The Professional Association for Landlords

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Why should private landlords be responsible for housing tenants who cannot or will not pay their rent?

Private landlords fully understand the problems with Covid-19 and the many decisions that the Government has had to make at this time. It has assisted many tenants by increasing Local Housing Allowance, to enable rents to be paid. In many ways, landlords have also assisted by coming to reasonable agreements with their tenants. However, some tenants, realising that they cannot be evicted, are simply not paying their rent, even though many have the means to do so.

It seems, on the one hand, the Government has given much support to tenants but no support to landlords and in doing so has also forced landlords to continue to house tenants who, quite simply, will not pay their rent and in many cases will not communicate with their landlord either. This situation cannot simply be covered by landlords increasing benefits to tenants, but has to go hand in hand by allowing landlords, most of whom are extremely responsible people, to evict those tenants who will not pay the rent, or for that matter those tenants who cause antisocial behaviour.

The Government needs to recognise the role that many landlords are playing, often to their financial detriment, and not simply consider that housing a tenant is far more important than that tenant paying the rent and acting responsibly.

Now that evictions are allowed (except at Christmas), one wonders how long it will take for a tenant who is not paying the rent and cannot use Covid-19 as an excuse to be evicted. Landlords at this time and in the future will be well advised to make sure they have a willing and able guarantor for any tenant that they intend to give a tenancy to.

Keep Up To Date

I hope you've had your skates on this year; you've needed them to keep up with the pace of change.

In this newsletter we'll update you on the recent changes; be sure ensure you check for any further changes on the news section of the web and the regular news updates. It is critical you keep abreast of this ever-changing situation.

Eviction Process Legal Update

Evictions

There is confusion about evictions. This is partially due to the confusion about the rules, but also that many landlords have been doing what they should have been doing all the way along – discussing the situation with their tenants rather than just resorting to law. Note that even during this new lockdown the courts are to remain open; the main problem now is to get a Baliffs order executed.

A quick resume of the current rules:
The use of the **Section 21** has not been banished, merely discouraged, it may still go some time in the future

Currently a Section 21 is a:

- 6 month notice, rather than the original 2 months
- Must be used within 10 months of issue (previously 6 months)

The other rules remain:

- Prescribed form (form 6A)
- Ensure correct format – correct format for date, etc.
- Cannot be issued in the first 4 months of AST
- (if required) must have valid:
  - EPC
  - Gas safety inspection report

Section 21 cannot be used:

- If deposit not protected
- Property not licensed where one was required.
- Must issue CLG booklet (advised start of tenancy)

Section 8

A little more confusing. If serving for rent arrears (grounds 8, 10 & 11):

- for arrears of less than 6 months, the notice period is 6 months
- for arrears of more than 6 months, the notice period is 4 weeks

The rules regarding the amount of arrears remain:
Arears must be at least:

- 8 weeks if rent paid weekly or fortnightly
- 2 months if paid monthly
- 1 quarter if rent paid quarterly
- 3 months if rent paid annually

The notice period for other grounds are 6 months, apart from the following exceptions:-

- Anti-social behaviour (now 4 weeks' notice)
- Domestic abuse (now 2 to 4 weeks' notice
- False statement (now 2 to 4 weeks' notice)
- Breach of immigration rules 'Right to Rent' (now three months' notice).

Re-activation Notice

This is the big change in procedure. For any proceedings commenced prior to August 3rd 2020 a reactivation notice must be sent to the courts and defendants (the tenant) to restart the proceedings. Note that you have until January 29th 2021 to re-activate any case, after that they will be dropped (official word – stayed). Note that this is for all procedures, regardless of how far it has got to – even if you had a Bailiffs order.

Mediation

Whilst not yet a required procedure for the private sector (Social Landlords have to use mediation) it is highly recommended, and forms part of the procedure in an infancy form.

If you decide to proceed with a case that requires a court hearing, you will be asked to 'attend' a telephone hearing to decide if the case should proceed.

Note that Ministry of Housing are still considering making this permanent, and funding an independent facilitated negotiation/mediation pilot along with the Ministry of Justice.

Covid-19

The underlying theme is that any tenant unable to pay part, or all of their rent directly because of the current pandemic should be protected.

It is critical therefore that the landlord enters a dialogue to:

- See if the tenant has been affected by the pandemic
- If so, has the tenant made any effort to mitigate the financial circumstances with any of the Government assistance that has been available since March 23rd 2020. It is unlikely, but not impossible, that a tenant has been unable to receive any financial assistance.

It is even more important than ever to:

- Keep a good eye on your tenancies.
- Keep communicating with your tenants.
- Be sympathetic to genuine hardship cases, and offer to assist where you can.
- Be firm where tenants are not attempting to help themselves, or even worse, take advantage.

And don't forget that although you might have your hands tied in evicting a miscreant tenant, there is nothing stopping you pursue a claim for arrears; use Money Claim Online.

