

HMO Landlords: A Step by Step Guide From Start to Success in 2023

By Mary Latham

LandlordVision



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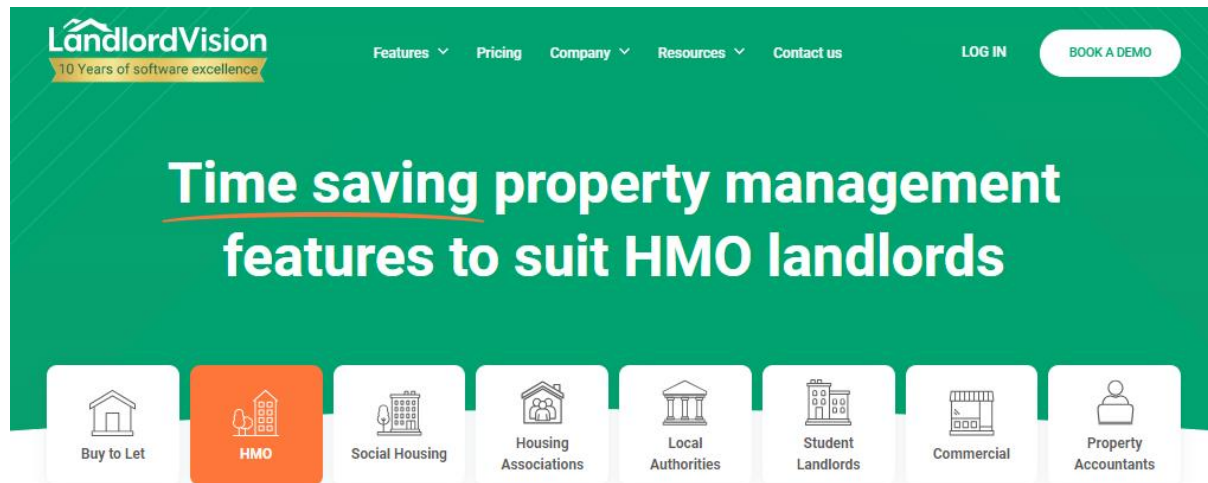
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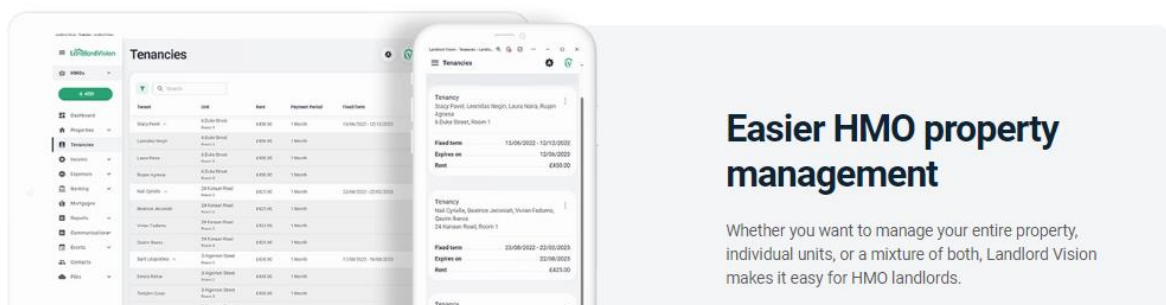
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Things to be Aware of Before You Buy

Most mistakes made by landlords happen before tenants even move in, in fact, many happen before they buy a property.

The first thing to know is that HMO management is massively more difficult than a single let. Even if you have been a very successful landlord of single lets, you mustn't assume that you will enjoy the same success with HMOs. HMO tenants are not the same as single-let tenants and each have their own specific tenant needs.

Additionally, the regulation and legislation surrounding HMO rentals is very prescriptive and expensive if you get it wrong. Getting it wrong could lead to anything from paying a Rent Repayment order for a year's rent to fines for breaching safety standards to the complete loss of control of your property. This guide will later cover how to avoid these penalties.

First, you need to think about all the things that need to be considered before you buy a property to let as an HMO in order to avoid making an unprofitable investment. For this, I am going to assume that you know nothing and cover even the most basic information.

What is an HMO?

