



Your guide to being
an ethical landlord



Ethical landlords – a definition

“Ethical landlords strive to foster fruitful relationships with their tenants, and aim for their rental properties to serve the overall good of society as well as themselves.”

There are 1.4 million private landlords in the UK and the majority are upstanding and conscientious individuals who simply want to supplement their income or plan for their retirement. Even so, there is sometimes more that UK landlords can do to help their tenants – the benefits of which can be substantial.

That’s why Saga has created ‘Your guide to being an ethical landlord’. It’s designed to help you make the most of your tenure as a landlord, whilst giving something back. This will ultimately benefit not only your tenants, but you as well. It explores the ways in which landlords can become more ethical and why they should do so, and provides a step-by-step guide to being an ethical landlord, from start to finish.

What’s in it for landlords?

Being an ethical landlord comes with a range of benefits, some of which you might not have expected:

- **Tenants are happier.** And happy tenants usually lead to happy landlords.
- **Tenants stay longer.** Happy tenants are more likely to stay longer, meaning you don’t have the bother of regularly having to find new tenants.
- **It reduces costs.** It costs landlords money to find and place new tenants. So, ideally, you want them to stay for as long as possible. This way, you only pay for checks, advertising, letting agency fees etc. once. If tenants stay longer, this also helps prevent the property being left vacant and you receiving no rent.



Your step-by-step guide to being an ethical landlord

Below, we set out the steps you can take to become even more ethical as a landlord – you may already be doing all or some of these, and you might want to adopt those that you're not.

1. Being ethical, being professional

Joining a trade body, such as the National Landlord's Association (NLA), gives you access to comprehensive codes of practice, ethics and legislative outlines to benchmark yourself against. It is also worth checking the criteria of your local authority to ensure regional compliance.

2. Choosing your property

Buy-to-let investors have come under a great deal of scrutiny in recent years as the national housing shortage and recession have taken their toll on first-time buyers. One option when picking a property intended for rental is to choose one that is derelict and fix it up. Not only could this improve your return on investment, but also it puts a property otherwise unavailable back into action. Do bear in mind, however, your options for obtaining a mortgage or specialised insurance may be limited at the beginning of a fixer-upper project. You could also look into whether local housing associations have any units available in private developments, where the profits from the original sale would likely be reinvested into affordable housing.

Energy efficiency should also be a consideration. Regulations brought into force in 2012 stipulated that an Energy Performance Certificate (EPC) must be made available to prospective tenants when a pre-arranged viewing of the property takes place. While A-C grades are considered ideal, they are not always realistic, which may affect your property's appeal. If it currently has a low rating, you may want to explore options to improve this, perhaps by having the loft insulated or double-glazing installed. Not only is this good for the environment, but it could lower energy bill payments for your tenants, keeping them in the property longer.

3. Setting your rental cost

Setting the right rent is a balancing act. Price it too high and you risk putting off tenants. But price it too low and you may not make a return on your investment. Where possible, use local market prices as a guideline. Ideally, you should set the rent in line with what you need to cover your mortgage as well as in line with what tenants can realistically afford. Do consider being flexible on price for the right

tenant. Having a good tenant who stays for a long time but pays less is probably better than a troublesome tenant who can afford a little more.

4. Consider the contract length

Rental agreements typically last for six or 12 months, but this is not necessarily always the best option for the tenant. In reality, there are a number of different factors to take into account, and it is much better to discuss thoroughly with prospective tenants and get their input to ensure a happy medium is achieved. Depending on the circumstances, those who are renting may wish to retain their ability to move with a shorter or periodic tenancy agreement. When the initial fixed-term ends, the tenancy agreement automatically becomes a statutory periodic one. This means the tenancy agreement becomes a rolling contract and the tenant can give one month's notice at any time. Some tenants, meanwhile, may prefer the stability provided by a longer contract. It's worth noting that for many insurance and mortgage providers, a six-month contract is the minimum term allowed to make you eligible for a loan or policy.

If the tenant would prefer a longer contract, it's worth checking with your mortgage provider as they may have a cap on the maximum length of Assured Shorthold Tenancies. If your tenant would prefer a shorter agreement, you could look at offering a longer term but with a break clause activated half way through.

5. Increasing the rent

In putting some of these recommendations into practice, you're likely to find that tenants wish to stay in your property longer, so the decision to increase the rent must be carefully considered. Many would argue that a good tenant is worth more than maximising rent and that if they do choose to renew, they should not have to pay more just for the sake of it.

If it is necessary, keep the increase fair by basing it on either a fixed amount per year (stating this clearly in the tenancy agreement), or linking it to the Retail Price Index (RPI) rate of growth. Linking rent increases to RPI is a fair way to ensure that the amount of rent is set based on external factors, making it fair for both parties.

If tenancy is for a fixed term (for example, six months), rent cannot be increased during that period unless the agreement states otherwise, or the tenant agrees to the increase. When the fixed term ends, you may ask the tenant to sign a new tenancy agreement which charges a higher rent.

