

# **Module 14 : About Letting Agents**

- What is a Letting Agent?
- Letting agents' Associations
- What Letting Agents do
- Landlord - Letting Agent relationship

## **Topics covered in this module:**

- What is a Letting Agent?
- Letting agents' Associations
- What Letting Agents do
- Landlord - Letting Agent relationship
- The Law of Agency
- The Ombudsman

## **About Letting Agents – 5m 40s**

## 14.1 Introduction

**For any number of reasons, people need to rent out the homes they own.**

The company they work for may transfer them to another town or country for a period of a few years. They decide not to sell their home because they know they will be returning and will need to take occupation again.

In some cases, people find that they are unable to afford the payments on their mortgages. If they feel that this is a temporary situation, they may decide to find tenants for their house and move into a cheaper house until their crisis has passed.

A third and more usual reason that people don't live in the houses they own and rent them out to tenants, is that they purchased the house as an investment. The rent they receive from the property covers their rates, taxes and their mortgage payments. The balance, or profit, is reinvested in either more property or another investment vehicle.

Added to the income received from rental, the property is gaining in value which means that the owner will be able to increase the rental year by year and therefore generate a secure income from the property. One day, when they sell the house they will realise a profit and be able to reinvest the funds.

## 14.2 The Life of a Landlord

**Renting a home out to someone effectively makes a person a landlord.**

Apart from the rather grand-sounding medieval title, the position comes with liabilities and responsibilities. The duties of a landlord are clearly laid down by legislation and monitored by local councils and other bodies.

To see to the duties of a landlord is not that onerous if the landlord owns only one property. As soon as there are two or more properties in a portfolio, the landlord must have time to devote to the management of their properties if they are going to maintain control of them, keep them in good condition and not run foul of their legal obligations.

The government keeps a close eye on the rental market and ensures that people living in rental accommodation are protected by the law. This seems to be somewhat biased in favour of the tenant, so the landlord has to ensure that they follow the correct procedures if they want to evict a tenant. These procedures vary, depending on the type of tenancy that is in effect.

Tenants who feel that they are being harassed or illegally evicted have recourse to the court who will then issue an order preventing the landlord from evicting the tenant. The landlord must then defend the action which takes time and money.

When rentals are running smoothly, the landlord has to ensure that the property is well maintained and safe for occupation by the tenant.

These duties include ensuring that there are no health hazards on the property, that the gas and electric mains are safely and securely installed and an annual gas safety certificate must be obtained, and that there is a current Energy Performance Certificate for the residence.

The tenant's deposit must be kept in a government approved scheme and as of the 1st February 2016, landlords are obliged to check that the person renting their property can legally rent property in England and that anybody over the age of 18 living with the person is legally entitled to be in the country.

As part of making the premises safe for people to live in, the landlord is obliged to fit and test smoke and carbon monoxide alarms.

To ensure that all the rules and regulations are being followed, the council may decide to conduct a Housing Health and Safety Rating System check. This involves checking to see that the premises is safe by inspecting 29 health and safety areas and rating them according to their degree of seriousness. The inspection is thorough and even looks at things like whether or not the treads on the stairs are even.

If the inspectors find faults in the house, they will take one of three courses to ensure that the hazards are fixed. They can issue the landlord with an improvement notice, they can fix the problem themselves and bill the landlord or they can prevent the use of the affected part of the property until the problem is remedied.

There are also financial and tax issues that need to be seen to, so all in all, owning residential property that is rented out can become a time consuming preoccupation if it isn't a full time focus.

Clearly, if the owner of a rented property is out of the country, or even living in another county in the United Kingdom, it will be very difficult to manage a rental property from a distance. Aside from all the regulations that the landlord has to abide by, there are bound to be day-to-day issues that arise and require immediate attention.

## **14.3 Letting Agents**

**As a service to landlords, Letting Agents take on all the issues of owning and running rental properties.**

They are essentially facilitators that act as go-betweens for landlords and tenants of residential properties.

Letting agents very often form a unit or division within an estate agency business, but operate entirely separately from the estate agents who work on selling property. They are, strictly speaking, a separate profession, but because there are so many overlapping areas between the two disciplines, it is often extremely convenient to have them under the same roof.

## **14.4 How to Become a Letting Agent**

**As with estate agency, there are no formal qualifications required for becoming a rental agent.**

People working in the rental agent business come from a wide range of backgrounds and disciplines. It is highly recommended that, once a person is working as a rental agent, they study for the qualifications offered by one of the industry regulating bodies.

