

# Terms of Business

## David Clark & Co Ltd. Residential Lettings & Management

20 Market Place, Ely, Cambs. CB7 4NT

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### A summary of services and charges in the management of private residential properties

#### 1. Management

Having received your instructions to act on your behalf in the management of your property we will actively market your property to secure suitable potential tenants. After interviewing potential tenants and assessing their suitability, we will seek comprehensive and satisfactory references from a professional referencing agency. *Subject to satisfactory replies to our enquiries*, we will agree a tenancy. When a tenant has taken possession we will demand rent, inspect the property periodically, arrange for normal maintenance for which the landlord is responsible, and render a detailed account of income and expenditure to the landlord. Our charges for this service are 10% + VAT of the monthly rental. Eg. £750.00 rent : £75.00 plus VAT £15.00 Total Fee:£90.00

If you require a Tenant finding only service which includes the above up to signing the tenancy agreement our fee is 75% + VAT of the first months rent. Eg. £750.00 rent. Our fee: £375.00 + VAT £75.00 Total Fee: £450.00

If neither of the above are suitable a tailor made service can be arranged.

## **2. Inventory**

We undertake to prepare a comprehensive inventory of the contents and condition of your home at the start of the letting and to check the inventory at each change of tenant. On vacating, the inventory is checked with the tenant in attendance and dilapidations, if any, are agreed. Where necessary, revised inventories are prepared for subsequent tenants.

## **3. Dilapidations**

We obtain from the tenant, prior to the commencement of the tenancy, a deposit against damage. At the time the tenant leaves your property the inventory will be checked and a schedule of dilapidations, if necessary, will be prepared and costed.

It must be remembered that the property is subject to a 'fair wear and tear' clause and will be subjected to the stresses and stains of everyday living. A property cannot be expected to be in the same condition at the end of a letting as it was at the beginning.

We further find that the internal decorations may need attention after two or three years of occupation by tenants.

The full replacement cost of many articles found defective cannot be charged against the tenant as in many cases these articles will have undergone varying lengths of usage. It is the landlord's responsibility to ensure that all items left in a tenancy are maintained in working order, thus even repairs or replacements to old equipment must be paid for by the landlord. Where possible we strongly recommend service and maintenance agreements. Clients must ensure that we have full details of such agreements in order that they may be kept in force. (See schedule within this booklet)

#### **4. Telephones**

British Telecom has a system whereby each time a tenant takes possession, and for the duration of the tenancy, the tenant is the subscriber and thus responsible for all accounts including any charge plus VAT when a change takes place. When the landlord re-occupies a charge will be made for the telephone to be reinstated in the owner's name. It is in the interest of the landlord to take this action in order that there is no liability for any calls or rental charges that the previous tenants may have incurred. One problem that does occur is that when the new telephone directory is printed, the subscriber for the time being will be listed and the landlord's name removed from the directory.

#### **5. Income Tax**

Income from property is treated as unearned income and therefore subject to income tax at the standard rate. If you are a member H M Forces you will be responsible for the payment of this tax direct with PD5 at Cardiff (subject to us receiving a waiver of liability from that department). If you are a civilian working outside the UK then the tax authorities will assess this company for tax due (under the Income Management Act of 1970). In these cases we reserve the right to retain a portion of the rental to meet this tax assessment.

This deduction may be avoided if we have written confirmation from your bank or accountants that they are empowered to deal with your tax affairs, that they will accept liability for and make payment of any authorised tax demand to the Inland Revenue on your behalf.

Where standard tax is deducted it will be held by us in an interest bearing account. If you wish, we will pay, from the monies held, an authorised tax demand agreed with the Tax Inspector and forward the balance for that tax year to you. The interest generated by the account is retained by this firm to defray the cost of administering the account.

#### **Allowances in Broad Outline.**

Allowances that can be set against rental income are:

- (a) water rates and community charge where applicable
- (b) 10% of gross rental less water rates as depreciation
- (c) all agents fees and charges including VAT
- (d) all maintenance and servicing expenditure carried out whilst the property is let
- (e) house and contents insurance
- (f) the cost of telephone calls and correspondence to the agents
- (g) the cost of visiting your property, on necessary occasions, e.g. eviction, can be claimed for, providing they represent sensible costs.

## **6. Types of Tenancy Agreement**

Prior to the commencement of the letting we will discuss with you the most suitable form of tenancy agreement in order to protect your rights of possession and an agreement will be prepared in a format agreed with the Law Society.

Under the Housing Act 1988 a tenancy will be either an Assured Tenancy or an Assured Shorthold Tenancy.

