

Number: WG31810



Llywodraeth Cymru
Welsh Government

Welsh Government
Consultation – summary of response

Fees charged to tenants in the private rented sector

February 2017

Mae'r ddogfen yma hefyd ar gael yn Gymraeg.
This document is also available in Welsh.

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1. Introduction

The Welsh Government is taking action to make a real difference to people in Wales, their families and their communities. The Government's housing priorities are clear: more homes, better quality homes, and better housing-related services. We want to support peoples' housing needs now and plan and deliver for the future.

To make a real difference, we are continuing to implement a programme of legislation aiming to improve how the whole housing system works, as well as making changes where they are needed and it is sensible and effective to do so. We are working to ensure that housing legislation is aligned with wider policies, programmes and funding to help deliver the Government's priorities set out in Prosperity for All.

The Welsh Government recognises the important role of the private rented sector, alongside social housing and home ownership, in meeting the housing needs of people in Wales. It is committed to removing barriers to tenants entering and moving within the private rented sector. Our current legislation, and the proposed Bill to address fees charged to tenants to establish a tenancy, will improve the accessibility and affordability of private rented sector homes. This is an important part of our continuing work to develop and deliver housing legislation that helps provide a firm foundation to support the delivery of good quality, secure and affordable homes.

Between 17 July and 27 September we held a full public consultation on legislative proposals to address fees charged to tenants in the private rented sector. We encouraged everyone involved in the sector to participate in this consultation, and contribute to the development of our policy on the charging of fees to tenants in the future. The analysis of that consultation is now complete, and Welsh Government would like to thank everybody who took part in this wide-ranging consultative process.

2. Brief summary of findings

Breakdown of respondents

683 responses were received in total, broken down as follows:

Landlords	45%
Tenants	33%
Letting / Management Agents	14%
Local Authorities	2%
Representative Bodies	2%
Other	2%
Did not answer	2%

- 56% of all respondents agreed with an outright ban on fees.
- 55% of respondents understood that a ban on fees could lead to an increase in rents, though many respondents thought that the rise would be negligible and preferable to finding up-front fees.
- 90% of respondents believed that fees relating to services carried out as a result of an action of a tenant, or at the request of a tenant, should continue to be allowed.
- 64% of respondents agreed that holding deposits should be allowed though there were concerns about both the amount of holding deposit required, and the terms by which they were returnable.
- 91% of tenants say that they are charged fees to rent properties.
- When fees were charged, tenants say that, on average, they are charged £249.47 to begin a tenancy, £108 to renew a tenancy, and £142 at the end of a tenancy.
- Two-thirds of tenants are made aware of fees before they enter into any agreement.
- 62% of tenants said that fees have affected their ability to move into a rented property, while 86% say that fees have affected their ability to use an agent.
- 99% of agents charge fees to tenants – an average of £181.15 per tenancy.
- Only 19% of landlords charge fees to tenants – an average of £65.63 per tenancy.
- Landlords are generally unaware of what fees their agent (if they use one) charges to tenants. 61% of landlords did not know what their tenants were charged.
- 27% of landlords who pay fees to their agents believe that their agent doesn't charge any further fees to their tenants
- 92 -95% of agents charge fees to landlords. Agents say that the average fee charged for letting a property is £233.33, whereas landlords say it's £264.89.

- 61% of landlords say that an increase in fees charged to them would affect their decision to use them in future.

3. All respondents – general questions

Should the Welsh Government legislate to prevent agents and landlords from charging fees, other than rent in advance and a refundable deposit to tenants, when entering a new or renewing an existing tenancy?

56% of all respondents to this question agreed with an outright ban on fees, and 44% of respondents were against a ban.

The majority of those against a ban cited the work carried out by letting agencies on behalf of tenants, in particular referencing and credit checks, as the main reason why an overall ban shouldn't be implemented:

- *“...we believe that the majority of agents charge tenants are fair and reasonable for the services they provide. The fact that a small minority might overcharge should not result in an outright ban on fees.”*

There were also strong representations that tenant fees should cover everything leading up to a tenancy being issued such as advertising of the property and conducting viewings, up to producing an inventory and drawing up the tenancy agreement:

- *“When renting a property, a tenant is taking a legal interest in land for the duration of their tenancy and the fees charged to tenants are broadly similar to those charged when purchasing a property (referencing checks equate to mortgage application fees, contract negotiations are akin to conveyancing, and inventory costs are similar to a survey”*

Some responses said that fees ensured that businesses made a profit:

- *“How would agents make money and run a business if they didn't charge fees for their services?”*
- *“There are fees on everything, i.e. taking out a loan, mortgage etc., so why not a tenancy agreement.”*

There was, though, a general consensus that any fees charged should be regulated or capped:

- *“A good agent will give good advice to their tenants under their duty of care and therefore a small, possibly capped, fee should be chargeable”*
- *“Reasonable at cost fees should be allowed for referencing of tenants.”*
- *“No incentive for agents to provide a property sourcing service for tenants. There should be a fee but it should be capped and fixed”*

Which charges, aside from rent in advance and refundable deposit do you think an agent, landlord or third party should be able to charge? Why?

