

5th June 2018

Dear Sirs

Re: Tenant Fee Ban & Public Bill Committee Submission

I write on behalf of the Leaders Romans Group Limited.

By way of background we employ over 2000 people across 165 Branches across England and I would like to highlight some unintended consequences of this legislation and why it will not achieve the Government's objectives.

Draft Tenant Fees Bill Enquiry

Should the Government impose an outright ban on administration charges, there are several negative scenarios that could develop and impact on the average price of tenancies, the housing supply and the quality of both properties and the related services provided to tenants.

We believe the main impact of the ban will be a reduction in the professional standards in the PRS that the Government accepts applies in the majority of cases and serves tenants well. We also hold the view that the Government will remove the incentive for quality and professional tenant support when beginning a lease agreement. Tenants will now receive the bare minimum services with no mechanism to decipher the difference between rogue and compliant letting agents. We have listed below the impacts and unintended consequences of a ban on letting fees paid by tenants:

Increasing rents

Banning upfront fees is likely to see some landlords choose to increase rents in order to cover their additional costs. Many landlords do not have the time to invest in ensuring their property is up to scratch for a tenancy or to manage the property once an agreement has been signed. Therefore, landlords who wish to continue to use Letting agents would be required to meet the costs of our services, and so may look to increase the level of rent they charge. In areas such as the South East and London, demand for rented properties is high enough that potential tenants would most likely bear the cost of this in order to secure an agreement where competition for properties is fierce, putting pressure on monthly budgets as inflation is set to increase and wage growth slows.

In September 2016, the former Housing Minister, Gavin Barwell MP, admitted "landlords would pass costs to tenants via rent. We're looking at other ways to cut upfront costs and raise standards", yet the Government now seems determined to push through reforms that the responsible former Minister has previously said are unworkable.

If guarantor fees are banned then a landlord or agent faced with the choice between a tenant who needs a guarantor and one who does not will inevitably select the easier and cheapest route i.e. the high earning applicant and not the low income tenant. This could have the effect of squeezing lower income families out of professionally run PRS, forcing them into properties which are badly run and perhaps exposing them to more rogue landlords. We believe that only tenants who move properties frequently will benefit from an outright ban as tenants in longer term tenancies could be hit by rent increases as landlords recover their costs stemming from the ban.

Reduced customer service/increase in small less regulated Landlords

Currently, because the tenant has paid a fee, they are owed a duty of care. Without a fee there is no duty of care, no requirement to advise, assist or include a tenant's particular needs and requests into the tenancy agreement. There are already elements of the lettings sector where rogue landlords are reported and prosecuted for various breaches of existing regulations and frequently these landlords have not used professional estate agents.

As a result of this, a larger underground "black market" may develop, with rogue landlords mistreating and taking advantage of tenants without any enforcement. In addition, some landlords may choose to forego the services of a Letting Agent, leading to a decline in the level of regulatory compliance, quality of the property stock, and ultimately the services and experience of the tenant. We welcome agents being regulated as proposed by Sajid Javid, however, landlords must be licensed to ensure standards are the same across the sector.

A recent ARLA survey on banning administration charges concluded that 6 out of 10 agents believed the quality of properties will decline.

In summary, the Governments stated objective is to deliver a fairer, more competitive and more affordable lettings market. In combination with tax reforms for landlords, we are seeing a reduction in new supply and the situation will worsen with increased landlord's costs. In the long run, local authorities are already seeing the supply of landlords wishing to let at LHA rates reduce at a time when they are preparing to comply with the forthcoming Homelessness Reduction Act. The ministry of Housing and Local Government confirmed in a recent survey that between March 2016 and March 2017 there had been a reduction of 46,000 privately rented homes.

In April, letting agents saw the highest number of landlords selling their buy-to-let (BTL) properties since records began in 2015. The number of landlords exiting the market rose to five per branch, up from four in March. In March, the figure rose for the first time in almost a year, to four landlords per branch, after sitting at three landlords consistently since April 2017.

A tenant fee ban will not achieve the Governments objective of increased supply and more affordable rents, with this legislation there will be reduced supply and increased rent costs for tenants.

I look forward to hearing from you should you have any questions.

Yours Sincerely,



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