



From June 1 2019, landlords and letting agents in England are now no longer be able to charge tenants fees for things like inventories, guarantors and credit checks, while deposits will be capped at six weeks' rent.

It's another blow for landlords (as if S24 wasn't enough) who charge a nominal fee for work that needs to be carried out when taking on a new tenant. The good news is that the ban will impact unscrupulous landlords who have long abused their right to charge by hitting tenants with over the top and repeatedly high fees.

What's changing?

- Property viewing fees will be banned
- All admin fees will be banned
- Check-out fees will be banned
- End of tenancy cleaning fees will be banned (unless a landlord has a very good reason and can provide evidence)
- Fees for reference checks, credit checks, insurance policies, guarantor requests and gardening services will be banned
- Deposits will be capped at five weeks' rent or six weeks' rent if the annual rent value exceeds £50,000
- Holding fees will be capped at the equivalent of one week's rent and letting agents must cease advertising the property once they have received a holding fee payment
- Contract changes will be capped at £50
- So-called 'Moving out early fees' will be capped and should not be more than the total amount of rent owing on the property when a tenant moves out
- Late payment fees will be capped and should not exceed 3% more than the Bank of England's annual percentage rate (currently 0.75%) for each day the payment is outstanding. Late payment fees must also be clearly written into a rental agreement

Will the Tenant Fees Ban apply to older tenancies?

Not immediately. The new rules will not apply to tenancies that began before June 1 2019. However, from June 1 2020, the new rules will apply to all tenancy agreements – regardless of whether a new contract has been signed or not.

It will apply to renewals of tenancies, excluding statutory and contractual periodic tenancies that arise after the Tenant Fees Act comes into force.

After one year the ban will attach to pre-existing tenancies and clauses that charge fees in them will become ineffective. If a landlord or agent takes a prohibited payment after that date they will have 28 days to return it or be considered in breach of this legislation.

What is exempted from the banned list?

Landlords will still be able to charge for:

- Rent
- Tenancy deposits (capped at five or six weeks' rent as previously outlined)
- Holding deposits (capped at the equivalent of one week's rent)
- Contract changes (capped at £50)
- Moving out early fees (capped as previously outlined)
- Utility bills, such as electricity, water, broadband, council tax and TV licence
- Late rent payments (after 14 days and capped as previously outlined)
- Replacements for lost keys

Restrictions on rent

Landlords and letting agents are also banned from charging higher rental fees during the first portion of the tenancy and then reducing them later on. This is to prevent people circumventing the new rules by trying to offset the ban with a higher initial rental period.

However, landlords are well within their rights to charge more for their property, providing the higher rent is consistent throughout the tenancy. The obvious downside of this is that tenants – who inevitably know the going market rate for rental properties – will simply look elsewhere.

What's the penalty for breaking the rules?

Breaching the Tenant Fees Ban will be classed as a civil offence and landlords/letting agents will be slapped with a fine of up to £5,000.

However, if a landlord or letting agent makes another breach within five years of the first one, then it will be classed as a criminal offence, which could result in prosecution or a fine of up to £30,000.

Landlords and letting agents who commit two or more breaches in one 12-month period or commit a criminal offence may also be placed on the rogue landlord database.

Holding Deposits

As previously mentioned, holding fees will be capped at the equivalent of one week's rent and letting agents must cease advertising the property once they have received a holding fee payment.

Once a holding fee has been taken:

- A landlord has 15 days to make a decision.
- If the tenancy does not go ahead, then the payment must be repaid, in full, within 7 days of the 15-day deadline being reached.
- If the tenant backs out of the agreement, fails right to rent checks or provides misleading/false information, the repayment does not need to be in full.
- Likewise, if the landlord tries their best to get the required information from the tenant(s) but they (the tenants) fail to provide it within 15 days, the repayment does not need to be in full.
- If the tenancy does go ahead, the holding deposit must be returned to the tenant within 7 days of the agreement. Alternatively, it can be converted into part payment of the rental deposit or used towards the initial rent payment.

A similar Tenant Fees Ban has been in place in Scotland since 2012 and just 2% of landlords have raised rental prices as a result.

Find out more here:

<https://www.gov.uk/government/collections/tenant-fees-act>

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