Finally, on the subject of the possible banning of the Section 21, the Lettings Industry Council has just published a review of the potential outcome of banning it. The report's findings suggest suddenly ending Section 21 will have the following impact:

- A tougher screening process for tenants, impacting those on housing benefits, lower income families and insecure employment the most
- A fall in the private rented dwelling stock in England by 20%, with the impact falling heaviest on vulnerable tenants claiming benefits, as landlords seek to either leave the PRS or move towards other market segments such as short-term lets
- Upward pressure on rents as a result of the negative impact on the numbers of homes available. Around 600,000 homes could see rent increases (13% of the sector)
- Increased pressure on the justice system by tripling the court caseload with an additional 45,000 possession hearings and court capacity severely challenged.

HMO tenant needing to isolate

Members will wish to know what happens when an HMO tenant is required to isolate in a property where they share facilities and common areas with other people. The Government has issued guidance for households with possible Coronavirus (Covid-19) infection.

All occupants of the house should behave in the same way as a single household if one or more occupants have symptoms of Coronavirus. This means that if a tenant shares with people who they are not related to and develop symptoms of Coronavirus, they should self-isolate at home for ten days from when the symptoms started. All other residents of that house must stay at home and not leave the house for fourteen days, providing they remain well for that time. Should they develop symptoms, they should then self-isolate for ten days from the onset of symptoms, or longer if symptoms persist.

Individuals should not go out, even to buy food or other essentials, and any exercise should be taken within their home.

Right to Rent

You still have to check the Right to Rent for any prospective adult (>18) occupier of your property, regardless of whether they will be on the agreement or not. Temporary rules were introduced in March:

- Checks can now be by video calls
- Tenants can send scanned/photo of documents for checks using email or an app, rather than sending originals
- Landlords should use the Landlord's online Checking Service if a prospective or existing tenant cannot provide any of the existing documents

Note that a new Right to Rent system is being launched at the end of November, which will allow the whole procedure to be carried out on-line.

You've probably forgotten that we are leaving the EU at the end of the year (I've managed to avoid the B word!). Currently an acceptable person is one holding a passport from an EU country, this will remain as-is until June 30th 2021, after the new, as yet unannounced, rules will apply.

Helpline FAQ's

Some frequently asked questions on the help line:

AST needs to be renewed at the end of a Fixed Term – no it doesn't. Agents frequently insist on this so as they can earn fees; but there is no legal requirement to renew, it will continue as a Periodic tenancy.

Note that there are two types of Periodic tenancies:

- Contractual Periodic, where the contract (the AST) states it will continue on a 'month by month' basis
- Statutory Periodic where the AST is silent as to what happens at the end of the Fixed Term, so it becomes Periodic by law (by Statute) – often called a 'Rolling Tenancy'.

Note that unless the AST is of an initial term of 6 months or more (maximum allowed is 7 years) followed by Contractual Periodic the landlord can become liable for the Council Tax in the event of the tenant defaulting. Most AST's are Statutory Periodic.

Student landlords need to be specially aware of this.

- An HMO (House of Multiple Occupancy) has to be more than 2 people.
- An HMO is formed when more than 2 unrelated people live together, sharing vital facilities – e.g. bathroom; kitchen, etc.

This is regardless of the type of agreement, it relates to occupiers – be very careful about tenants sub-letting rooms, with or without your knowledge, else they will almost certainly land you with an HMO.

The 5 people relates to the need to have a mandatory licence for that size, apropos above, be careful of a family of 4 subletting, you will have a mandatory licensable HMO and could get prosecuted if you don't apply for a licence.

Minimum EPC ratings

As from April 1st this year, it is unlawful to let out a property with an EPC rating of less than E (F, or G), unless an exemption has been applied for, and granted.

Note that it is intended this rating will increase over a period of time. Currently it is intended this minimum rate will become C by 2030, but note there is a Private Members Bill going through Parliament to reduce this timescale, and possibly increase the minimum rating. So it is critical you get all your properties to the best rating now in anticipation.

Around The Branches

Licensing The Latest

Councils are continuing with the relentless push to license landlords, this continues to differ on a council by council and a ward by ward basis, here is latest in some of the Councils that we know our members have properties in. As always you should check with the local council.

Southampton

We have been informed by Southampton Council that they will not be continuing the HMO additional licensing scheme in the D2 area (Shirley, Bassett, Freemantle and Millbrook wards) when the current scheme expires on 19 October 2020.

This means that HMO properties in these wards occupied by 3 or 4 occupants will not need to be re-licensed. However since the D2 scheme commenced in 2015 all HMOs with 5 or more occupants have become mandatorily licensable, so those properties will need to be re-licensed within 3 months of 19 October 2020.

The Council have stated that they do not have sufficient evidence to meet the criteria for designating a new tranche of additional licensing in these wards. In reality there were only about 600 properties in the D2 designation, many of these (5+ occupants) will now be part of mandatory HMO licensing so the number of HMO properties occupied by 3 or 4 persons in D2 therefore will be very small and probably not cost effective to license as a separate tranche anyway.

The other Southampton HMO additional licensing scheme in the D3 area (Bevois, Bargate, Portswood and Swaythling wards) continues unaffected and runs until 2023.