A House in Multi-Occupation was defined in the Housing Act 2004 - Part 7, Sections 254:

“A building or a part of a building meets the standard test if—

(a) it consists of one or more units of living accommodation not consisting of a self-contained flat or flats;

(b) the living accommodation is occupied by persons who do not form a single household (see section 258);

(c) the living accommodation is occupied by those persons as their only or main residence or they are to be treated as so occupying it (see section 259);

(d) their occupation of the living accommodation constitutes the only use of that accommodation;

(e) rents are payable or other consideration is to be provided in respect of at least one of those persons' occupation of the living accommodation; and

(f) two or more of the households who occupy the living accommodation share one or more basic amenities or the living accommodation is lacking in one or more basic amenities.

(3) A part of a building meets the self-contained flat test if—

(a) it consists of a self-contained flat; and

(b) paragraphs (b) to (f) of subsection (2) apply (reading references to the living accommodation concerned as references to the flat).

(4) A building or a part of a building meets the converted building test if—

(a) it is a converted building;

(b) it contains one or more units of living accommodation that do not consist of a self-contained flat or flats (whether or not it also contains any such flat or flats);

(c) the living accommodation is occupied by persons who do not form a single household (see section 258);

(d) the living accommodation is occupied by those persons as their only or main residence or they are to be treated as so occupying it (see section 259);

(e) their occupation of the living accommodation constitutes the only use of that accommodation; and

(f) rents are payable or other consideration is to be provided in respect of at least one of those persons' occupation of the living accommodation.”

In a nutshell, any building where three or more unrelated people, forming more than one household, shares facilities is an HMO.

People often confuse an HMO with a licensable HMO, but even where a property does not need to be licensed, if it still meets the criteria above then it is an HMO. All HMOs must meet all the legal requirements, apart from needing a licence.

HMOs That Require a Mandatory Licence

The Housing Act 2004 (as amended in 2018) requires local authorities to license all:

“Privately rented properties occupied by five or more unrelated people who form more than one household, sharing facilities, main residence and paying substantial rent.”

Location, Location, Location

This is a property investors' mantra for a very good reason. You can offer a palace for the cost of a shed but if no one wants to live in that area then you will not find suitable tenants. You might even be forced to accept tenants that are not suited to the property in order to pay your bills. This might cause property voids and issues with rent payments for example.

It makes sense to buy in an area where there is a high demand from your preferred tenant type so that you have a choice when it comes to deciding who will live in the HMO. This is especially important for HMO housing because having the right mix of tenants makes a big difference to the harmony of the house and therefore the workload of the landlord/property manager.

Your chosen location may have seen lots of demand for your target tenant, but you also need to check that there is not already an oversupply in that area otherwise you will face voids and rent reductions because of this too.

The Magic Formula for Buying the Right Investment Property:

- Buy a property in an area that is popular with the tenant types that you want to attract.
- Prepare the property to attract those tenants to want to live there.
- Be able to offer it at a rent that your chosen tenant type is prepared to pay.

Not really magic but it's easy to trip up on at least one of these things. Many people fall for a property that they would like to live in or don't do their homework on the area in which they are buying. If an area offers more affordable properties it can be attractive to buyers, but remember that cheaper areas may not be desirable to tenants for a number of reasons. People won't pay premium prices for a premium flat if it's in an undesirable area.

Your taste isn't my taste and it won't necessarily be the taste of people in a different age group or from a different culture than you. *"I always let property that I would live in myself"*. You hear that so often but if you aren't in your target tenant group that is not relevant and can lead to voids.

Look for properties in areas that meet the magic formula. Remember if the property is too far from your home to enable you to manage it you need to allow for employing an agent to manage on your behalf and that will reduce your profit. It's important to do your homework and have realistic expectations.

Regulations and Restrictions on HMO Rental Properties

Check with the local council website to find out whether there are any restrictions or extra regulations.

What are Article 4 Directions?

When the local planning authority has removed some permitted development rights by issuing an 'Article 4' direction, it will mean that you have to submit a planning

application for properties that do not usually need one. Specifically, this applies when you want to change the use of a 'family' home to an HMO, even where you are not intending to do any building works internally or externally. It's the **change of use** which is regulated and for which you must apply for planning permission.

Note that where Article 4 Directions are put in place, in areas that are not conservation areas, it generally indicates that the local planning department wants to restrict/control the number of family homes that are converted to HMOs in order to maintain balanced communities.