The Association of Residential Letting Agents, ARLA, works in conjunction with the National Federation of Property Professionals, NFOPP, which offers several levels of qualification in residential letting and property management.

**ARLA, which is a United Kingdom wide association, upholds strict standards of conduct for its members. It states on its website that it seeks to ensure that their members offer both landlords and tenants superior service because their members fulfil the following criteria:**

- They are experienced and trained professionals
- They understand and comply with complex legislative changes and best practice
- They are backed up by NFOPP Client Money Protection scheme (CMP)

- Their accounts are independently inspected annually and accountants' reports are submitted to ARLA
- ARLA agents have professional indemnity insurance
- They attend regular training to keep skills and experience up-to-date
- They comply with the professional standards of the nationally recognised professional body for letting agents

Their members are bound by the professional code of conduct laid down by NFoPP and the organisation will investigate any complaint brought by a member of the public. They have the power to sanction any of their members if they find they have breached their rules.

So, to be the most effective and credible agent possible, it is a good idea to set your sights on becoming an ARLA member and adhering to the career paths that they have identified.

## **FACT**

Average salaries - Letting Agents

Trainee letting agents can start on around £15,000 a year.

Experienced agents can earn between £23,000 and £35,000.

Lettings agents often earn a basic salary, plus commission based on the business they generate for their agency.

*Source: [nationalcareersservice.direct.gov.uk](http://nationalcareersservice.direct.gov.uk)*

## 14.5 Functions

**The functions that letting agents will undertake for landlords are usually defined by the contract that exists between themselves and the landlord they represent.**

Apart from the contract, the relationship is governed by the Law of Agency.

These functions range from full management of a landlord's property portfolio through to marketing a single property and collecting the rent for it. It all depends on what level of service the landlord requires and what agreement is reached with the rental agent.

## 14.6 The Letting Agents' Market

**Letting agents offer their services to people and companies who own property that they rent out, but whose main business is not property management.**

As mentioned above, the day-to-day management of a portfolio of properties becomes very time consuming and often there are legal aspects to be considered. Apart from being well maintained so that they don't depreciate, the properties have to be kept in a condition that is safe and hygienic for people to live in.

In the usual course of business, a property owner, or landlord, will sign an agreement with a letting agent that will cover all the properties in their portfolio and then as they acquire more property, the new units will be added to the existing lot, and the contract adjusted accordingly.

From the time the letting agent takes the property on, they will work with existing and new tenants.

Existing tenants will probably have their rental agreements simply transferred to the new landlord. This will mean drawing up new contracts which will replace the existing contracts without any prejudice to the tenants' rights.

When rented residential properties are sold to a new landlord, the fact that there are tenants in residence will be seen as a plus factor. If the tenants are well behaved and sticking to the terms of their leases, the landlord will not have a problem. If, however, the tenants are a problem, they can be evicted if their behaviour is against the law or the spirit of their lease.

Depending on the terms of their contract, the landlord might expect the letting agent to handle all the negotiations and the institution of any legal action on his or her behalf, if legal action is necessary.

If the newly acquired property is vacant when the landlord acquires it, the letting agents will be tasked with marketing and letting it.

Once the landlord has taken possession of a property and before the agent can rent it out, the property must be assessed to see what needs to be repaired.

This assessment will be done with a view to complying with the health and safety regulations. As mentioned earlier, the house or flat must be safe for people to live in.

The landlord does not want to risk having their house or part of it made off limits for people to live in. They also want to be in charge of any repairs that are carried out, so that they can be sure of the quality of the workmanship and of the cost.

Depending on the contract that the landlord has with the letting agent, it might be that the agent will inform their property manager that the house needs to be assessed and any repairs must be itemised and quoted for. The quote will then be sent to the landlord for approval before the work is carried out.

## **14.7 Marketing Lettable Property**

**We are all familiar with "To Let" signs that festoon blocks of flats and the gates of houses that are on the market as rentals.**

As with estate agents, rental agents are tightly controlled by local council rules and regulations as to how and where they are allowed to display their boards. The purpose of the regulations is to prevent the suburbs of the nation from falling victim to the battles that would surely erupt if property marketing companies were given free rein as to where they could place their boards.