Medway

Medway Council have abandoned a proposed a planned licensing scheme because they are concerned it would drive landlords away.

Kent Online reports that the authority's deputy leader, Howard Doe, said at a virtual council meeting this week it was not the right time to press ahead. "*We all know enforcement is expensive and the council is unlikely to recover its outlay in such proceedings*" he says. "*I am also concerned that over-regulation of some landlords might put the marginal landlords off maintaining their rental properties and they will simply put them on the market and sell them off.*"

Councillors in the meeting were told the council did not have the resource or allocated budget to manage the enforcement, with initial start-up costs expected to be £41,000. Labour called the U-turn "*absurd*".

Portsmouth

During a full council meeting at the beginning of October, councillors backed a pledge to expand on its support for private tenants in the city by exploring more 'stringent' conditions on agreements with landlords.

It comes after the Labour group pressed the administration last year to implement landlord licensing - a move that was voted out at the time.

Now members have agreed to reconsider selective licensing, along with a range of other measures. Speaking at the meeting Labour housing activist, Councillor Cal Corkery, said:

"We know the size of the private rented sector has grown. The rapid growth in the number of houses of multiple occupation, has led to a range of issues relating to housing conditions, property management and anti-social behaviour, particularly in areas with high concentrations of privately rented homes. We know legislation has changed over the years to make it more regulated but there are still things the council can do differently.I call on the local authority to review its approach to the private rented sector and consider rolling out landlord licensing for more properties.Selective licensing requires landlords and letting agents meet 'fit and proper persons' tests in addition to placing responsibilities on them to prove their properties meet decent housing standards".

The council's housing boss, Cllr Darren Sanders, argued that issues such as rent arrears or poor property conditions are not tackled by licensing.

He said that the council is developing a strategy for the private rented sector, which so far includes expanding the rent deposit scheme and introducing a guarantor scheme.

But he agreed that the cabinet should explore whether more 'stringent conditions' can be put into landlord licensing agreements with regard to property management.

And as an amendment to Cllr Corkery's motion that was voted in he said: "*On that basis, requests cabinet reconsider its decision not to include selective licensing as a policy intervention as part of the private rented sector strategy.*"

Camden

At a cabinet meeting in the middle of July, Camden approved the renewal of landlord licensing in the borough to improve the lives of residents who live in privately rented shared homes, stating "*Thousands of residents will benefit from homes that are safe and secure as they receive better protection from landlords and letting agents who are unfit to let properties.*"

The Council consulted on the scheme's renewal with people living and working in Camden and its neighbouring boroughs over a 12-week period.

Over 1,000 people responded to the consultation, with 64% of respondents backing the renewal of the scheme, including 33% of landlords and managing or letting agents and 80% of private tenants.

Since the scheme's introduction in 2015, over 3,400 Camden HMOs have been inspected and licensed resulting in an estimated 15,000 improvements made by landlords – changes, they say "*that have improved the quality and safety* *of homes for people living in Camden's private rented sector."*

However, the Council estimates that almost half of the 8,000 HMO properties in Camden remain unlicensed and are unlikely to meet the required standards.

Tower Hamlets

The council is consulting on plans to "renew, alter or end" a selective licensing scheme that is currently operational in three areas of the London borough. The scheme is due to come to an end in October 2021. Their consultation closes November 20th.

Enfield

From September 1st all HMO's in Enfield will require licensing.

They have also applied to the Secretary of State for permission for selective licensing in: Bowes, Edmonton Green, Enfield Highway, Enfield Lock, Haselbury, Jubilee, Lower Edmonton, Palmers Green, Ponders End, Southbury, Southgate Green, Turkey Street, Upper Edmonton and Chase.

Regular Email Updates

We would like to remind members that we now send out regular news updates by email; this is addition to the news section on the web site that is also regularly updated. Hopefully you are all in a position to see these, if not please email us **news@iHowz.uk** and we can investigate for you. Apologies if you cannot get emails, but matters are changing so rapidly it would be impractical to cover them in a printed newsletter.

TradePoint Discount

Not only do iHowz members benefit from everyday low prices in B&Q they will now get 10%* off almost everything. Remember that is off almost EVERYTHING in B&Q/TradePoint, instore and online giving you access to discounts on over 60,000 products across the entire range (exclusions apply). You can use your TradePoint card in any B&Q in the UK regardless of size and format.

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TRADE POINT

Energy Performance Certificates and Green Grants

Christabel Watts, Project Manager, the Environment Centre

There have been recent updates to Energy Performance Certificates, Minimum Energy Efficiency Standards and energy efficiency funding for landlords, here is a summary of those changes from the Environment Centre (tEC) charity.

Energy Performance Certificates (EPCs)

The EPC register has changed and there is a new government website to look up the EPC for your property. Along with the new website there is a new look for the certificates and they are no longer available as downloadable pdfs. Behind the scenes there have been changes to the software used to produce a certificate and assessors can't generate a draft EPC anymore, to trial the impact of different recommendations on the rating. For certificates issued between 9th June and 19th September 2020 you still need to use the old Landmark website currently, while they transfer the data.

