

Let Down in Wales

Campaigning for renters

Consultation Response: Fees charged to tenants in the private rented sector

Introduction

Let Down has been campaigning since 2013 for Wales to take a lead on reforming the private rented sector. The licensing of landlords under the Housing Act made a positive first step, but the Renting Homes Act did little to improve renters' rights and we have not seen much action on improving conditions in the private rented sector (PRS) since.

In 2016, our manifesto for the Assembly elections called for five proposals:

- A ban on letting agency fees
- Higher quality standards for PRS housing
- Either a housing ombudsman or an expansion of the Residential Property Tribunal, to make mediation and dispute services available to both landlords and renters
- Rent control measures, to ensure rent cannot rise above inflation
- Support for a Tenants Union

We warmly welcome the commitment from the Welsh Government to ban letting agency fees and would like to facilitate this in any way we can. Likewise, the forthcoming Fitness for Human Habitation standards will, hopefully, set a higher standard for renters' homes (as social housing tenants can expect from the Welsh Housing Quality Standard).

For more information on our campaign, see:

- Website: <https://letdown.wales/>
- Twitter: <https://twitter.com/letdownwales>

General questions

1. Who do you represent?

Let Down in Wales is a campaign to improve the rights of renters and the quality of their homes. We represent tenants in the private rented sector. **We have run an online survey of the course of the consultation and gathered answers from a sample of 30 private renters' to the tenants' section of questions.** We describe PRS tenants as 'renters' through most of the consultation, as it is a term that people more easily identify with.

2. Do you agree that Welsh Government should legislate to prevent agents and landlords from charging fees, other than rent in advance and a refundable deposit, to tenants when entering into a new, or renewing an existing tenancy?

Yes. In no other business are costs added on like this at the point of purchase, or even six months after your purchase. Landlords and letting agents, in particular, are running a business and therefore the costs of the business should be borne by the one who owns it and is profiting from it. Let Down has been calling for a letting agent fee ban since 2013 and included it in our 2016 Assembly manifesto¹.

Rent and deposits are financial safeguards which, whilst often too high, we are not against in principle (although we would like to see deposits made transferrable between contracts). But any additional costs of reference checks, inventory fees or renewal fees are not appropriate. They take advantage of renters' lack of choice and the lack of available housing in the market. **Letting agents charge fees because they can and renters pay them because they have no other choice.**

Renters in Wales are made up of 29% living alone; 25% cohabiting couples with no children and 30% with children under 18. Renting is increasing the only option for families and the age demographic is increasing. Shelter Cymru's survey² of private renters found that "*the figures shatter the stereotype of private tenants as being primarily young and child-free*". Half of renters are over 35 and 29% are over 45. 15% are over 55, which shows that more vulnerable older people need to be taken care of in this sector. Due to the Housing (Wales) Act 2014, new homelessness duties mean that more vulnerable people are being referred by local authorities to the private sector.

Particularly considering the poverty often suffered by people who have to rent, it is important for their burden to be lessened and their debt and low income not exacerbated by renting costs. The Joseph Rowntree Foundation found in their evidence review³ of housing and poverty that: "*Low rents are important in reducing poverty. The private rented sector is paying an increasingly important role with 18% of private tenants in poverty before housing costs are taken into account and 38% in poverty after housing costs are paid.*"

Let Down are strongly in favour of a letting agency fee ban, both on principle and to urgently make the sector fit for purpose, particularly given the poverty and vulnerability of the renters in it.

3. If no, please explain why: n/a

¹ Let Down Manifesto, 2015. 'A 2016 Manifesto for the Let Down renters of Wales'.

<https://letdownincardiff.files.wordpress.com/2015/08/let-down-manifesto-2016.pdf>

² Shelter Cymru, 2015. 'Fit to Rent: Today's Private Rented Sector in Wales'. <https://sheltercymru.org.uk/wp-content/uploads/2015/02/Fit-to-rent-Todays-Private-Rented-Sector-in-Wales.pdf>

³ The Joseph Rowntree Foundation, 2013. 'The Links between Housing & Poverty: An Evidence Review'. <https://www.jrf.org.uk/report/links-between-housing-and-poverty>

4. Which fees, aside from rent in advance and refundable deposits, do you think an agent, landlord or third party should be permitted to charge? Why?

