

Don't get crunched

Survival tips from author and landlord Toby Hone >> 04

Annoyed by a void?

With so many tenants out there, why is no one renting your house? >> 14

The green house effect

WHY AN ENERGY PERFORMANCE CERTIFICATE COULD GIVE YOU THE EDGE WHEN IT COMES TO FINDING TENANTS

win

A LUXURY TWO-NIGHT BREAK FOR TWO AT A COUNTRY HOUSE HOTEL
SEE PAGE 16



DON'T HUMILIATE TENANTS ↙

RECENT MEDIA COVERAGE about a letting agent who humiliated tenants who had failed to pay their rent by erecting signs outside their properties has shocked buy-to-let professionals.

The Association of Residential Letting Agents (ARLA) and the National Landlords Association (NLA) have joined forces to condemn the practice, which ridicules and embarrasses tenants.

Ian Potter, Head of Operations for ARLA, said: "This is almost certainly an illegal activity, contravening data protection and planning laws. Apart from that, what do the agent and landlord expect to achieve, and how do they think they will appear to the majority of people in the street? Taking the law into your own hands is dangerous in more ways than one."

David Salusbury, Chairman of the National Landlords Association, added: "There are legal channels available for landlords to gain possession if absolutely necessary. The law is on the side of landlords in this situation but the courts can be slow to deliver, with delays of six months not uncommon. Despite these frustrations, we strongly advise landlords against supporting this kind of behaviour."



PLAN FOR ENFORCED SELF-REGULATION ↙

A WIDE-RANGING REVIEW of the private rented sector by academics at the University of York calls on the Government to do more to grow the business of letting, and to introduce what it calls a 'light touch' licensing regime for landlords.

The Private Rented Sector: Its Contribution and Potential was produced by Dr Julie Rugg and David Rhodes of the university's Centre for Housing Policy. It comes to conclusions on such issues as retaliatory eviction, poor property condition, institutional investment in renting and the use of the sector to meet responsibilities to house homeless people.

Dr Rugg said: "We want to see a new culture of renting, where the landlords view themselves very clearly as hands-on business people, not hands-off investors."

She added that the notion that anyone can let property contributed to poor levels of professionalism in parts of the private rented sector and that people should think much more seriously about being a landlord.

"It's reasonable to ask landlords who let property to apply for a licence. But it will be very easy to get one. Nevertheless, landlords who break the law will find themselves losing their licence, and banned from letting property."

The review calls for a policy to help responsible, part-time landlords increase their portfolios. It also says that the expansion of larger portfolios would, in time, lead to the development of some of sufficient size to attract institutional investment.

The launch of the review was attended by the Under Secretary for Communities and Local Government, Ian Wright MP.



£4BN OUTSIDE DEPOSIT SCHEMES ↙

THOUSANDS OF LANDLORDS have not yet joined a tenancy deposit protection scheme and £4 billion of renters' money is currently not protected under the Government initiative, according to new research.

The study was carried out for insurance company LV= by YouGov, which quizzed 1,193 tenants during July 2008. It found that 29% of renters who had moved in the previous 12 months were not part of a tenancy deposit protection scheme despite it being a legal requirement for landlords to ensure that deposits are held in one.



EXORCIZING GHOST TOWNS ↙

A NEW REPORT that identifies ways that councils could manage high concentrations of Houses in Multiple Occupation (HMOs) has been published by Housing and Planning Minister Caroline Flint.

'Studentification' of university towns has become a concern, particularly during the summer months when neighbourhoods sometimes become 'ghost towns'.

Students at Queen's University in Belfast, for example, typically live within a mile of the campus and make up more than half of all households in the area.

The report, *Evidence Gathering: Housing in Multiple Occupation and Possible Planning Responses*, sets out possible measures such as changes to the Use Class Order planning rules to give local authorities more control. Other proposals include controlling the distribution of HMOs by setting up 'areas of restraint' and more purpose-built accommodation.

Ms Flint said: "It is not acceptable that current rental practices allow unplanned student enclaves to evolve to such an extent that local communities are left living in ghost towns following the summer exodus."



SOAP CLEANS UP ↙

TV SOAP HOLLYOAKS became the unlikely recipient of a Corgi Award for its contribution to gas safety after one of its storylines helped to highlight the dangers of failing to get boilers properly serviced in rented accommodation.

The episode saw students poisoned by carbon monoxide after housemate Emma decided to save money by getting a handyman to repair the boiler even though he said he didn't know how to do it.

A party turns to tragedy as the students ignore the alarm and pass out as carbon monoxide fills the property.

Kent Riley (right), who plays Zak in the hit show, is heading a campaign to promote safety in student homes.

To find out more about carbon monoxide in the home, visit www.carbonmonoxidekills.com



Welcome

There's no doubt that the seismic shifts in our economy and the fundamental changes to the way financial services work globally have had an impact on all of us. We will be writing to you individually about our move to public ownership and how it affects you. If you have any immediate concerns, visit www.mortgage-express.co.uk, where you will find answers to most of your questions.

I'd like to take this opportunity to reassure you that, while we aren't offering any further mortgages, we are committed to providing you with the best possible support during these challenging times. We're also working on a number of initiatives to help you manage your properties efficiently.