Minimum Energy Efficiency Standards (MEES)

It has been 6 months since MEES became law for existing, as well as new, domestic private tenancies. The current standard requires landlords to meet EPC rating E or register an exemption, otherwise they risk enforcement action and fines. A recent government MEES consultation suggests that this minimum EPC rating is due to increase to C from 2025 for new tenancies and 2028 for existing tenancies. In addition to the rating, they are also considering changes to the investment cost cap (increasing from £4,700 to at least £10,000), requirements for the provision of EPCs, enforcement options and maximum penalty (rising from £5,000 to £30,000).

Green Homes Grant

If your rental property meets MEES, or you have an exemption, you can apply for energy efficiency funding like the new Green Homes Grant. If your tenants are on a low income, for example receiving means-tested or disability benefits, then they may be eligible for grant through the Energy Company Obligation (ECO).

The government launched the Green Homes Grant scheme in September 2020, and vouchers are due to start being issued in early November. Through the general scheme landlords in England can apply for vouchers to pay for green improvements. This government grant covers two-thirds of the cost up to £5,000 per household and the landlord contributes the remainder.

Measures

Available measures are split into "primary" and "secondary" groups and households need to install at least one primary measure to qualify for funding.

Primary measures include:

- Insulation – Solid wall (internal or external), cavity wall, under-floor (solid floor or suspended floor), loft, flat roof, pitched roof, room in roof, park home
- Low carbon heat – Air source heat pump, ground source heat pump, solar thermal, biomass boiler, hybrid heat pump

If at least one primary measure is installed, households will also be able to install secondary measures.

These will be subsidised up to the amount of subsidy provided for primary measures and you will only be able to redeem vouchers for secondary measures once you have installed a primary measure and redeemed the vouchers for that measure.

Secondary measures include:

- Draught proofing
- Windows and doors – Double/triple glazing (where replacing single glazing), secondary glazing (in addition to single glazing), upgrading to energy efficient doors (where replacing single-glazed or solid doors installed prior to 2002).
- Heating controls and insulation – appliance thermostats, hot water tank thermostats, hot water tank insulation, smart heating controls, zone controls, intelligent delayed start thermostat, thermostatic radiator valves

Additional work, for example professional services, contractor costs, enabling works and low carbon heating systems, can be covered if they are necessary for the installation of a measure. More information on what the scheme does and doesn't cover is on the government website.

Eligibility

For the general scheme all private and social domestic rented properties are eligible, but new-build domestic properties and non-domestic properties are not eligible. The Green Homes Grant counts towards state aid, so check that applying does not exceed your state aid threshold. You cannot claim the Green Homes Grant for a measure which is already being funded by the ECO scheme. You also cannot apply for a Green Homes Grant voucher if you have already received a grant from your local authority through their Green Homes Grant Local Authority Delivery Scheme. You can claim domestic Renewable Heat Incentive (RHI) for renewable heat installed through the Green Homes Grant, and the grant amount will be deducted from the RHI payments.

Approved Tradespeople

To apply for a voucher you need to have a quote from an approved tradesperson, and you must wait for the voucher to be issued before arranging for work to be carried out. Tradespeople must be registered with TrustMark or Microgeneration Certification Scheme (MCS) accreditation to take part in the scheme. You can also search for approved tradespeople on the Simple Energy Advice (SEA) website. It is recommended to get at least three quotes to ensure you are getting value for money.

Application

You apply for the Green Homes Grant online. You can apply for different measures by different installers through the same application. You will receive separate vouchers for each measure, and the voucher is only valid for the measure, property and named applicant that you have applied for.

To redeem a voucher you need to provide a dated copy of the invoice issued by approved tradesperson and you will need to confirm the work has been completed to your satisfaction, you have received any documentation like warranties and you have made the customer payment to the installer. Once you have redeemed the voucher the government grant will be paid directly to the approved tradesperson. Vouchers must be redeemed and measures completed by 31st March 2021.

Advice and Support

Landlords can access energy efficiency advice and support from the SEA service, online or by phone: 0800 444202, which includes checking eligibility and suitable home improvements for the Green Homes Grant scheme.

There is such a variety of needs between building types and household circumstances it is a good idea to get expert advice from an accredited installer or retrofit assessor/coordinator. You can search for a retrofit assessor or coordinator on TrustMark or via their accreditation body, for example Elmhurst or Stroma.

Websites

Apply: www.gov.uk/apply-green-homes-grant

Guidance: www.gov.uk/guidance/apply-for-the-green-homes-grant-scheme

SEA: www.simpleenergyadvice.org.uk/pages/green-homes-grant

tEC: www.environmentcentre.com/landlords

tec

the Environment Centre (tec)

Mike Stimpson's Column

It is now November and the effects of Coronavirus are being realised month by month. As a landlord I have residential properties and commercial properties, including shops, offices and industrial. The Government allowed tenants, both in residential and commercial properties, to not pay the rent and not be evicted. In the case of commercial properties, under present legislation, repossessions/evictions cannot take place until 2021. As a result of the Government being so generous to tenants at the expense of landlords, I thought I was going to be in for a pretty rough time financially during 2020. What in fact has happened is that the vast majority of my residential tenants are paying the rent. With regard to my commercial tenants, that is a very different story. Some are paying, some are paying part of what they owe and others, not only are not paying, but are trying to get out of their Leases/Agreements.

