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LandlordZONE

RENTAL PROPERTY KNOWLEDGE

Welcome:



Season's Greetings to everyone from LandlordZONE.

I've said this before—we're living in interesting times - and very worrying times they are to for many investors and particularly new landlords. There are some ominous signs as we look to 2008, not just in housing and commercial property but in the economy as a whole.

There have been some dramatic falls in the price of some property funds (as much as 40 to 50%) and to a lesser extent property prices themselves. If you are too highly geared and rushing for the door right now then there's a price to pay for liquidity. As the governor of the Bank of England said recently, "Property prices are a matter of opinion, debt is real" I will add this: income is real to—it's

tenants you need right now! Given time, if you have it, these prices will come back, in abundance, but in the meantime we may still see further falls.

On the other hand, as the arch contrarian investor Anthony Bolton, Fidelity's star investment fund manager with a record of 20% growth over many years, is calling the bottom of commercial property stocks. He is reputed to be buying in, arguing that the share values have fallen far more than their underlying assets—the properties themselves.

Despite all this the government regulation bandwagon affecting landlords rolls relentlessly on: HIPS, HMO Licensing, Tenancy Deposits Scheme and they've just announced a full scale review of the Private Rented Housing Sector - is this the precursor to yet more legislation?

What is it about some governments and regulation? Do they subscribe to the old sea captain's maxim: keep 'em



busy and tired and they won't cause you any trouble? Whatever happened to "small government is good government"? One example of the problem is Heritable Bank's recent study of the HMO licensing scheme—one year on. The report concludes that the scheme is harming the buy to let market and is calling for a review. They cite huge inconsistencies in local authority fees and their interpretations and enforcement of overly complex rules. In this issue we look at another big change: the Local Housing Allowance. Controversially, the scheme will insist that Housing Benefit rents cannot be paid to landlords—these must go to the tenant first.

Tom Entwistle

Housing Benefit & Local Housing Allowance

In this issue we take an look at the implications for landlords of the **Local Housing Allowance (LHA)**, due to be implemented as a nationwide scheme from the **7th April 2008**. All new claims, changes of address etc will be affected, from then and eventually all claims will come into LHA. You might think that this does not concern you if you don't let to Housing Benefit (HB) tenants.

Don't you believe it!

Any tenant at any time can become a HB tenant if they fall on hard times—if their partner leaves them or if they are suddenly made redundant. You need to be aware of these new rules.

Renting to Housing Benefit tenants can be an attractive proposition to many landlords and depending upon the area where your property is situated, it may be ideally suited to your market.

If you work closely with your local authority, such as the

Hammersmith and Fulham example advertised in this issue, you should have no trouble keeping your properties 100% occupied—housing shortages mean there is a steady demand, and you will find the local authority very keen to help you. One aspect that's worrying many landlords though is the new requirement that the allowance is to be paid direct to the tenant—here in this Newsletter we will explore the issues for landlords.

The Local Housing Allowance

Local Housing Allowance (LHA) is a new way of working out how much **Housing Benefit** (HB) private tenants will receive.

The Government has been operating a LHA pilot scheme in 18 different areas of the country over the last 3 to 4 years and now the Department for Work and Pensions (DWP) has decided to roll this out nationally from the 7th of April 2008.

The allowance uses a **Local Reference Rent** based on flat rate rents for the area and size of household.

These are to be established for every local area by officers

from The Rent Service, to be provided to local authorities on a monthly basis.

These will also be published on The Rent Service web site for all parts of the country—see links opposite.

Housing Benefit entitlement rules will not change and will still depend on personal circumstance: age, incomes, savings etc.

In theory, this LHA process should speed-up decisions on whether or not a tenant gets the benefits and how much—which has been a major stumbling block for many landlords accepting HB tenants.

The published reference rents will give local authority staff, landlords and tenants a quicker way of determining likely HB payments as they will no longer need to wait for Rent Offer assessment visits in most cases.

It may also result in reference rents being more closely aligned with market rents in the area, which clearly has not always been the case to-date. Currently, one way to speed-up claims is to use the **pre-tenancy determination** process which should give a figure from the council within 5 working days.