Part of our commitment involves keeping you up to date with what's happening in the market and giving you relevant information that you can put to practical use. That's why you'll find that this issue of *B2L* has a clear focus on providing you with the tools you'll need to make the most of your property investments at a time when we're all feeling the effects of the credit crunch.

For some, the effects have been more profound than others – as landlords, many of you will be only too well aware of the

increases in tenant demand, while others may be struggling to let their properties. So we've taken a look at void periods and how to prevent them. We also have some top tips on handling your finances during tough times, as well as expert advice on tax strategies, how to manage tenants who can't pay the rent and how the new local housing allowance rules might affect you. We've also explored how Energy Performance Certificates might help you attract tenants.

I hope that this issue of *B2L* gives you what you need to meet your own challenges head on, but please remember to get in touch with us if you experience any kind of difficulty – whether it's with payments, managing your properties or making decisions about the future of your portfolio. We have a team of experts ready to work with you – you'll find their contact details at the back of the magazine.

Finally, I'd like to wish you a restful and restorative festive season, and let's hope the base rate reduction at the beginning of November will mark the beginning of a return to easier times.

JEREMY LAW
HEAD OF BUY-TO-LET
MORTGAGE EXPRESS

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The views expressed in this magazine are those of independent people unless stated otherwise. Mortgage Express will not accept liability for reliance upon these views. You should always take independent advice on any matter before proceeding.

YOUR PROPERTY MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE.

B2L experts



David Salusbury is chairman of the National Landlords Association (NLA), which represents its members to the Government, local authorities and the media.



Liz Hodgkinson The author of many property books, including *The Complete Guide to Investing in Property*, she is a regular contributor to *The Times* and the *Evening Standard*.



Clare Gascoigne A former *FT* writer specialising in personal finance and family business issues, Clare has written for *Moneywise* and *Bloomberg Money*.



Francis Shennan is a landlord and former *Sunday Times* Scottish Business Editor. He is now a freelance journalist and has won numerous awards for his writing.



Frances Hedges is a writer who has first-hand experience of the Oxford rental market after graduating from Oxford University this year.

Don't get crunched

LANDLORD AND PROPERTY AUTHOR TOBY HONE TELLS
ANDREW STRANGE HOW BUY-TO-LET INVESTORS CAN CUT
COSTS, BOOST EARNINGS AND BEAT THE CREDIT CRUNCH

*“If there’s a market for
Houses in Multiple
Occupation (HMOs) in
your area, you could
easily double your rent”*

TOP
TIPS



Andrew Strange

“Make sure you understand letting agent charges as Toby says some could cost you as much as 32% of your rent.”

TOBY HONE WAS A LANDLORD with a portfolio of 18 properties in South Africa before the struggling economy and the high crime rate persuaded him to sell up and move to the UK.

Toby now has 30 properties spread across the East Midlands and, like all landlords, he faces new challenges from the global downturn. However, with a degree in economics and a keen understanding of the situation, he decided to put ideas on paper that could help landlords continue to be successful, rather than focusing on the negatives.

His new book, *How to Beat the Credit Crunch: A Survival Guide for Property Investors and Landlords*, provides expert insight and practical advice to help landlords cope with the turbulent economy. Here, he provides some tips from his book.

Maximising rents

You need to maximise your rents and one of the ways to do this is to check what other landlords are charging in your area, he explains. If you are charging less, you should look to increase the rent.

“When dealing with tenants and rent increases, you shouldn’t simply send a letter saying you’re going to put the rent up. You should talk to the tenant and explain your reasons to them and, in most cases, they will be more receptive,” says Toby.

He adds: “If there’s a market for Houses in Multiple Occupation (HMOs) in your area, you could easily double your rent. It’s a bit more work but could be well worth it.”

Bigger deposits

Landlords can’t afford to be out of pocket because of breakages so it’s important to make sure that you ask for appropriate deposits.

Toby says: “If you have the option of letting privately for £500, or of letting to Local Housing Allowance claimants and getting £550 and two months’ rent as a deposit instead of one, it’s worth considering.”

In his book, he outlines key measures to take when dealing with such tenants. He says it’s important to make sure that you have an accurate inventory. And any deposits must now be kept in one of the three Government-approved schemes.

Reduce operating costs

If you are using a letting agent, you could be giving away as much as 32% of your rent, according to Toby.

“Besides the standard 10% management fee, there are other hidden costs to consider, such as drawing up a tenancy agreement: many will charge between £50 and £150. There is also the hidden cost of voids. In a year your property may be void for one month but, by marketing it yourself, you will be more motivated to find a new tenant than an agent.”

*“You should talk to the
tenant and explain your
reasons to them”*

Toby’s book also includes 18 tips to reduce operating costs and highlights how to find your own tenants quickly and economically.

What about mortgages?

As fixed rate deals expire, some landlords could see mortgage repayments rise by as much as 30%, says Toby. “The US sub-prime problems have effectively strangled funding around the world, hence, lending rates have gone up even though interest rates have come down.

