

Equality, Local Government and Communities Committee – Renting Homes (Fees etc) (Wales) Bill

Background

As part of the **Equality, Local Government and Communities Committee's** scrutiny of the Renting Homes (Fees etc) (Wales) Bill, the National Assembly's Outreach Team held a series of focus groups and meetings across Wales to capture the views, experiences and ideas of a cross-section of people. An online discussion forum was also created using Senedd Dialogue, which allowed people to share their views online and anonymously should they wish.

Contributions were gathered from private tenants, private landlords, letting agents, people with experience of renting privately and those who wished to enter the private rented sector. This included people on low income, homeless people, people in receipt of welfare benefits, university students, people both in employment and unemployed, service users and frontline staff.

The focus groups enabled the Outreach Team to gather the views of those most likely to be affected by the Bill, to capture opinions on its effectiveness, and any alternatives that could achieve the objectives of the Bill. Participants were sourced through contacts developed by the Assembly and those provided by key stakeholders.

The Outreach Team held 8 focus group sessions across Wales and a series of individual meetings. The team engaged with, and views were gathered from groups and individuals from Bridgend, Cardiff, Conwy, Gwynedd, Merthyr Tydfil, Powys, Swansea, Vale of Glamorgan and Wrexham. The views of 58 people who participated in the focus groups have been captured and summarised into key themes. 28 ideas, views and experiences were submitted to the online forum which generated 19 comments. Submissions to Senedd Dialogue were received from people from Cardiff, Ceredigion, Conwy, Powys and Swansea.

Format

Participants were given background information, a brief overview of the Bill and the likely impact of the Bill before being asked a series of questions.

Summary of key themes and contributions

Variation in fees charged to tenants and transparency

"I have a severely disabled son. I got divorced and I was going to lose my home. I looked at private renting but couldn't afford the fees. There was a real possibility that I might be homeless with a severely disabled child."

Private landlord, Merthyr Tydfil

The variation in fees charged to tenants by letting agents was cited as a significant issue at all focus groups.

The type of fee and the fee amount charged by letting agents varied extensively according to participants, with some letting agents charging certain fees, whilst other would not.



"I moved recently in Cardiff and paid approximately £400 in moving fees and then they had the cheek to tell me I'd need to pay a moving-out fee up front, before I'd even moved in! I hadn't even signed the tenancy yet. You have to pay a £60 moving out fee at the start before you even sign a tenancy."

Private tenant, Cardiff

Many letting agents explained that some agencies within the sector charge too high a fee. Some were also critical of letting agents who retain fees even if the prospective tenant is unsuccessful in securing the property (where for example, they have failed a reference check).

"Should a tenant apply, we charge what we would call a reservation fee which is £200. That £200 is a charge we make that we return to the tenant should they be unsuccessful in securing the tenancy. So if the references don't stack up and we decide they're not for us, we return the reservation fee. We do reserve the right to retain some of it for costs we may have incurred. Should the tenant application be successful, that £200 is carried forward and becomes an administration fee which we retain."

Letting agent, Wrexham

University students explained that the inconsistency in the type and amount of fee charged was particularly disconcerting for many, as University is usually the first time many young people will have rented a property in the private rented sector. As such, the majority of students will be unsure what is considered acceptable or standard practice. One student commented that there is no way of knowing what is fair and reasonable and what quality of service to expect from an agency. Similarly, students would not feel comfortable in challenging a landlord or letting agent who has charged a prohibited payment under the Bill. The level of tenant awareness regarding initiatives like Rent Smart Wales is low, so the majority of people are unsure, and often uncomfortable, in asserting their rights.

A lack of transparency was also a common theme raised by many participants during the focus group sessions. The majority of participants were of the view that greater clarity is required regarding the type and amount of fee charged and that explanations should be provided in layman's terms. One participant spoke of paying a fee of £90 to add her partner to a tenancy agreement which she considered excessive for "five minutes work."

All letting agents we spoke to said that a lot of information including the fee type and amount is outlined on their website, but would also be happy to provide more information in person if a tenant requested this.

Some focus group participants spoke of trying to source landlords directly, through Facebook advertisements/pages for example, thus bypassing letting agents because the fees charged were unaffordable.

"I've paid them myself and they've been ridiculous. My brother is moving back to Cardiff soon and cannot afford the fees and has gone to Gumtree to find a landlord. That landlord could be anyone, but that's the sort of places people are looking."

Private tenant, Cardiff



A specific fee which was criticised as unnecessary and extortionate by all focus groups was the fee associated with renewing a tenancy agreement. Aside from a change in date and the necessity for a signature, very little, if any, changes are made to the tenancy agreement.

"Why do they need to renew a tenancy? Can't it just be periodic? Charging a fee for renewing a tenancy is just a money-making exercise."