Department of Work & Pensions www.dwp.gov.uk/housingbenefit/lha

The Rent Service www.therentservice.gov.uk

Communities & Local Government www.communities.gov.uk

LandlordLaw.co.uk
[HMO Licence Fees](#)

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Renting out a property can be a lot harder than it looks. Long-term landlords need to treat rentals as a business and run it professionally. You also need to be ready to tackle several challenges in a competitive market – a company such as **LettingAgent.com** can help you overcome each of them.

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Housing Benefit

Housing Benefit (HB) has long been criticised as an extremely complex benefit that does little to promote personal responsibility and can act, it is claimed, as a barrier to work.

From the private landlord's viewpoint, although there are definite benefits from letting to HB tenants, currently it can take a long time to process claims leading to entitlement and HB amount uncertainty. In addition, though in practice this is a rare occurrence, landlords with tenants on HB can be subject to payment claw-backs where a tenant's circumstances

have changed and authorities have not been informed. The main government objectives of the LHA system and the theory behind the changes are to give tenants more responsibility for running their own lives, to encourage them to open bank accounts and to get them into an employment mode of living—welfare reform. Controversially, for the landlord, this means rents will in future be paid direct to the tenant and not to the landlord, as is often the case at

present, unless under exceptional circumstances the tenant has a history of rent arrears and debt. Many landlords are sceptical and fear future rent money will be diverted before it reaches them. The tenant, the theory goes, is to be given more choice of where they live and the types of accommodation open to them, the option to top-up their rent if they want better accommodation but, most importantly, be made responsible for paying their own rent.



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Letting to Housing Benefit Tenants

Despite the quite complex rules and regulations involved with **Housing Benefit** tenants and also **HMO** type properties, this is a big market and one which provides a valuable service for local communities.

Local authorities are generally more supportive of landlords in this sector than in the past, especially to those landlords that they can see are striving to "play by the rules".

Some local authorities have generous grants available for items like:

-Disabled facilities such as wheel chair access.

Heating systems, especially for tenants with special needs.

-Electric re-wires.

-Security measures such as locks and alarms.

-Fire safety such as firm alarms and fire doors etc.

-Renovation grants for empty properties or conversions from commercial to multi-occupancy residential ones.

All multi-occupancy accommodation whether licensable or not will come under the [Management Regulations for HMOs](#) and will need to be inspected and comply with the **Housing**

Health and Safety Rating System (HHSRS) standards.

There are various schemes available from individual local authorities, some where in-going lump sums are paid to the landlord, where help is given with processing HB claims and deposit guaranties are provided—see the Hammersmith and Fulham example advertised in this issue.

Also, some local authorities and housing associations operate property leasing schemes whereby landlords can lease their properties for extended periods (2 to 3 years) to these bodies who will use them for people on their waiting lists.

Rents may be slightly under market rates but this is compensated for by the fact that there are no void periods or rent payment problems.

The LHA changes have some positives, like speeding up assessments and possibility closer alignment with market rents, but rent payments to tenants is perhaps the main concern for landlords.

However, there are some positives here as well. Tenants will be encouraged to open bank accounts, so where

this is possible and tenants can handle this responsibly, **Standing Order** payments would be a preferable means of payment. So long as tenants keep their accounts in the black, standing order payments will be automatic. There's far less temptation to spend money that automatically comes into and out of the account.

The **Citizens Advice Bureau** are in a position to advise both landlords and tenants with regard to rent payments. In their review of LHA pilots they claim that LHA has impacted on some of the problems with shortfalls between HB entitlement and rent owed.

Credit Union bill payment accounts are another possibility here. Some credit unions have the facility and will take HB payments into a special "ring fenced" account in the tenants name, automatically paying rent out to the landlord.

According to solicitor Tessa Shepperson— Landlord-Law.co.uk—the legislation allows for this third party intermediary involvement.

[Credit Unions](#)



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Review: See You In Court—How to make a Small Claim

See You in Court—how to make a small claim by Anthony Reeves, 2nd Edition.