Selective or Additional Licensing

Selective licensing applies to any property that is let in a designated area and both the landlord and the property must be licensed. There must also be a named property manager who may be the owner or can be a third party like a letting and management agent or an employee of the owner.

Additional Licensing applies only to HMOs that are below the size of those HMOs that require a mandatory licence. The local authority may designate an area or apply additional licensing to every small HMO in their area and both the landlord and the property must be licensed. Again, there must also be a named property manager which may be the owner or can be a third party like a letting and management agent or an employee of the owner.

Examples of Planning Restrictions on the Property or in the Area

- Section 25 of the Greater London Council (General Powers) Act 1973, as amended by [section 44 of the Deregulation Act 2015](#), allows properties in London, which are liable for council tax, to be let out on a short-term basis for a maximum of 90 nights per calendar year without this being considered a material change of use for which planning permission is required.

- The development of a family home into an HMO of up to 6 occupants is unrestricted and known as permitted development, unless an Article 4 Direction has been put in place. **Before any HMO property has 7 occupiers,** Planning Permission must be obtained – regardless of whether there have been changes to the structure or not because this is considered to be a change of use.

There are Two Types of HMO

Category A: Individual tenants rent a room and share other facilities.

Category B: Whole property let to a group of unrelated sharers.

Our legal rights and responsibilities are different for each:

Access Rights for HMOs

Type A.

Access is only restricted to an individual's room, all shared areas are open access for the landlord or an agent or contractor acting on our behalf. It's good practice to let tenants know when to expect someone, like a cleaner, but not a legal requirement unless you need to access their rooms.

Type B.

Access is restricted from the street doors and a minimum of 24 hours' written notice must be given before a landlord or anyone acting on their behalf enters the property. The tenants have the right to refuse access or ask for a time that is more agreeable to themselves. They have the right to change the locks and not give keys to the landlord in order to protect their legal right to "quiet enjoyment", regardless of what

the rental contract says. Only in an emergency would it be acceptable for a landlord to enter without the tenant's agreement. This is the same as a single-let property.

In the event of access not being granted for statutory obligations like a gas safety inspection, landlords must make three written attempts to arrange the visit and if these fail, they will need to apply for a court order. I would suggest trying to get support from the local authority's environmental health department before going down the legal route because tenants often respond to a request from an official body. Whatever happens, do not rely on lack of access to protect you from legal action if you fail to carry out a statutory obligation, and leave plenty of time to arrange a visit before the current safety certificate expires.

Cleaning and Clearing Out HMOs

Type A.

Landlords have a legal obligation to keep shared areas, particularly the fire exit route, clean and clear and to keep shared facilities in clean and good working order. They must also ensure that all fire safety equipment is in working order throughout the tenancy.

Type B.

Landlords have no legal responsibility to clean and clear the shared areas nor the tenants' rooms, but they do have a responsibility to ensure that the fire exit route is not blocked by tenants and that all fire safety equipment is in working order throughout the tenancy.

There have been instances where tenants have removed or covered smoke alarms and heat detectors or fixed open fire doors. If this happens, it is important to talk to your tenant and give them verbal instructions not to do this. Then follow up and confirm this by email to create written proof that you have done everything you can.

There is also the option to ask the local Fire Safety Officer to pay them a visit, and they will do this because a big part of their remit is the prevention of fires.

Smoking Inside an HMO

Type A.

In an HMO the shared areas must have 'No Smoking' signs because they are areas where contractors and others can go and therefore, they must be smoke free. Most landlords designate their HMOs as No Smoking Buildings and therefore 'No Smoking' signs should be put up and supported by a term in tenancy agreements.

If you have space, it's good practice to give tenants a sheltered area outside where they can smoke or vape but make sure that it is well away from the building and the property of any neighbours, so that any smoke or noise will not disturb those who are not smoking. Also, give tenants a bin full of sand in which to dispose of the ends of their cigarettes to keep the garden clean and tidy and save your gardeners or cleaners a job. Furthermore, the provision of a garden table and chairs will deter tenants from borrowing indoor furniture, such as dining chairs, for outdoor use in the garden.

