mrs T C Hammerton. She died peacefully at her home on 31st January 2017.

Both Mr. and Mr.s Hammerton were regular visitors to the Brighton & Hove meetings until Mr. Hammerton's death last year.

Riverside Centre, River Lawn Road, Tonbridge, TN9 1EP
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01732 56 56 03 (accounts); 01732 56 56 04 (Boswells - insurance)
info@SouthernLandlords.Org; www.SouthernLandlords.Org