

Good2Rent Tenant Fees Bill Submissions

The Current Referencing Model is not Helpful for Tenants

Under the traditional model of tenant referencing a reference is obtained by the landlord's agent on a prospective tenant when they apply to rent a property. This is not a tenant-friendly process for several reasons:

It is not transparent- Each agent references in a different way. Even where they use a referencing agency those agencies operate differently from one another. In addition, because agents and landlords may treat risk factors produced by references differently, different agents might take different views of the same tenant, even for the same property. Tenants frequently have no idea why they have passed or failed a reference and have limited ability to look behind the process. This also makes it easy for landlords and agents to hide prejudices and unlawful discrimination behind the referencing process.

It is overly simplistic- most referencing reduces tenants to a single number, their credit score. This does not give the whole picture.

Failed references cost money- Because the referencing process is not transparent it can be hard for tenants to know in advance whether they are going to pass a reference or not. If a tenant fails a reference the agent will usually keep their holding deposit leaving the prospective tenant out of pocket and without a property to show for their efforts. It is notable that the Tenant Fee Bill will still permit agents to retain holding deposits in respect of failed references.

There is no portability- Tenants do not own the reference, it is owned by the letting agent. This means that a tenant cannot move their reference between agents or between different properties advertised by the same agent. Therefore, tenants become trapped with a single agent and have to put all their efforts into securing one property. In some cases, the letting agent will not let the landlord see the reference either.

It is repetitive- Tenants must start again with every new reference, even where they are staying it's the same agent. Tenants have little ability to build a history of good behaviour and on time payments.

It is not just fees which undermine the ability of tenants to move property and create a blockage in the market. The current referencing model does so as well by making it harder for tenants to know whether they are likely to be accepted for a property and undermining their ability to shop around.

Good2Rent is Different

Good2Rent turns the existing referencing model on its head. It enables tenants to generate a high quality reference which they control but which is also sufficiently robust to satisfy the majority of agents and landlords. This means that:

Tenants have a clear idea what property they are likely to be accepted for up front- Good2Rent prepared the reference in advance. Therefore tenants will know what level of rent their reference will support and the process is speeded up as the reference is ready whenever a landlord wants to see it.

The process is clear- Good2Rent is transparent with tenants about how the referencing process works and so tenants can see what they are being referenced for and why.

The reference is totally portable- Tenants control their reference and can take it with them to more than one agent if they wish. This reduces costs for agents and avoids tenants paying for more than one reference.

Tenants are in control and are treated as people- A tenant can use a reference produced by Good2Rent or decide to leave it and use any other referencing service on offer. Good2Rent treats tenants as more than their tenant score and brings in the views of previous landlords to give a more rounded picture of tenants which they have the ability to use as they see fit.

Tenants can build a history- Good2Rent allow tenants to build a history of positive behaviour which forms part of their reference. They will shortly go further by using the new open banking protocol (www.openbanking.org.uk) to enable tenants to give Good2Rent limited access to their bank statements and then look to build a verified history of payments which allows tenants to start generating a genuine credit history based on a record of good payment, without the complex processes and third-party payment mechanisms that have been promoted by some others.



Right to rent compliance is eased- Much has been made of the difficulties landlords have with checking the right to rent status of tenants. Good2Rent assists landlords by providing electronic verification of over 140 documents making it easier for them to accept tenants from other countries.

Tenants access other useful services- Building on the information that Good2Rent is given by tenants, they also offer insurance, finance, health and lifestyle products designed to enhance and support residential tenants.

Good2Rent Faces Challenges

With any new model there is a challenge in getting it accepted. Good2Rent has been successful in getting the support of tenants. However, no model in the private rented sector will succeed if it does not gain the widespread support of landlords and agents. Good2Rent faces challenges in doing so as it has to persuade landlords and agents that it will provide them with a robust and effective reference that they can rely on and that it will not be biased towards tenants. Despite this challenge over 450 agents offer Good2Rent as a referencing option. In some cases Good2Rent has persuaded agents that they should replace their existing service completely with Good2Rent and they simply send all tenants to Good2Rent to obtain a reference. This is good for agents because they have very little to do in terms of administration as this is handled entirely by Good2Rent and is also good for tenants because the Good2Rent fees are far lower than those of most agents and the reference they obtain is entirely portable.

Tenant Fees Bill Undermines a New Model Instead of Supporting It

If agents are prevented from charging fees they are likely to move toward the cheapest possible letting regime. This will mean more use of credit scoring as the only method of checking and less acceptance of tenants with poor or more complex histories and non-UK passport holders. Good2Rent can potentially combat this by allowing tenants to offer a quality reference to landlords and agents that they are not having to pay for.

However, in order to operate a tenant-oriented reference Good2Rent must charge tenants a small fee. This is currently just £10 per tenant for a year during which they can use the reference generated as much as they wish. Innovative use of technology and the marketing of targeted services that will appeal to tenants means that this is kept as low as possible. However, the GDPR has limited the ability of Good2Rent to market additional services. The Tenant Fees Bill, as currently drafted, creates a more serious threat in that it prevents an agent or landlord from directing a tenant to Good2Rent for their reference due to the fact that Good2Rent charges a fee. Landlords and agents can only offer Good2Rent under the Tenant Fees Bill as an option alongside a more traditional referencing service. This makes it very hard for Good2Rent to persuade landlords and agents that they are worth using as this requires more effort on their part because instead of simply using a single referencing service they must manage two and offer options to tenants. Therefore the Tenant Fees Bill, rather than encouraging innovation and diversity in the market, is limiting a novel and effective option which empowers tenants.

A Possible Amendment

It would be possible to make a small amendment in the Tenant Fees Bill to include within the list of permitted fees those being charged by third party reference providers such as Good2Rent which generate a reference which belongs to the tenant and is entirely portable for them. In order to retain control and prevent abuse a cap could be placed on the fee to ensure that a loophole is not created which can be exploited by unscrupulous agents. Such an amendment could read:

In page 25 Insert after line 31:

Payment in respect of tenant-controlled reference

11 (1) A payment charged by a third-party referencing service is a permitted payment if it is to provide the tenant with a transparent reference that the tenant-

- (a) Can see in advance of using it;
- (b) Is in control of; and
- (c) Which the tenant is able to move between agents and landlords as the tenant chooses.

(2) But if the amount of the payment exceeds £50 per person per annum then the amount of the excess is a prohibited payment.