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Inside this issue

- >> *Foreword by Dave Princep*
- >> *Tips for landlords to avoid garden disputes with tenants*
- >> *Top ten tips for landlords to keep cashflow in shape*
- >> *Private or Limited company HMO?*
- >> *Tessa –Lawyer- Rent repayment Orders what are They?*
- >> *Peter (iHowz)- PRS Market Update*
- >> *Tax Planning from the fence- Keeping your options open*
- >> *Simple things to do to keep your property energy efficient*
- >> *How Fire Safety Act will affect the work of sales & letting agents*
- >> *Record find issue to landlord over planning offence*
- >> *Rogue landlords find for hiding HMOs*
- >> *How Airbnb can be a problem for leaseholders*



Welcome to the latest edition of the PReSs

The private rented sector landscape has changed almost beyond recognition since the initial launch of LLAS / ATLAS in 2004. This was the same year that property licensing and rent deposit requirements were introduced, also the housing health and safety rating system replaced unfitness for habitation as the standard by which housing conditions were to be judged. Since then, despite significant additional requirements having been introduced and the increasing severe restrictions on the use of section 21, the private rented sector has continued to grow and prosper throughout much of this period.

Being involved from its inception, I have the honour of having been the Chair from its launch and having seen the then radical idea of accrediting landlords and agents based on training becoming accepted as the norm. Since then, the LLAS / ATLAS scheme has become the largest and most successful scheme in the country, with authorities around the country either joining the scheme or emulating our accrediting process.

After 17 years as Chair I have decided that now is the time to step aside from the end of this year to pursue my retirement full time and to concentrate on environmental volunteering, cycling and post Covid travel. Working with the scheme has been a wonderful experience and I feel privileged to have been part of such a professional team and will miss all colleagues. I would like to thank the administration team and other co-workers for their continuing support, advice, and friendship.

I appreciate both the professional and personal opportunities that have been provided to me during my time with the scheme and wish the scheme and you all continued success in the future.

Hope you enjoy this edition.

Dave Princep (Chair of LLAS & ATLAS)

Conference and Training Day 16 September 2021

iHowz were privileged to chair the annual LLAS/ATLAS Conference & Training Day held on 16 September 2021. It turned out to be a successful day, and very educational for us all - it is interesting to see how quickly we have all adapted to on-line conferences.

As chair, I would like to thank LLAS/ATLAS for the organisation, and the good range of speakers for their input. I would also like to thank the sponsors **Azad Ayub Ltd, Premier Property, Comprehensive Tax Planning, Capital Letters, Vincent Burch Mortgage Services, Less Tax for Landlords** and everyone that booked a ticket and participated in the event.

We look forward to seeing you all at the **next Virtual event in March 2022 and at the yearly Networking, Training & Live BBQ event on Thursday 7 July 2022.**

Feedback Summary

"Excellent and informative. Good to keep these sessions delivered via Zoom as I cannot attend sessions in London."

"It was very well run and held my interest very well, with the exception of the sessions on new business opportunities (the first one had very little content and was more of a sales pitch), but that will be due to the fact that the intended audience was landlords, not local authority staff, nevertheless, it was a good agenda for my role too."

"It was too long timing with less opportunity to ask question post each presenter. It could have been small presentation with pre supplied hand out or presentation to follow up Accreditation points following attendance".

"The event for very informative, I am already a member of NAVA, ARLA, NAEA, ARMA however it is always good to have CPD and knowledge for ongoing changes in legislations and general practise. LLAS has managed to deliver one of the best, insight of lettings law and keeping the landlord up to date with ongoing changes and Covid-19 updates with litigation matters which are affected. Thanks to Host, all the speakers."

"It was my second online meeting on LLAS was pleased with wide range of information I obtained."

"This event is a very good opportunity to get updated and to acquire more knowledge."

"I found the presentations from the two successful landlords who have very big businesses less useful. I am a small landlord who just wants to continue in a small way but stay within the law and provide decent accommodation. I would also have liked to see/hear more info about a leasehold property where the landlord is a Local Authority. I don't see how I can upgrade my EPC to C without the local authority putting in the required insulation. I have a freehold house which is C, yet a couple of purpose-built flats and local authority flats all with double glazing, EICR in place yet they are all D rating."

"It has shown me, an elderly landlord, how much people like myself need help i.e. from our son, in digitalising all gas, EPC certs etc. Neither I nor my husband have ever used this type of recording or use of modern computers in our careers so find this very difficult. There are so many more regulations now than when we bought our property to let 25 years ago! I do have very good tradesmen undertaking all compulsory tests etc."

"Very good presentation. Maybe the timing for each presenter could be longer as they kept apologising for rushing through the contents."

"Very well organised and informative presentation. Thank you."

"Well packaged and delivered."

"Lisa W was excellent - the best speaker, as was Tessa"

The part with Kam came across very much as a sales pitch - he was to "full on".

"A very good refresher course across all aspects of the PRS from very well-informed and experienced professionals. Peter managed it all extremely well too."

"Very well organised and rich contents."

"WELL PRESENTED WITH VARIOUS PRESENTERS. NOT GOING INTO LENGHTY BORING LECTURES."

"Well received."

Thank you sponsors





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Investor in People



Top tips for landlords to avoid garden disputes with tenants

Gardens have always been a mixed blessing for landlords - currently they're popular with tenants but there is the problem of management and maintenance.

Now a garden consultancy, Paving Direct, has come up with advice to try to reconcile the two sides of the issue.

The rise in demand is good for landlords marketing properties with gardens, but research from dispute resolution services suggest almost a quarter of all deposit disputes with tenants are over garden maintenance.

Generally, the tenant is responsible for keeping the garden in the same condition as it was at the start of their tenancy. This involves maintaining tasks such as removing litter, watering plants, and weeding.

The landlord is responsible for tasks that require additional expertise - fixing broken fences, removing broken sheds, for example.

In order to establish how landlords can avoid a garden dispute, Paving Direct has offered five tips on maintaining the garden once tenants have moved in:

1. **Put clear garden maintenance clauses in place** - The tenant should know what they are responsible for in the garden and this should be written in the tenancy agreement which both parties have signed. This should take into account the greenery in the garden and what type of upkeep might be needed over the longer term.
2. **Keep a record of the garden inventory** - As well as a diligent record of the interior condition of the property, landlords should keep reports and good quality time-stamped photos of the garden so they have documentation in case of any problems which may arise with the tenant.
3. **Conduct regular inspections** - When conducting the property inspection for the tenancy, landlords should check over the garden too and document any changes. If there are any apparent issues, the tenant should be asked to rectify these at the time of inspection.
4. **Maintain a good relationship with the tenants** - Keeping a good relationship with tenants can help to avoid a garden dispute, where the tenants are able to add in plants and designs to the garden where they see fit. Tenants should also be encouraged to report issues when they occur, rather than at the end of the tenancy where it may become difficult to decide who owns responsibility over the issue.
5. **Create a strong foundation** - Ensure that the garden is in good condition before the tenants move in, clearing any excess weeds, mowing the lawn, and removing any uneven paving stones and old furniture. This will set the ground running for new tenants and ensure they have a baseline of what is expected from them.