You may decide that you will only accept non-smokers as tenants, but sometimes it's not as simple as this. Some people may consider themselves non-smokers if they smoke every now and again, they may pick up the habit during the tenancy, or they may lie about their smoking status in order to move in. If people smoke other substances, they may omit this information too.

It is often where there are a mixture of smoker and non-smokers in an HMO where friction happens, particularly if there is a bedroom window next to a back door or where smokers stand in a doorway to smoke or if they smoke something with a stronger smell than tobacco.

'No Smoking' should also include 'No Vaping'.

Preparing for Letting an HMO Property

You will need to provide the HMO that tenants want to live in at a price they are prepared to pay for it. There are three aspects of preparing an HMO for letting:

- Legal requirements.
- Tenant requirements.
- Local community preferences and requirements. It's important to speak to neighbours and explain that the house will be multi-occupied. You should assure neighbours that the property will be well managed including waste management, gardens, and drives. You can share your contact details with them in case they have any concerns either during the development or afterward when the tenants move in.

Legal Requirements

You will need to meet all National and Local legislation and regulations.

Mandatory Licensing

The Housing Act 2004 (as amended in 2018) requires local authorities to license all:

“Privately rented properties occupied by five or more unrelated people who form more than one household, sharing facilities, main residence and paying substantial rent.”

Mandatory Conditions

- Rooms must meet the **national minimum room sizes** (however a local authority can ask for bigger rooms).
- Tenants must be briefed on **waste management**. This includes how to sort waste and where to store it between collections, what is the day of collection,

and where to put bins for collection. If you have a cleaner who works on the right days, you can ask them to be in charge of putting bins out and bringing them back in. Landlords also need to be sure that there are sufficient bins to contain tenant refuse because overflowing bins are a big cause for local resident complaints to councils.

- Other conditions may be added to deal with **local issues**.

Selective Licensing

Selective licensing is the required licensing of all rented properties in specific streets, wards, or postcode areas as set out by the council.

Additional Licensing

Additional licensing involves extending HMO-type licensing to other rented properties. This type of licensing includes:

- The owner of the building (landlord) must be on the HMO license application.
- There must be a named HMO Property Manager.
- All license conditions must be met.
- Properties must comply with Management & Amenity standards.
- There must be a Fire Risk Assessment on file and recommendations must be met.
- A copy of the current license must be on display in the property.

Amenity Standards

Personal Hygiene Facilities

Personal hygiene facilities available to tenants must stay within the following criteria:

- Up to 4 tenants can share a shower or bath and a toilet that are located in the same room.
- 5 or more tenants require a toilet in a separate room and a hand basin can be in an adjacent room.
- 6 or more tenants in an HMO will require double those facilities.
- Personal hygiene areas must be well ventilated, either naturally by use of windows or by using equipment. Mould and black mould is a major issue for those living in the property and cause for concern by local authorities during inspections.

Humidity-controlled extractor fans can save a lot of expense and problems with black mould, as tenants might forget to open windows or not want to do so when the weather is cold and they're trying to keep their home heated.

The use of an anti-mould paint like Glixtone Fungi shield will prevent mould on ceilings and walls.

Food Preparation Facilities

Food preparation facilities used by tenants must meet the following criteria:

- 1 food storage cupboard 500cm x 600cm per person. In a type A HMO it's a good idea to put locks on these cupboards.
- Impervious worktop including 500cm x 600cm per person. Putting stick on pan rests on each side of the cooker will prevent burns from hot pans. Burns from hot pans cause the worktop to become a health hazard and must be replaced immediately. Providing chopping boards is important for the same reason. A break in a worktop in a food preparation area is a serious hazard.
- Sink and drainer for every 5 people.
- Full-sized cooker for every 5 people, and these days a microwave is essential.
- Full-sized family fridge for every 5 people. Supplying food storage boxes for each tenant can avoid arguments about space and missing items.

- Ventilation, natural or mechanical.
- Good lighting but not necessarily from a window.

Toilets & kitchens should be no more than 1 floor from bedrooms unless the local authority has made a concession.

National Minimum Bedroom Sizes Where There is a Communal Lounge Area

- Single bedroom for a person over 10 – minimum size of 6.51 square metres*
- Bedroom for 2 persons min of 10 years old – minimum size of 22 square metres.
- Bedroom for child under 10 years old – minimum size of 4.64 square metres.
- Minimum height of 1.5 metres for sloping ceilings. Minimum room height of 2.1 metres.