“If you prefer to have a steady cost, you might be better off with a fixed rate mortgage; however, if lenders do start dropping rates you will lose out. On the other hand, if rates go up, you will have limited your exposure. Ultimately each landlord should do what is best for their situation.”

Making extra money

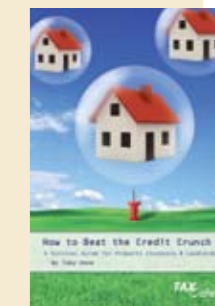
In turbulent economic times it is essential to keep as much money coming in as possible, which could mean finding new ways to earn an income. For example, Toby purchased a terraced house for £75,000 that had been converted into two flats, which were on the same freehold. He renovated them and put them on individual leases. In doing so, he increased their value to £130,000.

He adds: “There are more development opportunities around as stock projects are offloaded and, if you are able to identify them, they can be a gold mine. Also, in the current climate there are people who need to realise equity and are prepared to sell well below market value in order to attract a buyer.”

READER OFFER

Toby Hone’s book *How to Beat the Credit Crunch* provides plenty of useful tips to help landlords manage their properties successfully in the current difficult economy.

The book retails at £24.95 (plus £1.95 for postage and packing) but Mortgage Express customers can get a discount of 20% and a free *How to Save Tax Guide*, assured shorthold tenancy, inventory and other documents. You can get your copy for just £19.95 (plus £1.95 for P&P) by visiting www.the-home-place.co.uk/mortgageexpress.php



DAVID SALUSBURY, CHAIRMAN OF THE NATIONAL LANDLORDS ASSOCIATION (NLA), PROVIDES ADVICE FOR A DIFFICULT ECONOMY AND EXPLAINS HOW THE NLA HELPS ITS MEMBERS

readers' Q&As

Q What new issues are landlords facing in the current climate?

The turmoil in housing generally at the moment can leave landlords unsure of their market, which may be changing more frequently than usual. However, this does not necessarily mean a problem for landlords, who may benefit from the problems facing the owner-occupied sector and lack of social housing. It is important that landlords keep up to date with their obligations in order to make their properties attractive to tenants. Landlords with properties in England and Wales now have to provide an Energy Performance Certificate (EPC) when they start a new tenancy and tenancy deposit protection rules have been in place for 18 months.

Q What steps should I be taking?

The most damaging thing for a landlord in any market is void periods. It is important that landlords keep tenants in their properties, so taking care to vet tenants before they move in, and building good relationships once the tenancy is underway, is key.

In the current financial climate landlords should also make sure their mortgage is working for them. This could mean switching to a new deal or talking to their lender if they are getting into difficulties.

There is no substitute for decent advice and joining a landlord association gives you access to plenty of information. One of the NLA's most popular services is our advice line, which is operated 9-5, Monday to Friday, by a dedicated team of experienced landlords.

Q What is the NLA?

The NLA is the leading independent national organisation for private residential landlords. It exists to protect and promote the interests of landlords.

With almost 20,000 individual landlords from around the United Kingdom and more than 90 local authority associates, it seeks a fair legislative and regulatory environment for the private-rented sector while aiming to ensure that landlords are aware of their statutory rights and responsibilities towards their tenants.

Q I've been told not to panic. Why not?

Despite what some people might think, the truth is that, overall, the UK's landlords are not facing a crisis. Indeed, professional landlords, who have bought in the right location, will be benefiting from increased rental demand.

There is no doubt that the credit crunch is forcing all of us to keep a close eye on our finances and this kind of market is not for the faint-hearted or the speculative investor. However, landlords who manage their properties professionally and are looking to the long term could actually benefit in the current climate.

Q How is the NLA supporting landlords?

The NLA supports members through its advice line, online reference source, the NLA Landlord Library and other resources such as the Landlord Development Manual and short courses. We put NLA members in touch with services offered by recognised suppliers that help them to manage their tenancies effectively. We also offer some services to members and non-members, such as deals on Energy Performance Certificates, tenant reference checks and access to a mortgage search facility for landlords who are looking to refinance their portfolios. On a wider scale, the NLA seeks to safeguard landlords' legitimate interests by making their collective voice heard by local and central government and the media.

info

For further information about the NLA, email info@landlords.org.uk or visit www.landlords.org.uk Alternatively, please call **020 7840 8900**

TOP TIPS



David Salusbury

"Landlords with properties in England and Wales must now provide an Energy Performance Certificate."

Green house effect

ANDREW STRANGE FINDS THAT THE NEW ENERGY PERFORMANCE CERTIFICATE COULD HELP LANDLORDS ATTRACT TENANTS

SINCE 1 OCTOBER landlords have been required to produce an Energy Performance Certificate (EPC) for all new tenancies. Valid for 10 years, the EPC provides landlords and tenants with information about the energy efficiency and carbon emissions from a property.

With household bills rising, energy efficiency measures could reduce costs by as much as £300 a year for tenants who are feeling the pinch in the difficult economy. An EPC, which provides information in an easy-to-understand A-G rating similar to that on fridges, could be a useful tool for attracting new tenants.

