

The TenantVERIFY Landlords Guide to Preventing Tenant Fraud

When you own or manage a rental property you can be vulnerable to fraud by tenants.

Most tenants are reliable and trustworthy people who pay their rent on time and look after your property whilst they stay there, trouble free. In our experience roughly 95% of working and professional tenants are good to excellent.

It's the 5% (the 1 in 20) that can make a landlord's life a living nightmare. These tenants must be avoided at all costs and having a proper management process that checks out tenants thoroughly can reduce your risks considerably – you can never reduce your risk to zero.

A Tenancy Agreement means nothing to delinquent tenants – they are the tenants from hell you've probably seen on the TV programmes. These people are well versed in their rights under the Housing Acts and play the system to their advantage. They know it can take months for landlords to remove them legally and they know there are no legal consequences for them – it's a civil matter. They use landlords as a revolving line of credit, paying little or no rent whilst they are with you, and more often than not causing thousands of pounds worth of damage to the property. The worst examples of these tenants sub-let to other unauthorised occupants and use the house as a hostel for illegals, or use your home as a cannabis factory, completely changing or destroying the insides of the building.

It has also been known for tenants to steal the landlord's identity and take out a mortgage on the rental property (when it is not mortgaged) absconding with the money.

So, let's look at what causes tenants to do this?

1 – There are no consequences to their actions, they usually can't be charged criminally unless you can trace where they are and prove intent, which is a very rare circumstance.

2 – They have no job, no assets and no forwarding address. They are constantly on the move so it is difficult to locate them and useless in most instances to initiate any kind of civil action against them. They'll be gone before you can get them in court. Even if you did, you won't get any money. They have nothing that you can take away from them which means that they don't care what they do to you or your rental property.

3 - Many landlords, agents and property managers are not well versed in tenant fraud and can easily fall into the trap of accepting a tenant from hell. Landlords are always anxious to get a vacant property let, and agents want their commission, so in both instances there's an incentive to take the first reasonable looking person that comes along, and hope for the best. It's only when you've had your fingers burnt a few times, when you've gone through the hell of it all and wear the T Shirt, you begin to realise the vital importance of a good verification and selection process.

Once the tenant has entered the property, even with a "cast iron" signed agreement, in law there's not a lot you can do. They have a guaranteed minimum 6 months' term, unless you foolishly gave them one that's longer – giving a 12 months' contract to an untested tenant is unwise.

Bad tenants already have at their disposable counterfeit or phony I.D., friends that pretend to be former landlords to give them a favourable tenant reference and Internet companies that supply phony CVs and employment records. This is how rental fraud is perpetrated and played out, and if you haven't been subjected to this in the past, there is a good chance that you will be in the future because it's getting more common.

Many Landlords or their agents will allow a prospective tenant to complete the Tenancy Application Form without thorough checks on the details or their I.D. and often will overlook missing sections or details on the Tenancy Application Form. This is the biggest mistake of all.

They don't do any tenant screening or conduct any due diligence with respect to the information provided on the Tenancy Application Form, if they have a form at all. How do you really know that your prospective tenant is not a fraudster playing the system without stringent checks and due diligence?

You've probably see TV programmes or read stories about tenants from hell but so far it hasn't happened to you; don't be complacent but take all the precautions necessary to make sure it never does.

Here are some tips that will help prevent tenant fraud:

1. Don't be afraid to ask some searching question and go into personal details like salary or other income, employment, reasons for moving and personal relationships etc. You have every right to know these things before legally handing over a valuable asset to a total stranger.
2. Don't take any one piece of evidence in isolation – you need to take a sensible, common sense but holistic approach – build up a total picture of your prospective tenant from ALL the evidence:
 - a. What has been said over the telephone, the answers to your in-depth questions (you should have a pre-prepared list) – does the story add up?
 - b. Ask the story again on the viewing as liars tend to forget what they said first time.
 - c. How were they on the viewing, on time, respectful, well dressed, not smoking etc? Observe their car's condition – are they looking after it, an indication of how they will treat your property? Some landlords like to see their current abode – you can do this on the pretext of a final interview.
 - d. Are the reasons for moving credible?
 - e. Are they starting a new job – consider checking references with the old employer.
 - f. Employer details – are they in stable paid employment?
 - g. Attitude – do they show reluctance or aggression when asked to provide details?
 - h. Are they too anxious to get in and over generous – offering rent in advance in cash for instance is a ploy that drug dealers or cannabis growers use.
3. Don't believe anything that you are told verbally or on a Tenancy Application Form without going into the details and doing more checks. Ask searching questions and drill-down until you get to the bottom of things.