***If there is a communal lounge**

- Every habitable room (bedroom or lounge) – must have an opening window to outside air and light.
- If bedrooms are smaller than 10.22 square metres, there must also be a lounge. If the property has 5 or less people, the lounge/kitchen has to be a minimum of 11 square metres (some local authorities ask for more – always check their website).
- If bedrooms are 10.22 square metres or bigger, there is no need for a lounge.

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HMO Management

HMOs are at the hard work end of the spectrum when it comes to managing property portfolios. They are the most heavily regulated and this can pose a steep learning curve for new landlords with no experience of letting property.

The potential high returns come with a big responsibility, not only to manage the property but to provide a comfortable home to the tenants. HMOs can house people who have:

- Different cultures.
- Different lifestyles.
- Different timeclocks.
- Different standards of hygiene.
- Different temperaments.
- Different tolerance levels.
- Different habits.

How to be a Good HMO Manager:

Protect those who work for you, for example, a hired cleaner or any other member of staff/contractor. Protect tenants who are victims of bad behavior from other tenants. Don't discuss one tenant with another unless you are listening to a complaint. When listening to a complaint, you should take note of everything but not comment at that time and don't take sides at any point.

Involve outside agencies if you need support – social services, police, environmental health officers, or the fire Service.

Don't get involved in private tenant issues unless they begin to impact the house. However, don't ignore warning signs that something might be wrong such as:

- Long-term tenants leaving without giving a reason or stating a problem as their reason for moving.

- A change in atmosphere after a new tenant joins the house.
- Comments from contractors and cleaners.

Think before you set up a WhatsApp Group – you need requests for maintenance to be in email so that you have a written record. Though they have their benefits for ease of communication, WhatsApp groups can discourage real-life communications within a house and become a place where tenants vent complaints about how other tenants live rather than speaking to one another to resolve issues. If someone in the house sets up a group and adds you, from personal experience, I recommend that you remove yourself.

Tenants are customers whose needs must be met:

- Tenants must be kept safe.
- Everything must be in good working order and clean at the start and throughout the tenancy.
- The property must be maintained throughout the tenancy.
- The property must be secure and for most tenancies no landlord or anyone acting on behalf of the landlord should enter without the tenant's permission. They can enter after a minimum of 24 hours' written notice via email not text.
- People who are living in an HMO need storage within their own space because they may have everything they own with them.
- Connectivity is top of the list of tenant requirements. They need a good mobile signal, internet speed, and reliability.
- If you supply a TV in a lounge or in a tenant's room, you must also provide a TV licence. One licence can cover up to 15 rooms if you buy a hotel licence for the same price as a single licence.
- If you provide kitchen equipment it's worth investing in better quality items that are easy to clean. This will save the tenants time, save the cleaners time, and reduce costs as these items won't need replacing as often. Make sure to provide enough equipment to enable multiple people to cook at the same time. It's usually the case that tenants are responsible for washing their dishes and emptying the bins, so it's best to make this clear to them if a cleaner is included in your tenancy.

- Smells can become an issue in an HMO either from cooking, poor hygiene, or lack of ventilation. I would recommend investing in an Ozone Machine and using it to keep the smells away. It can only be used when there is no one at home and the property needs to be ventilated after use before anyone can enter. It's worth planning ahead to use the machine and agreeing on it with tenants.
- Keep window coverings and outside areas clean and neat. Tenants will appreciate a nice outdoor area and neighbours tend to prefer it when their surrounding houses are kept nice too.
- Ensure that you remind your tenants about their access to parking when there is on-site parking. This will ensure that tenants are respectful to each other's parking rights and of neighbours too.

Certification for HMOs

The following documents must be in place before you offer an HMO for rent. These documents must also be shown to the prospective tenants at the correct times as required in legislation.

Note: This process is often confused with the need for documents to have been given before a no-fault eviction (known as section 21) can take place, but that is a different piece of legislation and doesn't change the individual legislation requirement listed below:

Energy Performance Certificate (EPC)

A property must have an EPC before it is offered for rent. The EPC must be shown or made available to everyone who views the property. This is because the cost of heating is an important part of the decision-making process if the tenant is paying the bills, especially when energy costs are increasing. However, even when the bills are included in the rent, the law doesn't exclude this from the process.