Source: [Top tips for landlords to avoid garden disputes with ... \(landlordtoday.co.uk\)](https://www.landlordtoday.co.uk)

Ten Top Tips for landlords to keep cash flow in shape

An accountancy firm is giving landlords 10 top tips to keep their cash flow in a healthy condition. The Sheards Accountants firm says that the pandemic shows how cash flow positions can change almost in an instant, and for reasons often outside the control of landlords themselves.

Here's the firm's advice:

1. **Prepare For Tenant Turnover:** Everyday property is left empty is a day that your cash flow is decreasing. So it's essential to be prepared for tenant turnover periods. This means setting aside savings to cover any mortgage payments in months you are without a tenant.

"You should also have a plan in place to fill vacancies as soon as possible, whether that's investing in marketing or working with an estate agent" says Kevin Winterburn, director at Sheards Accountants.

- 2. Handle Late Payments Immediately:** "If you're a new landlord, handling late or missed payments might be something you haven't experienced before, but it's important to handle these as quickly as possible. Missed rent payments are an immediate disruption to your cash flow. Any hold-ups in addressing these with your tenant could lead to long-term cash flow problems."
- 3. Property Maintenance:** Undertaking regular, preventative maintenance at your property can help to lower any future costs and ultimately improve cash flow. "Add reminders in your diary to visit your property and conduct check-ups and little fixes. By having these visits planned out, you can prevent bigger issues from occurring. Early maintenance will save you money and improve your bottom line."
- 4. Install More Efficient Fixture:** He advises: "Installing high-efficiency items such as low-flow showerheads and toilets in your property can help reduce utility bills. Whether you cover bills as a landlord, or these are included in tenant agreements, you can entice tenants to lengthen their contracts if you can make amendments to the cost of bills."
- 5. Make Improvements Before You Let Out:** "Making small improvements to your property will allow you to charge more rent. Leaving renovations for a later date can lead to further expense as you'll need to fix any tenant-created issues whilst also trying to undertake additional renovations."
- 6. Separate Bills:** He asks: "Thinking about your tenant agreements, are utility bills currently included in the rent or does the tenant pay them separately? Separating some of these bills, if not all of them, from the rent is something you could consider to have a better cash flow. To accommodate the change, you may need to review your current rent cost and lower it slightly. But, you are likely to have a better cash flow overall from the change in billing. Your cash flow may not increase rapidly, but it will become more stable as you won't need to worry about any fluctuations in bills such as water, gas, and electricity."
- 7. Collect Rent Via Direct Debit:** If you are still collecting rent yourself, you could be placing yourself and your business at risk. Winterburn says: "We would recommend using an automated system to collect rental payments. This can help to reduce the likelihood of any personal issues or problems preventing you from collecting payments. If you prefer to collect rental payments, ask your tenant to set up a Direct Debit agreement to meet all upcoming payment dates."
- 8. Review Paid Services:** Regularly reviewing any services you pay for is a great way to maintain a steady cash flow as a landlord. From employing a property manager to paying for monthly financial services, it's best to make sure these services are worth the investment. "We recommend every three to four-month, spending some time reviewing any paid for services you currently have and how much you spend on them each month. Review whether the investment every month is worth the reward and if not, consider terminating the service, and this will, in turn, improve your cash flow."
- 9. Review Payment Dates:** "When it comes to managing cash flow, you should always have money coming in before you have to pay anything out. With this in mind, you should review the date mortgage payments leave your account and try to move the payment date to the few days following any rental payments, creating a buffer for yourself."
- 10. Respond To Issues Quickly:** "When it comes to issues with your property, the sooner you can deal with them, the better. "Resolving problems quickly means you will be keeping your tenants happy while also minimising the likelihood of void periods, which creates consistency in generating income. We recommend getting into the habit of setting money aside each month to cover repairs and maintenance work. With these savings, you'll be able to resolve the matter quickly, saving money and maintaining positive cash flow" Winterburn comments.

Source: [Ten Top Tips for landlords to keep cash flow in shape... \(landlordtoday.co.uk\)](https://www.landlordtoday.co.uk)

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Private or limited company HMO?

One of the key questions facing landlords owning a House in Multiple Occupation (HMO) is whether to operate as a private individual or as a limited company. The latter has grown in popularity over recent years, particularly since 2017 when the Government began reducing tax relief for individual property investors.

According to estate agency Hamptons, in 2020, 41,700 new landlord limited companies were formed, up 23% on the previous year*¹. There are now nearly quarter of a million such companies.

As with most things, the best approach will depend on your particular set of circumstances. So, whether you are an **HMO first time landlord** or have a few years' experience behind you, it's important to consider all the contributing factors before making an informed decision. Here, we take a look at the main areas of difference.

- **Tax rates**

As a private landlord you pay income tax on your profits, depending on your annual income, at a rate of 20% for basic rate taxpayers and up to 45% if you are a higher rate tax payer.

Limited companies pay corporation tax on their profits - currently 19% - regardless of your personal or the company's annual income. This rate will change in 2023, with a tapered rise up to 25% for those with profits over £250,000. The 19% rate will continue to apply to companies with profits of £50,000 or less, with marginal relief for companies with profits below £250,000.

- **Tax relief**

Since 2017 the amount of tax relief a private landlord can claim has been gradually reduced. As of the 2020/21 tax year, private landlords can no longer deduct finance costs, like **HMO mortgage** interest payments, from the rental income. Instead, mortgage finance costs are subject to a basic rate tax reduction of 20%.

This has a direct impact on potential profits for private landlords and is one of the reasons more landlords are investigating the limited company approach where 100% mortgage interest relief can still be claimed.

- **Filing accounts**

Operating as a limited company comes with more administration costs and statutory responsibilities such as completing an annual company tax return and filing accounts with Companies House. This can add costs such as accountancy fees.

Annual paperwork can be kept to a minimum and finances more informal when you manage your HMO portfolio as a private landlord.

- **Interest rates on mortgages**

Interest rates tend to be lower for private landlords than for a limited company, with many lenders charging higher rates and fees. Despite their popularity, **HMO mortgages** are still considered a niche product and expert advice from an **HMO mortgage broker** is essential to finding the right deal. This will ensure the profits made from rental income are maximised, therefore reducing the impact of associated costs.

- **Liability**

Private landlords are personally liable for any accidents caused by a fault at their property. This means that if a tenant gets injured and sues, your personal finances could be at risk.

As a limited company, as the names suggests, you have limited liability and your personal finances are more protected. In the event a tenant sues following an accident at the property, liability will be limited to the value of your financial investment in the business. You can further mitigate this risk by taking out professional indemnity and personal liability insurance.

