



# Rent to rent or guaranteed rent

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## Landlord guide

### What is rent to rent?

Under a rent to rent or guaranteed rent arrangement, you the owner landlord would enter into a commercial agreement with an individual or company, who becomes 'the agent landlord', for a specified period of time in return for a guaranteed monthly rent.

The agent then rents the property out to a tenant and manages the tenancy.

The agent landlord makes their money on the difference between the rent they pay you and the rent they receive from the tenant(s) who live in the property.

Most rent to rent arrangements promise to cover any void periods and legal fees for breach of the tenancy. This can be attractive to landlords who want a hands-off investment with guaranteed income. However not all agreements offer the same benefits, so it's important to check.

### How the arrangement should be set up

The agent should provide you as the owner landlord with a commercial lease agreement and NOT an assured shorthold tenancy (AST) as the agent is not going to live in the property. The agent will then become the landlord for the sub tenant(s) and will be responsible for the service of any notices and dealing with any breaches of the tenancy agreement.

The commercial lease will generally be from 1 to 5 years and should make it clear that you are entitled to a guaranteed rent from the agent on a specified date, that the agent has the right to rent out the property, and make it clear who is responsible for repairs as well as how the lease will end.

There should be an early termination clause with the agent in case your circumstances change and you need your property back. Be aware that some agents who allow early termination may look for compensation as a result of lost 'profit' for the unexpired term of the agreement.

By entering into this type of agreement the agent landlord effectively becomes the landlord of the property or the rooms in the property that are to be let out to tenants. The agent will be managing the property and the tenants will deal with the agent directly. Any deposits received from the tenants should be protected by the agents in a Government authorised tenancy deposit protection scheme such as mydeposits.

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### Benefits to the landlord

- Guaranteed start date of contract
- Guaranteed rent for the length of the tenancy
- No missed rent payments or late payments
- No empty void periods
- No tenant queries or management issues
- Same day rent payments
- Maintenance work instructed and carried out, with the internal condition of the property guaranteed (subject to fair wear and tear and usually limited to the amount of the security deposit)

### Points for the landlord to consider

Sometimes owner agents or even tenants will sublet a room in a property without permission from the landlord or owner of the property. This is breaking the terms of their agreement and in some cases they could be committing a criminal offence.

If you are thinking of instructing an agent to take over managing your property be sure you do the following:

- If you have a buy to let mortgage then check with your lender that you are allowed to enter into this type of arrangement
- You should also be aware that the statutory responsibilities of you as the owner cannot be transferred to the agents. Examples include gas safety, health and safety, electrical checks etc; however the agent can carry these out on your behalf
- Make sure your landlord insurance allows you to enter into this type of arrangement.
- Check that the agents PI insurance allows them to act in the capacity of landlord, not just as letting / managing agents
- Ask what experience the agent has in property management and trading as a rent to rent operation.
- Research the financial status of the company/individual before signing over your property and obtain references from other landlords that have used this service, as well as online reviews

- Remember the money that the agent collects from the tenant is not client money so if the agent fails to pay, or disappears, you cannot claim on a client money protection scheme the agent may have joined for its standard lettings business.
- Make sure you are clear what type of tenancy the agent proposes using, to rent to the sub tenants, and get written confirmation that they intend to rent to a single household or rent individual rooms. Agree a maximum occupancy in terms of how many people can live in the property.
- If the property becomes a House in Multiple Occupation as a result of the arrangement then you as landlord will be legally responsible for any local authority licensing requirements – check this with the agent and take advice if necessary

#### Questions to ask the agent

- Do they belong to a consumer redress scheme such as Property Redress Scheme?
- Do they have valid Professional Indemnity insurance and Client Money Protection?
- Will you be paid the agreed rent, even if there are void periods?
- Who will be responsible for legal fees in the event the sub tenant defaults?
- What happens if you need your property back before the end of the agreed term?

#### What is our approach to 'rent to rent' complaints?

Where an agent has joined the PRS and a landlord raises a complaint about a rent to rent arrangement, we will expect the agent to engage with us and try to resolve the complaint. We will be able to offer an opinion on how it should be settled.

However, as the relationship between the agent and owner landlord is a commercial one and the agent is technically the tenant's landlord rather than agent, our authority to enforce any decision we make is limited.

If the complaint remains unresolved, after using our process, then you should take legal advice and pursue the complaint through the courts, using our decision.