In summary, I am quite relieved that most of my rental is being received. However, as a person who will always honour their word, I will not tolerate organisations or individual businesses that think they do not need to honour their obligations; especially where they are clearly in a financial position to pay their rent.

Property prices

I am sure we have all seen the substantial increase in property prices since the Government announced an up to £500,000 Stamp Duty holiday ending in March 2021. The effect of this Stamp Duty holiday and the increase in purchasers directly as a result has given vendors the opportunity to hike up prices and, in my opinion, often beyond the £15,000 that is being saved by the Stamp Duty holiday. What this has meant is that a purchaser has no Stamp Duty to pay if the purchase price is under £500,000. However, if the property has one up in value by that sum, or even more, what it means is a slightly higher deposit and a repayment over many years, which in effect means that £15,000 that would have been in Stamp Duty could now be used to facilitate the deposit.

However, one wonders why the Government has allowed anybody purchasing a residential property to have the benefit of the Stamp Duty holiday and not only first time buyers. I predict that property prices will take a significant downturn after March 2021, unless of course the Government extends the Stamp Duty holiday.

Returns on investments

Despite in many areas, landlords experiencing lower rents, especially with shared/student accommodation, property investment is still giving better returns than many other forms of investment and with capital gains. Also at the present time, prices generally are very high and those members thinking of selling should look at the next five months to sell if they are contemplating such action. In this respect, there is much talk about levels of capital gains tax, which at present for property sales are either at 15% or 28%, depending on one's tax situation. However, in order to pay the debt caused by Covid-19, it is muted that capital gains tax may well rise to the personal tax levels of 20/40%. So it could well be that members wishing to sell investment properties should take this situation into consideration as well.

Covid-19

As a working landlord, I have continued to work, mainly remotely, since March and continue to do so. It is most important that all of us act responsibly, to avoid catching the virus. May I wish you all continued success in whatever you do with your property portfolio. In the meantime, keep safe and good health to you all.

2020 - The Year to Pivot not Panic

Rodney Townson, Branch Chairman, London

What an interesting year. When 2020 started we were renting out our flat and using the income to fund the rent for a larger flat on a prime square in Westminster just around the corner. Early February, we all became aware the corona virus in China. This was our first pivot as our flights to the Philippines via Hong Kong were cancelled and we changed our plans, taking a couple of weeks by the beach in Thailand. Remember foreign holidays when all you had to worry about was getting to the airport on time with your ticket, passport and the address of your hotel? As is usually the case, the holiday wasn't all beach, bazars and beers; I like to take advantage of the time to catch up on the reading pile (landlord magazines plus a couple of books from successful operators – Paul Smith and Rick Gannon this time) and a quick check on the accounts for last minute tax planning.

We were back in London by mid-February, in time for the Prime Minister to encourage the herd to head off to the Italian ski slopes and Cheltenham. The majority of our flats were being let as serviced accommodation to tourists and business travellers so we got on the train to Brighton to present our business model to Brighton landlords who were worried about the oversupply of student accommodation, purpose built operators and restrictions from the local council. Our serviced accommodation business was still getting bookings up until mid-March, when not only did the brakes go on but it felt like we were going in reverse, with guests cancelling and asking for refunds. Fortunately, we had already decided to pivot our business at the end of 2019 and promote longer stays for the first quarter, which is our quietest period. I had also raised some low-cost funds to cover some works, including any arising from electrical inspections on our properties in preparation for the new requirements which were due to come in later in the year.

Mid-March, through Easter and the rest of April was a shock to us, with empty flats and no enquiries. At this stage we had to let most of our cleaners go together with a member of our admin team. I took advantage of the time to get the accounts up to date and instruct some of the electrical certification. Free time in lock down (when not on webinars and Zoom meetings) was put to use on updating accounts and admin, including tenant, staff and compliance documentation.

I always look forward to hearing from Derek (who ran the London socials before me). Late March he contacted me and put us in touch with one of his friends who was completing the sale of his property and needed somewhere to stay until he was able to fly down to Spain to move into his new property, eventually flying south two month later. This was the first of many guests over the spring and summer who were variously stuck in London waiting to return home, newly arrived and glad of a furnished base with Wi-Fi to find their new home or contractors carrying out essential works and needed a safe and flexible solution.

In June one of our guests eventually flew home, while another liked our flat so much she decided to stay long term and is now a tenant with AST and associated paperwork.

As we all emerged from our homes, like the blooms in our rediscovered outside spaces, the media started to foam at the mouth about a new shortage in the UK property market - Staycations. I had a rye smile as I remembered my presentation in Brighton and the stories of how serviced accommodation won't work. Like those ice-creams melting on Bournemouth beach, SA comes in many forms and caters to many tastes.

