

Your guide to tenancy deposits and references.



What is a Tenancy Deposit?



There are many aspects of renting that have remained the same over the years, however recent times have seen some large scale changes and a raft of alternatives for tenants.

In this guide we will explore the alternatives in the world of deposits and references, as well as explaining the traditional approaches to these parts of your rental journey.

What is a Tenancy Deposit?

When you rent privately, you will be expected to pay a tenancy deposit to your landlord to cover any unpaid rent or any damage to the property they may incur as a result of your tenancy. Traditionally, this has meant a large upfront sum of money being paid by the tenant (up to 6 weeks rent) at a time when you are already under financial strain. However, there are new alternative options available.

What are the alternatives?

A great alternative to a traditional deposit is the scheme offered by **Reposit**.

Reposit is one of our key partners offering a leading tenancy deposit alternative. As a tenant you will pay a 1 week non-refundable service charge, which provides your landlord with 8 weeks' worth of end-of-tenancy protection. When you pay your service charge, equal to just 1 week's rent, Reposit add your landlord as a named beneficiary to their insurance policy. Like a traditional deposit, you will remain liable for any unreasonable damage or rent arrears at the end of the tenancy. Using the Reposit solution, you would therefore save 4 weeks' rent up front, freeing up money to spend on other areas of your move.

A traditional deposit

If you choose to pay a traditional deposit you will pay a deposit less than or equal to:

- 5 weeks' rent if your rent is less than £50,000 a year
- 6 weeks' rent if your rent is more than £50,000 a year

Your landlord should confirm what the deposit covers and then place it in an authorised tenancy deposit protection scheme (TDP). There are specific schemes your deposit can be placed with and these will offer you a form of protection if you are struggling to get your deposit back from a landlord (subject to you having fulfilled all the terms of your tenancy agreement.)

Your landlord or letting agent must put your deposit in the scheme within 30 days of receiving the money from you.

Reposit

If you've followed the traditional deposit route you also need to be aware of the following:

1 Information landlords must give tenants

Once your landlord has received your deposit, they have 30 days to tell you:

- the address of the rented property
- how the deposit is protected
- the name and contact details of the tenancy deposit protection (TDP) scheme and its dispute resolution service
- their (or the letting agency's) name and contact details
- the name and contact details of any third party that's paid the deposit
- why they would keep some or all of the deposit
- how to apply to get the deposit back
- what to do if you can't get hold of the landlord at the end of the tenancy
- what to do if there's a dispute over the deposit

2 Do I get my deposit back?

In the case of a traditional deposit, if you have paid all your rent when it was due and caused no damage to the property, then the full deposit amount should be returned at the end of your tenancy.

Your landlord does have to right to make deductions from your deposit to cover certain losses.

Your landlord must return your deposit within 10 days of you both agreeing how much you'll get back.

If you're in a dispute with your landlord, then your deposit will be protected in the TDP scheme until the issue is sorted out.

Your tenancy deposit protection (TDP) scheme offers a free dispute resolution service if you disagree with your landlord about how much deposit should be returned.

You don't have to use the service but if you do, both you and the landlord have to agree to it. You'll both be asked to provide evidence, and the decision made about your deposit will be final.

Holding deposits

These are separate from your tenancy deposit.

By paying a holding deposit, this shows that you are committing to taking up the tenancy, so that it isn't let to anybody else. Once this has been paid, the letting agent or landlord will hold the property until you sign the contract.

This sum should be returned to you when you sign the contract, however this can also be used as a payment towards advanced rent or your tenancy deposit.

It is important to note that these do not need to be protected in a government-backed scheme.

Make sure you check what the holding deposit covers, and if you are entitled to a refund.

You shouldn't pay a holding deposit unless you are 100% sure that you want to secure that particular property. If you pull out of the deal and choose not to move in, you may not get your holding deposit back.



Tenant referencing explained



Why do you need to be referenced?

Landlords need to make sure that their tenants won't have any problems paying the rent on a monthly basis and that the tenant will take good care of the property.

What does referencing involve?

Most tenant references involve the following checks:

- **Employment details and income** – this will check that you are in employment and have a validated and stable income each month. It will also validate the affordability of the sum of rent that you are committing to, along with providing an employer's reference.
- **Credit check** – this gives the landlord insight into your credit profile. Checks are completed to ensure any aspects impacting your credit history are flagged (eg County Court Judgments (CCJ's), bankruptcies and insolvencies.)
- **Previous address** – this validates your previous home occupier status and will highlight if you've been living abroad prior to this rental process.
- **Previous landlord's reference** – this will outline your suitability as a tenant and will confirm aspects such as whether you paid your rent on time and in full and whether the property was left in good condition when you vacated the property.



Who carries out the reference process?

Tenants – over the course of the last year, tenants have increasingly been able to create their own ‘referencing’ passport. There are many benefits to this approach, including saving you significant time and costs in the moving process. If you want to investigate this option further, we have an online solution, **MyHomePassport**, that gives you advantages over others looking to rent as you are prequalified and ready to go.

- **Landlords** – some landlords may decide to conduct their own tenant checks. In this case they will ask you to provide the information they require to make a decision about you. The majority of landlords will (either through a letting agent or direct with a referencing company) instruct a referencing provider to undertake the work on their behalf.
- **Letting Agents** – the majority of letting agents will have a referencing partner or an inhouse referencing capability. This saves the landlord time and hassle and means the letting agent manages the end to end process. With the recent Tenant Fees Ban, with effect from 1 June 2019, agents are no longer allowed to charge an admin fee to the tenant for a referencing service.

How long will it take to complete?

A tenant reference can take from between a couple of hours to a few days. Usually referencing companies will give you a result within 2 working days.



MyHomePassport®

- The UK's most reliable rental passport and demonstrates your value as a responsible renter
- Your information is reliably live and up to date with our unique *LiveUpdater™*
- Your *DynamicReferences™* are legally compliant and fully ID-verified, therefore uniquely watertight
- Your profile can be sent to multiple landlords or agents without exposing your personal data – you only trigger this access when you are ready to proceed with a contract
- You can be assured you are renting from genuine landlords using our *LandlordVerifier©*

In the first instance, check with your letting agent or landlord to see if they require you to use their referencing provider, or whether they would accept a referencing passport created by you.

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