
Cynulliad Cenedlaethol Cymru
Y Pwyllgor Deisebau

National Assembly for Wales
Petitions Committee

John Griffiths AM
Chair of the Equality, Local Government and Communities Committee
The National Assembly for Wales
Ty Hywel
Cardiff Bay
CF99 1NA

22 February 2017

Dear John

Petition P-05-734 Ban Letting Agent Fees to Tenants.

The Petitions Committee considered the following petition from Shelter Cymru for the first time at its meeting on 14 February:

We, the undersigned, call on the National Assembly to urge the Welsh Government to end the unfair practice of charging letting agent fees to tenants.

Earlier this year Shelter Cymru campaign supporters mystery-shopped letting agents across Wales and found that more than half (55%) are not advertising fees on their websites as required by law. The study found that a tenant could pay between £39.99 and £480 for the same service depending which agent their landlord had chosen to go with.

The reality is that there is no such thing as consumer choice in tenants' fees, and a real risk that tenants and landlords are being double-charged for the same service. We believe that Wales should follow Scotland's example and ban fees to tenants. The private rented sector in Scotland is still going strong and three-quarters of Scottish agents say the ban has had no impact, or a positive impact, on their business.

Welsh letting agents are enjoying a business boom thanks to Rent Smart Wales which is encouraging smaller landlords to sign up with agents. However, extortionate letting fees are pushing tenants into debt and making it harder for



local authorities to prevent homelessness. Please act now to give a fair deal to Wales' growing numbers.

At the meeting, Members considered correspondence from the Cabinet Secretary for Communities and Children and the petitioner and agreed that I should write to you to ask whether you intend to conduct work on this issue as part of your forward work programme.

Additionally, we agreed to write again to the Cabinet Secretary for Communities and Children requesting further information on the timescale in which he intends to make a decision over whether legislation is required on the issue.

A copy of the Cabinet Secretary's letter to the Committee, along with the additional comments received from the petitioner, are enclosed for information.

I would be grateful if you could send your response by e-mail to the Clerking Team at SeneddPetitions@assembly.wales.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Mike', is written over a diagonal line that extends from the bottom left towards the top right.

Mike Hedges AC/AM
Cadeirydd/ Chair

Encs:

- Correspondence from the Cabinet Secretary for Communities and Children to the Petitions Committee dated 4.1.17
- Correspondence from the petitioner dated 6.2.17

Carl Sargeant AC/AM
Ysgrifennydd y Cabinet dros Gymunedau a Phlant
Cabinet Secretary for Communities and Children



Llywodraeth Cymru
Welsh Government

Eich cyf/Your ref P-05-734
Ein cyf/Our ref CS/06110/16

Mike Hedges AM
Chair - Petitions Committee
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government.committee.business@wales.gsi.gov.uk


January 2017

Dear Mike

Thank you for your letter of 7 December regarding the Petition the Committee has received from Shelter Cymru requesting the Banning of Letting Agents Fees to Tenants.

I am fully aware of the campaign which is led by Shelter Cymru and the wide support for such a ban amongst Assembly Members. Indeed the spotlight fell on the issue again very recently following the Chancellor's announcement in the Autumn Statement that England would be consulting on introducing a ban early in the New Year.

The Welsh Government is committed to ensuring a fair deal for private sector tenants. Most recently we have introduced the Renting Homes (Wales) Act 2016 and Rent Smart Wales, both of which will benefit tenants. We are very much leading the way in cracking down on rogue agents and landlords and working to raise standards in the sector.

Nevertheless, I am concerned about the bad practices of some letting agents who are charging extortionate fees to tenants, who very often are in no position to refuse to pay such fees and agree they must be stopped. Some of the examples we hear about are simply shocking and action is required to tackle this.

I appreciate there are many good letting agents operating across the country and that many of their fees are legitimate and necessary in recouping business costs for the services they provide. Therefore any measures introduced to stop the charging of letting agent fees to tenants needs to be carefully considered. They must be proportionate and effective, and must not result in unintended consequences or simply create new problems in their place.

Bae Caerdydd • Cardiff Bay
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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

I have already made a commitment to review the evidence currently out there, before deciding what action we should take in Wales. We will take into account the effect of the Scottish legislation. We will also be reviewing the proposals in England, taking into account the findings of their consultation which is due to be held in the coming months.

We must also consider the impact of the different route we have taken in Wales, by introducing Rent Smart Wales and whether this will impact on how we approach any further regulation of the sector. In summary, whilst I agree action is needed to address this issue, I am reluctant to go rushing into legislation without carefully studying all the evidence and thinking through the potential consequences first.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Carl Sargeant', written in a cursive style.

Carl Sargeant AC/AM

Ysgrifennydd y Cabinet dros Gymunedau a Phlant
Cabinet Secretary for Communities and Children



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>.

For more information please contact Jennie Bibbings, Campaigns Manager

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