## **7. Rent Increases Housing Act 1988**

With Assured Tenancies, it is left to the landlord and the tenant to agree a rent which may be a market rent. Rent officers have no power to regulate rents under an assured let though they may have to consider whether a rent under an assured tenancy is a genuine market rent if a tenant makes application for Housing Benefit. A rent review clause may be included in an agreement. If it is, a Rent Assessment Committee has no power to consider whether a rent increase is justified.

Without a rent review clause, a landlord may serve a notice of increase on the tenant but the tenant may refer this to a rent assessment committee. The committee can only alter the rent if it considers that it is excessive, having regard to market rents for similar assured lets.

With an Assured Shorthold let again the rent payable is a matter for negotiation between landlord and tenant. The tenant however has a limited right to ask a rent assessment committee to fix a different rent. The tenant can do this only once. The rent assessment committee has jurisdiction only if there a sufficient number of assured lets in the locality with which to make a comparison. If the committee can consider the rent, it can only fix a different rent if it concludes that the rent payable is significantly higher than rents for comparable assured shorthold lets.

Obviously the rent for each new tenancy agreement will be aimed to provide a "fair market rent" to the benefit of our client/landlord and where necessary a rent review clause will be inserted.

## **8. Mortgages**

**PLEASE NOTE THAT THE CONSENT OF YOUR MORTGAGEE MUST BE OBTAINED BEFORE YOU ENTER INTO A LETTING AGREEMENT WITH A MORTGAGED PROPERTY.**

We must have a letter from your mortgagee confirming their agreement to the letting of your property and setting out any terms with which we must comply.

Mortgagees frequently require us to supply copies of the Tenancy Agreement and Inventory and in some cases to pay a registration fee before a letting can commence.

## **9. Copying**

Where we have to supply copies of documents in respect of managed properties to H M Revenue & Customs a nominal fee will be charged.

## **10. Value Added Tax**

All our fees and disbursements are subject to VAT at the appropriate rate.

## **11. What Should Be Left?**

Many clients have varied ideas on what should be left in the property. It very much depends on the nature of the property, its situation and environment etc. If a landlord considers the situation from the potential tenant's point of view it will become apparent that those properties well presented and with a high standard of equipment will attract a higher rental value than those not so well presented and equipped (it very much depends to which segment of the letting market the property will appeal). An unfurnished property simply equipped with cooker, carpet and curtains may well, for example, attract a long let simply due to the cost of furniture removal. Alternatively a property poorly equipped may require continual maintenance and repair throughout the letting period resulting in a reduction in the spendable income available to the landlord.

The following provides a rough guide for a furnished let:-

Furniture in accordance with the use of a room, curtains, carpets, cooker etc.

More specifically:-

Vacuum cleaner, broom, dust pan and brush, comprehensive gardening equipment, WC brush and other items essential to the good maintenance of the property by the tenant.

## **12. General**

- (a) Please remember that your property will be subjected to the stresses and strains of everyday living. We must emphasise that it is vital that you remove any items not easily replaceable or expendable.
- (b) With regard to maintenance and urgent repairs the landlord has the option of attending to them or we can agree a budget, say £150, where we can deal without referring to the landlord for authorisation. We do however reserve the right to deal with emergencies using our own judgement unless the landlord disagrees in writing.

- (c) Unless special arrangements are made our management will only operate for the period in which the property is let.
- (d) Where the cost of works which we arrange exceeds £250.00 we will charge a supervision fee of 10% of the invoice cost.
- (e) We have to allow ten days from the banking of a tenant's cheque until we can account to you. Banks need this time for cheque clearance. After the initial payment we collect rents calendar monthly by standing order and payments to landlords are made within 3 days.
- (f) We cannot pay outgoings on your behalf in excess of rents available to us in the owner's account.
- (g) We will question obvious errors on supplier's invoices, but will pay bills on your behalf which appear correct UNLESS the landlord wishes to pay direct then written notification is needed.
- (h) You should advise you insurers in writing, both of building and contents insurance, of your intention to let the property. They may advise on any additional cover or exceptions that are necessary. Alternatively we are able to provide competitive quotations for cover, please ask for further details.
- (i) Please ensure that all water pipes and storage tanks are sufficiently lagged.
- (j) Should we become aware of any breaches of the terms of the tenancy agreement you will be informed. Action will be taken immediately in order to comply with the terms of any legal liability insurance cover.

### 13. Additional Fees

There are several occasions where you might be required to pay a fee for work carried out beyond the day to day routines. These vary according to the amount of work involved. To provide some examples:-

- (a) Supplying additional information to accountants/banks etc. over and above the normal monthly statements. The fee will be at least £15 per request.
- (b) Appearance before the tax commissioner in respect of disputed assessments. The fee will be at least £135 for each appearance