- **Access to profits**

As a private landlord, what you earn from rent is yours to use as you wish. You have full access to all of your profits for personal use at any time.

However, a limited company is a legal entity in its own right, with the assets and profits belonging to the company. This means profits have to be withdrawn as a salary and/or dividends and records need to be kept of all these transactions.

Can I get a limited company HMO mortgage?

Yes, there are a number of specialist **HMO mortgage lenders** such as Paragon, Precise and Aldermore who are happy to help you finance the purchase of a property. We will provide you with guidance and advice to get you **the best HMO mortgage** deal. As an independent broker, we have access to lenders offering mortgage loans for both private and limited company landlords.

Contact Vincent Burch Mortgage Services today to discuss your HMO requirements.

03334551186 info@vincentburch.co.uk

Specialist landlord & tenant lawyer -Tessa Shepperson Answers landlords' FAQ: Rent Repayment Orders. What are They?

Something you need to take very seriously! As it could bankrupt you.

A Rent Repayment Order (RRO) is made when either a tenant or (when rent has been paid by way of benefit) the Local Authority, makes an application to the First Tier Tribunal. The order, if made, will order the landlord repay up to 12 months' worth of rent to the tenant. It is made if the tribunal is satisfied 'beyond reasonable doubt' that the landlord has committed one of a number of offences as set out in the act.

The most important of these are:

- Failure to comply with an improvement notice
- Violence in securing access or unlawful eviction or harassment, and
- Managing an unlicensed HMO where that HMO is subject to licensing

By far the majority of RRO applications are on the basis that the landlord or property manager has failed to obtain an HMO license. This is partly because it is so easy to prove – if the property is subject to licensing, then the landlord either has a license or he doesn't!

So, for the rest of this article, we will be looking at RROs in the context of failure to apply for an HMO license.

When do you need an HMO license?

A property will be subject to licensing in the following situations:

- If the property is occupied by five or more occupiers who do not form one 'household' (here licensing is mandatory for all properties – although the rules are slightly different in Wales)
- Where the Local Authority has an 'additional licensing' scheme in operation which requires smaller HMOs to be licensed, and
- Where the Local Authority has a 'selective licensing' scheme which requires ALL properties, whether or not they are HMOs, to obtain a license

Additional and selective licensing tend to be limited to specific areas (such as a particular ward when HMOs are perceived to be an issue) although in some areas they can be borough wide.

So as the situation varies from Local Authority to Local Authority you should really check (before you rent out your property) with the Local Authority for YOUR property.

If you do not know which Local Authority (or Council) applies you can find out at

<https://www.gov.uk/find-local-council>

How much will the RRO award be for?

The starting point for calculating the award is 12 months worth of rent. This is a substantial sum of money and is the reason why all landlords need to take this issue extremely seriously.

In the past the Tribunal would deduct the landlords' expenses before making the award. However, in the case of **Vadamalayan v. Stewart**, the Upper Tribunal held that the only deductions that could be made were utility bills paid by the landlord for the tenant. So other landlord expenses such as mortgage payments, insurance, repair and improvement work done and the like will not be taken into account. This was a worrying case for landlords. Since then, there have been a couple of other cases which improved things slightly.

In the case of **Awad v. Hooley** the Upper Tribunal approved a low award where the sum had been reduced by 75% due to the tenants conduct (which included serious rent arrears). Then the more recent case of **Williams v. Parmar** held that the landlord and tenant conduct must be taken into account when calculating the award.

However, note that if you have been convicted of the criminal offence of failing to hold an HMO license (or one of the other grounds for RROs') then the Tribunal have no discretion to do anything but award the full 12 months' worth of rent.

What about Rent to Rent situations?

You may have seen mention in the legal press recently about the case of **Rakusen v. Jepson** where a decision was recently handed down by the Court of Appeal.

Here the property owner Mr Rakusen had let his property to a company, Kensington Property Investment group, who were the tenant's actual landlord. The tenants had asked for the order to be payable by the Mr Rakusen as the property owner. Was this allowable under the legislation as drafted?

The tenants succeeded initially but the decision was overturned by the Court of Appeal who held that only the immediate landlord could be liable. However, rent to rent landlords need to keep an eye on the legal press as it is likely that this decision will be appealed to the Supreme Court.

Some tips for landlords

The financial consequences of being ordered to pay a RRO award are so serious that landlords should do all they can to ensure that this will never happen to them.

Here are some tips to help you:

- Always check to see if your property is licensing. Even if your property is not an HMO, your area could be subject to selective licensing area so you need to make sure.
- Ask to go on the relevant council mailing list so you are notified if the situation changes.
- Be aware that whether your property is an HMO or not is solely defined by the number of people in occupation and whether they form one 'household' (essentially whether or not they are family members). **This is irrespective of the following:**
 - Granting licenses rather than tenancies (although many 'licenses' in HMOs are actually tenancies)
 - Renting on a joint and several basis where the tenants sign one agreement rather than renting on a room by room basis
 - Occupiers eating 'as a family' and keeping their food in the same cupboard, etc
- None of the above will prevent a property from being an HMO.
- Carry out regular inspections to make sure that your tenants have not allowed unauthorised occupiers to live at the property which could make you liable for licensing

And finally note that the only way you can get 100% protection against claims and prosecutions is to be 100% compliant with the landlord legislation.

If you are unfamiliar with HMO law and practice, we have

A free HMO 101 course which can be found online at

<https://landlord-law.co.uk/HMO101/content/index.html#/>

Make sure you keep up to date with the law. Signing up to my free weekly bulletin can help:

<https://landlordlaw.co.uk/bulletin>

Tessa Shepperson.

Tessa is a specialist landlord and tenant lawyer and runs the Landlord Law online information service at www.landlordlaw.co.uk

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PRS Market Update

Evictions

Be aware that notice periods have changed again, now reverting to their pre-pandemic levels, i.e. 2 months for a Section 21, and 2 weeks for a Section 8, Grounds 8,10 & 11. But be very careful as the forms have not reverted, and new ones have been issued.

They can be found on the Government website www.gov.uk

A look to the future

In the Queens Speech last May (on my birthday!), the Queen stated, "My Government will help more people to own their own home whilst enhancing the rights of those who rent." In the documents issued at the time, it was further stated the priorities would be:

- publish the Government response on abolishing Section 21
- outline a new 'lifetime' tenancy deposit model
- explore a landlord register to 'drive improvements in standards in rented accommodation, including by ensuring all tenants have a right to redress, and ensuring well targeted, effective enforcement that drives out criminal landlords'
- publish a White Paper in the Autumn. However, they are already admitting that it will not be published until next year.

iHowz are urging the Government look beyond this narrow view and carry out a 'root and branch' review of the current system, rather than the 'tinkering at the edges' of an overstretched, creaking legal system.

We have pointed out that the last time such a review took place resulted in two Acts that gave a level playing field and kickstarted the current Private Rented Sector: The Landlord and Tenant Act 1985 and the Landlord and Tenant Act 1988.

