



Additional evidence to the Petitions Committee on banning letting agents' fees to tenants

6th February 2017

Introduction

Shelter Cymru welcomes the opportunity to provide a response to the Cabinet Secretary's letter of 4th January outlining his current thinking on whether Wales should introduce a ban on letting fees.

We have already had useful and constructive discussions with the Cabinet Secretary over this issue, and we welcome that he recognises action is needed.

We understand that the Welsh Government has already spearheaded important reforms to the private rented sector. Implementation of these reforms is very much a work in progress. Changes to the Welsh private rented sector are likely to continue for a number of years to come. We agree that further reforms must be planned carefully, but we hope that implementation of Rent Smart Wales, and also the Renting Homes Act (not likely to commence before autumn 2018) won't hold up action where it's needed.

We understand that in England the Department for Communities and Local Government will issue the consultation in March or April, with primary legislation potentially to follow within the year.

Wales has been pursuing effective distinctive policies from the rest of the UK and will continue to do so, but if Wales chooses not to go ahead with a ban, or introduces a ban much later than England, then a difference in policy between England and Wales, in this instance, could present a number of risks. For example:

- There's a possibility that some unscrupulous letting agents may be tempted to set up in Wales rather than England. Although Rent Smart Wales is an additional safeguard to help protect professional standards in Wales, an influx of potentially unlicensed agents from England does represent an enforcement challenge at a time

when the resources of Rent Smart Wales are already stretched with implementation activity.

- A ban on letting fees has been a long-standing campaigning goal of the National Union of Students. If fees were banned in England and Scotland but not in Wales, this may represent a disincentive for students to study here.
- PRS access will be comparatively more expensive for tenants in Wales than in England or Scotland, making it harder to prevent and relieve homelessness. Anecdotally, we have heard a number of instances of Welsh letting agents hiking fees in order to take advantage of increases in local authorities' homelessness prevention budgets that were necessary to help councils implement Part 2 of the Housing (Wales) Act.

We understand that the Welsh legislative programme is very full but we hope that the Government can find time to prioritise this important measure that will complement Rent Smart Wales in professionalising the sector.

To conclude, we would like to share some comments from the 145 current and former tenants in Wales who responded to our recent online survey. This survey found that:

- 41 per cent had to get into debt to pay letting fees
- 84 per cent disagreed that the service they received from their agent was worth the fees they paid
- 85 per cent agreed that letting fees to tenants should be abolished.

Here are some of the comments they shared with us:

'Absolute rip-off. Did not get house but I passed all credit checks. Letting agent took fees from at least six different people for the same house. It was only when I threatened to contact Trading Standards I got my fee returned. In short it was just a scam.'

'Complete rip-off. I paid admin fees on a previous property only to fail the credit search, and subsequently lost the admin fee.'

'I had to pay a month's rent (£425) and a bond of £425 and £200 agency fees just to check if I passed the credit check. If I failed they would still keep the £200 so it was a risk to take.'

'They have a severe lack of ownership. They are willing to take your money but very unwilling to handle health and safety issues and maintenance. Being charged over £250 for a phone call to my employer to confirm I work there, and be emailed an Excel document with the

breakdown of costs, is diabolical. With my bond, fees and rent, my first month was close to £2,000. I fully support this cause to help more people get reasonable housing.'

'(I paid) £90 for a credit check, £75 admin fees and £70 to take the property off the website!'

'I have a 12-month contract. At renewal they charged me a £60 admin fee. I asked what it was for, and it was to photocopy the new agreement. I offered to print it free of charge but they wouldn't let me.'

'This agent also keeps the first month's rent paid, so they make a lot of money up front from the tenant and owner. This agent does not have enough competition in the area. Fees (£240) were said to be for credit checking and drawing up the tenancy. Online credit checking costs a few pounds per check. A standard tenancy is a computerised pro-forma. The agent only needs to insert a few details such as name and address.'

'We signed the initial contract for 12 months. After the 12 months was up we wanted to renew the tenancy and were charged £152.75 for a renewal fee which we had not been told about previously.'

'We have been private renting for seven years and used a couple of agents. The fees have become extortionate and I doubt we will be able to afford again if we have to move.'

'The only reason I have stayed in this residence this long is because I can't afford to pay the agency fees involved in moving house. I've wanted to move for over a year.'

'The fees charged to the landlord were just as horrific. She (the agent) even tried to persuade the landlord to invent things so she could get more fees. We both feel we were misled.'

More information on this survey and on our letting agent mystery shop exercise, carried out last year by our campaign supporters, can be found here:

<https://sheltercymru.org.uk/wp-content/uploads/2016/08/Letting-Go-Email.pdf>.

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