Communities Minister Ian Wright says: "The certificate provides clear information on a building's energy efficiency and recommends cost-effective improvements. The EPC should be welcomed by tenants who are looking for better value and more energy-efficient rental properties, as well as landlords who are, more than ever, keen to attract responsible and committed tenants."

The case for the EPC was borne out by a recent YouGov survey, which found that, after location, household bills were the

most important factor in choosing a property to rent, with 22% of those questioned saying that these costs had an 'extreme effect' on their decision-making.

While such things as noisy neighbours and permission to paint on walls continue to feature highly in rental decisions, it is financial concerns that top the chart of questions to ask landlords. More than 35% ranked council tax in their top three factors to ask landlords and 34% ranked household bills in their top three.

Ian Potter, Head of Operations at the Association of Residential Letting Agents, says: "Landlords should get their EPCs sorted out as quickly as possible so they are ahead of the game when it comes to re-letting. Every landlord hates voids and needs to be in a position to react quickly when an existing tenancy ends. Equally, tenants may be interested in energy efficiency – some for green motivations but more as an indication of their fuel bills."

EPCs can only be produced by an accredited assessor. If you get a Home Information Pack, the cost of the EPC is included but if you get one separately, the cost for an average house is about £100.

TOP SIX THINGS THAT TENANTS WILL ASK

The subjects that renters felt were most important to ask landlords about (per cent denotes the number of renters who featured this factor in their top three questions for landlords).

- Council tax (35%)
- Household bills (34%)
- Gas certificates and fire/smoke alarm (24%)
- Permission to repaint or put things on the walls (23%)
- How the appliances work (17%)
- Whether the neighbours are friendly (15%)

info

Mortgage Express has teamed up with Connells Survey & Valuation Ltd, one of the largest residential surveying companies in the UK, to provide EPCs, using Connells' own qualified Chartered Surveyors and EPC providers. You can apply online (go to www.mortgage-express.co.uk for more details and costs) or by calling Connells on **0844 257 8680**.

Refer to page 16 for call charges



Oxford Blues

JOURNALIST AND OXFORD GRADUATE FRANCES HEDGES TAKES A LOOK AT PLANS TO EXTEND HMO LICENSING TO SMALLER PROPERTIES IN THE CITY OF DREAMING SPIRES

HOME TO ARCHITECTURAL landmarks such as the Bodleian Library and the Sheldonian Theatre, not to mention 38 colleges, Oxford is also a city of 20,000 students and a large population of migrant workers. It is fertile ground for landlords – but a proposed extension of Houses in Multiple Occupation (HMO) licensing has concerned some property investors.

According to the Housing Act 2004, an HMO is a house of three or more storeys occupied by five or more people. Mandatory licensing of HMOs came into force in April 2006, requiring landlords of such properties to apply and pay for a licence, granted by local authorities and accompanied by a property inspection. The idea is to stop rogue landlords from letting sub-standard accommodation.

Yet Oxford City Council claims that the 2004 regulations are inadequate. In a city that has twice the national average of privately rented property, the existing regulations simply don't cover enough of the housing stock. In April 2008, the council became one of the first in England to apply for an additional licensing scheme covering smaller properties.

The rationale behind the application is clear. As Councillor Patrick Murray, Executive Member for Housing at the time the proposal was put through, explains: "Oxford has a very specific problem – the failure of the housing market to regulate itself." High house prices and a large population create high demand, resulting in what

Patrick describes as "a landlord's market". Students are obliged to take whatever they can get – sometimes paying above the odds for substandard accommodation. According to research, 61% of HMOs are below standard in terms of fire precaution and 29% are inadequately managed.

The extension of licensing to more properties, Patrick argues, is about stopping unscrupulous landlords from getting the better of students who barely know what their rights are, let alone try to enforce them. The 1,000 complaints about poor standards of accommodation

"It shouldn't just be a rubber-stamping exercise"

received by the council in 2007 are, he says, "only the tip of the iceberg".

Unsurprisingly, the response from landlords hasn't been overwhelmingly positive. Elizabeth Brogan, Senior Policy Officer for the National Landlords Association, fears that the proposal is really a "money-grabbing scheme" that will result in responsible landlords "bearing the burden of the costs". Meanwhile, she believes, "the irresponsible ones will continue to get away with overcrowding their houses, maximising their income and failing to comply with safety standards".

TOP TIPS



Frances Hedges

"If you are letting a property of three or more storeys to five or more tenants, you must have an HMO licence."



Main: The Radcliffe Camera in Oxford. Above: Students cycling in the city. Above right: Studying at Oxford

SUPPORTING YOUR PROPERTY PORTFOLIO

Managing a property portfolio is no mean feat – but help is at hand with Landlord Services from Mortgage Express. We offer a wide range of services designed to relieve the burden of owning rental properties, including a fully managed sales service, access to a network of conveyancing solicitors and carefully selected surveyors, and assistance with finding tenants for your properties. We'll also help you to furnish and maintain your properties, offering you the best local contractors at competitive prices.

info

If you don't have time to manage your property, Mortgage Express can help with its Landlord Services initiative. For information, call **0845 850 0919**

Refer to page 16 for call charges



Images (left and right): Alamy

A major bone of contention is the fact that only half the HMOs in Oxford that fall under the mandatory licensing scheme have been licensed so far. Why should additional regulations be introduced, landlords are asking, when the current ones haven't been fully enforced?

