

A Landlord Guide to Rent to Rent or Guaranteed Rent



Under a Rent to Rent or Guaranteed Rent arrangement, you the landlord would enter into a commercial agreement with an individual or company, known as the agent, for a specified period of time in return for a guaranteed monthly income.

The agent then lets the property, generally on a room by room basis and manages the tenancy. The agent 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 general maintenance costs. This can be attractive to landlords who want a hands-off investment with guaranteed income

How the arrangement should be set up

The agent should provide you as the landlord with a commercial lease agreement. You should not enter into an assured shorthold tenancy (AST) with the agent as the agent is not going to live in the property and there could be issues evicting any tenants who do move in.

The commercial lease will generally be from 3 to 5 years. It should make it clear that you are entitled to a guaranteed rent from the agent, that the agent can let out rooms in the property, make it clear who is responsible for repairs and also set out how the lease will end.

By entering into this type of agreement the agent effectively becomes the landlord with regards to the rooms 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 by the tenants should be protected by the agents in a Government authorised tenancy deposit protection scheme such as mydeposits.

Benefits to the landlord

- No Empty Void Periods
- No missed rent payments or late payments
- No Tenant queries or management issues
- Guaranteed start date of contract
- Same day rent payments
- Maintenance work carried out and internal condition of the property guaranteed.

Points for the landlord to consider

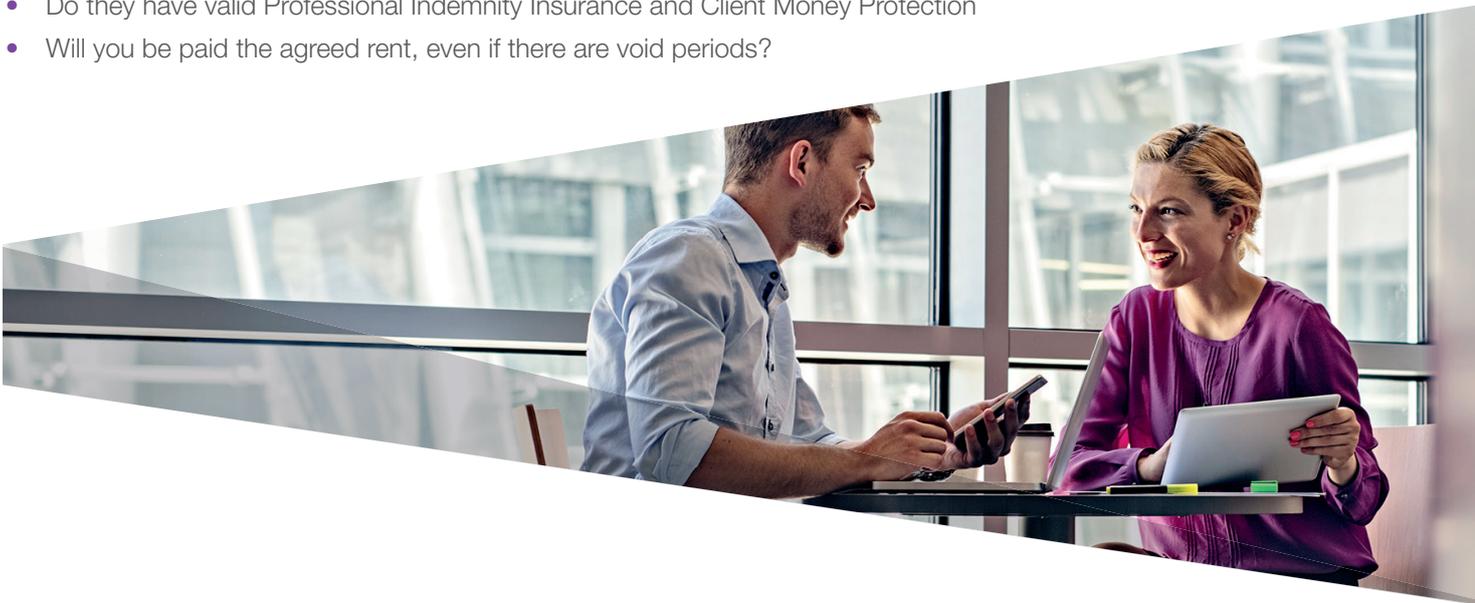
Sometimes agents or even tenants will sublet a room in a property without permission from the landlord or owner of the property. This is breaking the terms of their agreement and in some cases they would be committing a criminal offence. As a subtenant, this could leave you at risk of being evicted so always ensure the person/company you are renting from has permission to rent to you.

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.
- Make sure your landlord insurance allows you to enter into this type of arrangement.
- 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.
- 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.
- 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?



Contact Us

☎ 0333 321 9418 @ info@theprs.co.uk 🌐 www.theprs.co.uk