Apart from the erection of boards, the letting agent will follow similar steps to that of an estate agent when a house is being marketed. They will visit the property and take photographs of all the rooms so that they will be able to put the pictures up on their website and in their shop window. If the market is a bit slow and the agent is anticipating that the property will take a while to attract

tenants, they will also advertise it on the usual property portals to obtain maximum exposure.

Although the house or flat is only on the market for a relatively short term lease as opposed to being for sale, the agent must still post the best possible images for prospective clients to see.

The point is that if the house is shown in the best possible light, the agent will be in a stronger position to obtain the best possible rental amount from the tenants.

Apart from the internet and their shop window, the agent will more than likely place ads in the local newspaper with a brief description of what the property offers.

When the property attracts prospective tenants, the rental agent will organise to take the people to the house for a viewing. When a landlord has contracted an agent to handle their properties, it is not usual for him or her to go on viewings or have anything to do with the rental transactions at all.

In many cases, tenants prefer to deal with agents as opposed to the landlord. Whether this makes the property move more quickly is debatable, but some tenants feel uneasy when they view the property in the presence of the owner.

## 14.8 The Rental

**After showing the property to as many people as possible, the agent will then have to make a decision as to which prospective tenant to lease it to.**

Before taking a person on a viewing, the agent speaks to them about the property. They also spend time finding out what the people are looking for and for how long they wish to rent the house.

As with the estate agent and their interviews with buyers and sellers, the rental agent must spend time with the people who wish to rent. They must ask them questions to obtain as much information from them as possible about what they do for a living, where they have been living before and where they might be going after they move out of the house, if they finally rent it.

Obtaining information about prospective tenants is important. If the agent knows as much as possible about the people, they can get a fair idea of what their life circumstances are.

For instance, if they have just sold a house, why do they want to rent? Is it because they want to look for another house in the area and they don't want to be part of a complicated chain when they take on their new house? Is it because they had to sell because of an impending foreclosure and are therefore in financial difficulties?

If the people are heading into the property market, they will basically be on the up. If they are facing court action and had to relinquish their house to stay out of financial and legal trouble, are they too much of a risk to rent the house to?



During their interview with the prospective tenant, the agent must also find out more about their personal circumstances. It will be very useful to know if they have children and if so, what ages they are. Again, this is a question of possibly matching them to another property that could be more suited to their needs.

Some landlords are pet lovers and are perfectly willing to allow tenants with pets to lease their properties from them. Others are not at all happy with pets living in their house and specify that their property is not "pet friendly". Although this should be stipulated in the advertising literature, it often isn't and can lead to time wastage and disappointment on all sides.

It is a good policy for agents to clarify with the landlord what their policy is on tenants with pets. It could easily be that for some properties pets will be allowed, but not for others in the same portfolio. This is because pets can degrade a property, even if they are well looked after and well trained. Rectifying the damage that large dogs cause to gardens and the interiors of homes is sometimes almost impossible, as is the removal of the smell that cats sometimes leave in a house.

So it is with good cause that the landlords can have strict policies about not having animals living in their properties for any length of time.

The next thing is a background check on all the people who are likely prospects to rent the house. This is vital and the people would have filled in a detailed form with their contact details and information that would enable the letting agent to carry out a comprehensive check.

With this information and the information that the agent gleaned from the people when they interviewed them, they will be able to screen the applicants and reach a decision on the most suitable candidate.

They will ideally be looking for a person who will be able to afford the initial deposit and then make the rental payments regularly and on time. This is where the background information on the prospects is important.

It might seem, from their bank reference and background check, that they are good candidates, but if the agent was able to deduce that there are other issues at play, they owe the landlord a duty of care and should therefore reject the people with apparent impending financial difficulties.

## **14.9 The Lease Agreement**

**Once a tenant has been found, the agent must negotiate the rent that will be paid by the lessee and explain all the terms of the lease, which will be either periodic or fixed term.**

Periodic leases run on a week by week or month by month basis and although they are usually in

writing, they will also be valid and binding if they are oral agreements.

Where a landlord is managing a portfolio of property, they will want far more certainty and control over their property than a verbal, periodic lease will give them. The lease negotiated by the agent will almost certainly be a fixed term lease in writing.

Over the last few years there has been a trend in the United Kingdom for tenants to sign leases of an average term of twenty months. This is an increase over past years when the usual lease was twelve months.