Well, we finally got to enjoy our only hand-out from the Chancellor as we sat outdoors enjoying the eat out to dine out at our favourite restaurants over August as occupancy returned, together with some London workers. As the memory of all those weeks of lockdown began to fade, even the voids at our managed rental properties in the North East began to fill with tenants.
Come September, just as our rates started to recover and things looked like they were in recovery with schools and universities re-opening, the mood changed overnight when workers were told to go back to working at home.
Where are we now? Well, apart from a couple of our units which are being marketed up North, we have no voids at present but with tiered restrictions and local lockdowns increasing, we are marketing a number of flats for mid (90 day+) and longer term lets. It's a tough market in central London with rents down as much as 20% due to rent to rent and SA landlords flooding the market with properties. And our rented home? Well, with the hit to our profitability this year, we decided not to extend our tenancy and have handed back our rented home to the landlord.

We still have one last project this year, which is our house by the sea in Redcar. We will head up there in the next few weeks to decide whether to sell or refurbish. It's said that "when you're not earning, you're learning". It certainly felt like we learnt a lot this year.

What did we learn this year? Well I was certainly glad we raised some low cost funds at the beginning of the year. We learnt new skills – Zoom, etc. In addition, as my LLAS accreditation had expired, I joined several other members for Peter's first online delivery of the iHowz Accreditation Training. It was a very successful day and the training included lots of practical tips.
Some things haven't changed, deliveries have gone to the wrong address, plumbers have had to be found on a lockdown Friday afternoon and engineers called out for guests who mistake the washing machine handle for a strength tester.

How is any of this this relevant to you?
We have all had our worlds changed by measures taken to cope with the pandemic, including new laws, regulations and paperwork – and that's just to meet friends and family in pubs and restaurants. Like me, I'm sure many of you have had to gain new online skill sets - meetings, documents, digital signatures, skype, zoom, facetime, WhatsApp, etc. We have also had to keep up to date with the changing requirements relating to the safety of our tenants, staff and contractors. In addition the rent arrears and eviction processes have had significant alterations.

Now is the time to plan for the known and other challenges we face in the coming year. BREXIT is likely to see significant cost increases for many imported items such as white goods and other appliances, with long delivery periods already being reported.
Change is a constant. We all need to keep up to date and ensure our offerings (properties) are relevant to our customers (tenants). With restrictions expected to continue through to the spring and tenants looking for we should take a few pointers from the growing

Co-Living segment, where HMO type properties are upgraded or remodelled to provide the amenities the market is looking for. These include high speed Internet, quality furniture and mattresses, laundry facilities, kitchens with dining and social/ work space, weekly cleans and good customer support. (Some Co-Living owners are making more than 25% above market rent.)

Those looking to sell properties have no doubt taken advantage of the current spike in demand to put them up for sale as purchasers will be looking to complete by the end of next March when the stamp duty holiday ends.

For those looking to add to their portfolios we also have the stamp duty holiday and the changes to permitted development. Other tools we have available to us are the Bounce Back Loan and government support to take on a trainee. With the majority of potential first time buyers currently unable to access high LTV mortgages they are looking to rent somewhere which is financially viable with social interaction to avoid isolation, providing flexibility while working from home. Other renters may simply be looking to move on from a lacklustre tenancy. Yes, these are challenging times. They also offer once in a decade opportunities.

And finally...

I would also like to take this opportunity to thank the iHowz board for inviting me to join them. They are working as hard as ever to support our members and have several exciting projects, which will be revealed to you next year.
If you are looking to get into serviced accommodation or for some mentoring, I would be happy to hear from you.

Rodney Townson | rodney.townson@ihowz.uk | 07715 050444

Council Tax bandings

Members may not be aware that some local authorities are notifying valuation officers of HMO properties which are let on individual agreements, in order to have them reassessed, as band A for each individual bedsit whereas before an overall rating for the whole property had been in force.

In reality, what this means is that the poorest in society living in those properties, will in effect be paying the highest level of Council Tax and local authorities seem to think that this situation is perfectly acceptable.

A number of years ago, when this matter was raised with the Secretary of State by our Association, it was muted that non self-contained properties should be rated for Council Tax purposes at 50% of the A banding level. This was never implemented and it is time that the Government dealt with unfair Council Tax such as this.

Stamp Duty holiday

Members will probably know only too well that the Government has given a Stamp Duty holiday for all residential properties of up to £500,000. Which means that if a purchaser purchases at that level, he/she will save £15,000 in Stamp Duty.

This Stamp Duty holiday not only applies to first time buyers but also to anybody making a residential purchase. It is considered that the significant increases in property prices are most likely as a result of the Stamp Duty holiday. What is most surprising is that everybody gets this benefit if they make a residential purchase. Whereas, if the Government were acting in a sensible manner, it would not have included second homes or buy to let investors.