Patrick is quick to defend the work of the council. He points out that the mandatory licensing scheme has resulted in improvements to 70% of licensed properties, demonstrating the tangible benefits of housing inspections. He adds that there have been cases of landlords being prosecuted for failing to apply for licences: in June 2008, for instance, one man was fined £11,500 for breaches of HMO regulations and for failing to respond to an Improvement Notice.

It's all very well catching up with rogue landlords, but this doesn't change the fact that even reputable landlords will feel the pinch of the new licence fee. Although £750 every five years might not seem a high price to pay for guaranteeing the quality of accommodation, Elizabeth fears that tenants will be the first to suffer. "With the credit crunch, landlords are facing increasing expenses – their only option may be to put their rents up, so students will end up paying more."

Will Oxford's application for additional licensing set a precedent for other cities? Elizabeth and Patrick agree that schemes should only be implemented with due consideration for the specific needs of the area and with adequate evidence that current regulations are insufficient. "It shouldn't just be a rubber-stamping exercise," says Elizabeth firmly – and it remains to be seen whether Oxford's proposal will get the rubber stamp of approval later this year.

Enjoying the benefits

TOP
TIPS



Liz Hodgkinson

"If your LHA tenant is renting a room at less than the rent level set by the council, they can keep up to £15 a week."

DON'T LET YOUR TENANTS MISS OUT

Here are some of the key facts that landlords need to know about the Local Housing Allowance and what else tenants may be able to claim under the scheme.

- The £15 excess mentioned in this article, if applicable, is not taken into account when calculating benefits.
- LHA is means-tested and payment is made straight to the bank.
- Tenants may also be able to get help with council tax, furniture, clothes and travel.
- Some can also claim a Warm Front grant to help with heating and insulation and a Christmas bonus of £10.
- The LHA does not cover water rates, meals, hot water or heating.

WHEN THE LOCAL HOUSING ALLOWANCE (LHA) scheme was rolled out nationally in April 2008 as part of an overhaul of Housing Benefit, many landlords were worried. The main fear was that they would never get their rent, as LHA was to be paid to the tenant, instead of directly to the landlord.

The idea was to give low-income and unemployed tenants control of their affairs and so increase their self-respect.

But this was not the only change. Rents for tenants on benefits would no longer be set by landlords, but local authorities would decide how much to pay, based on Broad Rental Market Areas.

Firm but fair

In return for handling their own rental payments, accommodation rules became more strict. A single person or cohabiting couple would be allocated a one-bedroom flat, while a family with two children may be permitted either a two- or three-bedroom property depending on the ages and genders of the children.

Since April, frequent inspections have been made to ensure these rules are being followed, and speedy eviction will follow any contravention. The LHA is means-tested although if a tenant secures a property at less rent than the set LHA, they are allowed to keep up to £15 a week for themselves.

Private landlords do not have to rent to LHA tenants, of course, but in areas of high unemployment it may be virtually the only tenant pool that exists.

So far, so good

A number of local authorities have been piloting the scheme since 2004, so how is it all now working out in practice?

Benefits manager Mo Lawless of Brighton and Hove Council is extremely enthusiastic, saying it is all going very well. She says: "We were one of the authorities pioneering the scheme and

"The main fear was that tenants would keep the rents"

we held many meetings with landlords who naturally had many concerns.

"The main fear was that tenants would keep the rents for themselves once they were paid directly. But this simply hasn't happened as, if the rent is not paid, the tenant is evicted and would have a problem finding other accommodation.

"Where tenants are considered vulnerable, and suffering from mental or physical problems, rents are still paid directly to the landlord. We accept that you can't just give tenants money when they have never handled money before and may be incapable of budgeting. Otherwise, the LHA is paid into the tenant's account two weeks in arrears, and rents can only go straight to the landlord after eight weeks of non-payment. Under the previous scheme, rents were paid four weeks in arrears directly to the landlord."

So, if a tenant defaults, can the landlord ever recover this lost money?

"Yes, definitely," Mo says. "We have the capacity to clear the arrears, but we advise landlords not to wait for eight weeks. If the rent is not being paid as agreed, we suspend the benefit while we investigate the case." Deposits are taken

and protected under the Tenancy Deposit Scheme and LHA tenants have to come up with a deposit before being allowed into a property.

Landlord concerns

But not all landlords are satisfied. Bernie Lewis, who lets to a number of LHA tenants in North Staffordshire, says: "The aim was to increase the personal responsibility of unemployed tenants to help them develop skills as they moved into employment. But in many areas, there are just no jobs for them.

"And we have found that many LHA tenants do not have the right kind of bank account, which means they cannot pay by direct debit. This means they have to find cash points and pay the landlord by cash. Many of these tenants are now begging their landlords to take the money

direct from the local authority yet this is not allowed. The latest survey found that 84% of LHA tenants were paying rent properly, but 16% were not, and the result is that landlords are less likely to let to benefit tenants than before."