The largest number of suggestions reflected a view that no charges should be allowed (28%):

- *“We believe all fees, aside from a refundable security deposit and one month’s advance rent, should not be permitted.”*
- *“We would recommend an outright ban on any fees other than refundable holding deposits to avoid confusion and ensure there is no opportunity for fees/charges to be applied in other forms or ways.”*
- *“Additional fees should be specifically included in legislation to ban fees charged to tenants. For example: Exit fees...(and) Renewal fees...”*
- *“Any other work that may be required is carried out (such as checking references or getting a witness to sign a contract) is carried out at the landlord’s request, not the tenant’s, and thus the tenant should not be charged. If an agency requires such work, this must be charged to the landlord only.”*
- *“I am a private landlord with a single property and I have never charged any of my tenants any money, excepting the rent. I have always been of the belief that it is in my interests to have tenants in the property, otherwise it is standing empty, earning no money. I therefore make it as straightforward for people to rent the property, charging no fees for any work to find tenants.”*

A similar number of respondents believed that charges for referencing and credit checks should be allowed (28%):

- *“...there is a fair and reasonable argument for a fee to be charged for a service which directly benefits a tenant. In this respect, there is a strong argument to say that the issue of referencing is a benefit for the tenant and the landlord...Furthermore, there is a strong likelihood that landlords would be more willing to accept references which have been conducted through their agent than references obtained by the tenant directly.”*
- *“Referencing checks lay the foundation for a strong tenancy and we believe that an agent, landlord or third party should be permitted to charge for them. These checks ensure that the tenant is who they say they are and does not take on a financial commitment that is unsustainable.”*
- *“Fees charged for searches to find out if the prospective client is solvent and has a good financial history. This is a safety net for landlords and helps us make an informed decision about tenants.”*
- *“Charge for referencing because otherwise tenants could go round a lot of agents saying they wish to rent a lot of properties without being committed to any.”*
- *“It acts as a safety net to prevent tenants who cannot afford a property from signing a tenancy which they will be unable to maintain. This is an important check and*

balance in the industry and helps tenants to avoid late rent charges, poor credit histories and County Court Judgements.”

The next biggest suggestion was that General Administration costs (11%) should be allowed:

- *“These services require a lot of work and the agent is responsible for ensuring compliance with many legal processes. This service takes staff time and resource.”*
- *“Agents also on average spend 5-8 hours per application and referencing from carrying out the viewing, dealing with the tenants application and referencing to handing over the keys to the tenant.”*

Followed by the drawing up or amending of tenancy agreements (8%):

- *“...we prepare legal documents, solicitors charge 10 times the amount”*
- *“A tenancy agreement is a standard document. This is only negotiated at the request of the tenant. Unintended consequences could be that this will not be negotiated on behalf of the tenant as the landlord becomes, in the strict definition therefore, the only customer.”*

5% of suggestions were that landlords, agents and / or third parties should be allowed to charge for everything / anything they currently do.

- *“Frankly, letting agents and landlords should be able to charge whatever they like. If they charge too much, they won’t get any business.”*
- *“Whichever they feel obliged to for their own business.”*

5% of suggestions were that penalties should be applied in the result of a tenant’s negative actions such as negligent damage to property, or late payment of rent.

- *“Any reasonable costs that may arise, potentially as a result of any negligent act on the part of the tenant.”*
- *“I think any “default” fees should be chargeable i.e. If the tenant loses keys they should be chargeable. If they fail to pay the rent and this incurs costs for the agent then they should be liable for that breach.”*

Other costs which received multiple suggestions were for preparing the inventory, for showing tenants around a property, to register a deposit with a Government-approved scheme. Check-in and check-out costs were also equal at just over 1% of all suggestions.

Other costs which were mentioned by some as allowable were for recovery of fees required to be paid by a landlord to the Government, charging for gas / electrical safety certificates, fees to cover the advertisement of a property, fees to cover maintenance of a property, and a charge for a new mattress protector provided at the beginning of a tenancy.