If you need a new copy of the EPC it can be downloaded from

www.epcregister.co.uk.

An EPC lasts for 10 years. An EPC only needs to be renewed when you need to advertise for a tenant or to sell the property. It's important to have proof that the tenant was shown this before the tenancy agreement was signed.

Gas Safety Certificate

There has been a lot of controversy about the timing of when this is given to a tenant since there was previously a case where the landlord had not given it to the tenant before the tenancy began and the tenant then contested a Section 21 eviction notice. In the end, it was decided that the fact that the tenant had not been given the notice until after he moved in did not prevent a section 21 from being valid. This was because there was a certificate and the property was safe, therefore it was just an administrative error.

The important thing to note is that there was a certificate in place but even then, the eviction was held up for many months while the courts decided and the administrative mistake cost the landlord time and money.

Make sure that the gas system is inspected and certified as safe before you offer the property for rent and give a copy of the certificate to each new tenant, also post one on the wall in a communal area. When subsequent inspections are carried out each year make sure to give each tenant a copy and post the new certificate on the wall within 28 days of the inspection taking place. Remember to get a signature or email receipt of delivery as evidence.

Electric Safety Certificate (EICR)

An EICR will be issued after a full inspection of the electric system in the property, it should cover the next 5 years unless the engineer has noted items that must be done in the next 12 months. In this case, the engineer will issue a 12-month certificate

until the upgrades are carried out. This should be treated in the same way as the Gas Safety Certificate. At least 3 double electric sockets should be fitted in each bedroom as well as in the shared areas.

Between tenancies, a competent person, like the property manager, must carry out a visual inspection to ensure that there are no broken sockets, switches, or bulb holders. If issues are found then a suitably qualified person must change them.

Copy of HMO/Selective License (if applicable)

If the property is licensable then a copy of the license should be given to each tenant and a copy should be placed on the wall in a shared area. If you are waiting for a license to be issued because an application is in progress, you should have a confirmation email from the local authority and that should be shown as above until you get the official license. It is unlawful to let a property that needs to be licensed without applying for the license. The penalties for failing to follow these rules include both a fine of up to £30,000 and a Rent Repayment Order for up to a year's rent.

Finding the Most Suitable Tenants for Your HMO

It's not uncommon for landlords to end up with unsuitable tenants in their rental properties. There is no magic formula for finding the right tenant, but it is important to screen potential tenants thoroughly. Offering a property catered for your target tenant at a rent they can afford is the best way to attract your desired tenant type.

Screening tenants will lower the risk of housing a tenant who historically doesn't pay their rent or has been a troublesome tenant previously. It is not worth taking a risk on a tenant just to fill an empty room because if there was ever a need to evict them, the process is expensive, stressful, and time-consuming and can also lead to losing other reliable tenants while it's going on.

Advertising Your Property

Regulations

The Advertising Standards Authority/Consumer rights regulate all advertising, including when you offer a home for rent. All advertisements must be legal, honest, decent, and truthful. Many of the online platforms where landlords advertise now have their own rules in addition to the law.

Photography

Good photographs make a big difference. Try and represent the property at its best without being misleading. For an example of what not to do - some landlords use old photographs of the property when it was in much better condition. Misleading photos are unlawful and unhelpful.

If a tenant comes to view a house that has been advertised with misleading photos, they'll be disappointed and the viewing will have wasted everyone's time. It's far better for them to come to view a house and see that it is exactly as expected. This will increase the chances of the property meeting their requirements.

If misleading adverts cause prospective tenants to continually reject the house, it can lead the landlord to accept a tenant who might not be suitable for the tenancy just because they want to fill the void.

If several people view the room and don't show interest, I recommend looking at your advertisement and finding out what is different from what they expected. Then correct the advert or the description so you can attract the most suitable tenant.

Check the Competition

Dummy advertisements are unlawful and I see landlords "checking the market" by placing ads for rooms that do not exist. Consumer protection forbids anyone from advertising something which is not available, and you can end up being fined or banned from advertising.

There is no need to do this, it's very easy to check rental listings online and get a good idea of what others are offering and what rents they are charging. Why not go and view a couple of houses yourself to get a better understanding of the competition.