If you want a straightforward and concise guide to recovering debt through the Small Claims Court system then this is your book.

Written by Anthony Reeves, who has worked with LandlordZONE for several years now on debt collection for landlords, he works for a firm of solicitors in Bath.

Anthony has published books on debt collection and employment law since 1998 including See You in Court, The Employment Handbook, The Litigation Handbook and The Path to Justice.

This is a completely up-dated 2nd edition published in 2007 through the self-publishing site www.lulu.com

It's available in a downloadable version at the amazing price of £2.75 or in paperback at £5.99

Although solicitors are definitely needed for the more complex cases and certainly if amounts are high, it's surprising how much the layman can achieve in debt collection with a little knowledge and a small investment of time. This book, and indeed the Small Claims Track as a whole, is designed for the layman, and in my experience judges are quite sympathetic to those amateur claimants who have made an effort to get the details right.

Rent arrears and damages claims are often uneconomic if you use a solicitor because their fees wipe on any gain.

But if you are prepared to do-

it-yourself, it can be very worthwhile financially.

After a brief review of the Small Claims Court system the book goes on to explain how to assess the merits of a claim.

This is followed by sections on what you should do before you start a claim, how to handle the defendant's reply and how to defend a claim.

There's a section on appearing in court and finally how to collect your money after the judgement. This book will give you the confidence to DIY without the help of Perry Mason.

Good solid up to date advice in a concise and easily understood form—just what the busy landlord ordered.

Tom Entwistle

www.lulu.com

See You In Court!

How to make a small claim



By Anthony Reeves
2nd Edition



Money Back Mortgages

In 2006 www.moneybackmortgages.com was set up to give consumers like you an impartial service where you can search for and arrange your next mortgage with the added benefit of receiving 50% of the commission received by us.

The website has proved particularly helpful for **Buy to Let landlords** who generally remortgage on a regular basis to lower their monthly mortgage costs. With interest rates increasing, here is a way of lowering your remortgage costs.

If you arrange your next Buy To Let mortgage through us you can expect to receive on average £337.09 per property**.

** This represents the commission payable to clients who have arranged a Buy to Let mortgage through us. Correct as of October 2007.

MoneyBackMortgages.com is a trading style of Quay FS Limited, which is authorised and regulated by the Financial Services Authority.

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Landlord Manager

Landlord Manager V2

Visionbase Software Limited has been producing property management software since 1995 and is therefore one of the older established software products producers aimed specifically at landlords.

The latest version of **Landlord Manager**, which has just been announced, uses a simple user interface to allow you to record property income and expenditure for any number of properties.

With numerous drill down facilities, reports and graphs you can easily track the pro-

gress of your rented property.

Other features include a Rent Centre that will track your tenants and their outstanding rents as well as the ability to print tenancy agreements and section 21 notices.

An Alert Centre records those critical events such as safety checks.

The program is designed to help you complete SA105 an SA801 tax returns.

You can also track VAT transactions and export your data to a Sage compatible file to give to your account-

There's a Multi Currency facility for those with properties let in virtually any country in the world.

Multiple drill-down reports give you important data at a click of a button and will save you valuable time and money, keeping you on top of your portfolio at all times. Another useful feature is the ability to synchronise your details with Microsoft Outlook ensuring you don't forget critical events and easily transfer contacts. You can download a free evaluation copy at:

landlord-manager.co.uk



Hammersmith & Fulham Direct Lettings

Borough of Hammersmith and Fulham's

Direct Lettings for Landlords

A rent deposit guarantee scheme that was launched in April 2003 and has ensured that over seven hundred households have entered into Private Sector tenancies.

Our aim is to assist families who are deemed capable of maintaining a Private Sector Tenancy by providing an rent deposit guarantee and in-borough housing benefit 'fast-tracking'.

We have been working hard in partnership with private landlords and lettings agents but due to the increased popularity of the scheme we have a growing number of applicants which are currently outnumbering our portfolio of available properties.

Landlords!



Do you have a property to let in Hammersmith & Fulham?