The points we have raised with Government are to take a holistic view be taken of the Private Rented Sector (PRS), including:

- a thorough review of taxation/loans/grants be carried out.
Income for a private landlord letting in the United Kingdom is not treated as a business for taxation purposes, it is treated as unearned income. Consequently, many of the allowances available to a normal business are not available for a landlord.
- social housing be subject to a review. Too many Social Landlords are acting as Developers, rather than supplying genuinely affordable housing.
- the consultation on HHSRS be reported. We have recommended:
 - The introduction of co-ordination between Environmental Health Officers (EHO's)
 - The setting up of an auditing procedure for EHO's
 - Expansion of the Independent Surveyor route started in Southampton
 - The ability for these Independent Surveyors to assess any Local Authority property
 - Training of landlords
 - Substantially improved documentation
 - Amend the categories to allow for the registered disabled.
- introduce a property condition report required before a property can be let. This would be akin to the current car MOT report, whereby an independent expert states that a property is fit to be let.
- require a stop to the wholesale licensing carried out by many Local Authorities, as a means to increase revenue.
The above property condition report would negate this need, and licensing could return to its original purpose, to be used where properties are being poorly managed.
- warn of the united consequences if the Section 21 is removed, especially on the hard to accommodate tenants
- state that the current legal system requires a complete overhaul, to make it fit for purpose. We especially call for specialist Courts and Judges, as Property, and Letting law has become complex
- also, state that the taxation system requires a complete overhaul. Too many landlords are now leaving the industry because of a punishing tax system
- makes recommendations for a 'Lifetime' deposit by an evenly balanced scheme, not favouring tenant or landlord, nor overloaded with bureaucracy
- questions the need for more legislation to tackle property conditions, and requests existing legislation is fully utilised by Local Authorities
- warns of the potential for a Landlord Redress Scheme to be structured to disadvantage vexatious claims by tenants
- when they come to dispose of rental property, encourage landlords to sell property to sitting tenants at a discounted rate. This could be brought about by the Government only be charging the landlord 40% of the current Capital Gains Tax (CGT) but would have to give the tenants the same amount as a discount. Thus, the tenant would enjoy a discount on the sales price; and the landlord would gain a 20% discount on their final CGT bill.

In our submission, we point to the fact that landlords are leaving the industry, to invest elsewhere. The losers will be Local Authorities, with their low level of Social Stock; but more importantly tenants will lose out as well, especially the socially disadvantaged in society.

EPC Review.

The Government are currently conducting a review of EPC's; how they look, and how they are used. If you wish to express your views we suggest you email them at EPCstakeholders@communities.gov.uk

Again, iHowz have contributed to this recommending:

- The assessment process:
 - the standard assessment must allow for new processes:
 - train a 'Super Assessor' with a background in surveying/building who can;
 - o carry out 'what if' modelling on paper, prior to committing to actual changes
 - o produce an enhanced survey using SAP (or better), rather than RdSAP
 - o this enhanced survey (perhaps call Enhanced Energy Certificate (EEC)) could show:
 - o a breakdown of a mix of building fabrics
 - o allow modelling of appropriate white goods
 - o the effect of a car charging point, and the method of charging
 - **The EPC document**
 - rename "Estimated use and potential savings" to "Comparable Energy Usage" to -make it more understandable
 - introduce live links to:
 - o grants available in that area
 - o sites offering practical advice
 - add a section on payback period for recommended improvements, put in payback order (ascending order), ignore any recommendations with a long pay back period, say 10 years
 - take away the generic MEES message on the front page, replace with specific advice as to the rentability of that property, at that time
 - keep the EPC duration as 10 years, but make a re-assessment mandatory when certain works are carried out
- Re-establish a single Government Department to oversee all energy matters, including EPCs and MEES.



Peter Littlewood, iHowz Director
For more info on iHowz Landlord Association, visit <http://ihowz.co.uk/>

TAX PLANNING FROM THE FENCE: KEEPING YOUR OPTIONS OPEN

More than six years have passed since the then chancellor George Osborne announced landlords could no longer claim mortgage interest as a tax-deductible expense.

And in less than four months, the four-year phasing-in cycle and knock-on impact for tax payments on account will finally be complete.

So with landlords almost over the hill of Osborne's Section 24 tax payment increases, will we now see an end to the trend of business restructuring?

Those *sitting on the fence* may well have decided that their property portfolio remains a good value investment as it is – even if they have extra tax to pay.

Of course, I write now after 12 years of record low interest rates.

BUT WHAT HAPPENS IF AND WHEN MORTGAGE RATES RISE?

Take a £4m portfolio with £3m in mortgages, a relatively healthy gross rental yield of 6% with 20% expenses and a mortgage rate of 2%. Now assume that the landlord is a full-time husband and wife partnership, the total post-tax income for the couple would be £92,336 - or a return of 9.2% on their £1m equity.

Should interest rates rise to 5.5% (the minimum lenders must stress test at), then the additional £105,000 in annual mortgage expenses absolutely decimates the profitability of the portfolio, leaving our husband and wife team with just £8,336 to live on between them*.

Whatever the interest-rate, sitting on the fence will cost a similar amount in overpaid tax. But as interest rates rise, every lost penny counts for more – and a driving need to pay down debt may mean offloading properties with a sizeable gain. Outside a protective structure that's yet another large tax bill to pay in 30 days.

OK - yes, whilst interest rates are expected to rise sometime over the next 12 months, it is likely to be only a modest increase minimising the risk to economic recovery.

So, for those landlords 'sitting on the fence' – they may be happy to do so for a long time to come. In fact, delaying a restructure and rebasing of assets could even help reduce Capital Gains Tax to the absolute minimum if they have the foresight to act sufficiently in advance.

BUSINESS STRUCTURE FLEXIBILITY

Earlier this year at the London Landlord Accreditation Scheme conference on the Pandemic, I referenced a sort of Occam's Razor for tax and business planning:

"In an uncertain future, all else being equal, the most flexible option is best."

It is partly for this reason that many of our clients make use of a limited liability partnership as the focal point of their business structure.

Due to the favorable tax laws on the treatment of capital and income in a partnership, this can allow the business to be highly tax efficient, whilst keeping on the table most other options should HMRC practice and legislation change in the future.

Indeed, our landlord couple sitting on the fence could save **£19,376** a year in unnecessary tax for their business. Not only would this buy them time in the event rates rise, but the portfolio could be adapted over the coming years without Capital Gains Tax derailing their efforts.

With this in mind, you might expect the restructuring trend to continue for a good while to come.