Some agents may charge a refundable holding deposit to take the property off the market whilst reference checks are undertaken – do you think this is a fair charge?

64% of the total who responded to this question were in favour of allowing a refundable holding deposit to be taken to take a property off the market whilst reference checks are undertaken. 36% were against.

Many of the respondents saw holding deposits as a valid way of ensuring a commitment from both sides to enter into a tenancy agreement in good faith:

- *“As long as this is not a high sum, then yes, since it establishes the tenant as a serious candidate.”*
- *“In many areas there is a high demand for properties and the deposit provides an assurance to the landlord that the tenant is serious.”*

Some landlords and agents were also concerned that an inability to require a returnable holding deposit could result in unscrupulous behaviour from some tenants:

- *“...Tenants must not be able to reserve several properties at once with different agents and landlords to decide later which one they would like to take.”*
- *“Yes, although we only apply this to student properties as in previous experience students enjoy changing their mind at the last minute!”*
- *“Tenant gazumping is a real issue, as is playing one agent off against another.”*

There were a number of respondents who, although in support of a holding deposit, pointed out that the circumstances by which the holding deposit should be returned needed to be defined fairly, and that the amount required should be reasonable:

- *“The deposit must be refundable if the references are declined, too”*
- *“Yes, providing the holding deposit is set at around 30% of the tenancy deposit and will be discounted from said deposit should the contract be entered into.”*
- *“Yes. Provided:*
 - 1. it is a reasonable amount;*
 - 2. it is genuinely refundable – unless the tenants do not proceed (for whatever reason);*
 - 3. the property is genuinely taken off the market; and*
 - 4. the checks etc. must be concluded within a reasonable time and the landlord must then decide either to rent the property to the applicants or return the deposit”*
- *“We also believe that holding deposits should be forfeited if the applicant has failed to uphold their side of the agreement to let, for example by providing false documentation or withdrawing from the tenancy...we also think that holding deposits will be refunded in the case of landlords and agents failing to proceed with the tenancy.”*

Many of those against holding deposits had concerns about the level of deposit required, and that a tenant would get it back in actuality, whether they were successful in obtaining the property or not:

- *“We have had cases where agents have asked for this deposit then told the students that their guarantors have failed the credit reference check but they are keeping the holding deposit. We have checked and the credit reference agency have stated that they have not yet completed the checks, so the guarantors have not failed the checks.”*
- *“This summer I lost £360 in agency fees because my guarantor was not deemed suitable.”*

Others were against the idea of holding deposits simply as an issue of cost:

- *“People who rent don’t have hundreds of pounds to pay up front on fees. It doesn’t matter if they’re refundable.”*
- *“This charge is very daunting for a student.”*
- *“A holding deposit is also likely to disadvantage low income households who cannot afford to pay the deposit, which would further limit access to the private rented sector for vulnerable applicants.”*

Some agents may charge for in-tenancy property management actions that directly relate to an action or service carried out at the request of the tenant (such as replacing lost keys). Do you feel that such charges are fair?

90% of all respondents who answered the question agreed that fees for actions or services provided at the request of tenant, or as a result of the actions of a tenant, should be allowed.

- *“Loss of keys, in particular for a HMO, is costly for the landlord as all the keys and/or locks may have to be replaced.”*
- *“Provided the relevant invoices can be produced to justify the charges, this is fair as there is usually a charge in relation to lost keys etc.”*
- *“Even RSL’s make charges for out of hours if it’s the tenants fault.”*

Only 10% of respondents believed that these fees should be banned. Of those, the issue seemed to be more about perceived profiteering from such fees:

- *“I am a student in Swansea we have been charged £25 for lost key, £144 for waste removal (6 black bins). Landlords and agents in this area are increasingly taking advantage of us.”*
- *“An agency tried to charge me 50 pounds to replace a fire alarm battery, which seems preposterous considering it’s a fire safety issue.”*

Agents may occasionally provide bespoke, non-standard services to tenants, for example, when arranging a property for someone currently living abroad who is relocating to Wales. Do you think there are parts of the market where a different approach to handling letting agents' fees may be allowable?

Of those who answered this question, 57% believed that it was reasonable to expect a tenant to pick up the cost of bespoke, non-standard services over-and-above that of a regular landlord, or letting or management agent.

- *“Yes, clearly. When I relocated to Wales I used the specialist services of a local agent who provided significant insight into the local area...”*
- *“...many tenants, especially international tenants/students rely on the help of letting agents when they first move to the country.”*

23% did not know either way, mainly as they hadn't encountered, charged, or been charged such fees. It is acknowledged that the requirement for these services would not be the norm in the sector.

