

RHF 13

Bil Rhentu Cartrefi (Ffioedd etc.) (Cymru)

Renting Homes (Fees etc) (Wales) Bill

Ymateb gan: J. Dix, landlord yn y sector breifat

Response from: J. Dix, private sector landlord

Response to Equality, Local Government and Communities Committee inquiry into the Renting Homes (Fees etc.) (Wales) Bill

1. Opening comments

1.1 I welcome as a private rented sector landlord this Inquiry by the Committee into the Renting Homes (Fees etc.) (Wales) Bill. I previously responded to the Welsh Government consultation seeking views on the nature and level of fees charged to tenants in the private rented sector (issued 19 July 2017). At the time of responding I had been a private sector landlord for five years, and managed myself a rental property consisting of one flat. In my initial response I was supportive of many of the provisions of the proposed law intended to reduce the up-front costs required to secure a property for tenants. My views, however, have changed since April 2018 when I have encountered difficulties in gaining a third tenant to share the three bed room flat I rent, and have been running at a rental loss through not passing on the costs to the other two tenants. Recently I have resorted to commissioning the services of a letting agency to remedy this situation, and now fear there could be adverse unintended consequences to private sector landlords of the bill's proposals, which I will detail below.

2. Majority of private sector landlords in Wales (over 90%) let just one property

2.1 The vast majority of the UK's private rented housing stock is owned by landlords with just a single property, with little variation throughout England, Scotland and Wales, according to Country wide Residential Lettings in 2014. In letting just one property, there is not much of a financial return for landlords over and above meeting their buy to let mortgage repayments. Landlords also operate at a big risk should their rental income lessen, such as in my case by losing a tenant, or a tenant defaulting on their rent.

2.2 I have looked at the different services provided by a number of local management agencies, and have been surprised by their variance in both costs charged to their customers seeking rented accommodation, and also to the landlord. I feel it would be helpful for both landlords and prospective tenants to be charged a more consistent amount for the services of a management agent, and also with more transparency of costs, as currently it is difficult to compare like for like.

2.3 Given the expensive for small scale landlords to go through a management agency, I now wonder if it would be better for more consistency of costs to be introduced to both landlord and prospective tenant in using the services of a management agency, rather than charges being removed for prospective tenants. I am concerned that by removing charges to prospective tenants these will be passed on to the landlord, which will not necessarily lead to the

bill's aim of improving access to the private sector market in Wales. I think the introduction of a more-fairer system of management agent charging would be beneficial to the operation of the private rented sector market, which plays such an important role in housing people who are unable to afford to buy their own home, and are not eligible for social housing.

3. Rent Smart Wales

3.1 I think Rent Smart Wales has been positive in improving standards in the private rented sector in Wales. The mandatory training now provided to landlords has improved tenancy management. However, it can be an onerous task for small scale landlords to manage tenancies, with many pitfalls that going through a management agency could avoid such as in securing suitable tenants through undertaking financial checks, taking up references, and identity checks. The management agency has a key role to play in both supporting tenants and landlords, and facilitating access to good quality rented accommodation in Wales. I am concerned with the removal of fees charged to tenants, this could be passed on to small scale landlords who would no longer be able to afford the services of a management agency, and could potentially go out of business, and so narrowing the availability of private sector rented accommodation in Wales.

4. Specifics Committee's Inquiry

4.1 In relation to specific areas the Committee Inquiry is looking at I have the following observations:

4.2 *What has been your experience – as a tenant, landlord or letting agent – of fees charged to tenants?*

4.3 Through my experience of self-managing a rented flat for five years I had no direct experience of letting agents' fees for tenants. Now having to secure the help of a management agency, because of difficulties encountered in letting, I think that banning tenant fees could mean that letting agents and landlords will look to recoup the revenue lost in other ways, which might include increased rent for tenants.

4.4 *As a landlord, what impact will banning tenant fees have on you, and the sector as a whole, and how will you deal with the cost of any increased letting agent fees charged to landlords?*

4.5 Management agencies provide different levels and tiers of services from securing tenants, to fully managing a property. To date as a landlord I have not encountered major problems with managing a rental property, and have felt the guidance of Rent Smart Wales has helped in this. It is however, a big time commitment to manage a property, which many small scale landlords could find onerous, so I am concerned that the proposals could force landlords out of the market if management agencies increase their fees to landlords.

4.6 I am currently at the beginning of my experiences of going through a management agency. Hopefully I will find their service beneficial. However, I

have been surprised in the process of recruiting an agency the lack of consistency in prices charged to both prospective tenants, and landlords alike. I feel I need the support of a management agency now, but am unsure what the future holds as to be viable management agents will need to cover their costs, and make a profit. If this is passed on to small scale landlords it may not be financially viable for them to continue to rent.

4.7 *The Renting Homes (Fees etc.) (Wales) Bill allows landlords and letting agents to charge tenants permitted payments – rent, security deposits, holding deposits and payments in default – do you agree with this list?*

4.8 I found it curious what the bill proposals to remove as fees charged to tenants, and what to retain. It is extremely straightforward for a landlord to use a Tenancy Deposit Protection Scheme, so I feel this is one service that a management agency offers, which could easily be done by the landlord direct.

5. Other comments

5.1 There are management agencies, who run as an arms length companies of a Social Registered Landlord, who put a percentage of their profits back into social housing. I wonder, alternatively, if this should be mandatory for all management agencies to do, in preference to banning the charging of certain fees to tenants, as a means of improving access to housing for people on low incomes.

6. Conclusion

6.1 I think a fairer more transparent system of costs from management agents to landlords and tenants needs to be in place. I fear removing charges currently made by management agents for their services to tenants could negatively impact on the viability of small scale landlords being able to continue to rent if this cost is passed on to landlords.

Submission from J. Dix (private sector landlord) 2nd August 2018