

Ban on tenant fees may discourage use of letting agents, say landlords

- 30% of landlords may be discouraged from using a letting agent if landlord fees increase
- More than eight out of ten landlords who let direct do not charge any tenant fees
- 68% of landlords believe up to two month's rent is a reasonable cap for rental deposits

30% of landlords may be discouraged from letting property via an agent or third party if landlord fees were to increase as a result of a ban on tenant fees, according to Paragon's latest Private Rented Sector (PRS) Trends report, based on interviews with a panel of over 200 experienced landlords.

The Q3 2017 report revealed 73% of landlords currently use an agent or third party to let some or all of their properties. Of those, 12% said they would 'definitely' be discouraged from doing so if landlord fees were to increase as a result of a ban on tenant fees, with 18% answering 'probably'.

The majority of landlords (46% – 16% 'definitely', 30% 'probably') who use an agent or third party said they would not be discouraged from doing so.

The report also revealed 27% of landlords do not use an agent or third party to let any of their properties. Of those, more than eight out of ten (84%) do not charge any tenant fees, whilst just 16% do.

The most common fees charged by landlords when letting a property without the involvement of an agent or third party are: credit check (60% of landlords), inventory (55%), referencing (54%) and tenancy agreement (42%), with 33% of landlords charging for other, unspecified fees.

Asked what they believe is a reasonable cap on rental deposits, 68% of landlords said up to two month's rent was reasonable. Of those, almost half (46%) said two months, with 22% indicating one month.

14% of landlords said three months was reasonable, whilst just 7% of landlords believe rental deposits should not be capped at all.

John Heron, Managing Director – Mortgages at Paragon said: "In the midst of ongoing turbulence in the Private Rented Sector, landlords have already had to navigate through challenging policy changes, and rethink their strategies accordingly.

"An increase in landlord costs as a result of a ban on tenant fees would be the latest in a succession of challenges and it's unsurprising to learn that a substantial number of

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landlords might consider altering their approach to letting out their properties in that circumstance.”

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Paragon lends to private individuals and limited companies and has mortgages suitable for single, self-contained properties, as well as HMOs and multi-unit blocks. Paragon can accommodate higher aggregate lending limits and more complex letting arrangements including local authority leases and corporate leases along with standard ASTs.

Paragon introduced its first product aimed at the professional property investor in 1995 and is a member of UK Finance, the Intermediary Mortgage Lenders Association (IMLA), National Landlords Association (NLA) and the Association of Residential Letting Agents (ARLA).

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