6. Choosing tenants

Placing people above profit is often a difficult decision. Benefit caps and universal benefit plans are fuelling landlords' fears that housing benefit tenants may struggle to pay the rent. Many landlords have been known to state "No DSS or housing benefit tenants" on their advertisements, without realising the discriminatory impact this statement may have.

In the right circumstances, choosing tenants based on their character rather than the size of their wallets can save you money in the long run. Those who are less well-off often struggle to find a tenancy and consequently tend to be more reliable and appreciative of what they have for fear of losing it.

While it pays to be extremely prudent, there are ways to mitigate the risk of choosing someone who cannot offer up a guarantor, if so needed. After all, their inability to secure a guarantor may not be indicative of how they will be as a tenant, though it should be a red flag, particularly for insurance purposes. Consider doing the following:

- Purchasing rent guarantee cover from an insurance provider (only available if there is a guarantor)
- Increasing the security deposit to cover you should the tenant fall behind in rent (usually from one month to two or more months)
- A combination of the above.

For added protection, you might want to consider landlord insurance. As well as buildings, accidental damage and Legal Expenses Cover as standard, Saga Landlord Insurance also offers optional rent guarantee cover to protect you should your tenants stop paying their rent and refuse to move out. Designed to give you peace of mind, this policy will cover your rent whilst working to evict the tenants.

Other background checks that should be obtained are full credit checks, proof of current or previous address(es) and employment/landlord references (if applicable).

You should obtain two forms of identification, one of which should contain a photograph (passport or driving licence). If they're working, make sure you receive a hand-written employer's reference on company headed paper confirming their current, permanent employment, and that their salary is at least two and a half times the rent.



Carrying these out can sometimes be an arduous process and there is the temptation to cut corners, but doing so could put you at risk.

If you find yourself strapped for time and/or the resources to perform such checks, there are external providers who can do this for you but, as with any service, some will charge more than others. It is then up to you whether you absorb this cost or pass it on to your tenants. Bear in mind that alongside a deposit and first month's rent, initial costs mount up quickly. Whether or not you pass the cost along is up to you, but if you can afford to pay it yourself, your support would be most welcome.

7. The tenancy agreement

All tenancy agreements must include the following:

- Names of both tenant(s) and landlord(s)
- When the tenancy starts and ends

- The address of the rental property
- Details of the rent, how it is paid and if it is subject to future review
- Which bills (if any) the tenants are required to pay
- A clear indicator of landlord responsibilities and tenant obligations – which might include giving you access to the property to inspect it or carry out repairs; generally taking good care of the property, for example, by ensuring the heating is on a timer so pipes don't freeze if they're away in cold weather; paying the agreed rent, even if there are any ongoing disputes; and only subletting the property if discussed and agreed with you, the landlord.

As of 2004, you are required by law to protect your tenants' deposit in a government backed tenancy deposit scheme and provide details of where it is being held within the tenancy agreement. A recommended notice period of two months should also be included, should you or the tenant(s) wish to amend or terminate the agreement (ahead of contract end/renewal date).

It is vitally important to note that any errors, however small, can completely invalidate the agreement so ensure your administration is up to scratch to avoid potential disputes. A good letting agent can compose the tenancy agreement on your behalf, but do bear in mind that there will be a cost attached for their service. A tenancy agreement with drafting advice is available free with Saga Landlord Insurance, or for a cost with Saga Legal Services.

8. When the tenants move in

As anyone who has ever done so can attest, moving from one rental property to another can be a highly stressful experience. That is why it is so important to help make the move as easy as possible for your tenants. Where feasible, you might be able to sign them in and hand over the keys a day early so they can move in first thing the next morning. It's important to note you should only do this if they have signed the agreement, and paid the deposit plus first month's rent in full.

You should also have everything possible prepared ahead of time to avoid any hiccoughs. This includes having the tenancy agreement drawn up and signed, the deposit taken and proof of protection delivered. A full and detailed inventory of the property should also be presented and tenants should be encouraged to take as much time as they need when reviewing it. Anything not on the inventory should be included later on and the inventory re-signed. It is also worth taking photos of all items in the house as well as of any current damage, even if minor, such as scuffing on the wall. You can then send all photos to the tenant to sign and date. This means that when they come to leave, there will be no disputes over what was/was not caused by them.