None. The tenant pays their monthly rent, which is inflated to bear the costs of the landlord and letting agent. No further fees should be necessary for protocol that a landlord or agent considers necessary. Reference checks are usually vastly inflated, considering that an individual can usually access their credit report for free or for a very low cost – approximately £2 – online. The inventory check and staff time should be a business cost borne by the agent or landlord. In reality, they don't have to spare much cost during a tenancy, unless white goods break or damage is done to the property (which, if done by the renter, can be paid for through their deposit).

5. 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? Please explain your answer:

No. A refundable deposit is also rare and isn't heard of much in renters' accounts to Let Down. A letting agent is more than capable of taking a property off a website (or marking it 'let agreed') whilst they conduct reference checks, without charging something extra.

6. 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, or as a result of the tenant's actions (such as out-of-hours contact, or replacing lost keys). Do you feel that such charges are fair? Please explain your answer:

No, these do not seem fair but renters are usually willing to accept responsibility and costs if they have lost keys or need to get a locksmith out from their own fault. However, if for example they are locked out due to a faulty lock, the cost should be borne by the agent for not fixing the lock to begin with.

7. 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?

Different kinds of business models and services are welcome; certain renters, like international students, may welcome help with relocation, but could also easily be taken advantage of i.e. by paying for a property they haven't seen in person. Some renters may still be willing to pay costs, if there are extra services of a high standard. However, **Let Down would still advocate for a blanket ban on fees, as 'standard services' may quickly be relabelled 'extra services', in order to get around the ban.**

Ultimately, if an agent or landlord wishes to provide extra services then this cost should be added to the rent. The rent is an all-inclusive cost to the renter which goes towards agents' profits, the landlord's mortgage and maintaining the quality of the property. If an 'extra service' is offered, the rent should be increased accordingly so the renter knows exactly what they're paying for.

8. What do you think the main impacts of a ban on charging fees to tenants might be? Please include any unintended consequences that you believe may arise:

Letting agents and landlords would be irritated but renters would have more rights, increased fairness and less debt created merely renting. **It would be revolutionary for a lot of renters who have told us how difficult it is to have to find the money for fees**, by taking out loans or borrowing off friends or family.

Agents are likely to use the well-worn argument of 'rents will increase if a fee ban is enacted'. Rents are set by the surrounding area, the income of the local renters' demographic and the quality of the property. Rents are set by supply and demand; if they did increase from this then so be it, but we very much doubt that administration costs would ever be the main factor in setting rent.

We would hope landlords would be in favour of this and that this may increase direct landlord – renter relationships, in avoiding agency costs for both of them (as landlords pay fees too). Our renters' reviews (submitted to our website to review Welsh letting agents and landlords) overwhelming show that direct relationships are better for both parties, with the poorest service coming from agents.

Tenant questions

9. Have you ever been charged fees before entering into a tenancy agreement? If yes, please detail your most recent pre-tenancy charges, and if possible a breakdown of the charges, here:

Out of the 30 renters that responded to our survey, all but one had been charged fees up front, on top of their deposits and rent demanded in advance. These varied widely, with some paying as low as £90 and others going up to £400. The average between them was £228, but practice clearly depends on which agency you are with.

Whilst most were generally labelled as 'administration fees', some of the reasons listed where fees are broken down included:

- £40 – £70 charged to renters required to use a guarantor (where the agency doesn't think you are solvent enough to be solely responsible for the contract)
- Credit checks between £50 – £80
- Non-refundable holding fees, to take the property of the market whilst checks are done, between £75 – £100
- Pet deposits of around £100 – £150, on top of the regular deposit
- Inventory check fees when moving out
- Renewal fees of £80 – £100 for wanting to continue a contract (e.g. after already living there for say, 6-12 months). The agency charges a renewal fee for the renter to continue living there, often due to the 'lost revenue' from not charging new renters administration fees

One renter said they thought it was "*normal*" to be charged administration fees, on top of holding fees and then renewal fees later on in the contract. But they were surprised when they recently used

an agency without fees. It's important to stress how normal yet still highly unfair renters find these fees.

