

# The Letting Agencies rip-off

“The problems of high cost and poor standards are not confined to a few “rogue” agencies but are widespread across the industry. Many of the complaints we and other organisations have heard do not only relate to egregiously poor practice by a minority of agencies, but are widespread, and related to common practices - such as charging high fees. ”

(Shelter: *End letting fees June 2013* )

**A**round half of landlords use a lettings agency to market and/or manage their properties. Unlike employment agencies who charge the employer for finding an employee, Lettings Agencies charge both the landlord and the tenant, sometimes both of them for the same service. Agencies notoriously rip-off tenants. Here's a list of the types of fees that are charged by agencies.

- general administration fees
- reference fees (including credit checks, bank, guarantor, previous landlord etc)
- application fees
- fees for drawing up tenancy agreements
- inventory fees, including check-in and check-out fees
- guarantor arrangement/application fees
- additional occupant fees
- pets disclaimer fees/additional pet deposit

Agencies are inventive. We have even discovered locally one charging a fee if you pay too much rent! The Citizens Advice Bureaux which provides an information service for tenants dealing with landlords and lettings agencies, has carried out research into the operation of agencies. Its latest report was produced in March 2015. It was based on a survey of more than 1,000 renters, 353 lettings agencies and evidence drawn from work its local bureaux had carried out.

## “Fees vary widely and inexplicably”

The CAB found that 88% of lettings agencies imposed additional charges over and above an advance rent payment and the usual 'security' deposit. The *average fee* was £337. Fees have little relationship to real costs. For instance Lettings Agents charged from £6 to £300 to check a reference and from £15 to £300 to renew a tenancy. Agents were charging anything up to £300 for credit checks which are widely available for £25.

Both surveys of letting agents and renters showed that letting agents are continuing to charge high fees to renters. Nearly nine in ten (88 per cent) lettings agents surveyed said that they imposed additional charges on renters and 82 per cent of the renters surveyed reported that they had to pay additional charges. Some agents charged total fees as high as £700.

All of the fees except 'check out inventory' have increased above inflation, sometimes significantly so. For example, the average administration fee increased by 55 per cent from £118 in 2009 to £183 in 2015. The agents' survey found that the tenancy deposit was typically 1 month to six weeks rent and the renters' survey found that **the average deposit**

was £959.

### **'Transparency' of fees**

There has been much talk of transparency of fees with a view to competition between agencies driving down fees. However, as the CAB points out *renters chose properties not agencies*. They will go after the property they are interested in regardless of which agency is advertising it. *It is landlords who shop for letting agencies*.

Nevertheless transparency is still important since tenants should be aware of all the costs involved in renting a property. In fact **since November 2013, the Advertising Standards Authority (ASA) has required Letting Agents to provide clear information about charges and holding deposits before a renter agrees to take up a tenancy.**

The government has also added *an amendment to the Consumer Rights Bill to place a duty on agents to publish a full tariff of their fees on their websites and in their offices*. The **"Guidance on Consumer Rights Bill 2015: Duty of Letting Agents to Publicise Fees"** says:

"The agent must display a list of the fees at each of their premises at which the agent deals face-to-face with persons using or proposing to use services to which the fees relate. The list must also be such that it is likely to be seen by customers.

Ideally someone walking into an agent's office should be able to see the list without having to ask for it and if someone does ask it should be clearly on view and not hidden for example in a drawer.

If an agent has a website the agent must publish a list of fees on their website. "

The **Private Rented Sector Code of Practice**, which the government supports, also states that:

"Agents must provide clearly defined details of their fees and expenses which may become payable. All fees, charges and penalties applicable to both landlords and tenants need to be displayed inclusive of VAT. This is in accordance with the Advertising Standards Authority, the Consumer Rights Act 2015 and Consumer Protection from Unfair Trading Regulations 2008 requirements. Agents must prominently display these on their website and at each office where they deal face-to-face with those using or proposing to use their services. "

In their survey of Agencies CAB staff asked for written details of any charges made, and subsequently evaluated how willing the agent had been to disclose this information. Only a third (34 per cent) willingly provided full written details of their charges. Nearly half (47 per cent) *did not provide a written handout* but were happy to provide verbal information on charges.

In the CAB survey renters were asked whether the Letting Agents had provided full written information about charges before the tenancy agreement was signed. Although the majority (60 per cent) were provided with this information, a significant minority (40 per cent) were not provided with full written details of the charges they were subsequently

expected to pay. Bureaux staff and volunteers who completed the agents' survey were also asked to observe whether the letting agents published a full tariff of their fees prominently in their office. *The vast majority (81 per cent) of agents' offices did not.*

Lettings Agents were asked by CAB whether they published their charges on their website. Although the majority of agents (71 per cent) said that they did publish this information online, follow up research raised questions about the extent of this information. *Some researchers struggled to find information that the agent had claimed would be there.* Meanwhile, nearly a third (29 per cent) of letting agents *admitted that they did not publish fee information on their websites.* It is clear that many letting agents are not yet compliant with requirements to publish their fees on their websites and in their offices.