4. Make sure that the Tenancy Application Form has been completed fully - that does not mean 95% complete. If a prospective tenant only completes part of it, s/he may have something to hide. If the prospective tenant demonstrates an attitude when asked to complete the form, this may be an indication they have something to hide.
5. Check the prospective tenant's credit history using a quality checking service like www.TenantVERIFY.co.uk A credit history check will verify the information that was given to you on the tenancy application form. It may also show up information that was not declared, like a poor bill payment record, undeclared previous addresses and county court judgements or debt arrangements.
6. You will be able to compare the information from the credit report with the application form and determine if your prospective tenant was truthful or not. Generally you can say that people with good credit histories are likely to be good tenants, but there are no guarantees, there's always the odd exception.
7. Check with one or better still two previous landlords, or their letting agents. A tip - when the alleged landlord answers the telephone, ask if s/he rents out properties and if they have any available accommodation for rent? If this happens to be a friend of your prospective tenant you will likely catch them off guard and they will probably say that you have a wrong number.
8. Don't be afraid to be a little devious when speaking to referees to make sure you're not talking to a friend of the prospective tenant. For example, "Joe Bloggs tells me that he rented a two bed terrace, is that true? He tells me he was with you for one year, can you confirm that? He tells me that he didn't get along with the neighbour next door, can you elaborate on that? If you can get this "landlord" to agree with you on all this then you know for sure s/he a plant, because it's all made up. A real landlord will refute the story, whereas a friend will think they are helping out and will usually tell you what they think you want to hear.
9. Be aware that a landlord may just want to be rid of a problem tenant and will therefore give you good references, or at least avoid saying anything negative. You may also have to be deceitful here. "Did you have any problems with this Tenant? He tells me that he didn't like some of the neighbours and had a couple of disagreements with you as well, what was the problem? This may just prompt the landlord to tell you a bit more and reveal things s/he didn't intend to. Don't forget, this a game you're playing, but it's a deadly serious game because it's your income that's at stake. In the worst case scenario it could even lead to you losing your house if you get a really bad tenant.
10. Check with their employer and use a similar tactic as above, making sure you are speaking to a real employer. Do an Internet search and make sure the telephone number matches that of the firm, and try to ascertain a check on the manager concerned. Most professionals these days list themselves on LinkedIn.
11. When speaking with the employer you need to verify the job description and earnings to make sure what the prospective tenant has said is true and to make sure this is enough income to pay

the rent. The annual rent should not normally come to more than one-third of the current gross salary, unless there are joint tenant sharers to pay the rent. You should also check how permanent the employment position is and ask if there are any planned changes. Of course, the stability of the company is a factor here – how secure is the employment? No job is completely safe today, but some are much safer than others, so this is a judgement call you need to make.

12. Ideally, you need written evidence from the referees so you might think about a Reference Form which they can easily complete. Do not rely on documents produced by the prospective tenant as they can be easily forged - produced on a computer.
13. Check Identities. Identity fraud is a growing problem and some tenants will try this on, especially if they have a poor credit history and don't want checks done in their name. Ask to see a photo ID such as passport or driver's licence and if possible take a photocopy. You also need to verify their residence by asking to see a current bank statement or utility bill – make sure it is in their name.
14. You must do ID checks with the person in front of you, face to face, but if you are not confident about doing references or you don't want the hassle, use a quality checking service like www.TenantVERIFY.co.uk and let the professionals do it for you.
15. Social media checks is something new. Most big employers now use this tactic to check out prospective employees because most young people, and many older ones as well, have some kind of social media record which is accessible on-line. Facebook, Twitter and Google+ are great sources of information and often give you a good insight into the type of individual you are dealing with.
16. Experienced landlords and almost all agents have prospective tenants complete a comprehensive Tenancy Application Form. This form gives you all the background information you need should trouble arise later and sufficient to do all the due diligence checks. The statement of truth at the end of the form not only gives you permission to do the checks legally, it acts as vital court evidence later should the applicant have been economical with the truth.
17. Before you allow any tenant into your property it is absolutely vital that you get them to sign an up-to-date tenancy agreement. This is by default an Assured Shorthold Tenancy Agreement. You can get up-to-date agreements from www.LandlordZONE.co.uk
18. If you are in any doubt about the prospective tenant or their ability to pay the rent consider using a guarantor. This is especially important for young persons with low earnings or students. You need to do all the usual checks with the guarantor as well. See our Landlords Guide to Guarantors
19. Carry out a final interview with the applicant/s before making that final decision – check all the facts again with them, making sure their story matches what they have previously said. Check and double check everything before you make a final decision and let a total stranger into your

property.

20. This selection process is not difficult and is relatively quick once you develop it into a routine. It is really a mixture of art and science – a process where you use your common sense and “gut-feel” about an individual but based on the solid evidence you have collected through the other systematic processes and methods outlined above.
21. The final part is to go through the Check-In process using a good Check-in / Check-out Checklist to make sure everything is completed when the property is handed over.
22. Remember, this is a business arrangement and not one where you take on tenants as friends. Making a friend of a tenant or indeed renting to a friend can often be dangerous as they will make it difficult for you to impose the discipline needed to manage the tenancy properly.

The documents referred to above can be obtained free of charge from:

Tenancy Application Form

Reference Form

Check-in / Check-out Checklist

Landlords Guide to Guarantors

www.landlordzone.co.uk/agreements.htm and www.tenantverify.co.uk/notices-forms.htm

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