The contract will be drawn up stating the tenant's rights and obligations. Usually, the leases are standard forms that the agency has developed over the time it has been in business. The details are adjusted to suit the specific property and tenant that it is to apply to.

There will be a clause in the lease stating what fixtures and fittings are in the house and form part of the lease. It often happens that houses and flats are leased partly or fully furnished. All the goods and fittings have to be listed so that, if there is a dispute when the lease comes to an end and the tenant moves out, there will be a list of what was there, signed by both parties.

It is advisable to make the descriptions as specific as possible so that the chance for confusion is diminished. For instance, if there are electronic or white goods in the house, serial numbers and a clear description of the condition of the device should be part of the contract.

Now that mobile phones and digital cameras are so easy to obtain and operate, it is probably wise to include photographic evidence of the items. If they are part of the contract document and the lessee signs to the effect that the photograph correctly reflects the item and its condition when they took possession of the house, this should constitute sufficient evidence in a court of law or before an ombudsman.

Once the lease has been signed and the deposit paid, the tenant will be given the keys to the house and will be free to move in.

It is usual that the tenant is required to fill in a property inspection form which they have to return to the agent within a stipulated time. This form must list all defects and areas of damage that the tenant finds as they settle into the house.

If they fail to note something, like a cracked window or damage to a fixture or fitting, then they could be held liable for the damage when it is noted by the landlord or the agent.

## **14.10 During the Tenancy**

**As long as the tenant behaves in accordance with the terms of the lease, treats the house with due care and doesn't cause a disturbance in the**

**neighbourhood, there will be very little contact between tenant, agent and landlord.**

However, one of the clauses in the lease will be to the effect that either the agent, the landlord or both will have reasonable access to the premises during the term of the lease for the purpose of doing inspections.

If they need to use this clause, they will usually be required to make an appointment with the tenant who has the right to reasonable use of the property and will be able to level harassment claims against the agent or the landlord if they don't respect his or her privacy.

## **14.11 How Do Letting Agents Make Their Money?**

**Letting agents charge a percentage of the monthly rent as their fee from landlords.**

The rate is usually 10-15%.

The landlord will pay the agent commission for managing his property. This commission will be a percentage of the annual rent that the property realises, but does not include the collection of the rent. A separate fee is raised for rent collection.

Over and above their charges for managing a landlord's property, agents will raise separate charges for marketing the house when it falls vacant.

This charge will cover all the advertising that is carried out for the property. Ads in the local newspapers, registering the home on the big property portals and any pamphlets and other material they may generate.

## **14.12 The Services Letting Agents Offer**

**Because their functions can be quite clearly split into several areas, letting agents are able to offer their services as individual functions or as a package.**

**To start at the beginning, they offer landlords:**

- **Introductory services.** This is where they endeavour to find tenants for the landlord's property. This fee is usually charged up front, which would be the case when a landlord comes to the agent for that service only.

- If the landlord has contracted the letting agent to manage a portfolio of properties, it is highly unlikely that the introductory service would be charged separately. It might be itemised in the landlord's account, but the service would have been part of the existing contract.
- Administration services which are charged to the tenant include everything the agent has to do to ensure that the tenant they select will be a good tenant and also be able to meet the monthly commitment to pay the rent.
- These background checks will include credit searches to establish the tenant's creditworthiness and possibly character reference checks with previous landlords. Also under this category are fees for drawing up the lease, or tenancy agreement, conducting property checks and compiling a schedule of the condition of the house before the tenant moves in. These fees are not refundable to the tenant unless the landlord pulls out of the deal for some reason.
- Many letting agents will offer to collect the rent from the tenant as opposed to the tenant having to go to the letting agent to pay it. This will incur extra costs for the tenant as the agent charges a commission for rental collection.
- For landlords, there is the full management package where the agent undertakes the full management of the property. The fees are related to the rental that the property attracts and ranges from 10-15%.
- If the tenant wants to stay on in the house and elects to renew his lease when it expires, the letting agent will raise a Renewal Fee. This will be slightly less than the initial Introductory Fee, but the actual amount will depend on the agent.
- If the tenant decides to leave the property when the lease expires, the agent will charge an Exit Fee. This is to cover the cost of the final inspection of the property and to see that it is in a similar condition to what it was when the tenant moved in at the start of their tenancy.

It's worth noting that these fees were made illegal in Scotland in 2012 and people who have paid them can reclaim them through the courts.

