



Letting in the Light

How local residential letting agents in the Borough of Maidstone inform prospective tenants about their fees and charges

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1. Background

Citizens Advice Maidstone is participating in the national Citizens Advice campaign, Settled and Safe: A Renter's Right which aims to improve practices in the private rented sector. Following discussions with Kent Trading Standards, Citizens Advice Maidstone decided to focus on the practice of local residential letting agents in respect of their fees and charges.

Since November 2013, the Advertising Standards Authority (ASA) has required that all letting agents in England, Wales and Northern Ireland provide information up front on what fees they charge in their ads (including their own websites). The ASA ruling means that letting agents should prominently include information about non-optional fees in their ads for rental properties. So, when an agent charges a non-optional fee that does not change according to circumstances, for example a fixed admin fee of £150 per tenant, ads should state "£1,500 PCM + £150 admin fee" or similar. It is now illegal for a letting agent, if in so doing they are likely to cause the average consumer to make a different transactional decision, to give misleading information to consumers, for example through false or deceptive statements and/or to fail to give necessary information to consumers by omitting or hiding important information, for example failing to present clearly and upfront, fees that the tenant may have to pay.

2. What we did

The Bureau sourced (from Kent Libraries) a list of 24 residential letting agents operating in the Borough of Maidstone. A team of researchers analysed information regarding fees and charges on all the letting agents' websites and checked how easy it was to find information about fees and charges on the website. They were able to establish costs across local agents, in so far as they could locate them. They also checked information given regarding membership of a redress scheme (a legal requirement since October 2014), and any claimed membership of other relevant Trade Associations.

This was followed up by a mystery shopping exercise of all 24 letting agents to check the consistency of information about fees and charges given out by the letting agents over the phone to prospective clients. Every letting agency was contacted by telephone from a mystery shopper, one of the Bureau's research team, and the results recorded and compared with that on the agency's website.

Using the information on costs gathered by our researchers during the web survey and during the mystery shopper telephone interviews, we compiled a list of locally representative pre-tenancy fees and charges, using as an example a couple with no children, no pets, both in full-time employment, one guarantor, and rent of £750pcm, with a deposit of 6 weeks.

3. What we found

- Our researchers found the average cost of pre-tenancy fees and charges for our sample couple was around £2320 (including the deposit and six months rental payable in advance), with a difference between the cheapest and the most expensive of £767- or 35.9%. **To the extent that letting agent fees are a factor in consumer choice of property to rent, it would clearly pay to shop around but there are significant barriers for consumers in accessing this information.** Our views on how to remove these barriers are outlined below..
- However shopping around for cheaper letting agents may not get you very far. Consumers choose individual properties rather than individual letting agencies and properties were generally only advertised with a single letting agency. There appeared in practice no real competitive market in letting agency fees which might drive down costs to consumers.. **Lack of a genuine competitive market for fees and charges to consumers does not serve the consumer interest.**