Bernie is also concerned that communities could be damaged by the new LHA. "As the allowance is based on personal entitlement, tenants have to move as household size changes. For instance, a family that has lived happily in a three-bedroom house for, say, 15 years would have to move to a one-bedroom property once the children have grown up and left.

"Landlords then either accept a greatly reduced rent or turn the tenant out. And the £15 excess they are allowed to keep is encouraging LHA tenants to seek substandard properties."



Don't pay the price

TOP TIPS



Andrew Strange

"If a tenant will not pay the rent and no agreement can be reached, the next step is to serve a Section 8 notice."

ANDREW STRANGE FINDS OUT WHAT LANDLORDS SHOULD DO IF TENANTS ARE UNABLE TO PAY THE RENT IN A TOUGH ECONOMY

UNEMPLOYMENT is likely to rise in the current economy and some tenants could find themselves struggling to pay their rent. Landlords need to know how to handle such situations, both to help the tenant and ensure they can cover their mortgages.

John Coyne is a landlord with 44 London properties and an advisor on the National Landlords Association's advice line. In 10 years of letting he has only evicted one tenant for non-payment but believes the situation is changing, with decent, well-meaning people sometimes finding themselves unable to find the rent.

He says: "My view is that it is always better to reason and negotiate with tenants. If they are genuinely struggling and can't pay, you may be able to come up with an agreement where they pay, say, 80% of the rent. After all, 80% is better than no rent at all."

However, if no agreement can be reached and the tenant refuses to leave the property, you can serve a Section 8 notice when two months' rent is lawfully due and unpaid, according to the contract. This gives them 14 days to pay up, vacate or address the situation.

If they don't, the landlord can then issue legal proceedings at the County Court.

To do this, an N5 Claim Form and an N119 Particulars Claim Form must be completed and handed in to the County Court closest to the property with a fee of £150 (at the time of writing). The fee can be recovered from the tenant.

It is then usually between six and eight weeks before a possession hearing is held. If the rent is still outstanding, the court can give the tenant up to 42 days to leave the property but often gives them just 28 days. The second part of the court order awards the rent to the landlord.

If the tenant refuses to leave, and is still there after the date set by the court passes, the landlord can then get a Bailiff Order and the bailiffs will enforce the court's decision.

John says: "There is a bit of a myth that, once the court has said the landlord is owed the rent, they will get it. But once the court has said the money is owed, it has done its job and its up to the landlord to pursue it."

If the tenant is employed by a limited company, one way of doing this is to

apply for an Attachment of Earnings Order, which forces the company to pay the landlord straight from the tenant's salary. If you know that the tenant has money in their bank account, a Third Party Charging Order is another possibility. This ensures that the bank takes the money from the tenant's account and pays it to the landlord.

But John says: "If the tenant can't pay the rent, you can get all the court orders you want — they still won't have any money."

info

If you think you might get into payment difficulties, contact our Customer Care Centre straight away on **0870 850 7536** and we'll do what we can to help.

Refer to page 16 for call charges

"My view is that it is always better to reason and negotiate with tenants"



TAX high five

IN A DIFFICULT MARKET it's important to make sure that you're not paying too much tax and that you are claiming everything to which you are entitled. Here Clare Gascoigne looks at five possibilities to consider.

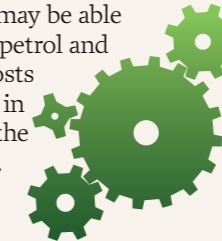


Spend some money on energy efficiency

If you have any spare cash, consider spending it on proper insulation, whether in the loft, cavity walls, windows or lagging the boiler. Landlords can deduct up to £1,500 income tax relief if they insulate a rental property — and can bask in the warm glow that comes from having the highest rated Energy Performance Certificate, now a document that must be made available to tenants. It may not raise the rent, but a properly insulated property with low heating bills may well be more attractive and so help you avoid those dreaded void periods.

Check you are claiming as much income tax relief as possible.

Expenses such as letting agents' fees, insurance and maintenance costs can all be offset against rental income and therefore reduce your income tax. Remember to claim wear and tear on furnishings — 10% of annual rental income is the usual charge. Make sure you are clear what you can and can't claim; improvements such as a new bathroom cannot be claimed, but you may be able to claim petrol and motor costs incurred in visiting the property.



Cash in on the stamp duty holiday

If you're looking to adjust your property portfolio, remember the government has abolished stamp duty on properties worth up to £175,000. With properties now cheaper than before, it could be worth looking at the starter homes market. But the

stamp duty holiday is only for the next year, so make sure you get your timing right.

STAMP DUTY

Consider setting up as a limited company

This doesn't work for everyone, but if you have a significant rental income it can cut your tax bill. A limited company (which need have only one shareholder — you) will pay corporation tax at 21% on profits up to £300,000, instead of the 40% charged to the higher rate taxpayer. To take an income, the company pays you a dividend, which is then taxed as income; however, you can defer income by reducing the dividend.



Write your life cover in trust

Of course, you've taken out life cover on the mortgage for your buy-to-let — but have you written the policy in trust? If not, you could be leaving a nasty headache for your family after your death, as the policy proceeds will be counted as part of your estate and so could be liable for 40% inheritance tax. When a policy is written in trust (using standard documentation that is available through your broker), the money is paid directly to your beneficiaries.