Similarly in the UK on 12 February 2019, the [Tenant Fees Act](#) was passed into law. From 1/6/2019 this applies to all new and renewed tenancies. All existing tenancies will be brought under the new rules from 1/6/2020. This sees some previously charged fees now banned or capped.

## 14.13 The Regulation of Letting Agents

**In the United Kingdom, there is currently no regulatory provision that letting agents need to comply with.**

While estate agents are required by law to register themselves, this rule does not extend to letting agents. In other words, at the end of the day, landlords cannot legally hold a letting agent responsible for any omissions or errors.

This means that the industry is self-regulated and agents are not obliged to belong to any overseeing body if they choose not to.

The main organisations that seek to regulate the activities of letting agents are The Association of Residential Letting Agents and the Royal Institution of Chartered Surveyors. Members of these organisations voluntarily adhere to the respective codes of conduct.

In England, the National Assured Letting Scheme is a government organisation that provides accreditation for letting agents, while in Scotland, all landlords are required to register with their local authority. This does not apply to agents, although they are encouraged to do so.

**There are a number of trade associations for letting agents in the UK as listed below:**

- The Property Ombudsman
- Ombudsman Services
- National Association of Estate Agents
- National Approved Lettings Scheme
- UK Association of Letting Agents
- Association of Residential Letting Agents

## **14.14 The Law of Agency**

**Although there is very little formal legislative control over the actions of letting agents, they are subject to the Law of Agency, which is a well-established area of the law.**

The law lays down what the duties of an agent are and what remedies an agent has against his principal.

The general rule of agency is that an agent must exercise reasonable care and skill when carrying out his or her duties. This, however, is overridden by the duty of obedience. This point of law states that an agent must obey the express instructions of his or her principal and will be liable for any loss caused by disobedience. For this reason, express instructions should be reduced to writing at all times. Verbal instructions are likely to be misinterpreted or forgotten over time. The only time an agent will be justified in disobeying an express instruction is if it is unlawful.

If the instructions are couched in a way that allows the agent to act with discretion and the principal disagrees with what the agent does, the agent will not be liable for any loss suffered by the principal if he or she used their discretion in a fair and reasonable manner.

Where an agent is managing a landlord's property, their duty of care and skill applies equally to the landlord and the tenants of the property. If, for instance, the agent causes a gas line to be fixed, they have a duty of care and must ensure that the repairs are carried out professionally. A faulty gas line could cause injury or death to a tenant and the agent would be liable for this eventuality.

The law of agency also has an impact on the agent's selection of tenants, which is one of the reasons they exercise care with this procedure. Essentially, it means that it is the agent's duty to find a "proper tenant" for the landlord's property. If they fail in their duty, they will be liable to the landlord for loss of rent and any damages an "improper tenant" might cause to the property.

Staying within the law of agency is largely a matter of common sense and any letting agent who is acting with good will and with the interests of the landlord and the tenant in mind, should have no problem.

**Take a Quick Recap Test**

[viralQuiz id=213]

## 14.15 The Ombudsman

**Where tenants have problems with letting agents or landlords that they find impossible to resolve with the company or the landlord, they can take their complaint to the Property Ombudsman.**

The ombudsman service is offered by the government under the auspices of the Department of Communities and Local Government and will assist in resolving complaints against letting agents as well as Chartered Surveyors, surveyors, residential managing agents and valuers.

## Assignment

### Letting Agents

*Time: 30+ minutes*

There is a lot to learn about becoming a letting agent and this module has covered a significant amount of information. This is where this worksheet should prove to come in handy.

Download the worksheet below, print out and complete.

[Download Worksheet](#)

### Summary

Being a letting agent is a challenging and rewarding career. As with estate agents, the success of a letting agent depends, in part, on how well the agent networks and manages their contacts, and on how well and with what level of integrity they deal with both their tenants and their landlords.

It is a question of reputation and, although the role is not directly sales related, it does rely heavily on the agent's ability to negotiate and manage relationships between people. Self-respect and discipline are also important attributes in the absence of strict regulatory control. Because there is no overarching body of authority that letting agents are obliged to comply with, the industry is open to what the ARLA officials refer to as rogue agents.

Unfortunately, these few rogue operators have the ability to taint the entire industry, which makes it imperative that everybody else involved in it conducts themselves in a way that engenders trust and promotes a good image in the minds of the general public.

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