Less Tax 4 Landlords offer a free initial assessment of your circumstances on **0203 735 2940** or at <https://lt4l.co.uk/savetax>

Ben Rose – Head of Group Business Development at Less Tax 4 Landlords

*Further details on the examples given in this article can be found at

www.lesstaxforlandlords.co.uk/examples

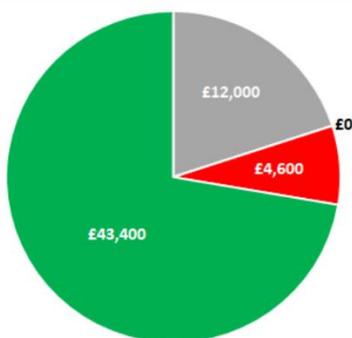
How Rising Interest Rates Impact Post-Tax Profits

Based on a 2 person partnership with £1m equity and mortgage rates at 5.5%:



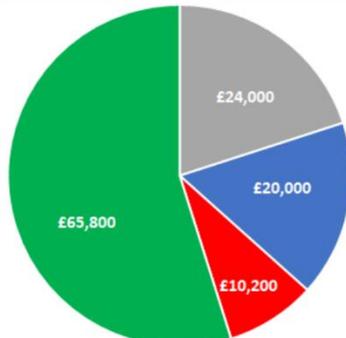
Assuming 6% Gross Rental Yield with 20% of income spent on Non-Finance Expenses in all examples

Pie Chart Key: Profit (Green), Mortgage Interest (Blue), Tax (Red), Non-Finance Expenses (Grey)



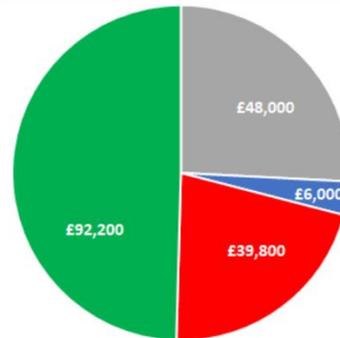
0% Loan to Value
Value £1m
No Mortgages

£43,400 Post-Tax Profit



50% Loan to Value
Value £2m
Mortgages £1m

£37,800 Post-Tax Profit



75% Loan to Value
Value £4m
Mortgages £3m

£8,200 Post-Tax Profit

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Did you know a typical business restructure with Less Tax 4 Landlords saves the average client at least £10,000 per year in income tax plus £000's in capital gains tax.

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James and Tatiana Tanner are landlords who renovated an Edwardian family home in Muswell Hill, bringing its EPC rating from G to B.



If you make your property more energy efficient the benefit is you will reduce your energy usage and costs. We have implemented almost all of these ideas below in our house, our heating bills reduced over 60% from £2500 to £900 pa.

Simple things you can do to make your property warmer and more energy efficient

1. Review the timer for hot water – set it to on only when people need to use it (e.g., 3 hours in the morning and evening), turn down hot water temperature to 60C. This can help you save up to 40% on your heating bill.
1. Turn down thermostat temperature control unit and boiler control unit by at least 1C (e.g. to 16.5C), and wear a sweater.
2. When the heating is on close all windows/doors to stop the heat escaping.
3. Bleed all radiators several times a year to improve their heat output.
4. Turn off the radiators in rooms not used.
5. Arrange a boiler service annually, checking boiler pressure.
6. Replace electricity and gas provider for one which produces 100% clean electricity and a proportion of gas from renewable energy (e.g. Good Energy and Ecotricity).
7. Draught proof windows, the letter box and all external doors with draught excluders to stop draughts. Fit a thin film on the inside of all windows, alternatively an acrylic sheet is more effective and longer lasting.
8. Block chimneys not used to prevent draughts.
9. Replace lighting for LED low energy lights
10. A quarter of the heat loss at home is through the roof, so add natural breathable insulation in the loft, minimum 27cm thick.
11. Large rugs/carpet, the thicker the better, and closed heavy lined curtains reduce heat loss and prevent draughts.
12. Ensure ventilation grills, air bricks and window trickle vents are working and clear to stop condensation
13. Check your [Energy Performance Certificate EPC online](#), see the recommended ways to improve energy efficiency

Homeowner/landlord works

15. Fit thermostat controls on all radiators.
16. Insulate the hot water cylinder and hot water pipes to reduce heat loss. They should be a minimum 8cm thick, while this improvement should payback within 2 years.
17. Fit sensor lighting externally and hallways, so no lights are left on unnecessarily.
18. Replace kitchen appliances and central heating boiler for the most energy efficient type possible (kitchen appliances A+++).
19. Arrange a plumber to carry out a power flush, to remove all the sludge which builds up inside your radiators and radiator pipework, so less heating is needed.
20. Replace airbricks with Passyvers which have sheep wool inside them, to stop cold air coming into the property but they let out moisture.
21. Install humidistats in bathrooms to automatically remove steam to reduce mould.

Major works

22. Fit natural breathable insulation on internal or external cavity/solid walls, (on the walls which face the outside only), under the floor on the ground floor and inside of the roof.

23. Double/triple glaze windows and glass on external doors – a lower cost option would be to add secondary glazing.
24. Install the most efficient PV panels on the roof with battery storage, and use excess energy produced at night.
25. Consider installing a heat pump when you need to replace your boiler.

Specialist professional advice including building control is needed to carry out the above major works.

Next steps

Review your energy consumption on your utility bills, then apply the above tips to reduce your energy usage/bills/ carbon footprint by at least 60% today.

Install the above major works when you next redecorate your property.

For further information contact: <https://www.cat.org.uk/>
<https://www.passivhaustrust.org.uk/>
<https://aecb.net/>

Landlords must use new eviction forms from October 1

Landlords have to use new versions of Section 8 and Section 21 forms from 1 October 2021 – otherwise eviction notices not served will be invalid.

The changes coincide with eviction notice periods returning to pre-pandemic levels, to two months for Section 21 notices and two weeks for Section 8.

The notes from the new version of **Form 3 (Section 8)** will move onto a separate document, which will be uploaded alongside the form and contain information for the tenant at the start of the forms.

The new forms should be downloadable from www.gov.uk from 1 October 2021.

The government has the power to reinstate longer notice periods as an emergency measure until 25 March 2022.

Meanwhile there are some exceptions to the new eviction rules.

As of 4 May 2021 Debt Respite Scheme (Breathing Space) regulations mean anyone with problems with debt are protected from creditors like landlords for 60 days.

Meanwhile those who are receiving treatment for mental health issues are protected for the duration of that treatment, plus 30 days.

The rules mean there is a ban on the collection of debt via a Section 8 Notice on ground 8, 10 and 11.

Section 8 notices on other grounds and Section 21 notices are unaffected.

Breathing Space details are included on Form 3 and Form 6A.