20% of all respondents did not believe that these fees should be allowed at all:

- *“Well, not really, we have many overseas tenants and the only extra cost issues relate to international bank fees.”*

If you take the people who didn't feel qualified to comment either way out of the equation, it works out as 75% for allowing these charges, and 25% against.

What would be the consequences of a ban on fees?

The majority of respondents (55%) believed that any ban on fees would result in a rise in rents:

- *“While a tenant may have been able to pay a reasonable fee in the beginning, over a period of time the tenant will have paid much more in increased rent.”*

Not all respondents, though, believed that the rise would be sizeable, or that any rent increase would be unmanageable:

- *“Landlords may try and put up rent, but given the huge competition, the market probably wouldn't allow much of an increase.”*
- *“I think initially agents will claim they will have to pass on the loss to the monthly rental charge but this will level out as they are in competition with private individual landlords.”*
- *“This would be a better arrangement for most, as paying a small amount extra over time is easier.”*
- *“There will be pressure on rents but the outcome cannot be predicted.”*

Some, though, believed that there would be little consequence as a result of a ban:

- *“I don’t see any unintended consequences for tenants, except perhaps a drop in the level of service...However the level of service is usually very poor even when you pay high fees to the letting agency...”*
- *“...there are a number of agents in Swansea that do not charge agency fees. The agents have found an increase in their business due to their policy of not charging fees. Rents have not gone up any more than elsewhere.”*

30% of respondents believed that a ban would result in letting agencies passing on fees to landlords, with many respondents believing that this would result in a subsequent rise in rents:

- *“...referencing, deposit administration and the tenants’ share of inventory costs are passed on to the landlord”*

But some believed that landlords hold the upper hand, as they have the power to resist such charges:

- *“Landlords would likely be charged more than at present for up front costs. However, I feel landlords can shop around, whereas tenants rarely have that option.”*
- *“...my family are landlords themselves and we know first hand that it is easy for a landlord to walk away from an agency – meaning it is unlikely that this (passing on of fees) would occur as agencies want to keep properties on their books.”*

19% of respondents believed that a ban on fees would make it easier for people to access private rented accommodation, or to move around within the sector.

- *“We believe that the main impacts on tenants will be positive; tenants will have more freedom when choosing a property and will not be hampered by extortionate additional expense.”*
- *“...private renting is my only option after living on the streets so without agency fees could’ve found a place sooner...”*

A smaller proportion of respondents believed that more drastic consequences would affect the sector, such as landlords leaving the market (10%), a reduction in properties available (8%), agencies ceasing trading, or ceasing offering a letting/management service (8%). 11% of respondents believed that it would affect agency revenue / profits, possibly leading to staff redundancies or reductions in pay:

- *“42% of...members...think that a ban on letting agents’ fees to tenants will mean that staff numbers will reduce in the medium to long term. We are concerned that some letting agents may not be able to absorb the loss of income from tenant fees and will close. Others will have to cut staff and costs.”*
- *“The resulting cost pressures on agents will lead to job losses and closures of branches. This would be of benefit to the larger chains and/or agents who also handle sales who may be in a better position to share overheads and operating costs.”*

- *“...I would raise the rent to compensate or switch to holiday lets.”*
- *“It may make it harder for agencies to make a profit.”*
- *“The main impact will be that the less efficient, overcharging agencies will go out of business.”*

8% of respondents thought that a ban on fees would result in a lesser service from letting agents:

- *“...could result in: block viewings only or reduced choice in viewing times for prospective tenants, reduced scope for negotiation of individual requirements, no variations in tenancy or scope for early break...”*

Some people also thought that this reduction in services would affect vulnerable people more:

- *“Having a blanket ban prohibits a letting agent (especially those such that specialise in housing benefit tenants) from doing the...work that needs to be done...”*
- *“We all know that mental health prohibits these poor people from getting a tenancy and I feel that agents will shy away from this type of tenant...”*
- *“Certain types of tenants will be particularly disadvantaged. These include benefit claimants (who are likely to be more vulnerable)...”*

6% of respondents believed that agents would find some other way to recoup their fees:

“...we feel that this change will only drive tenant fees underground with some back street agencies only letting properties to tenants who pay a fee...”

“The potential impact of allowing third parties to charge tenant fees could result in agents and landlords receiving commission from the third party...simply shift(ing) costs and fees to another provider...”

“...the fees ban is likely to lead to an increase in the number of agents operating below the radar, with no high street or meaningful on-line presence.”

4. Responses from Tenants

Have you ever been charged fees before entering into a tenancy agreement?