Coronavirus Business Interruption Loan Scheme (CBILS)

Members who have commercial properties may well know that the Government is offering loans of up to £500,000 with nothing to pay for twelve months and with the Government itself paying the upfront fee and first year of interest on the borrower's behalf.

The borrower has, after one year, between two and ten years to repay the loan and interest rates are set at between 1.8% and 7.4% APR. It is noted that no personal guarantee from the borrower is required up to a loan of £250,000. The money so borrowed could be used for virtually any purpose, for example paying off debt or to expand the business. It is also most interesting to know that the business is liable for the full loan amount, whereas the scheme provides a guarantee to the lender, not the business. It is anticipated that under 50% of the loans granted will be repaid!

Electrical safety

Hopefully you are aware that HMO's have always required a 5 year electrical certificate. This has now been extended to all rental property. You have until April 1st 2021 to arrange an appropriate certificate.

If you have had some work done on the property and have an installation certificate that will be fine as long as it covers the whole property. Failing that you have to arrange an EICR (electrical inspection condition report).

Note that any certificate used has to be less than 5 years old.

Charges to Tenants

Whether you take a deposit or not, you might want to charge the tenants for damages; missing items etc. It is critical that you remember three points:

1. The landlord is asking for the tenants money, even if they are trying to withhold part of the deposit
2. Good proof is critical; too may claims fail because the landlord cannot prove their claim
3. The limitation imposed by the Tenant Fees Ban on what you can now charge for.

These are:

a. Rent
b. Arefundable tenancy deposit capped at no more than 5 weeks' rent where the total annual rent is less than £50,000, or 6 weeks' rent where the total annual rent is £50,000 or above
c. Arefundable holding deposit (to reserve a property) capped at no more than 1 week's rent
d. Payments associated with early termination of the tenancy, when requested by the tenant
e. Payments capped at £50 (or reasonably incurred costs, if higher) for the variation, assignment or novation of a tenancy
f. Payments in respect of utilities, communication services, TV licence and Council Tax
g. A default fee for late payment of rent and replacement of a lost key/ security device giving access to the housing, where required under a tenancy agreement

Nothing else can be charged, and an adjudicator or court will disallow the claim if not one of these items.

Furnished Holiday Lets and the Impact of Coronavirus

Adam Thompson, Corporate Tax Manager, Cardens Accountants

The impact of Coronavirus on those who operate Furnished Holiday Lets (FHL) is undoubtedly significant, with reduced bookings meaning a reduction in income. Unfortunately, there may be another sting in the tail.

In order to take advantage of the tax benefits of an FHL, the business needs to meet certain criteria each year, which I have outlined below:

The Availability Condition: the accommodation must be available for commercial letting to the public generally as holiday accommodation for a minimum of 210 days during the 'relevant period' (normally the tax year).

The Letting Condition: the accommodation must be commercially let as holiday accommodation for a minimum of 105 days during the 'relevant period' (normally the tax year).

The Pattern of Occupation Condition: during the 'relevant period' (normally the tax year), there must not be more than 155 days falling in 'periods of longer-term occupation', in other lets of more than 31 days in duration.

Depending on how long disruption lasts and what the lasting effects may be on tourism in the UK, it may be difficult for landlords to meet the 'letting condition.' On the face of it, falling short means that the property would cease to qualify as an FHL.

Established Furnished Holiday Lets

There is some good news for those of you with established FHL businesses. Properties which have previously met the letting condition often fail it in the following year or two, despite a genuine intention to meet the condition. In these cases, an election may be made to treat that property as qualifying holiday accommodation.
So, if your FHL met the qualifying conditions in 2018/19, you could continue to enjoy the benefits of FHL status in 2019/20 and 2020/21 even if the 'letting condition' is not met in either of those years. If you had already met the letting condition for 2019/20 before Coronavirus hit, then you will potentially have a grace period for 2020/21 and 2021/22.

Qualifying for a letting condition grace period

In order to qualify for this grace period, you will simply have to be able to evidence to HMRC that you had a genuine intention to meet the condition. HMRC guidance accepts that lettings cancelled due to adverse weather conditions qualify for a grace period, so I am certain that a lockdown situation such as we have now will also be covered.

New furnished holiday let businesses

Unfortunately, a grace period does not extend to new FHL businesses. Instead, you will need to meet the qualifying criteria throughout the 365-day period from the first commercial letting of the property. Importantly, this does not be the tax year. Depending on when your property was first let, you may have time after lockdown to meet the conditions for year one of your new business.

Good news for FHL owners

Several measures already announced will be of direct benefit to FHL business owners:

Tax Payment Deferral

- Income Tax: your second payment on account for 2020/21 which would have been due by 31 July 2020 has been deferred to 31 January 2021
- VAT: if your FHL business is VAT registered, there is an automatic offer to defer VAT payments during the period 20 March to 30 June until the end of the 2020/21 tax year.

Business Rates Holiday

- For those of you paying business rates on your FHL properties, there is a 12-month business rates holiday for 2020/21.