Another renter said: *"I felt particularly hard by having to pay these clearly unfair and ridiculous fees but I felt I had no choice as most one-bed properties [are] rented via letting agents and they always charge fees."*

One highlights most of their charges are *"rolled into one"* so they had *"no idea"* what each charge was for separately, or between two or more tenants.

10. Have you ever been charged fees during a tenancy, or for renewal of a tenancy agreement? If yes, please detail the most recent amounts charged to you during the tenancy or renewal of the tenancy, and if possible, a breakdown of the amounts, here:

Again, most renters had been charged renewal fees. These were divided between two kinds:

- Fees for having a new renter added, mostly around £50
- Fees for re-signing the contract, between £40 and £150

Many also cited unfair repair costs, where agencies didn't respond to reports so felt they had to repair it themselves. For example, one said that *"we reported [a problem with the washing machine] but the agency didn't send anyone to fix it, and when it finally broke completely they said that because we knew there was a problem and didn't sort it out, that we were liable for replacing it, so we had to buy a new washing machine ourselves"*.

One said that their agency charged them £50 every 6-12 months, so they *"try to get a 12 month tenancy to avoid the fees and I want more security and longer tenancies"*.

Another stated that the letting agency *"won't let me sign for more than a year so I cannot avoid these fees"*. One who is charged £100 for each renewal said *"they will only let me sign for 6 or 12 months so I have to pay £100 a couple of times a year, just to keep my flat"*.

For those that hadn't been charged these particular fees, they cited reasons such as moving or being forced to move at the end of a contract so not renewing. Another said they hadn't had this themselves, *"but hear of it all the time; there should be no charge [...] nothing has changed, it's the letting agents making money for nothing"*.

11. Have you ever been charged fees after a tenancy has ended? If yes, please enter the most recent amounts charged to you after a tenancy has ended, and what the charges were for here:

About half of our respondents had been charged fees at the end of a tenancy, of between £50 - £300. These were mostly made up of 'cleaning fees' and 'repair fees'.

Renters particularly highlighted the spurious nature these fees were claimed for. One said they were charged *"to replace a chair that was already broken when I moved in"* and another said they were *"charged £85 for carpet cleaning from my deposit, although I had already cleaned it"*. Another was

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charged £100 for cleaning, despite having hired professional cleaners to help on vacating the property.

One describes: "They took £120 for "cleaning fees" even though we had spent a very VERY long time cleaning the property to get our deposit back. We asked for a breakdown of the cleaning costs or receipts to show that the cleaning had actually cost the amount that they had taken off our deposits. They wouldn't provide us with receipts so we had no other choice but to let the money get taken off our deposits".

In Let Down's survey, we used the the consultation's questions verbatim, with some added explanation on what kinds of fees the questions are referring to. However, in this section, **we also took the opportunity to ask renters about delays or problems with getting their deposit returned.** Deposits are usually 1-2 months' worth of rent, so are a significant sum which are withheld for a long time.

Most who responded on this one said they had to wait weeks or even 4-5 months to return their deposit, with one landlord having to force the agency to, despite already instructing them to return it. One had to go through deposit protection schemes to get it back, with the agency attempting to keep £630 of a £900 deposit.

One had money deducted from the deposit for "the garden having weeds in, despite the fact that it had been fully overgrown when we moved in. We didn't have any photographic proof so couldn't contest. They took roughly £100. We drove past the property after it had been re-let and they hadn't even done any maintenance on the garden, just taken the money".

12. Were any fees made clear to you before any agreement had taken place? If so, how?

Not as many renters could remember on this one; but of those that could, about a third were not told about fees upfront and the rest were either told after choosing a property or saw them mentioned in the tenancy agreement. Of the third not told, one said they were not made clear and they had threatened going to Trading Standards on one occasion.