91% of tenants who responded said that they had been charged fees before entering a tenancy. 9% said that they had not.

The average amount of fees that tenants were charged prior to entering into a tenancy agreement was £249.47.

Fees charged ranged from £50 to £1,700.

The most commonly stated fee was for administration, sometimes called an “Agency”, “Service” or “Signing” fee. 50% of all fees notified to us consisted of these Administration fees.

- *“I was charged £270 agency fees to move into a 2 bedroom flat with another person. I was told this was to cover administration and referencing. However, the only paperwork I received was a copy of a short-term tenancy agreement to read through and the referencing was a simple phone call to the person that I had lived with previously.”*

Referencing fees were charged in 27.4% of the cases reported to us.

- *“...we were charged £125 for my husband then £60 for myself and then £60 for a guarantor that we didn't require but we were not refunded.”*

9% of the fees reported were specifically for the production of a tenancy agreement.

5% of the fees reported were to take the property off the market (non-refundable).

- *“I had to pay £150 before they would enter into a tenancy agreement. I was not allowed to read the small print or see the agreement until I had paid all the fees.”*

Other fees reported were for production of an inventory (3%), bank card surcharges (1%) and a fee specifically to attend a viewing (1%).

- *“As (a tenant with one, and) a landlord with another agent, I also get charged for inventories so I'm not sure how an agent can charge both landlords and tenants for inventories.”*

Have you ever been charged fees during a tenancy or for renewal of a tenancy agreement?

58% of tenants who responded were charged a fee during a tenancy, while 42% were not.

The overwhelming majority, (96%) of the fees charged during a tenancy were for renewal of a contract. Renewal fees ranged from £25 to £640. The average fee charged for renewal was £108.

- *“£75 every 6 months to renew tenancy agreement, this is the fee I have a huge issue with. If you’re wanting to stay in a property you shouldn’t be charged to do so.”*
- *Yes, £320 charged every 6 months to renew my tenancy agreement (the agents have refused to provide a 12 month tenancy, meaning that they are able to charge this twice per year!) ...when I questioned this, the agents simply told me that it was mandatory and that my tenancy would not be renewed without payment of these charges.”*

Other fees charged were for damages / breakages (2%), late payment of rent (1%) and early exit fees (1%).

Have you ever been charged fees after a tenancy has ended?

Of those tenants who responded, 37% were charged a fee after their tenancy had ended. 63% of tenants were not charged a fee.

Of the post-tenancy fees we were informed of, 39% were for cleaning. The average fee for cleaning was £216, with charges ranging from £25 to £500.

- *“Compulsory professional cleaning even though the property was immaculate.”*

17% of the charges we were told about were for damages / breakages. The fees ranged from £20 to £300, with an average of £142.

13% of the fees charged were for moving out or “exit” fees – to clarify; these weren’t fees to break a contract early, but fees simply to leave a contract at the end of a tenancy agreement. Moving out fees ranged from £50 to £200, with an average of £92.

- *“Check out fee of £60 taken from the deposit.”*

12% of the fees were retained from the deposit with no explanation of what the fees were for.

- *“I have lost a £100 deposit before when I was a student and renting my first property privately, without an estate agent. It was not put into a deposit scheme.”*

Other fees charged were for wear and tear (4%), post-tenancy inventory (4%), maintenance fee (3%) and replacement carpets (3%). One person was charged a post-tenancy house inspection fee of £20 an hour.

Were any fees made clear to you before any agreement had taken place?

66% of tenants who were charged fees say that they were made aware of any fees that were charged before they signed their tenancy agreement.

- *“Yes, very clearly in person by the agent showing the properties to us. No problem there.”*

The main ways which tenants were made aware of the fees which they were liable for, or may be liable for: 47% who found out when reading their written agreement or accompanying information and 43% who were told verbally. 6% of tenants found out through the website which the property was advertised on and 3% found out through the physical advert (shop window, publication etc.).

- *Verbally, in writing, online and their adverts.”*

34% of tenants say that they were charged fees which they were not made aware of before signing their agreement.

- *“Not really. I was asked to sign a form, it wasn’t really explained to me and I should have read it properly first. I will ask my support worker to be with me next time.”*
- *“No, not in the case of fees after end of tenancy.”*

Have tenancy fees ever affected your ability to move to a new rented property, decision to use an agent or overall finances?

62% of tenants said that tenancy fees had affected their ability to move into a rented property.

- *“I can’t move as I can’t afford to”*
- *“Currently I wish to vacate my current rented accommodation but could not afford the fees to enter an agreement on a new one.”*

86% of tenants said that fees had affected their decision to use an agent.