Source: [Landlords must use new eviction forms from October 1 - Property Investor Post](#)

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TDP and Deposit Disputes* Tenancy Agreements- Setting them up*

Tenancy Deposit Protection &

Immigration Act 2014

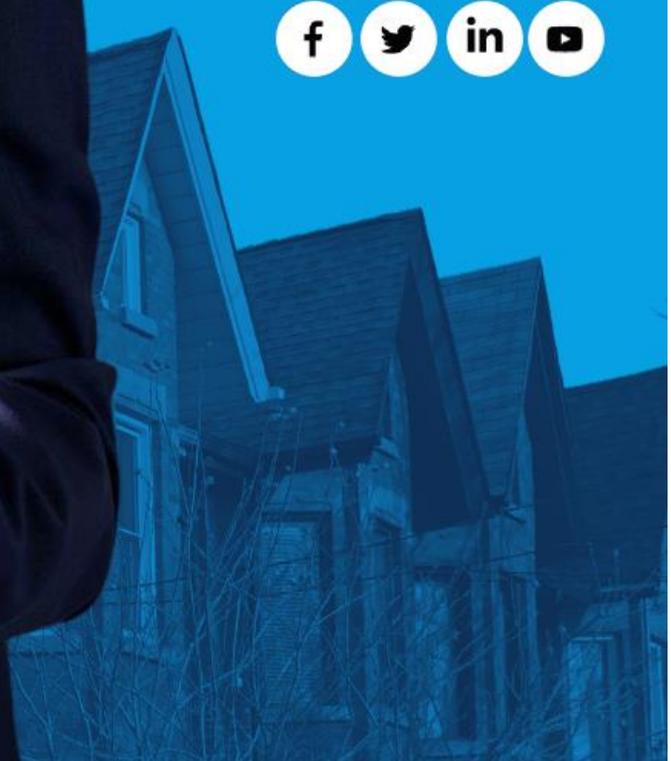
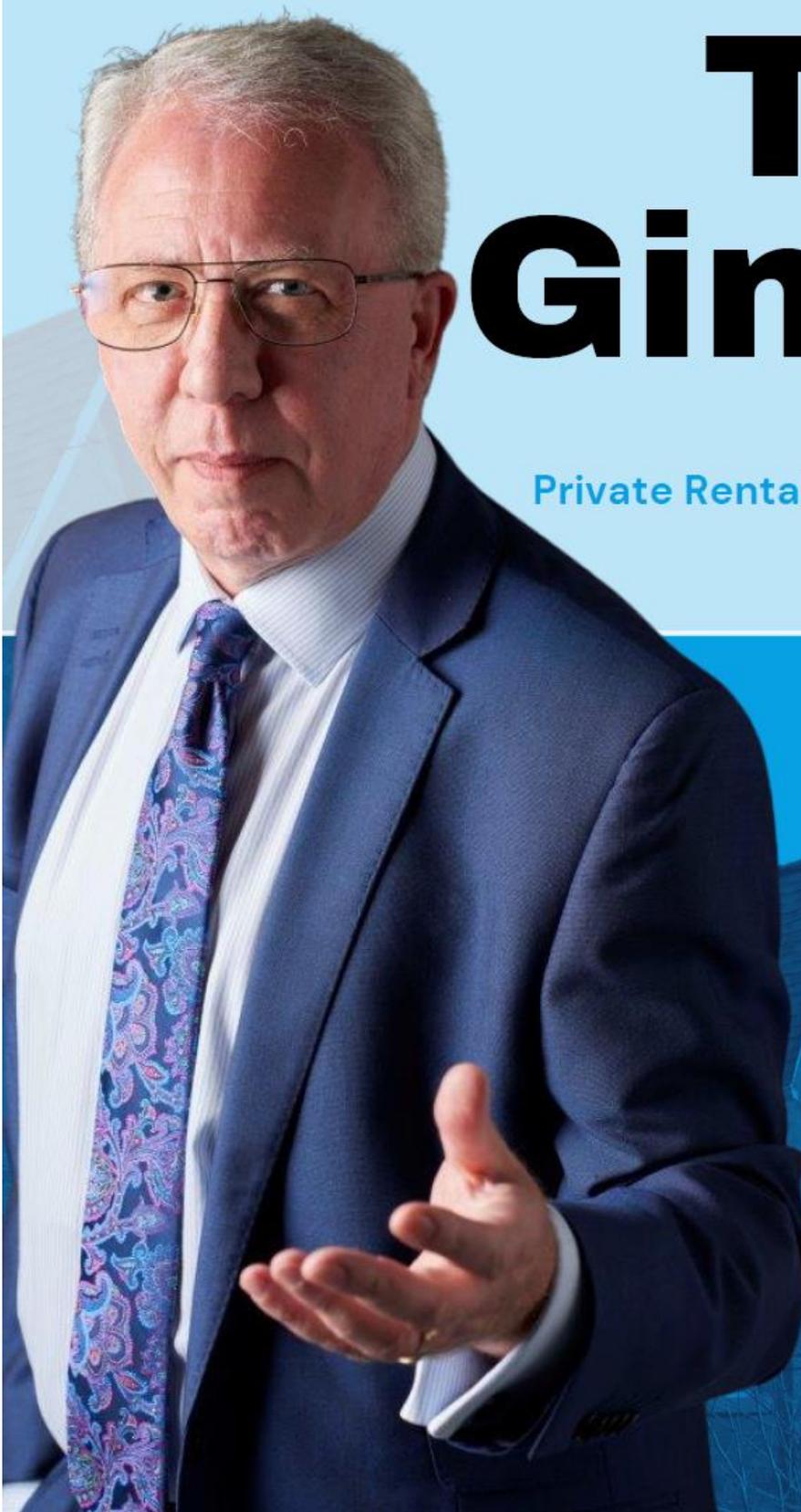
Tony Gimple

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speaker, and adviser

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OCTOBER 2021 MARKET COMMENT

BUMBLEBEE LETTINGS LTD

According to the Nationwide, annual house price growth last month was still very strong at about 10%, although this was down from 11% in August, and no doubt supported by the tail end of the SDLT concession which has now come to an end.

It is interesting to note that the average house price has risen by over £28,000 since that stamp duty concession was introduced in July 2020. This is 12 times more than the average SDLT saving enjoyed by buyers! The average house price, at £267,587, has now crossed into a higher SDLT threshold too! So rather than helping struggling buyers, the concession has supported massive and possibly unexpected house price growth. Funny old world!

Over and above any concession, it would certainly seem that sheer confidence, coupled with alternative financing, strong employment, low interest rates, and an economy rebuilding itself are all playing their part in proving once again that British real estate remains an exceptionally strong investment – and a tax free one for most homeowners. Rents are up too – by 7.5% over the year (Source: Homelet)
Could this be why 44% of landlords are expecting to buy more properties this year? (Source FJP Investments).

So often though, the figures we see are already out of date by the time they are published by the Land Registry or a mortgage lender. Perhaps changes in asking prices might be a better indicator of the future than looking at the sales completion figures of the past. According to Rightmove, the average price of property coming to market hit a record high after rising by 0.3% last month (that's a more modest annualised figure of 3.6%, which is about the same as many forecasters are predicting will be the average annual growth for the next couple of years at least).

So things are stabilising, possibly due to a 14% increase in new properties entering the market, although buyer demand per property for sale is still more than double pre-pandemic levels. Of course, it's the "power- buyers" who are successful in securing the property they want. These are the buyers who have nothing to sell or are already under offer or exchanged; they have their mortgage agreed in principle and they have a good conveyancer ready to go. And if you don't yet fall into this category because you have a property to sell – well you know who to call!