General Data Protection Regulations - With Effect From 25th May 2018

These regulations mean the following:

- They reinforce previous data protection legislation.
- The regulations apply to hard copies as well as electronic data.
- Landlords must Register (as a small business) with the Information Commissioners Office www.ico.co.uk and comply with the rules for holding a person's information.
- Landlords must learn the general principles and devise/document their own procedures.
- Landlords must issue a Tenant Privacy Statement to every new tenant and get evidence of receipt. You can find guidance on the ICO website and it only

needs to be a few simple lines to comply with the law but landlords must ensure that they keep tenants' information safe and if they lose a device where it is stored it must be reported to the ICO.

- On your tenant application form make sure that the tenant signs to agree to you sharing the information which you are taking in line with your business. This ensures that you can give that information to a referencing agency or any other body when needed.
- A year after the end of the tenancy destroy all the information you hold about that tenant.
- Do not hold data on applications that you did not take as a tenant.



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Selecting a Tenant

Who are you targeting?

- Professional/working people.
- Tenants who rely on benefits.
- Family or Individuals.
- Students.
- Companies.

Screening Prospective Tenants

My advice would be to start the screening process with a phone call. During this call, remember to ask for their email address and send an application form with the GDPR notice included. The purpose of this phone call is to find out more about the prospective tenants by asking questions such as:

- Why are you looking to move?
- Do you know how long you'll plan to stay?
- Where are you living at the moment?
- When do you need to move in?
- Where do you work?
- What is your annual income?
- What attracted you to the advertisement?

During the screening phone call, if anything feels off, I would recommend not offering them a viewing. However, if their answers match what you are looking for in a tenant, it's time to offer them a viewing.

Let current tenants know you will be bringing a prospective tenant to view the property. This gives current tenants the choice of meeting prospective tenants or staying out of the way if they'd rather not be involved in the process. Often, prospective tenants want to meet existing housemates before they move in. If

everyone is okay with this, you should arrange a visit for this meeting if the prospective tenant's referencing and affordability check out.

Comply with Right to Rent Legislation

Ask prospective tenants to bring documentation that proves that they have the right to rent in England. There is a list of acceptable documents here [Check your tenant's right to rent: How to do a check - GOV.UK \(www.gov.uk\)](#) and details of the new online checking system.

Landlords **MUST** make a copy of the document provided and keep it for 12 months after the tenancy has ended then destroy it. This document must be protected under GDPR legislation.

Documents

Ask prospective tenants for proof of information you've asked for. This can include:

- National Insurance Number.
- Date of birth.
- Current address.
- Employment details.
- Next of kin info – name, address, and contact number.

This information is very important to have in case there is an emergency during the tenancy or if a tenant leaves owing rent and you need to contact them.

Letters from Embassies for International Students

For international student tenants, a copy of their offer from a college or university is evidence of their intention to be in education at that establishment.

Tenant Referencing

You should use an approved reference agency and ask for a full check rather than a partial search. Things to check include:

- CCJ register check.
- Credit Check.
- Previous landlord references (not their current landlord).

Current landlords aren't always reliable as they may be looking to get a tenant out of their property as fast as possible so may not be entirely truthful in their reference.

Good questions to ask previous landlords are:

1. Did this tenant live in your property on these dates?
2. Did he/she always pay the rent in full and on time?
3. Would you take them again?

You shouldn't need any more information, nor explanation. I wouldn't advise asking any more than these questions so that the landlord isn't concerned about sharing information.

Equal Opportunities Legislation

It's important that landlords do not discriminate against protected groups, or in fact against anyone. It is, however, important to take into account any obvious reasons why a person might not fit in with existing tenants e.g:

- Where they have different shift patterns to other people in the house.
- Where all the existing housemates are of one sex and the applicant is not the same sex.
- If existing tenants like to party and the new tenant is looking for a quiet home.

These are not reasons to discount the tenant, but they are things to consult existing tenants about. Harmony is vital and if there are obvious areas that might cause contention it is irresponsible to ignore them.

Use of Guarantors

Some tenants might be a perfect fit for your HMO, but they either haven't been employed for long, are self-employed and without 2 years' accounts, are starting a first job, or are coming into the country to work/study. In these cases, taking a guarantor is a good solution.