- *“There are properties on rightmove I have considered viewing, and not bothered after seeing the ridiculous list of charges from that agent.”*
- *“Certain agents charge way more in terms of agency fees than others so it is not viable to rent houses that they advertise.”*

5. Letting Agents

What fees do letting agents charge tenants?

99% of agents who responded charge fees to tenants. Only 1% of agents do not charge any fees to a tenant.

Where fees were charged, the average amount was £181.15. Fees for students were lower at an average of £64.47, though this is per tenant rather than for the entire property as more often than not this is per tenant in a house share.

Of those agents that charged fees, the most frequently charged fees were for the following:

- ~ Referencing / Credit / Guarantor Checks – 83%
- ~ Tenancy agreement set-up / production – 57%
- ~ Tenancy renewal – 29%
- ~ Interaction with tenants prior to tenancy (meetings, viewings, driving tenants to properties) – 27%
- ~ Production of inventory – 27%
- ~ Deposit protection – 26%
- ~ Administration – 23%
- ~ Check-in – 23%
- ~ Check-out – 23%
- ~ Informing utility companies and local authority of new tenants – 11%
- ~ Late payment – 8%
- ~ Providing references to new landlord / agent for former tenants – 8%

9% of agents charged a refundable holding deposit at an average of £165.

15% of agents charge a non-refundable holding fee at an average of £130.

Of the agents who charged tenants a fee for renewing a tenancy agreement, the average one-off charge was £56.82.

Examples of other fees charged for include fees for accepting a guarantor, an “accelerated” move-in, training about Legionnaire’s disease and condensation and for providing legally required safety certificates. One agent charged for providing wine and pizza as a welcome package for when tenants moved in.

- *“£150 Administration Fee. This is utilised to carry out credit checks, sending out reference requests, and completing the application process. This fee is per property and not per tenant. The fee is non-refundable if the applicant fails the application at any point”*
- *“£295 including VAT per property
£150 including VAT per room
£95 including VAT per student”*

What fees do letting agents charge landlords?

95% of agents who responded charged fees to landlords. 5% of agents did not charge anything to landlords.

Agents reported the fees that they charge to landlords in two ways; some agents charged set fees, the other charged on percentage of monthly rent.

The set-fee agents charged, on average, £233.33 to a landlord for letting a property.

When fees were charged on a percentage basis, the average percentage charged to a landlord was 54% of the first months' rent.

Of those agents that charged fees to landlords, the most frequently charged fees were for the following:

- ~ Advertising – 50%
- ~ Tenancy agreement set-up / production – 48%
- ~ Production of inventory – 41%
- ~ Conducting viewings. dealing with tenants – 39%
- ~ Registering and returning the deposit – 38%
- ~ Inspections – 29%
- ~ Money handling / rent collection – 29%
- ~ Maintenance – 29%
- ~ Providing legally required safety certificates – 29%
- ~ Check in/out – 25%
- ~ Referencing / Credit / Guarantor Checks – 23%
- ~ Informing utility companies and local authority of new tenants – 18%

18% of agents charged a landlord a fee for renewing a tenancy agreement, with the average one-off charge being £104.30.

- *“No fee is charged to the landlord. We work on a fully managed basis and recover costs from the rent we collect. If we do not perform we do not get paid.”*
- *“£120-00 This covers the cost of advertising, erecting signs, arranging viewings, inspecting and advising on letting fees, arranging the EPC, notifying councils and utilities.”*

Do you make use of third parties, as part of your activities, who charge fees to tenants or landlords?

55% of agents who responded do not use third parties who directly charge landlords or tenants. 45% of agents do.

Of those agents who use these third parties, the main activities for which they were used were:

- ~ Referencing / Credit / Guarantor Checks – 73%
- ~ Production of inventory – 20%

- ~ Production of Energy Performance Certificate – 17%
- ~ Providing legally required safety certificates – 13%
- ~ Deposit protection – 10%

Other activities which agents used third parties to deliver were sign erection, maintenance and tenant content insurance.

- *“No all activities are done under one roof.”*
- *“Tenants pay a 3rd party inventory clerk for their check-in report...”*
- *“EPC charge – given to local guy who charges £80 for the EPC and floor plan. This is chargeable to the landlord.”*

How do you make information about fees chargeable at any point in the tenancy, or after the tenancy, available to any tenants or landlords?