Grant Support Connected to Business Rates Status

In addition to the business rates holiday, there is also grant funding available for retail, hospitality and leisure businesses of:

- £25,000 if your rateable value is between £15,000 and £51,000, or
- £10,000 if your rateable value is below £15,000

Cardens Accountants

If you have any questions about your personal circumstances, please do not hesitate to contact Cardens Accountants.

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Ten Top Tips When Choosing an Insurance Provider

Millie Norton-Tinmouth & Steve Cox

Comparing landlord insurance quotes can be hard work. You could put the policy documents next to each other and try to spot the differences – but what do you do if you have 20 or 30 to compare? How do you work out which one is right for you? Steve Cox, Business Account Manager at Alan Boswell Group, provides his top 10 tips to help you find the right landlord insurance for your buy-to-let property.

1) Check for additional fees

Some companies hook you with a cheap premium but charge hefty admin fees if you want to make changes down the line.

While checking the small print, it's worth looking at the payment options and charges, because a cheap premium can get expensive if you're paying monthly.

2) Get a UK-based claims service

Insurance is a funny purchase; you buy it in the hope you never have to use it. However, the claims process is where you see the true value of your policy. A key thing to look out for is a UK-based company that runs its own call centres and has control over the quality of its service.

3) Home insurance is not the same as landlord insurance

Many landlords don't realise they need specific insurance for their buy-to-let properties. Home insurance is designed for owner-occupied properties, not tenanted properties. Although some home insurance products may stretch to renting out the property, they are not designed specifically for it. Make sure you seek out adequate landlord insurance and don't leave things to chance.

4) Make sure loss-of-rent is included

If your property suffers a claim, most landlord products should include cover to provide an income while the property is uninhabitable. If your insurance policy does not include this, you could end up out of pocket as the result of a claim.

5) Ensure that malicious damage is covered

Malicious damage by a tenant is surprisingly common. When comparing policy details, look for malicious damage cover. It may be included, but it can also be an add-on, depending on the insurer. Make sure you're clear about whether this is included before you buy a policy.

6) Check excesses to avoid surprises

Some claims occur more often than others and may have higher excesses applied as a result. Escape of water is the most common property claim and will often have a higher excess to cover these costs. There is generally a standard policy excess that applies, with specific excesses highlighted in your quotation documentation. Make sure you read them and be happy with what you're signing.

7) Read the important conditions of the policy

Each insurance product has terms and conditions attached – it is essential that you follow them. An example is the condition that a tenancy agreement is place. While this may seem obvious, if you're letting to friends or family you may not put one in place. However, the failure to do so could invalidate your insurance.

8) Ensure cover for manufacture of drugs included

This provides cover in the event that a tenant damages your property through drug production. Cannabis farms, for example, can lead to the destruction of property. Failure to insure against this could destroy your investment.

9) Review unoccupancy rules

We would all love our trouble-free tenants to stay forever, but when the average length of a tenancy is under a year, the chances are you will have untenanted periods. Different insurers will cover different lengths of time. Some will give cover for up to 90 days, but others may immediately restrict cover.

10) Look at independent research

The Internet is a fantastic way of researching companies and products. Check out whether the company you're about to place your trust in has the trust of its customers and has a satisfactory claims experience. For instance, we're proud of our outstanding, independent customer reviews, which you can read on independent review site Feefo.com.

If you'd like to know more about Landlord Insurance, give us a call.

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ALAN BOSWELL GROUP

Turn the Noise Down

Gary Waller, Brighton Branch

People spending more time at home and with more time on their hands has led to an increase in noise. In one of my student houses this became a particular issue, take away someone's need to get to work/college by 9am and they will naturally get up later and go to bed later. Add this to 120 year old houses with thin party walls and we have a recipe for neighbourly disputes. At the time when these houses were build there were no TVs, HiFi, mobile phones, computers why do all the modern gadgets seem to make a noise?

Following discussion with the affected neighbour we both decided to apply sound insulation to our walls. So this is what we did.

In each of the four bedrooms that joined the neighbour, we removed the skirting board, we then fixed a wooden frame using 3" x 2" timber, as per the photo. The edges of the frame top, bottom and sides were filled with Acoustic adhesive and sealant. The wooden framework then gives sufficient space to add sound insulating Rockwool (fibreglass like material).

With the framework up we then attached 'Resilient Bars' horizontally. These are thin metal strips about four inches wide, you screw in the bottom of the bar to the framework. You then add a sheet of sound insulating plasterboard laying it against the resilient bars. The resilient bars work to absorb the vibration that comes from sound waves passing through the plasterboard. You then tape the edges of the plasterboard in the normal way and plaster normally.

We fitted the framework and resilient bars into each of the alcoves but for the chimney breasts we just covered them in sound insulating plaster board as I did not want to lose three inch the space that the framework would take.

At this point some of you might say well you have not run the sound insulation below the floorboards or broken the barrier of the floorboards vibrating against the wall, this I accept. However, these measures coupled with a good quality underlay and carpet in each room has significantly reduced the sound to acceptable levels my neighbour has done the same on his side and is delighted.