



Regulatory Update

Tenant Fees Act Bans Unfair Letting Practices

Provided by Blackfriars Insurance Brokers Ltd

Quick Facts

- The Tenant Fees Act bans unfair letting fees and places a cap on tenancy deposits at five weeks' rent. This Act will take effect on **1st June 2019**.
- This legislation was created with the goal of preventing unnecessary and costly fees imposed on tenants by landlords or letting agents.

The Tenants Fees Act—which goes into effect 1 June 2019—is expected to save tenants across England at least £240 million a year, or up to £70 per household.

As part of a continued legislative effort to rebalance the relationship between tenants and landlords, the government recently passed a new law—the **Tenant Fees Act**—that bans landlords and letting agents from imposing unfair letting fees and caps tenancy deposits at five weeks' rent.

The law will take effect on **1st June 2019**. Be sure to review and comply with the following renting legislation changes to avoid costly consequences.

History of the Act

The concept for the Tenant Fees Act first appeared when a ban on letting fees was announced at the 2016 Autumn Statement. The idea eventually became the Tenant Fees Bill in 2017, reflecting feedback from a [public consultation](#) in which 58 per cent of respondents (93 per cent of tenants) agreed with the proposed approach to ban letting fees.

This law is one piece of the government's large-scale effort to improve tenants' renting experience, thus fostering a fairer, more affordable and more transparent housing market. The legislation follows additional government steps aimed at protecting tenants, such as:

- The development of a national database of rogue landlords and letting agents

that tracks those that have been banned from letting

- A review of the rating system used by local authorities to assess tenant health and safety risks
- Mandatory client money protection requirements and a redress scheme for landlords
- The implementation of an independent regulator that oversees letting agents, sets renting standards and maintains minimum qualifications
- The requirement of a mandatory electrical installation safety inspection every five years

Overview of the Act

At a glance, the Tenant Fees Act applies to all landlords and letting agents in England. This legislation requires that landlords and agents only recover reasonably incurred costs from tenants and provide evidence of these costs before imposing charges. Such a standard will put a stop to unfair letting fee concerns, such as charging tenants hundreds of pounds to fix an item that actually costs just a few pounds to replace or repair.

In addition, the law helps ensure that tenants who have been charged unfair fees get their money back in an efficient manner by

The measures outlined in the Tenant Fees Act are part of a continued government initiative to protect tenants and improve standards in the private rented sector— helping make housing a fair, affordable and transparent market that works for everyone.

reducing the timeframe for landlords and letting agents to pay back unlawful charges.

Overall, the Tenant Fees Act allows for reduced costs and increased affordability throughout a tenancy. **Key requirements of the legislation include the following:**

- Security deposits must be capped at no more than five weeks' rent, while holding deposits are capped at no more than one weeks' rent.
- The amount charged for changes to tenancy must not exceed £50, unless the landlord or letting agent can demonstrate that greater costs were incurred.
- Trading Standards will enforce the ban and allow for tenants to be able to recover unlawfully charged fees via the First-tier Tribunal.
- As part of procedure outlined in section 21 of the Housing Act 1988, landlords and letting agents are prohibited from recovering possession of their property until they have repaid unlawfully charged fees.
- The Consumer Rights Act 2015 will be amended to specify that landlord and letting agent transparency requirements also apply to online property portals, such as Rightmove and Zoopla.

In terms of financial penalties, **non-compliance with the Tenant Fees Act will result in the following consequences:**

- For an initial breach of the ban, a fine of £5,000 will be issued.
- In the event that a landlord or letting agent has been fined or convicted of the same offence within the last five years, a criminal offence will be issued.
- As an alternative to prosecution, financial penalties of up to £30,000 can be issued.

Impact of the Act

The Tenant Fees Act has the potential to offer a wide range of benefits to both tenants and the housing market as a whole.

Of course, this legislation will help rebalance the relationship between landlords or letting agents and their tenants, seeing as tenants will no longer have to suffer the burden of unexpected letting fees and unreasonably high deposits. Indeed, this law is expected to save tenants across England at least £240 million a year, or up to £70 per household.

Apart from tenants, however, the Act also has the potential to increase competition between landlords and letting agents, which will in turn help drive lower costs overall and ensure higher quality of service throughout the renting sector.

Communities Secretary Rt James Brokenshire MP said this legalisation emphasises the government's commitment to improving the housing market.

'This government is determined to build a housing market fit for the future', Brokenshire said. 'Tenants across the country should not be stung by unexpected costs. That's why we are delivering on our promise to ban letting fees, alongside other measures to make renting fairer and more transparent'.

To learn more about the Tenant Fees Act, click [here](#). For additional industry-specific compliance and insurance guidance, contact Blackfriars Insurance Brokers Ltd today.