Of those agents that responded the breakdown is as follows:

- ~ In writing (tenancy agreement / tenant’s pack etc.) – 81%
 - ~ In writing (online) – 75%
 - ~ Displayed in office – 51%
 - ~ Verbally – 34%
 - ~ In adverts / property details – 20%
 - ~ Third-party websites (Zoopla, Rightmove etc.) – 10%
- *“The tenants can view all our fees on our website, in our office window and verbally prior to signing to any form of tenure or incurring any costs for themselves.”*
 - *All our fees are clearly made available to landlords and tenants via our website. They are clearly displayed within our Terms & Conditions signed by the landlord and our ‘Guide for Tenants’ which is supplied to the tenants at viewing stage.*

6. Landlords

What fees, if any, do landlords charge to tenants?

81% of landlords do not charge any fees to tenants. 19% of landlords do charge some sort of fee.

When fees were charged by a landlord, the average amount was £65.63. Of those landlords that charged fees, the most frequently charged fees were for the following:

- ~ Referencing / Credit / Guarantor Checks – 70%
 - ~ Damages – 40%
 - ~ Tenancy agreement set-up / production – 26%
 - ~ Replacement keys – 21%
 - ~ Deposit protection – 19%
 - ~ Production of inventory – 13%
- *“None. Why would I? I used ‘openrent’, an online agency who charged me around £50 to advertise my property and charged the tenants £20 each for their checks. I paid them back in cash”*
 - *“I do not charge fees to tenants, it is included in their rent charge.”*
 - *“Only fees I have ever charged is the cleaning cost where a property was left in a shamefully unclean manner of £120 and a £36 charge for replacing a broken fixed washing line (the mechanical section was broken through misuse)”*

Other fees which landlords charged were for late payments, check-in/out and to carry out “Right to Rent” checks. One landlord charged his tenants £40 every two years to empty their septic tank.

Of those landlords who provided information about the amount of security deposit taken, 87% of landlords only required the equivalent of a month’s rent as a deposit. 13% required slightly over a month’s rent.

How do landlords make tenants aware of any fees that they may charge?

Of those landlords who responded, 75% say that they make tenants aware by including the fees in the tenant agreement. 35% say that they tell their tenants verbally, and 10% include information about fees in the property advert.

- *“Before the tenancy, fees are advised at viewing or prior to that by telephone when viewings are arranged.”*

What fees do agents charge to landlords?

92% of landlords were charged some sort of fee by agents for letting their property. 8% of landlords stated that they did not have to pay a fee to an agent for letting a property, though usually this is because the landlord pays a management fee out of the monthly rent.

Of those who are charged a fee, the average fee for letting a property was £264.89. The average amount of commission charged for a property management fee was 11.1% of the monthly rent.

The main categories for letting fee charges were as follows:

- ~ Letting or Tenancy set- up – 59%
 - ~ “Finders” fee – 37%
 - ~ Production of inventory – 18%
 - ~ Tenancy renewal – 15%
 - ~ Referencing / Credit / Guarantor Checks – 13%
 - ~ Advertising – 11%
 - ~ Check in/out – 8%
 - ~ Deposit protection – 7%
- *“£300 for letting only fee. I consider this high as I do the management and viewings and inventory, but it is a market rate locally.”*
 - *“None, but I did have to haggle to get rid of the finder’s fee/credit references etc. I only pay commission monthly.”*
 - *“Only the commission charge was communicated to me. I didn’t know tenants were being charged extra”*

Other fees that landlords were charged included costs for transferring money, handling invoices and rent guarantee insurance.

Are landlords aware of what fees their agents charge to tenants?

61% of landlords who responded do not know what fees their tenants are charged, while 39% are aware.

Of those landlords who are aware of the fees that their tenants are charged, 27% believe that their agents charge no fees whatsoever to tenants, while 73% believe that their agent does charge fees to tenants.

- *“Do not know, but I don’t think tenants are charged anything.”*
- *“As far as I know, I paid all the fees.”*

Landlords who stated they know that their tenants are charged fees by agents said this equates to £194.38.

- *“Half month rent to start tenancy that’s all”*

- *“I think about £450.”*

Are landlords aware of how agents make tenants aware of any fees they may charge?

57% of landlords who use agents do not know how agents make tenants aware of any fees which they may be liable for in relation to a tenancy.

- *“I have no idea. That is between the agent and the tenant.”*
- *“This is not normally disclosed to landlords, and my agent does not disclose this to me.”*

Of the 43% of landlords who know how agents publicise their tenant fees, 57% believe that it is done in writing, whether this is the tenancy agreement, or other literature, or letters. 43% believe that tenants find out through the property adverts or agents’ website. 32% of landlords say that the agent makes tenants aware of any fees verbally.

