

OSBORN HUMPHREYS

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Landlords Guide To Letting Property

The Housing Act 1988 created a new form of residential tenancy, the **Assured Shorthold Tenancy** which, for the first time in seventy years, guaranteed Landlords the right to vacant possession on termination of the tenancy by the Landlord. As a result of the free market thus created, rents now more accurately reflect the open market value of the property.

Should you decide to let your property you would enter into a binding contract with a Tenant, which stipulates a minimum length of tenancy, usually for six or twelve months. After that time you may either:

- Renew the Tenancy.
- Extend the Tenancy.
- Allow the Tenancy to continue without taking any further action.
- Terminate the Tenancy, provided you have furnished the Tenant with two months' notice.

At the end of the contractual period, the Tenant may leave at any time on providing one month's written notice. If the Tenant fails to pay the rent, or is otherwise in breach of the Tenancy Agreement, you are entitled to attempt to repossess, on issuing the appropriate notice.

Property to be let should be in good decorative condition. This will not only encourage tenants to keep the property well maintained but will achieve a higher rental figure. There is no need to furnish the property as most tenants prefer to use their own furniture to save on storage costs. In an unfurnished property, we recommend there should be carpets, light fittings, T.V. point, oven and hob/free standing cooker.

The Basics

Appliances - Washing machines, cookers, dryers, dishwashers and heating systems should be in good working order and clean. If there is a service contract for central heating, full information should be supplied.

Garden/s - Tenants are responsible for keeping the garden/s tidy and Landlords should leave a lawnmower and tools. It may be worth considering a garden contractor for large or special gardens.

Electricity - Gas – Water – Telephone – Satellite Television – Broadband - Landlords must notify utility suppliers to arrange a closing account before vacating their property. Services should not be disconnected. Tenants will have to make their own applications to the appropriate service providers.

Keys - There should be sufficient front door keys for each occupant and a set for Osborn Humphreys (keys in our possession are security coded and held securely). We should be notified where spare keys are kept and these should be clearly labelled.

Burglar Alarms - It is vital that we have clear instructions where alarms are installed. A 24 hour service contract for the system should be arranged, keyholders and local police should all be advised of arrangements.

Maintenance – All general maintenance of the property is the Landlord's responsibility, except where something is the direct result of the tenants misuse or accident. Where Osborn Humphreys are instructed on a Fully Managed basis, we will deal with all maintenance, from arranging a repair of a dripping tap, to dealing with possible emergencies, such as storm damage or breach of security. Copies of all service contracts and appliance checks should be passed to Osborn Humphreys. The Tenants must leave the premises as they found them and the cost of making good any damage will be a proposed deduction from the deposit. However, you must accept that normal wear and tear will take place and decorations naturally deteriorate over time.

Boundaries - All boundary fences should be secure and in a safe condition.

Leasehold Property - The individual or company responsible for managing leasehold property should be notified of your intention to let the property, and arrangements made for payment of ground rent & maintenance charges.

Personal Arrangements - Arrangements should be made with the Post Office to forward mail. Banks should be advised, along with any subscriptions and deliveries. Where a Landlord is resident abroad, it is advisable to have a UK representative.

References and Guarantors - All applicants are carefully referenced, through an independent referencing company, which the tenant pays for. These are taken from employers, bank/s and any previous Landlord. Character references and credit checks are also procured. In certain circumstances, a guarantor is required and appropriate checks will be also be made against any guarantor.

Inventories, Checkout Reports and Schedules of Condition - Before a tenant moves in, a detailed professional Inventory and Schedule of Condition should be prepared by an independent company. This provides a comprehensive record of the contents and condition of the property and will help to avoid differences of opinion and contention during, or at the end of, the tenancy. At the end of the tenancy a checkout Clerk will check the condition and contents against the original Inventory and provide a report. Any cost of cleaning or repairs (other than fair wear and tear) will usually be proposed as a deduction from the security deposit.

Insurance - The Landlord should insure the buildings and contents. Tenants are responsible for insuring their own possessions. We are also able to provide details on a Landlords' insurance product, such as Rent Guarantee insurance. Please ask for further details.