However, even where fees are made clear, it's not as though renters feel they have much choice in them. One said the fees were explained verbally, *"during quite a pressurised sales pitch where we 'had' to act fast to secure the property".*

Another said: "Fees are often in the tenancy agreement but as you have no other agent to choose from and such a limited time scale to look for properties you feel forced to sign for them. The demand for rental properties is too high and it seems all agents now charge fees. I remember once when they were about £125 for referencing but now there's a charge for everything."

A few mentioned that they knew about upfront tenancy fees, but had no idea about the in-contract fees, renewal fees or outgoing fees. One said they were told, but it was not on the website. In terms of money being taken off the deposit, one said that money is taken when there is *"anything beyond*

'fair wear and tear' although when it comes to the end of the tenancy, they seem to change their minds on that one."

Another speculated: *"Fees seemed to be made up on the spot. They were never on any website. It seemed like one big con to be honest but as a consumer I felt a complete lack of choice as there was no point taking my custom elsewhere as all letting agents charge such fees."*

Some agencies seemed to be downright deceptive. One said an agent *"attempted to charge over £100 [for admin fees] when receipt showed it cost £65"*.

13. Have tenancy fees ever affected: a. your ability to move to a new rented property? b. your decision to use an agent? c. your overall finances?

To this question, only 3 out of the 29 respondents said 'no'.

For the rest, the two most common issues cited were:

- Needing their family's help with the cost of both their rent and agency fees. One had to take out pay day loans to raise the money for fees.
- Not being able to move to a new home, despite being miserable in their current property, because they couldn't afford the fees. One felt *"locked in due to the cost of moving"*. These renters cited loud noise, damp conditions and mice for wanting to move, but weren't able to afford it.

One said that they are *"unable to move from private renting to [owning] because of finances and fees [being] too high"*. **The vulnerability of renters needs to be borne in mind.** A poignant comment from one renter was: *"Yes. I have had to take out pay day loans to raise deposits and fees. It's the main reason I'm in debt. I've tried to go private but most landlords now use agents. I have been homeless because of the cost of renting, not once but three times in my life and I have serious mental health issues which have been exacerbated by agents/landlords and their underhand methods of money extraction."*

On a positive note, **those that rented directly from a landlord (without an agency between them) had a much more positive experience.** One said it was *"easier and cheaper"* with landlords being more responsive to any concerns or queries than agencies. Another said they tend to have *"a trusted relationship"* with a landlord rather than agent, and some had approached the landlord directly after one year of a contract to continuing renting with them directly.

One renter posited that whilst they tried to rent directly from private landlords, the relationship between landlord and renter is damaged to the point where agents are brought into mediate: *"Problem is that greedy estate agents/landlords treat tenants with such contempt especially with regards maintenance issues that some tenants hit back by trashing flats. I have always been a model tenant and have never done this but I understand that this is the reason why landlords are wary of renting directly to tenant and bypassing estate agents."*

Another commented on the letting agent's justification for high fees: *"Yes, I viewed two prospective properties which were great, however, was told that agency fees would be over £500. I thought this was completely absurd, however the sales person attempted to justify it by stating that the agency would put together a legal contract as they referred to the tenancy agreement. Whilst I accept a tenancy is a legal document, it is important to note that a bus ticket is also a legal contract."*

One respondent said that bad treatment from their last letting agency made them *"more proactive as tenants to find problems early and pester our letting agency about it and post as much evidence as possible, as it is obvious that as tenants we're the only ones defending ourselves."*

Letting agent / landlord questions

As a renters' campaign, these questions aren't applicable to us. However, we would advocate for reasonable fees to landlords as well. As the business owner, we'd expect them to pay something if delegating services or paying someone else to manage their business. But it should be reasonable and competitive, as any healthy market would conduct itself.

Further questions

28. We would like to know your views on the effects that banning fees charged to tenants would have on the Welsh language, specifically on:

- i. opportunities for people to use Welsh and**
- ii. on treating the Welsh language no less favorably than English.**

The three questions on the Welsh language were grouped together in one for our survey.