9. Landlord-tenant relationship

Regular communication is the key to a responsible relationship between landlord and tenant. Whilst circumstances can often be fraught, mutual respect can help ease tensions and provide open channels of communication, ensuring that both you and your tenant meet mutual expectations. To facilitate this, it is important for a landlord to:

- **Be approachable.** Make sure that your tenants can contact you by phone or by e-mail if it is more convenient, should they need to. Responding to requests promptly, even if it is just a brief message, will help tenants to feel listened to and supported.
- **Give advance notice.** As the property owner, you may feel you should be able to visit regularly to ensure all is in order. Bear in mind, however, that while it is your house, it's your tenants' home, and it's illegal to enter the property without their permission for any reason. The law states that you should give the tenant reasonable notice (which is deemed as at least 24 hours) should you need to view the property.
- **Be fair.** It is only natural that items should break through wear and tear. If this happens, consider whether the item was old and needed replacing anyway. If so, it might be your responsibility to replace said item, not the tenant. Equally, it's important to convey to the tenant what breakages they will be liable for in the tenancy agreement, with costs if possible.
- **Look after the property.** Make sure that you fulfil your duty to tenants by fixing problems as soon as they happen. Communication is important here. If your tenants feel they cannot come to you with a problem or breakage, they may try to fix the problem themselves and make it worse, or leave an issue for a long time, which could compound the problem.

For issues beyond your control that need urgent attention, such as a burst pipe or broken boiler, Saga offers 24/7 home emergency cover as an additional option to all our landlord insurance policyholders. The cover includes 24/7 access to a directory of Saga approved tradesman and a guarantee on all permanent repairs. Saga can also provide alternative accommodation cover to rehouse tenants following a major incident, such as a fire or flood.

10. The importance of proper insurance

You do not need to have specific landlord insurance, but it is definitely worth considering, as there are a host of benefits. Some companies offer Legal Expenses Cover that gives you financial reassurance should a dispute with tenants lead to legal action, as well as cover for any malicious damage or vandalism by tenants. It's also worth looking at providers who offer optional rent guarantee cover that

protects you in the event that your tenant fails to pay their rent. This could also give you the peace of mind needed to take a tenant who perhaps appears less ideal – financially speaking – in the first instance. Saga offers all this and more. Saga also provides free legal advice and general guidance to their landlord insurance customers through a 24/7 landlord advice line, with dedicated advisers on hand to answer any questions relating to their property or tenants. Template legal documents (sample tenancy agreements, letters of notice etc.) are also available to download and use, to ensure compliance and continuity of administration.

11. Letting agents and property managers

One of the biggest decisions you will make when becoming a landlord is whether to manage the property yourself, or whether to use a property manager. Doing it yourself might be cheaper, but is likely to be more hassle – especially if you live far away or lead a busy life. If this sounds like you, it may be better to use a letting agent or property manager to ensure your tenants' needs are taken care of promptly.

i. Letting agents

Letting agents often have a reputation for untrustworthiness. Whilst this is certainly not true across the board, you should be careful if you are going to choose a letting agent to manage your property. A bad letting agent can cause aggravation both for you and your tenant. So when choosing, consider the following:

- Choose one who is a member of a professional organisation such as the Association of Residential Letting Agents (ARLA), the National Association of Estate Agents (NAEA) or the Royal Institution of Chartered Surveyors (RICS). This means they must adhere to a code of practice.
- Ensure you agree a “no let, no fee” clause.
- Don't forget: “cheapest” is not always synonymous with “best value”.
- Check what fees they charge – not only to you, but also to the tenant. It may be that they offer you a lower fee to earn your business, only to pass the cost down the line to the tenant.

One way of saving on costs is to do some of the tasks yourself, and have an agent look after some of the others. This gives you more control both over how much time you commit, as well as how much you spend. For example, you could:

- Find your own tenants by advertising the property in a local newspaper
- Conduct the viewings

- Look after the referencing and credit checks process
- Manage the sourcing and signing of the tenancy agreement (including renewals)
- Consider how involved you want to be with property management.

ii. Property managers

As with letting agents, it's vital to ensure you choose a property manager who will take the job seriously. A bad property manager will reflect badly on you as a landlord and could cause feelings of ill will, even if you are personally unaware that a problem exists. Therefore, when choosing a property manager, check they are accredited by a professional organisation such as the Association of Rental Letting Agents (ARLA). ARLA also offers an award called the Technical Award in Residential Lettings and Property Management (TARLPM).

Both letting agents and property managers will offer a variety of services with different levels of involvement and supervision, and different costs to you as a result. Whether you choose to absorb this cost within your profit margins or pass it on to your tenants is your decision entirely, but one that should be carefully considered. Resources, such as the landlord advice line mentioned earlier on in the guide, will help you navigate the trickier aspects of the ethical-profitable debate and reach pragmatic solutions.

Conclusion

So there you have it: a guide to what we think are the best practices for new or existing landlords looking to deliver a quality service to their tenants. We hope that by committing to the standards described throughout the rest of the guide, the 'ethical landlord' archetype will replace the 'rogue landlord' stereotype, and prevailing negative attitudes can be eliminated.

About Saga Landlord Insurance

Saga Landlord Insurance offers total peace of mind to those who let properties. With optional contents cover to meet a range of needs, Saga Landlord Insurance includes accidental damage cover and Legal Expenses Cover, as well as alternative accommodation to rehouse tenants after a major incident.

For more information, visit

www.saga.co.uk/insurance/landlord-insurance

or call

0800 001 5681