## **Redress schemes**

Since October 2014, letting agents have been **required to join a redress scheme**, an independent service for resolving disputes between them and their customers. However, the CAB survey revealed that only 8% of renters knew that their letting agent was a member of a redress scheme. Of those who believed that their agent was a member of a scheme, more than half (55 per cent) did not know which one. Only 4% of renters overall knew which redress scheme their agent belonged to.

Nearly a fifth of letting agents (18 per cent) visited by CAB for this project reported that they were *not* members of a redress scheme, did not know whether they were members of a redress scheme or in answer to this question replied with the name of a trade body such as The Association of Residential Letting Agents (ARLA) which is not a redress scheme. Clearly every client should be told which one an agency belongs to, so that they know where to go to resolve a dispute.

## **Tenancy Deposit Scheme**

Since April 2007 landlords and agents have been legally required to protect tenancy deposits in one of three government approved schemes. The agents' survey found that 41 per cent of agents used the Tenancy Deposit Scheme (the scheme specifically targeted at agents), 39 per cent used the Deposit Protection Scheme and 20 per cent used [mydeposits.co.uk](http://mydeposits.co.uk).

Tenancy deposit protection has generally been seen as a success with recent evaluations finding the vast majority (92 per cent) of eligible deposits being protected. Despite this, Citizens Advice still sees cases where landlords and agents have failed to protect or are reluctant to return the deposit. Despite the intention for deposit protection **to be no cost to the renter**, a minority (16 per cent) of the agents surveyed stated that *they charge a deposit administration charge*. This charge was on average £48. CAB evidence also indicated that some agents are charging for the administration associated with protecting the deposit. CAB says that

“Although not unlawful, this practice of charging for the administration of securing the tenancy deposit in a protection scheme undermines the government's intention that deposit protection should be free to the renter.”

## **Money for nothing - Renewal charges**

A majority of lettings agencies charge for 'renewal' of a tenancy, which can be as frequent as every six months. There is no legal necessity to renew an Assured Shorthold Tenancy at the end of a fixed term since the tenancy can be allowed to run on as a periodic 'rolling' tenancy. Nor is a tenancy renewal likely to involve any work on the part of the agent beyond printing a new standard agreement and arranging for the agreement to be signed. Despite this, the majority (65 per cent) of agents stated that they charged a fee for renewing the tenancy and 45 per cent of renters stated that they had paid a renewal charge. The overall average for renewal charges was £85 from the agents' survey.

## **Taking advantage of housing shortage**

Overall, letting agencies take advantage of the shortage of available housing by charging high fees which would-be tenants struggle to pay. A local example of this was seen in the Swindon Advertiser recently where a couple with children, issued with a notice to quit, were faced with having to find as much as [£1,900 in fees](#) on top of the first month's rent of £600 for a new property. Many people have to borrow money from their families or commercially to stump up such high fees. The whole experience of being given notice and having to find another place, especially when there are children involved, is a source of stress which can be repeated regularly because of the absence of security of tenure in the private rented sector.

In Scotland lettings agency fees have been banned. Only a month's rent and a refundable security deposit are permissible. However, the Westminster government has opposed banning fees in England. Minister Brandon Lewis said:

"The government is determined to create a bigger, better private rented sector. I believe that the current legislation strikes a fair balance between the rights and obligations of landlords and tenants. In the past over-regulation and excessive red-tape drove many landlords out of the rental market. My department therefore has no plans to further regulate the private rented sector by banning letting agency fees in England, *as this would only reduce the number of properties available to rent* (our emphasis) which would not help tenants or landlords."

Exactly how this will lead to less houses being available isn't explained, since the fees ban would only impact on tenants not landlords. Agencies will still be able to charge landlords fees for managing properties on their behalf.

There is growing support for an end to fees in England, with both CAB, Shelter and other organisations supporting it. The most frequent argument against ending fees is that this will mean rents being pushed up because landlords fees will be increased by Lettings Agencies and landlords will pass on the cost to them. There doesn't seem to be much evidence of this in Scotland after the banning of fees. The landlord has the choice of which letting agency to use. Isn't competition supposed to drive down costs? If a tenant is interested in a particular property then they have to deal with the agency which the landlord has chosen. The landlord can always find a cheaper agency.

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