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How tenancy support is reducing rent arrears for landlords



Capital Letters deals with the benefits systems so you don't have to, says Therisa Tidy, whose team has recovered over £700,000 this year

Landlords letting their properties to families that receive benefits need to become experts in Universal Credit – or work with people who are. The benefits system is a regular payer once claims are set up but a change in circumstances can delay payments.

We always advise landlords to be prepared for a delay in rent after a new tenant moves in while reassuring them that they will get paid. One east London landlord summed up the experience:

"Normally payments start coming when they are due, but sometimes tenants cannot pursue their claims on their own. In this case, I asked Capital Letters to intervene so they could pursue this case professionally. Now the whole arrears have been cleared and I am very thankful to them for providing this service."

Some tenants may need help sorting out their claims. In a survey before the pandemic, 82% of landlords reported rent arrears after a new claim for Universal Credit or if the tenant had moved to Universal Credit (UC) from housing benefit. The number of people claiming UC has doubled during the pandemic and arrears in the private rented sector have increased, according to the latest government figures.

But not every landlord signed up to become an expert in the benefits system! So what are their alternatives?

Capital Letters works with landlords and two-thirds of the councils in London to find private rented properties so families can move out of temporary accommodation. Tenants sign an AST agreement with the landlord and Capital Letters pays a non-returnable cash incentive when the property is let.

But the service doesn't end there. Capital Letters has over 25 tenancy sustainment advisors who help tenants and landlords sort any problems throughout the tenancy. This year our team has

secured a total of £773,000 in back-dated payments – most of which went straight to the landlord. Tenancy sustainment advisor Waheed recently secured nearly £10,000 for a landlord after arrears built up over six months.

"The landlord called us because the tenant couldn't deal with the stress of making the claim," says Waheed. "Sometimes when the landlord comes knocking, the tenant doesn't know how to answer."

In fact, these long-running cases are unusual. Our team usually finds a solution before the landlord even knew the tenant needed help.



"Using our knowledge of the benefits system, we sort out claims so payment can start within weeks of the tenant moving in," says Omolere, another advisor. "By responding quickly, we can usually prevent any arrears building up."

So what are the advantages of working with Capital Letters? Firstly, we make the process easy. We can help with claims for direct rent payments, which gives landlords peace of mind. Finally, as Omolere and Waheed explained, we make sure Universal Credit applications are set up correctly, minimising arrears.

Therisa Tidy is a tenancy sustainment manager. Let Capital Letters find your next tenant and receive cash payment. Please contact us on info@CapitalLetters.org.uk or 020 3906 7460. www.CapitalLetters.org.uk

Fire Safety Act will affect the work of sales and letting agents

Safety and compliance expert, [Bureau Veritas](#) is encouraging landlords and duty holders to prepare for the Fire Safety Act 2021 which will make significant changes to fire safety regulation – describing the legislation as a new era for building safety.

Given Royal Assent on 29th April this year, the Act will amend the Regulatory Reform (Fire Safety) Order 2005 and aims to make it clearer where responsibility for fire safety lies. The new laws apply to buildings containing more than one home that are more than 18 metres or six/seven stories in height and seeks to respond to the outcomes of the Hackitt Review.

The Act is not yet in force but is likely to come in by the end of this year or early in 2022. It will have ramifications for agents letting or selling certain properties and for conveyancers dealing with the sale of such properties.

The Fire Safety Act 2021 clarifies that the responsible person or duty holder for multi-occupied, residential buildings must “manage and reduce the risk of fire” posed by the building’s structure, and most notably external wall systems, including windows and balconies, and individual occupants’ entrance doors. Under the clarification, fire and rescue services will be authorised to take enforcement action and hold building owners to account if they are not compliant.

This latest law follows on from various action already taken designed towards strengthening the whole regulatory system for building safety, including new sprinkler requirements and the forthcoming Building Safety Bill which was presented to Parliament on 5th July 2021.

John O’Sullivan MBE, Technical Director – Fire Consultancy at Bureau Veritas, says:

“The approval of the Fire Safety Act marks a significant step in the right direction to mitigate the fire risk in relation to life safety and building safety and is one of the biggest outcomes of the Grenfell Inquiry to date. The government is expected to release further guidance on the Act later this year, as there is further consultation currently taking place in relation to the stay put policy and evacuation procedures for high rise residential properties.

“Therefore, we would encourage any landlord or duty holder to take stock of the new changes already in place and review its current fire risk assessments policies. The Fire Safety Act potentially poses new challenges for duty holders, with the inclusion of the building structure, external walls, balconies and windows now forming part of a fire risk assessment process, and with the onus now firmly placed on duty holders to get it right, its essential these are done properly.”

The Fire Safety Act also provides a foundation for secondary legislation to take forward recommendations from the Grenfell Tower Inquiry phase one report, including lift inspections, reviewing evacuation plans and fire safety instruction for residents.

The upcoming Building Safety Bill, which was placed before parliament on 5th July 2021, and is expected to be passed into law by 2022, this is likely to include parts of phase two recommendations of the Grenfell Inquiry that will enact a change in Building Regulations.

O’Sullivan continues: “With these new changes enforced by the Fire Safety Act, and more updates to come in the near future, it may seem a daunting task for landlords or a residential buildings duty holders to keep on top of the regulations to ensure risk assessments are accurate. However, third party health and safety firms, like Bureau Veritas, are able to conduct compliant fire risk assessments and make recommendations for necessary changes to mitigate the risk to ensure homes remain safe.”

Source: [Fire Safety Act will affect the work of sales and letting agents – Property Industry Eye](#)



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Record fine issued to London landlord over planning offence

A landlord who built extensions and converted them into flats and bedsits all without planning permission has been given a record fine after a council took her to court.

Two enforcement notices were issued to Orofena St John in 2017 requiring that the extensions be demolished and the premises be converted back to one house.

Both orders were ignored and Brent council in London claims it had no option other than to take the matter to court.

The landlord was convicted of breaching these notices in 2019 and the matter was then referred to Harrow Crown Court under the Proceeds of Crime Act.

During the proceedings it was revealed that St John was also in breach of another enforcement notice issued to a separate property. This had similarly been illegally converted into two homes, with rooms being rented out to multiple students on a short term basis without permission.

St John was ordered to pay £111,582.57 for the income received from illegally renting the properties to tenants for a profit. In addition, she was fined £18,000 in council legal costs and £15,000 for the breach of the notices.

The penalty is the largest secured this year by the council.

spokesperson for Brent council says: "This is a significant win for Brent. The council is committed to taking robust action to prevent the creation of substandard, poor-quality housing and badly designed and ugly extensions.

"The bottom line is that we will hold people to account who break planning laws and create unlawful developments.

