



Evidence to the Equality, Local Government and Communities Committee inquiry into the general principles of the Renting Homes (Fees etc.) (Wales) Bill

June 2018

Introduction

1. Citizens Advice Cymru welcomes the opportunity to provide evidence to the Equality, Local Government and Communities Committee inquiry into the general principles of the Renting Homes (Fees etc.) (Wales) Bill. We would welcome the opportunity to discuss any of the issues raised in this paper with the committee and any broader issues relating to the Renting Homes (Fees etc.) (Wales) Bill.
2. In 2017 to 2018 the Citizens Advice service in Wales helped 101,911 people with 405,304 problems. We saw **9,000** people with **13,807** problems relating to housing. Problems with Private Rented Sector (PRS) housing dominate in this area with almost a third of all problems relating to privately rented housing.
3. In 2017 - 2018, our housing advice pages had **164,648** views from people in Wales.
4. We welcome the introduction of the Renting Homes (Fees etc.) (Wales) Bill. We fully support the government's proposed legislation, which will help make the private rented sector more affordable for renters. If the wording of the legislation is watertight and includes adequate enforcement mechanisms, it will fix a dysfunctional feature of the rental market. It will also make it easier for renters on lower incomes to meet the upfront costs of renting.

John's story

John¹ is married and lives with his wife and three children. They have recently moved to north Wales to be closer to family after his father-in-law became unwell. They found a private rented sector property closeby.

The family had to pay a credit check fee (£150, £75 per tenant), a check-in fee (£72), tenancy agreement and set up fee (£300) and an administration fee (£50). A total cost of £572 in fees.

The family have recently applied for and are now in receipt of Universal Credit with a full benefit cap. Their first month's claim was swallowed up in letting agent fees, the first month's rent (£550) and a deposit (£550). During this period, John's wife was diagnosed with severe mental health problems, which have been exacerbated by the stress and uncertainty of the UC claim, and she has been admitted to hospital. The clients are now one month behind with their rent and have been sent a letter by the letting agent charging them an additional £30 administration fee.

After paying the letting agent fees, John and his family were reliant on a food bank and have accrued a number of debts. Their local Citizens Advice office are trying to support them with their benefits and debt problems.

Key messages for the Committee

5. Citizens Advice Cymru believes that fees for tenants are uncompetitive whether they are charged by letting agents, landlords or a third party. We strongly support the need for legislation to remove such fees. The fundamental fact remains that renters do not, and should not be expected to, choose a property based on fees. It is important that the legislation is clear, with no exemptions that can be used to circumvent the purpose and intention of the ban.
6. The current PRS market is not competitive and fees to tenants are a barrier to an affordable private rent option for some tenants. We believe this legislation will allow renters the opportunity to enter the private rented sector for the first time and would strongly oppose any exemptions to a ban and enforcement must be effective.

¹ not his real name

Permitted Payments

7. All services provided by letting agents are on behalf of and for the benefit of landlords, not tenants. Permitted payments allowed in the draft legislation include rent, security deposits, holding deposits and payments in default. We have a number of concerns in relation to permitted payments as currently set out in legislation. We highlight our concerns below:
 - a. **Security deposits** - this cost can be prohibitive for some tenants, the legislation as drafted allows for the setting of a 'prescribed limit'. Analysis by the Deposit Protection Scheme has found that just over 50% of renters get their full deposit back and the average amount returned to the tenant is 75% of the original deposit value. Given that in the majority of cases renters get most or all of their deposits back, capping deposits to prevent excessively large upfront costs is a reasonable step. We strongly believe the limit should be at 3 weeks rent or below. This would balance a landlord's need for security against possible damage whilst protecting tenants from unnecessary hardship. We would also like to encourage greater innovation in how to support prospective tenants with their security deposits, such as in other European countries where deposits are paid in multiple installments.
 - b. **Holding deposits** - these should not be retained by the landlord or letting agent if the contract does not proceed. As currently drafted the legislation is open to interpretation and therefore possible misuse. We believe Welsh Government should provide greater clarity on the reasons why and understand what circumstances a holding deposit can be retained, the current drafting is ambiguous and could be misinterpreted.
 - c. **Payments in default** - we believe that tenants should not be charged for matters outside of their control. Any potential default fees should be subject to additional terms regulations if not contained within the model standard occupation contract, this must include a list of permitted fees. Fees should be reasonable and fair.
8. It is essential that the changes to legislation are widely communicated, not only to ensure letting agents and landlords comply, but also to ensure potential tenants are aware of their rights and what to do if they are charged a prohibited payment. Enforcement must also be communicated

clearly and resources, including training, must be made available to ensure the legislation is adhered to.

9. We broadly welcome effective enforcement through the use of Fixed Penalty Notices, however, we are not convinced that the £500 penalty will be a sufficient deterrent for those who do not wish to comply with the legislation.
10. Model standard occupation contracts and additional terms will be an important element in ensuring the intention of this Bill is fulfilled. In order to ensure that prospective tenants have some protection and clarity when entering into an agreement we feel that any terms which allow for default payments are clearly identified in regulations relating to standard and additional terms.

For more further information, contact:

Alun Evans, Senior Campaigns and Advocacy Officer

alun.evans2@citizensadvice.org.uk

or

Jamie Matthews, Senior Policy Officer

jamie.matthews@citizensadvice.org.uk

June 2018

4th Floor, Trafalgar House | 5 Fitzalan Place | Cardiff | CF24 0ED

Tel: 03000 231 011 | Fax: 03000 231060

www.citizensadvice.org.uk