Private tenant, Conwy

Indeed, many participants, both landlord and tenants, would prefer to have a 'rolling' contract.

"I remember looking for a property to rent last year and we viewed a property in Cardiff Bay which was shown to us by an agent. I queried about the agency fees, which came to about £600 to move in, with the rent being £650 – that's extortionate. The agent said he would have to prepare the tenancy agreement, which is a legal document...well so is a bus ticket. When you look at your tenancy agreement, it's just been downloaded online. There doesn't seem to be any changes made that require a solicitor for example. When you have a figure like that and then the cost is much lower elsewhere, it's difficult to understand the disparity."

Private tenant, Cardiff

All focus group participants understood the purpose and need for a holding deposit as there needs to be an incentive for the letting agent to 'hold' a property. However, participants were of the view that the circumstances in which a deposit would not be returned (if you fail a credit check for example), should be clarified. Many said the word 'deposit' implies you may get it back or it would be added to a future fee/charge, which differs to a 'fee' which is mostly understood to be non-recoverable.

Moreover, participants explained that the more extortionate a holding deposit, the more unlikely a prospective tenant is to back out of a tenancy – even if the contract is disadvantageous or the property unsuitable/ sub-standard. One participant described holding deposits as "locking people in."

Whilst some participants welcomed a ban on fees, others were of the view that fees should be capped or standardised across the board.

One participant at a focus group reported that during a landlords forum in the Vale of Glamorgan, many landlords in attendance were unaware of 'double charging' i.e. the letting agent charging the landlord and tenant for effectively the same fee.

"I get the sense that fees are charged sometimes without landlords' knowledge."

Private tenant (university student), Cardiff

Another participant made the comparison between paying rent and mortgage payments.

"My rent at the moment is £650 a month. I have just purchased an identical property on the same road, and I will be paying £540 a month in mortgage re-payments."

Private tenant, Conwy

Security deposit/ Bond



The acute and often protracted difficulties in recovering the security deposit (more commonly referred to as a bond by focus group participants) paid at the beginning of a tenancy, was an issue raised by the majority of focus groups.

Participants relayed their experience of the challenges they faced in recovering part, or all of their security deposit from their letting agent and/or landlord. In particular, the length of time it often takes to recover the security deposit was considered frustrating and a factor in exacerbating a tenant's financial situation.

"You rely on the bond for the next place, so if you don't get it back, it's a huge hit"

Private tenant, Swansea

One participant commented that there does not seem to be any right to recover the security deposit within a particular timescale.

"I moved out of a property in mid-June and it's late August now and I still haven't been told how much deposit I will get back. I've had no communication from them – it's not as if they're working on it. So I don't know if I'm getting all of it or a penny."

Private tenant (university student), Cardiff

The majority of focus groups were of the view that leeway for fair wear and tear was limited and both landlords and letting agents could often be unreasonable. If the landlord or letting agent considers that additional cleaning or maintenance is required at the end of a tenancy, and costs are incurred, participants were of the view that these should be reasonable and proportionate and documentation to evidence this should be provided to the tenant.

Some students were of the view that in multiple occupancy properties, which is a common scenario for University students, tenants should be responsible for their own room and all common rooms only. This would avoid any unfair deduction from the security deposit of those who have ensured their room is clean/well-maintained, but often have no control over the state of the rooms of fellow tenants.

There was a sense amongst some focus group participants that the security deposit *"is just something that the landlord can dip into at the end of a tenancy."*

Focus group participants relayed various experiences of losing their full security deposit unreasonably, including someone who was charged for the full re-carpeting of a room for dropping an iron and someone who was charged for the full re-painting of a room due to a small mark on the wall.

"In the last house, the letting agent took £150 out of the bond because of wear and tear to the house without letting me know or letting me challenge it."

Private tenant, Bridgend



People on low income

"I was on the streets for two and a half years and looked for bedsits and flats. I found one and went to a letting agent. They took about £190 -£210 for a holding fee for a month until I could get £400 for a bond and £400 for the first month's rent. I couldn't get that money together and didn't get my money back, not even a partial sum. I had borrowed that money too."

Private tenant, Bridgend

Many focus group participants said that in their experience, the vast majority of letting agencies do not accept prospective tenants in receipt of welfare benefits. Most letting agency websites will explicitly state *"No DSS (Department of Social Security)"*.

"There are too many properties which say no pets, no students, no smokers, no DSS, no children. The market gets smaller and smaller because of all the restrictions."

Private tenant, Gwynedd

Some participants said there is a perception that if you are in receipt of welfare benefits, you are not working, cannot afford to rent or will leave the property in disarray. One participant said that not allowing a tenant in receipt of welfare benefits to move into the property is often a condition stipulated by the mortgage lender.