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For more details contact the direct lettings team at Hammersmith & Fulham on 020 8753 4166 or email: direct.lettings@lbhf.gov.uk for more information. www.lbhf.gov.uk

Next Month—Gas Checks

With around 30 people dying every year in the UK through poorly installed or badly maintained gas appliances and flues, resulting in deadly carbon monoxide poisoning, gas checks are one of the most important aspects of rental property management.

Residential landlords or their Managing Agents are responsible for the safety of their tenants and the Gas Safety

(Installation and Use) Regulations 1998 enforced by the Health & Safety Executive (HSE) deal with the duties of landlords to ensure that gas installations, appliances, fittings and flues provided for tenants are safe.

Severe penalties for non-compliance can be imposed and any deaths can result in manslaughter charges for landlords and agents.

Non compliance is a criminal offence and courts can impose unlimited fines and custodial sentences. This may also invalidate your property insurance and could subsequently lead to claims for civil damages - awards in these cases have proved to be very high indeed.

Next month's issue will look at the issues involved and the preferred solutions.



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What's in the News for Landlords?

Housing minister Yvette Cooper announces a review of the private rented sector by Julie Rugg, an academic at York University. The review, likely to be similar to the recent Hills Review of social housing, comes as the Citizens Advice Bureau reveals the scale of home owners saddled with mortgages they cannot afford, while the MoD admits spending £11m renting army homes from private landlords because of a lack of supply. [LandlordZONE Forum](#)

Capital values tumbled 4.1% in November according figures released 13Dec07. The CB Richard Ellis UK Monthly Index showed values to have dropped 8.6% since July. This index is widely seen to foreshadow the Investment Property Databank Monthly Index, released tomorrow, because CBRE values a significant proportion of the property monitored by IPD. The drop is a sign that Benchmark indices are becoming more aligned with sentiment surrounding UK property. The £3.6bn Norwich Property Trust, the UK's largest private investor property fund, reduced its values by 7% at the end of November, and on Monday New Star said that it had written down the value of its UK assets by 18% since July. [Property Week](#)

No retreat on empty rates relief—The government's plans to remove empty rate relief on empty commercial buildings next April are to go ahead with very little change despite an intense lobbying effort by the property industry. Local government minister John Healey said today it is drafting the secondary legislation so that all aspects of the rate reform, introduced in this year's Budget, can come into effect next April. [Property Week](#)

A Heritable Bank survey of HMO Licensing claims the scheme is harming the buy-to-let Market and calls for a fundamental review. The study found huge inconsistencies in licensing requirements and charges between authorities. Sismey-Durrant, Chief Executive of Heritable Bank comments: "This scheme had laudable intentions of raising the quality at the lower value end of the private rented housing sector, but was introduced with no central guidelines on cost or structure and the results were entirely predictable; it has become a revenue earner for the local authorities, instead of a method of improving standards in the private rented sector. The Government must urgently review the framework for licensing HMOs, so that all parties know what is required of them and what the likely cost to them will be. This will enable professional landlords to budget both the time and money needed for the successful development of the HMO lettings market." [Heritable Bank](#)

[Landlord & Buy to Let Show](#) 18/19 April 2007 Olympia, London

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Saturday 19th April 2008 - 10.30-17.30
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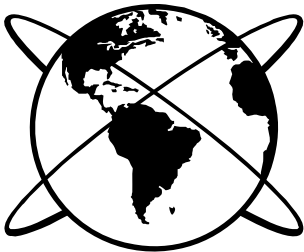
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Phone: 0845 260 4420
Fax: 0870 199 2697

E-mail: editor(at)landlordzone.co.uk

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- Over 5000 student landlords already registered and using our site.

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Property Tax Portal was founded in September 2003 by Amer Siddiq who is the managing director of the parent company Tax Portal Ltd. Amer, a former IT professional and property investor himself, is supported by a team of highly qualified tax professionals. They produce the highly successful Landlords Property Tax Manager Software and now run regular Tax Seminars for Landlords and Property Investors. The website is packed full of useful information and products to help minimise your tax payments.



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