- Our researchers noted the high and widely varying letting agent charges for credit checks. Our researchers found comprehensive credit checks available for £49.99, while letting agents in the survey who gave the price of their credit check were charging between £150 and £360 for this. In the absence of competition there is little incentive for costs to be reduced. In order to produce a competitive market functioning for the benefit of consumers, **we consider that the cost of a credit check, along with other administration charges should be borne by the landlord, (or the letting agent acting on the landlord's behalf). Upfront fees and charges to prospective tenants are banned in Scotland and we believe this should be the case in England too.**
- The researchers were not in a position to gather the fees and charges paid to letting agents by landlords. Consequently **they were unable to check whether or not there was any duplication between letting agent fees and charges to consumers and those to landlords. This may be an issue for Trading Standards to consider.**
- Where fees and charges are given, it is not always explained what they cover. When asked on the telephone for a breakdown of the fees and charges a mystery shopper was told by one agent that it could not be broken down as "we have a simplified fee structure, it's just an all-in-one fee." One agent claimed his agency had definitely the cheapest fees and charges in the area; however it is extremely hard for consumers to make valid comparisons. Apart from the difficulty in locating information in the first place, there is inconsistency from agent to agent in what is being charged for, and there is sometimes lack of clarity on why. The "Tenancy Deposit Fee Insurance" fee applied by one agent left our researchers particularly baffled. If there are going to be fees and charges, **we would like to see all fees and charges itemised and explained in writing at this stage so consumers can understand what they are going to be required to pay for, and why, if they decide to go with the agent.**
- It is not always made clear whether fees and charges are per person or per property, and some website entries are unclear or potentially misleading on this. It can make a difference of several hundred pounds in fees and charges to the consumer and **we consider that it should always be clearly identified which charges are per person, and which are per property.**
- Some letting agents state that a holding fee is payable, either as a separate payment or as part of an inclusive administration or registration fee. In our opinion, holding fees could be confusing for potential tenants. Our researchers were told that where a holding fee is payable it enabled the property to be taken off the market, but many letting agents do not state what happens to holding fees and other pre-tenancy costs incurred by the prospective tenants if the tenancy does not go ahead, and to what extent and under what circumstances such costs are refundable. As pre-tenancy costs such as admin charges and credit referencing fees could be over £1,000 for our sample couple, this is a significant issue for prospective tenants to consider from the outset. **We would like to see information regarding what may be refunded made available along with the fees and charges.**
- While there were some examples of good practice in explaining fees and charges, they were not always easy to find on letting agents' websites, some being numerous "clicks" away from the home page or with separate pages for different charges, and in some cases not made available at all. This is unhelpful to consumers and in our view some do not comply with ASA requirements. If there are going to be fees and charges for the consumer **we would like to see all fees and charges put together on a single page of the letting agent's website, which is only one "click" away from the home page.**

- Some agents require you to register with the agency or to go in person to their offices before informing you of their fees and charges. While this practice is advantageous to agents in helping them build up a base of potential clients, we think this is against the consumer interest and that **consumers should know the expected fees and charges before agreeing to be part of the agent's client base.**
- Many letting agencies do not mention on their website that they are in a deposit protection scheme. Being in a deposit protection scheme is a legal requirement as well as a source of reassurance for consumers. **Letting agencies should publicise membership of a deposit protection scheme and state which one, so the client can verify and have confidence in the agent..**
- Happily, there were no cases found of agents falsely claiming to belong to a Trading Association. However while the researchers were able to verify that the great majority of the letting agents had signed up to a redress scheme they were unable to confirm this in a small number of cases.

4. Other good and poor practice we found

Good:

- Some websites had good, easily located FAQ sections;
- Some websites gave an estimate of moving in costs for each property;
- Some agents gave advice as to what total budget may be needed to rent a property;
- Some agents gave advice about other costs, such as furniture removal, utilities and insurance;
- Some agents gave advice about timing the property search, when to start looking, and about the detail of the letting process they followed;
- One agent gave an idea of the average rents in the Borough for various sizes of properties.

Poor:

There were instances of agents:

- Unwilling to answer any questions on the phone
- Wanting personal details before answering any questions;
- Unwilling to disclose any details about fees on the phone
- Unwilling to detail what the fees covered, and what proportion was refundable if the tenancy did not proceed;

And websites

- Which contained no details of pre-tenancy charges or where it was extremely hard to locate them;

6. Other related issues we noted

- Lack of properties to rent through rental agencies in the Borough. A high proportion – nearly 40% - of letting agents surveyed had no properties to rent in Maidstone. Consideration as to whether this is an indication of a shortage of residential property to let in Maidstone, over-capacity of letting agents, landlords renting directly, or due to other reasons, was not within the remit of this report.
- Website quality –there was wide variety in website quality and user–friendliness. While some were of good quality, some were clearly out-of-date and/or lacking important information. One agent did not have a website.

- Management issues exist with some letting agencies, such as the telephone system not working, the telephone left unanswered, no response to answerphone messages, or staff unable to give rental market advice.

7. Next Steps

- Share the findings with Kent County Council Trading Standards (KCC TS) for consideration by the Public Protection Tasking and Commissioning Board. Maidstone CAB propose to work with KCC TS to promote good practice and consistent compliance with ASA requirements among residential letting agencies in the Borough of Maidstone.
- The report to be referred to the national Citizens Advice Research and Campaigns Team to contribute to the national campaign on renters' rights, Settled and Safe
- The findings to be discussed with Maidstone Borough Council Housing Department.
- The contents to be drawn to the attention of local media with a view to publicising its findings