"Three years ago I was living on Barry Island. I'd rented a house from a friend of a friend so didn't pay a deposit. The landlord and landlady got divorced and I was served a Section 21 notice, so I had to look for somewhere new to rent, along with my non-dependent son. I looked around Barry but every property was via letting agencies. We found a property we liked but because my son was doing agency work at the time and was therefore in and out of work and had been signing on for housing benefit in between, we weren't able to access a budgeting loan because he hadn't been in receipt of benefits long enough. The admin fees were £230. Plus, I had a dog which added £200 to the deposit. I had to take a loan out to be able to move.

I wasn't expecting my landlord and landlady to get divorced. It was a real bolt out of the blue and very stressful."

Private tenant, Vale of Glamorgan

The security of tenure was raised as a particular issue in this context as sometimes tenants will have to move more often than they would like because, for example, their landlord wants to sell the property. For low income households, the impact can be catastrophic, because tenants will be required to pay fees once again. Many focus groups were of the view that this is increasing rates of homelessness.

"We spent months looking for a property because most agencies wouldn't accept pets. We found one who was willing to accept and went through the agency procedure and paid fees. Within three months, the landlord said he wanted to move back into the property so we had to



look again. Eventually we found a property to rent that would accept pets, but having paid agency fees, deposit and first month's rent up front, we were £1,500 down. Until we got the deposit back from the first property, which was £600, we had to find money for the deposit and first month's rent. Fortunately, we didn't have to pay fees on the second property as we had posted an add on 'Buy, sell, swap' looking for a landlord who would accept pets."

Private tenant, Gwynedd

One landlord commented that it should be the landlord's decision whether to accept someone in receipt of welfare benefits but that is not always the case.

"As a landlord, I have to confess prejudice – I would be concerned about taking on a benefit tenant for my property because I'd be concerned about their ability to pay the rent. I think it's a nonsense thing really because their rent is taken care of through benefits. I guess it's actually more reliable than someone in employment as I guess someone could lose their job."

Private landlord, Vale of Glamorgan

Students

Representatives from Cardiff University Students' Union explained that they had recently established a student led service called Housing Action, aimed at educating, informing and advising students of common housing issues and offering guidance to solve them. Aside from academic advice, student housing issues, and particularly difficulties in recovering the security deposit, were said to be the main issue encountered by students at Cardiff University.

Students said that most letting agents give very little or no information on fees – they are simply referred to as 'administrative fees', but no detail is given on what administration is done.

Some focus group participants said that the international student demographic was particularly vulnerable as most are required to pay a higher deposit if they are unable to provide a UK guarantor. Moreover, the cultural and language barriers often mean they have difficulties understanding the fees, which means they are more likely to be taken advantage of. This was cited as one of the reasons why many international students choose to live in university halls of accommodation.

"As an international student myself, I have experienced a lot of difficulties because they do require a guarantor and that's difficult to get in the UK."

Private tenant (international university student), Cardiff

Students commented that it was common for students to be charged half rent or occasionally, full rent over the summer holidays without being able to move into the property. One student commented that they will usually arrive in September for the beginning of term and no work has been done to the property. They are effectively paying for somewhere they are not permitted to live in.

"I understand paying half rent sometimes because occasionally you can move some of your stuff in. However, if you're being charged full rent – that's where there's a problem because you don't have full use of the house. You're talking about £500 in rent being paid by about four or five students and all you're allowed to do is move a few bags in."



Private tenant (student), Cardiff

Communication

"Although I haven't moved in yet, I went through a letting agency this year and paid my deposit. The agency said we'd be able to move stuff in over summer so I rang the landlord to organise a day and time, but he explained this wasn't possible because he was doing work on the house. He was helpful though, and said he'd happily store my stuff and apologised that the agency had told me the wrong thing."

Private tenant (university student), Cardiff

Communication or lack thereof, between letting agents and landlords and/or tenants was considered another significant issue by all focus groups.

Many tenant participants discussed being given very little or no warning when a landlord or letting agent required access to the property for maintenance or otherwise. Some described arriving home to find that someone had been in the property but no communication was ever received. One participant described it as *"incredibly distressing and violating."*

Some tenants said they would prefer to liaise directly with the landlord, as they perceived that issues concerning communication was due to the letting agency. Moreover, a private landlord commented that she is given very little information about what is going on in the property and that often, they will fail to inform her who the tenants are they have secured for the property.

"The property I'm renting out now – it was advertised to me as 'rent guarantee' and a specific fee was quoted as payable per month. It wasn't explained to me that the 'rent guarantee' wasn't included in that price. I was under the impression it was covered until the tenant didn't pay rent. So when I went to do a Section 8, I find out I'm not covered. They don't inform landlords or tenants correctly."