- *Clearly shown with each rental property on website. Stated on the written particulars of the property. Written into the contract.”*

Are agents clear with landlords about any fees that they may be liable for?

94% of landlords who use agents say that the agent was clear and up-front about fees that they would be required to pay, while 6% said that agents were not clear.

Landlords were informed of fees that they would have to pay in the following ways:

- ~ Written – 70%
- ~ Verbally – 51%
- ~ Website – 4%
- ~ Notice in office – 2%
- *“Verbally in response to my initial enquiries and provided in writing. The fees were clearly stated in the agreement which I was able to review at my leisure before signing.”*
- *“Yes. By negotiating at the outset.”*

Would an increase in fees affect a landlord’s decision to use letting agents in the future?

61% of landlords said that if letting agents increased the fees that they charge to them, that it would affect their decision to use them in the future, while 39% said that it wouldn’t affect their decision to use an agent.

- *“Market forces. If an agent is expensive people will go elsewhere.”*
- *“More likely to affect which agent we would use rather than IF we would use one.”*

- *“Probably not. I use an agent because of their knowledge and expertise of the rental market, both in terms of introducing tenants, as well as setting up the tenancy itself, rent collection and dealing with other tenancy issues.”*

**Do landlords use third parties to carry out any letting or management-related work?
Or are they aware that their letting agents use third parties?**

88% of landlords do not use third parties to carry out any work in relation to their rented properties, while 12% of landlords do use third parties.

Of those landlords who use agents, 52% say that their agent uses third parties, 4% say that their agent does all of the work in-house and 44% of landlords do not know if their agent uses any third parties.

7. Welsh Language

The vast majority of respondents were unaware of any impacts that banning fees to tenants would have on the Welsh language. The majority could also think of nothing that could be done to increase positive impacts or decrease negative impacts.

In the main, the comments detailed how renting a home and language issues were entirely disparate.

8. Conclusion

It is clear that fees cause a barrier to people who are trying to access the private rented sector, or who are trying to move around in the private rented sector, as shown by the 62% of tenants who say that fees have affected their ability to move into a rented property.

Fees can vary considerably in terms of what they cover. Agents seemingly use a wide range of categories and terminology for what the fees they charge can cover; both to landlords and tenants. This can be very confusing. 34% of tenants and 6% of landlords were unclear about fees which they are liable for.

There is a broad range in the level of fees that tenants are charged by agents – fees reported by tenants ranged between £50 and £1,700 just for entering into an agreement. The general perception amongst tenants is that agents can charge whatever fees they wish dependant on demand in the local housing market. Tenants do not see any correlation between the levels of fees charged and the quality of the service delivered by agents. Interestingly, landlords report that the level of service they receive from an agent is somewhat dependant on the fees they pay.

Landlords have far more of a say in terms of shopping around – if they are unhappy with the level of fees charged by an agent, they can move agents, or have the ability to manage the property themselves. Tenants do not have this ability; often being tied to particular costs associated with that property, including renewal fees, simply because they can not afford the fees to move to a new property.

In the majority of cases (81%), landlords do not charge fees. When fees are charged, they are to cover specific activities, such as referencing or credit checks carried out by a third party, rather than any administrative costs. In the main, landlords who self-manage will not be affected by a ban on fees, simply as they currently do not charge fees.

Landlords who use an agent fear they may see an increase in fees charged by those agents.

In order to recoup some of the lost revenue from fees, and to offset any transfer of fees from tenants to landlords, both landlords and agents indicate they may raise rent. Many tenants, as well as their representative bodies, understand that this may be the case, and many believe that a modest increase in the weekly or monthly rent would be preferable to having to find an up-front lump sum in order to rent a property.

Refundable holding deposits, paid on applying to live in a property, clearly play an important part of some agent and landlord businesses. They give a financial commitment to both landlords and their agents that a tenant is genuinely interested in that property, whilst giving confidence to the tenant that they will have a first right of refusal should they successfully complete any checks required by the landlord or agent. Holding deposits also reduce the potential for tenants to apply for many houses in the hope that just one application will be successful. 64% of all respondents agreed that refundable holding deposits should be an allowable pre-tenancy charge, as it shows a commitment from both the tenant and the agent/landlord.

Tenancy agreements set out the responsibilities of both landlord and tenant, providing certainty of their obligations to one another. Where a tenant is at fault and breaks the terms

of the agreement, costs may be incurred by the landlord, for which the majority of respondents felt the tenant should be liable. Permitting charges for these costs reflects a reasonable commitment on the part of the tenant to agree to pay such sums. These arrangements are longstanding and currently work well within the Private Rental Sector. This was backed up by 90% of all respondents.