Most respondents could not see the link between letting agent fees and the Welsh language, with one saying that they could not see any specific effects on Welsh speakers and that *"this is about fairness to all renters living in Wales"*.

There were two comments on Welsh services specifically:

- *"As a Welsh speaker, I am happy to speak in either English or Welsh. I think producing documents in both Welsh and English is viable."*
- *"Agents could employ a dedicated member of Welsh speaking staff. They could provide information on their websites etc. in Welsh."*

Another highlighting that they are relocating to Scotland said that they *"have had a much better experience and have no fees to pay except the deposit."*

Finally, on Welsh being used by agencies, one remarked: *"Adding a second language would no doubt give them cause to ask for money under the guise of there being more paperwork."* Given the array of fees detailed above, this wouldn't be surprising.

But on principle, Let Down of course supports services being available in the Welsh language, but agency fees cost money in any language.

29. We have asked a number of specific questions. If you have any related issues which we have not specifically addressed, please use this space to report them:

Renters raised a lot of issues in this section. We attempt to summarise them below.

- ***The high fees:*** This was the most common issue. Renters did not understand why fees are so high when their services is so poor. They also highlighted the renewal fees and a lack of any consistency as particularly unfair.
- ***Lack of mediation and reprisal services:*** A common theme was of not having anyone to turn to when problems arise. One said their MP did not help much and had to go to the Energy Ombudsman just to find out who their property's electric and gas providers were. Another didn't find Citizens Advice as providing any help with difficult letting agents. One suggests that there should *"really be some kind of official body who can make sure [agents] provide a basic level of service such as handling maintenance issues and complaints."* Let Down campaigns for a Housing Ombudsman (like there is in England) or a Housing Tribunal (like there is in Scotland) in order to fulfil this need in Wales.
- ***Taking advantage of those who cannot buy:*** Multiple renters referred to the inability to save for a deposit to buy a home, with one suggesting that *"letting agents along with private owners are filling the housing gap that should be filled by government and are getting away with exorbitant fees."* One highlighted that their generation – being in their early 20s – was forced to rent but being repeatedly *"ripped off"* made them lose complete faith in it. Let Down has found that renters aren't against renting per se, but are angry at the current conditions of the rental market. Home ownership is aspired to more so they can get away from renting than to own property themselves.
- ***Discrimination against tenants:*** Those with mental health issues or disabilities highlighted particularly bad services, with one being refused a tenancy as their partner had a disability and the letting agents *"often refuse to let us view property [...] they say a better tenant will come along"*. Any advert marked with 'No DSS' or 'No pets' or 'No children' is displaying a form of discrimination, often simply against more working class people.
- ***Lack of information about processes:*** Tenants express annoyance at having no proof of the credit checks or why they are charging so much for a simple process, such as printing out a new tenancy with the year changed. One describes letting agents as a *"cowboy industry, with little or no regulation and unfair fees are part of this."* One renter suggested requiring agencies to provide receipts with a breakdown of all costs. This would be a much more transparent way of proving that fees taken from the renter are used as promised.

Several expressed hope that the Welsh Government and the National Assembly for Wales would make things better for their day to day lives and *"ban these fees once and for all"*.

Responses to consultations are likely to be made public, on the internet or in a report. If you would prefer your response to remain anonymous, please say.

Our response can be made public but we have not provided the individual survey responses as some wished to remain anonymous. In taking quotes, we have been sure not to identify individual circumstances unless it is a fee amount.

We gathered no information on names, ages, gender or any other demographic information. Let Down has found, through accepting letting agent reviews on our website, that many renters are fearful of retribution if seen criticising their letting agents and landlords.

The sample can be assumed to be representative of renters from Wales, although it was self-selecting as we targeted at people in Wales, of a 'rental demographic' through a social media advert.

We cannot help but point out that this consultation would have greatly benefited from a workshop or other outreach methods to find renters, rather than a voluntary campaigner paying money to advertise a Welsh Government consultation and spending time making it more simple to use by creating a SurveyMonkey page. There is a serious problem with renter engagement if the renters' responses to this are vastly outweighed by landlord and letting agent responses.