"This penalty sends a clear message that people will not be allowed to get away with ignoring planning laws and renting out properties illegally.

"These laws are in place to protect our residents from being exploited in inferior accommodation and to ensure that Brent's environment is a great place for everyone to live."

Source: [Record fine issued to London landlord over planning o... \(landlordtoday.co.uk\)](#)

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Rogue landlords handed hefty fine for hiding HMOs

A landlord couple have been fined £190,000 for concealing that six of their properties were rented out as HMOs, the *Waltham Forest Echo* reports.

Mohamed Lahrie, 55, and wife Shehara, 51, claimed they were renting six of their properties to a single tenant, which turned out to be their letting agent. This meant they weren't charged HMO license fees and the homes weren't inspected by London's Waltham Forest Council.

Following a trial in April, district judge Andrew Sweet fined Mr Lahrie £126,500 and Mrs Lahrie £60,500 on Wednesday 29th September at Wimbledon Magistrates' Court.

Sweet said: "With all these cases there is an erosion in public confidence and that has a detrimental effect on society.

"It seems Mr and Mrs Lahrie have now accepted full responsibility, but all of this litigation would have been avoided some time ago had they taken the decision then that they have now."

The couple were major landlords, owning 600 properties in East London via 28 companies. One of the six homes was home to seven people across four tenancies.

Mohamed Lahrie's lawyer defended his client by saying the financial benefit of not declaring these six HMOs was miniscule.

With one Leytonstone property the license fee would have cost £1,000.

Lahrie's lawyer said: "Mr Mohamed arrived in this country with little money in his pocket and built up a portfolio over two or three decades, through hard work with his wife.

"That property portfolio has been engaged in providing safe and fit homes for many of the residents of Waltham Forest and these six represent one percent of that portfolio. The financial benefit to him was miniscule. "Mr Mohamed, as a result of this case, has sold his portfolio of properties – he has sold them all."

Dean Underwood, council lawyer said: "The aim of the licensing regime is to protect the health and safety of those who occupy the most at-risk private premises, that is HMOs." The case was originally due to begin in 2017 but was delayed by a legal challenge from the landlord couple.

After appearing in court, Mohamed Lahrie told the Local Democracy Reporting Service "I have learned my lesson and I regret what I did".

Source: [Rogue landlords handed hefty fine for hiding HMOs - Property Investor Post](#)

How Airbnb's can be a problem for leaseholders

Fretten's property litigation specialist lawyer, Will Bartley, provides an update on how Airbnb style lettings of residential flats can be problematic for leaseholders, who could be in breach of their lease without knowing it

What is Airbnb letting?

Airbnb has become a popular letting website, whereby property owners rent out their properties on a short-term let basis, i.e. for a week or so. This could be for as brief a period as a night, or as long a period as a month or two.

What is a short-term letting?

Short-term letting would essentially be potentially anything falling short of an assured short hold tenancy agreement. It is a popular way of making income from a property that may only be vacant for a brief period, such as your home, or by letting out a holiday flat on a regular basis over the summer for a more substantial income revenue. This occurs on the popular site Airbnb, but also on other similar websites offering the same service.

Are short-term lettings allowed in a block of flats?

Case law and the Courts have addressed this question on numerous occasions since the Airbnb rise in popularity over the past five years. Whilst each case will rest on its own merits, and more than likely come down to a solicitor's interpretation of the individual flat lease, the answer has been an almost resounding no – it is not permitted.

Why aren't short-term lets permitted in block flats?

There are a number of factors as to why this has been the conclusion of the Courts. The majority of residential flat leases will contain wording in them preventing the following:

- Preventing the leaseholder from running a business from their property;
- Diminishing the nature and character of the block.
- Not to cause a nuisance or annoyance to their neighbors or neighboring properties.
- Not to let their property on a short-term basis.

Short-term lettings have been found to breach most, if not all, of the above clauses found in many leases. There is also a risk that offending leaseholders will be breaching the buildings insurance, or their own mortgage terms, due to the change in nature of the property. This therefore can have severe repercussions for leaseholders.

What happens if my neighbor is breaching their lease by permitting short-term letting?

The freeholder or management company for the block can commence forfeiture proceedings against the offending leaseholder.

This will likely include an Application to the Property Tribunal to determine the breach of the lease, followed by a S146 Notice warning of forfeiture, and then resulting County Court proceedings.

Whilst forfeiture is not granted lightly by the Courts due to the severe financial penalty it imposes on the leaseholder in question, the Courts will provide such an Order in certain circumstances if the practice of short-term letting is not stopped without delay by the offending leaseholder.

Who would be liable for the legal costs?

In the majority of circumstances, the leaseholder in question will also be liable for any legal costs incurred in contemplation of forfeiture proceedings, which can be highly costly for an individual to bear, and certainly not worth the income of the short-term let.

Who is this relevant for?

This would apply to any freeholder, leaseholder and management company for residential flats where the practice of short-term letting is suspected, and enforcement action is being contemplated.

How can law firms help you?

We have recently been instructed by a management company to advise and commence a claim on almost identical grounds to the scenarios listed above. A flat in a block of about 20 flats was being let out on Airbnb with the guests causing noise disturbance and nuisance.

After our advice and intervention, by way of written correspondence, the offending leaseholder has desisted from such practice and paid the legal fees incurred by the management company to settle the dispute.

Court action should be the last resort, and early legal assistance and correspondence can often be the difference between a negotiated settlement and a drawn-out and costly court application process.

Source: <https://propertyinvestorpost.com/author/bartley/>

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Permitted Payments

It is illegal to charge certain fees to tenants, unless they are classed as 'permitted payments'.

These are the **ONLY** payments you are permitted to charge:

- ✓ Rent
- ✓ Holding deposit (capped at 1 weeks rent)
- ✓ Tenancy deposit (capped to 5 weeks rent)
- ✓ Utility bills and council tax
- ✓ Default fees – including key loss and rent arrears (reasonable charges)
- ✓ Changes to a tenancy at the tenant's request - £50 / reasonable costs
- ✓ Fees for leaving a tenancy early, known as termination charges (to cover actual loss suffered by the landlord)

To work out the weekly rent, multiply the monthly rent by 12 then divide this sum by 52.

It is safer to receive payments in a traceable manner, but if you are paid in cash, always provide a receipt.



Prohibited Payments

You can 'no' longer charge the following:

- X Administration fees
- X Contract negotiation fees
- X Application fees
- X Inventory charges
- X Set up fees
- X Referencing fees
- X Check-in and check-out fees unless by mutual agreement, e.g. for an out of office hours checkout
- X Credit check fees
- X Renewal fees
- X Guarantor fees
- X End of tenancy fees
- X Permitted occupier fees
- X Default professional cleaning fee
- X Right to Rent fees

This list is not exhaustive and if the payment is not permitted within the Tenant Fees Act 2019 then it will be deemed prohibited. You should no longer make reference to these fees in your tenancy agreement or property adverts - they cannot be charged.

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