Private landlord, Merthyr Tydfil

Refugees

Participants in one focus group said that refugees were a demographic who face significant challenges and were particularly susceptible to be taken advantage of. A representative from the Welsh Refugee Council relayed the experience of one Cardiff-based refugee:

"He is employed and was determined to get a one bedroom property. He went to a letting agent and everything seemed to be coming together. However, they charged him £360 in fees but he did not get the tenancy agreement. He was completely heartbroken."

Representative from the Welsh Refugee Council

Standard of properties

"If I'm paying all these fees, I expect that the property is of good standard. I don't think they often check these houses between tenancies."

Private tenant (university student), Cardiff



The poor standard of properties was a common theme which emerged from each of the focus groups. Many participants said that some people are in such desperate situations they will accept any property, regardless of the standard.

Participants spoke of a range of issues with the properties which they were renting, including overgrown gardens, rats and mice infestations, leaks which were not fixed, damp and being charged for things which they did not consider their responsibility.

"I have struggled (financially) this year, because my house was in such a horrible state. I was trying to stay out of it as much as possible. I was spending money by eating out so I didn't have to be in the house. Now I'm £1,500 into my overdraft, I still haven't had any communication about having my deposit back and my agency fees were hundreds of pounds, so I've really struggled this year."

Private tenant (university student), Cardiff

Unintended consequences

Students were not overly concerned about any unintended consequences arising from the Bill, with particular reference to rent increase, as they were aware of similar legislation introduced in Scotland which had resulted in only marginal increase in rent. They commented that even if rent was to increase, it would be preferable to having hidden charges and "being taken for a ride."

"In several countries, government and local authorities can set acceptable rent increase levels and it has to be within certain percentage points. As the measure comes into force, perhaps consideration should be given to an acceptable range. If rent goes over a particular percentage point, an alarm bell goes off and Welsh Government steps in."

Private tenant (university student), Cardiff

The majority of participants were of the view that whilst landlords who own one or two properties may choose to sell their property and exit the private rented market, those who own multiple properties are unlikely to do so as it is still a lucrative market. One participant referred to landlords who own one property as 'accidental landlords' as they're likely to have inherited the property for example – they had not therefore set out to be a landlord and are likely to sell the property in light of increased regulation.

"The Bill will make the situation worse. Landlords are being hit left, right and centre at the moment with taxes, Rent Smart Wales and all sorts of regulation. I'm not saying they shouldn't do these things, but it's not worthwhile for a landlord to continue renting their property."

Owner of a tenant referencing company, Conwy

Impact on the letting agent sector

Many letting agents said that if the Bill is implemented in its current form, they are concerned about the impact on their business and the sector. The owner of a tenant referencing company



in North Wales said that they are already making adjustments and planning for the future, but if the business does not exist, there is very little they can do. One letting agent outlined the likely impact on his business:

"Fees add £30,000 to our business in a year. As a business, that's one big hole that can't be filled. An important point to note is that administrative fees attract VAT, but rent does not, so when we charge our £200 reservation fee, £40 goes to HMRC.

As a business, the only other fee we charge is £75 as a guarantor fee. So that's it as a business - just the application/reservation fee and a guarantor fee.

As a business we have looked at how we fill that void and we will do so by increasing the rent to compensate for what we are going to lose."

Letting agent, Wrexham

A number of letting agents said that within the sector, a number of agencies rely heavily on letting agent fees. Every agent will have their own fee structure on which they will rely and without the income from those fees, they are unlikely to survive if the legislation is introduced. This will have a negative impact on employment and the economy as many letting agencies will be forced to downsize and make staff cuts.

A number of tenants, landlords and letting agents said that they understand the need for some administrative costs because a level of work is necessary to set up a tenancy. They said that the tenant is likely to pay more over the course of the tenancy because the cost will have to be passed on.

Mental Health/ Wellbeing

Aside from the impact on an individual's finances, the impact on an individual's mental health and wellbeing was a common theme which emerged during most focus groups.

Students said that the fees charged can have a significant negative impact on a student's academic progress.

"We see students dropping out because they run out of money, or suffer mental health problems that are exacerbated by the quality of housing or because they're worried about being able to afford somewhere to live. Some aren't able to find somewhere to live and then have to move home, commute or drop out. But even if you do navigate it all, it can still put a strain on you."

Private tenant (university student), Cardiff



Many participants commented that whilst they appreciate that renting a property is a business, the human element is often ignored and tenants are simply thought of as a commodity or source of income for an agent.

We would like to thank everyone who participated in the focus groups and meetings and who contributed information in writing, for sharing their views with us. Thank you also to the organisations who worked with us to gather these views and experiences:

Cardiff University Students' Union

Merthyr Tydfil Citizens Advice

Open Doors Project

Tai Pawb

The Wallich

TPAS Cymru – Conwy

Vale of Glamorgan Citizens Advice