TOP TIPS



Clare Gascoigne

"Remember that you can claim wear and tear on furnishings — 10% of your annual rental income is the usual charge."



Francis Shennan

"Research the local market and make sure you are pitching the rent at the right level."

Annoyed by a void?

LANDLORD AND FORMER *SUNDAY TIMES* SCOTTISH BUSINESS EDITOR FRANCIS SHENNAN EXPLAINS WHAT TO DO IF YOU ARE STRUGGLING TO FIND TENANTS



THE SECOND HALF of this year began with a boom, where new tenancies increased by a fifth and rental returns rose. By August, demand was no longer outstripping supply, as flats and houses that would not sell came on to the rental market.

Void periods remain short at less than a month in most cases, however, and almost all letting within six weeks. Tenants are also staying longer. This suggests that, if you have a void, you are doing something wrong.

"It's all about getting it right in the first place," says Iain Sinclair, in charge of letting at Moving estate agents in Glasgow. "You want to buy where you are going to get capital growth and fairly consistent rental: not a holiday cottage in North Uist but a two-bedroom flat in the West End of Glasgow, where you will not have any voids."

Start marketing early

Even when you have your property, you can plan ahead. At the other end of the country, June Inglis, Marketing Manager at Finders Keepers in Oxford, says: "Have it marketed before the tenants move out. If the property needs to be upgraded, arrange it so that you can tell an applicant."

Your Assured Shorthold Tenancy agreement, or Short Assured Tenancy in Scotland, should require the tenants to allow the landlord in the last two months of the tenancy to enter and view the premises with prospective tenants.

They should also allow entry to the landlord at 48 hours' notice, with or without workmen, to view the property and carry out any repairs or alterations.

Research the local market to ensure you are pitching the rent at the right level. Erring slightly below market rent could earn more in the long run if it reduces voids. An extra month's income at £500 per month would compensate for four years of being £10 a month under value. Check out agents' websites and local newspapers for comparable properties.

Agents offer the option of simple

tenant-finding, which should include vetting and credit checks, or a full management service. This can cost from 8% with smaller agents to 14% if you include insurance against loss of rent. Check out agents as much as you would tenants to find out how well they work.

Furnishings may increase the rent but may not cover the cost of furniture.

"Have it marketed before the tenant moves out"

Families are likely to want unfurnished properties and many young professionals have acquired furniture they want to keep. Tenants with their own furniture may treat the property with more respect.

Decide which tenants your property will appeal to – corporate tenants, young professionals, families, students, etc – and fit your presentation to them. In all cases, though, rooms should be light and bright, with neutral colours.

One of my own flats, currently going back on to the market, is finished in warm, pale grey, which most valuers found a relief from the ubiquitous magnolia. Floors can have warmer colours and should have hard-wearing surfaces, such as stripped floorboards or decent laminates.

Fittings and furniture should be contemporary and unfussy, and the place thoroughly cleaned. Finish any DIY jobs, remove clutter, clean, air and freshen the property. Freshen bathrooms with new taps and cleaned grouting and kitchens with new doors on the cupboards.

Going digital

Digital photography makes it easier to get good pictures for your advert, especially online. The important views are the exterior front, kitchen, living room, bathroom, main bedroom and garden if there is one, as well as any distinguishing features. My flat, for example, looks on

to the best views in the street, a small crescent with mature trees.

Your ad should summarise the property's details and, depending on space online, each room with their dimensions. Tenants now turn to the internet first and more than three quarters of agents and landlords use it to advertise.

Check out tenants

When you select tenants, check them out thoroughly with credit and employment checks, and choose those likely to stay longest. "Have a relationship with your tenants," says Sinclair. "Don't just find and forget them. Vet them in a number of ways. Why are they there? If they are student nurses, how long is their course?"

"If you can get a commitment for four years, you might want to pull the rent back a bit but build in an increment annually. You'll be better off and the tenants also get a good deal."

SEVEN TIPS TO HELP YOU AVOID A VOID

- Plan ahead and market your property before tenants move out.
- If necessary, upgrade it and carry out any repairs or alterations as soon as possible.
- Research the local market to pitch the rent at the right level.
- Decide on furnished or unfurnished lets based on local demand.
- Pitch the presentation to your target tenants.
- Keep decoration bright but neutral, contemporary and unfussy.
- Vet prospective tenants with credit and employment checks.

info

If you don't have time to manage your property, Mortgage Express can help with its Landlord Services initiative. For information, call

0845 850 0919

Refer to page 16 for call charges



a luxury Hand PICKED HOTELS hotel break



We have teamed up with the Hand Picked Hotels Collection to offer you the chance to win one of two luxury two-night breaks for two, worth £500 each, at any one of their 17 beautiful and historic country house hotels in the UK and Jersey.

Our winners and their guests will enjoy luxurious Executive Room accommodation, full traditional breakfast, a three-course gourmet dinner each evening in an award-winning restaurant

and a bottle of champagne on arrival.

Hand Picked Hotels are renowned for superb food, fine wines and excellent service in stylish surroundings, with locations ranging from Edinburgh and Hampshire to Snowdonia and Sussex.