Landlord's Responsibilities & The Law.

Duty of Care - Landlords have a duty under Common Law to ensure the safety of rented property and contents, so that no injury or damage is caused to the occupants, neighbours or public. There are also many regulations which apply to rental properties and these must be adhered to by Landlords.

The Gas Safety (Installation and Use) Regulations 1998 - Covers all gas appliances and pipework installed. The Landlord must ensure such appliances are maintained in a safe condition. Landlords are obliged to ensure each appliance is checked for safety at intervals of not more than 12 months by a GAS SAFE registered engineer and a gas appliance must not be used if, at any time the Landlord knows, or suspects, it is not in safe working order.

Energy Performance Certificates – Under the Energy Performance of Buildings Directive, all properties marketed for sale or rent are required to hold an Energy Performance Certificate, which must be produced by a suitably qualified and accredited energy assessor.

Electrical Inspections - Although at this time the Government has not passed a law decreeing this to be mandatory, we are expecting it to happen in due course. If you would like further advice, please contact Osborn Humphreys for more information.

Electrical Safety - The safety of Consumer Goods is controlled by the requirements of the Consumer Protection Act 1987. In this case, rented accommodation is classed as Consumer Goods. The Landlord is responsible for ensuring safety rules are complied with – in particular that all electrical appliances are safe for use.

Carbon Monoxide and Smoke Alarms – The Smoke and Carbon Monoxide Alarm Regulations require that each floor of a property is equipped with a working smoke alarm and any room with solid fuel appliance has the appropriate Carbon Monoxide Alarm installed.

The Furniture and Furnishings Fire (Safety) Regulations – Introduced to help improve safety by requiring all furniture and furnishings in rented properties to comply with fire safety tests. Most

furniture manufactured since 1983 will probably comply and will be marked to confirm that it passes the tests. Carpets and curtains are excluded. Furniture that was manufactured before 1 January 1950 does not need to comply with the Regulations. This would therefore exempt antique or period furniture.

The Tenancy Agreement - The wording of the Agreement will, in part, be determined by the personal situation of the Landlord. It needs to be carefully worded to ensure compliance with the Housing Act 1988. When the Tenancy Agreement and Notices are signed, Osborn Humphreys will collect the first month's rent and security deposit.

Deposits – The security deposit can be held by Osborn Humphreys or the Landlord. However, such monies must be registered with a government approved scheme, such as the Tenancy Deposit Scheme (TDS), of which Osborn Humphreys are members.

Receipt of Rent - The tenant will usually pay the rent monthly. Where you opt for us to manage the property, we will obtain cleared funds from the tenant, deduct monthly management costs, along with any other relevant expenses that have been agreed, and pay you the remainder.

Taxation

Council Tax - Tenants are responsible for Council Tax during the period of occupation. When a property is vacant, Council Tax accrues for which the Landlord is responsible.

Tax Implications - The income derived from letting your property is subject to UK tax, whether you are resident in the UK or overseas, and must be reported to HMRC.

Landlords should keep monthly statements and copies of invoices for any payments made either directly or through Osborn Humphreys' client account.

Special rules apply to landlords resident overseas. Under the Taxes and Management Act 1970, where the Landlord lives abroad, his/ her Agent must deduct tax at the standard rate after allowing for expenses. Monies held on a Landlord Tax Reserve Account will not normally accrue interest.

Tax Deductions - All Landlords, whether resident abroad or at home, are allowed to make certain deductions from income before calculating profit.

Deductions usually include:

- Agents' commission, management fees and administration charges.
- Council Tax while the property is vacant.
- Ground rent on leasehold property.
- Tax accounting fees and certain legal expenses.
- Buildings and Contents Insurance.
- Maintenance charges on leasehold properties, repair and maintenance of gardens, communal areas, roads and drains.
- The cost of lighting to common parts, where the landlord is responsible; wear and tear allowance for furnished property.
- VAT on all charges, where applicable.

For further information please contact our Lettings Department:

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