For a chance to win one of these great prizes*, tell us what the acronym LHA stands for and answer the tie-break question on the reply letter with this magazine. Then return it to us at the address on the back by 30 January.

Reader offer

Save up to 25% on a relaxing stay at any Hand Picked Hotel, paying from just £100** per room per night including full traditional breakfast and a bottle of red or white wine in the room on arrival.

The Collection includes seven delightful spa properties, where guests enjoy complimentary use of the finest leisure facilities and can be pampered with relaxing and revitalising treatments designed to leave you feeling truly invigorated in mind as well as body.

For details on Hand Picked Hotels and to book this offer online visit: www.handpicked.co.uk/mortgageexpress and use the promotion code PGB2LB, or call 0845 458 0905, quoting the same code.

*Prize valid until 30 June 2009, subject to availability.

**Offer (based on two sharing a twin/double room) valid until 30 June 2009, subject to availability of allocated rooms and pre-payment, terms and conditions. Spa treatment charges apply. Savings are off the fully flexible rate. Saturdays must be part of a two-night stay.

Mortgage Express B2L Magazine (Winter 2008) Terms & Conditions

PROMOTER: The promoter of the Competition is Mortgage Express whose registered office is PO Box 88, Croft Road, Crossflatts, Bingley, West Yorkshire BD16 2UA. Registered in England No 2405490. ACCEPTANCE: Entering the Competition means you accept these Terms & Conditions in full without limitation. ENTRY CONDITIONS: This Competition is open to UK residents 18 and over who have a buy-to-let property with Mortgage Express, except employees of Bradford & Bingley plc, and its group companies. Relatives of employees, local agents, advertising agencies and any other persons are not eligible to enter this Competition and any entries by such persons will be disqualified. ENTRY CRITERIA: To enter the Competition entrants must complete the competition entry form and return in the envelope provided. One entry per person. ENTRY DEADLINES: The closing date for receipt of entries is 30 January 2009. No entries will be accepted after this closing date. No responsibility is accepted by Mortgage Express for any lost, incomplete, damaged or delayed entries, any entries which do not comply with these Terms & Conditions or any entries which Mortgage Express deems invalid in its sole discretion. WINNER: There are two winners. The winners will be determined by an independent judge from all entries received who correctly answer the competition question and submits the best tie-breaker, to be appointed by Mortgage Express. The independent judge's decision will be final and binding. No correspondence will be entered into. The winner may be required for promotional purposes. The winner will be chosen on 2 February 2009 and notified on or around 6 February 2009. Details of the winner will be available from this date by writing to Marketing H51 at the address above. PRIZE: The prizes are two two-night breaks for two with Hand Picked Hotels. No cash alternative. We reserve the right to replace the prize in the event of non availability to the same or similar value. Notwithstanding that the winner has been declared, if Mortgage Express discovers before the prize is taken that for any reason under these Terms & Conditions the winner was not eligible to enter the Competition or if the entry should have been declared invalid, Mortgage Express reserves the right to disqualify the winner and choose a new winner in accordance with these Terms & Conditions. Mortgage Express reserves the right to withdraw the Competition for whatever reason at any time in its sole discretion, or vary or amend these Terms & Conditions. All queries regarding these Terms & Conditions should be directed to the above address.

MORTGAGE EXPRESS CONTACTS

Landlord Services

0845 850 0919

Mon to Fri 8.30 am - 9.30 pm, Sat 9am - 5pm, Sun 10am - 5pm

Portfolio Relationship Team

0800 59 11 93

Mon to Fri 9.00am - 5.30 pm

Payment difficulties

0870 850 7536

Mon to Fri 8.30am - 6.00pm

General enquiries

08457 248 248

Mon to Fri 8.30am - 6.00pm

Calls may be monitored or recorded.

0870, 0845 and 0844 numbers are charged at a higher rate than local and national calls and will vary between different providers. Check with your provider.

COMPETITION

To enter our competition to win a luxury Hand Picked Hotel break, fill in your details, answer the question below and send your entry to the free postal address on the back by Friday 30 January 2009.

Customer name _____ Account number _____

Address _____

Postcode _____ Telephone number _____

What does the acronym LHA stand for? _____

I would like to win this prize because (in no more than 12 words) _____

FURTHER INFORMATION

To help us produce a magazine that covers the areas that interest you and to allow us to contact you with timely and appropriate information, answer the following questions.

1. Do you use a letting agent? Yes No
If yes, how satisfied are you with the service you receive? _____

2. What proportion of rents are taken up by agents' fees?
Below 7.5% 8% to 10% 10%+

3. What proportion of your rents are needed to pay your mortgage payments?
Below 80% 80% to 100% 100%+

4. Do you have a question for our experts in the next edition?

5. Do you have any suggestions for beating the credit crunch that B2L hasn't already covered?

6. Are there any additional services you'd like to see added to our Landlord Services package?

7. Would you be happy for B2L to carry carefully selected advertising offering you appropriate, value-added services?

8. Do you have a story about your experiences as a landlord? Please provide some details.

B2L Winter 2008



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