The guarantor must be screened just as the tenant would be for CCJs and credit rating, etc. They must also own a home in the UK. This is so that if things go wrong and they don't honour their guarantee, you can have a charge put on their property to ensure that you are paid.

An alternative to a guarantor is to take rent in advance. Landlords are allowed to do this as long as the tenancy agreement is clear that the full rent for 6/12/x months is due on day one and that no rent is due until that period has ended. Landlords cannot hold more rent than is due because that would be considered to be a deposit and it is unlawful to hold more than 5 weeks' rent as a deposit.

After the Tenant is Selected

Inventory and Conditions Report

I would recommend either employing an inventory clerk or writing your own inventory. An inventory must be comprehensive, detailed, and verified by photos with date and time stamps. The inventory acts as a snapshot of what you are offering to the tenant and in what condition. Remember to include full details of keys and utility readings (even when the rent is inclusive of bills).

There are many reasons why you need an inventory. For example:

- In the event of a fire associated with a piece of furniture or other item, you can prove who brought that item into the rental property.
- Similarly, if there is a trip or slip due to a carpet or rug, you can prove who was responsible for that item.
- The inventory is also necessary if you want to make a claim against the tenant's deposit in the event of loss or damage of an item beyond wear and tear. This is what makes it so important that this document is accurate and that it's signed by the tenant at move-in. It is the responsibility of the landlord to provide proof of what the item was like before damages.

Additionally, it's good practice to include a copy of the manufacturer's 'in use' and 'safety instructions' for every item that you supply so that you have the right to expect tenants to use that item as the manufacturer has instructed. This way, if any damage is caused by misuse, you have proof that the tenant has access to all relevant instructions and you can charge for damages.

Tenancy Agreement

A tenancy agreement is the legal contract between landlord and tenant. It usually runs on a 6 or 12-month fixed term, however, there is no legal minimum tenancy length.

Types of tenancy agreement:

- Assured Shorthold Tenancy (Housing Acts 1988). An Assured Shorthold Tenancy (AST) is the default contract in England. This type of tenancy is often required by mortgage lenders for buy-to-let mortgages.
- Contractual Periodic Tenancy (CPT). A CPT occurs when there is a term in a fixed-term tenancy agreement that says it will continue as a CPT. A CPT can also be a tenancy that rolls month by month from the start and has not had a fixed-term.
- Statutory Periodic Tenancy (SPT). An SPT can only come about following a fixed-term contract. They are used if there is no mention of CPT in the original contract and the tenant remains after the end of the term.

At the end of a fixed-term tenancy, if there is not a new fixed-term contract signed then the tenancy will continue as either a CPT or an SPT.

It is critical to get the tenancy agreement right in case you need to re-possess the property in the future. I recommend using a professional (legally checked) document from a reliable source that would ideally still be available if any issues came up.

It's also critical to include a clause regarding direct payment of benefits and permission to speak to benefits agencies where applicable.

You will need to check the terms and conditions of lenders and insurers. They may require certain clauses to be added to the tenancy agreement in order for the loans and insurances to be valid.

If the property is leasehold then certain clauses about the lease are required in the tenancy agreement.

Note: do not add too many extra clauses because they may contradict others and make the contract unenforceable.

License to Occupy Agreement

If a property is occupied only by tenants the law says that it is an Assured Short-Term Tenancy. Some landlords believe that they can use a licence to occupy rather

than an assured shorthold tenancy agreement. They sometimes prefer to use this as an option because a licensee has fewer rights than a tenant.

A licence to occupy can only be used under the circumstance listed below.

Otherwise, the law will judge it as tenancy regardless of what the contract says.

- The landlord or employee of the landlord who is a resident in the property.
- Vulnerable persons with support.
- Lodgers.

Company Let or Lease

For commercial leases, it's a bit of a grey area, so it's best to seek expert legal advice. Things to note about company lets:

- You cannot use an AST agreement for a company let as the company is not an occupier. Occupiers must be directors or employees of the company.
- You must undertake full due diligence for company lets which include credit checks and searches via Companies House.
- For company lets, there is sometimes no deposit taken but dilapidation clauses are included in the tenancy agreement.
- It is not a company let if it is being rented by a limited company that intends to rent it to tenants, that is a lease.

Tenants on Benefits

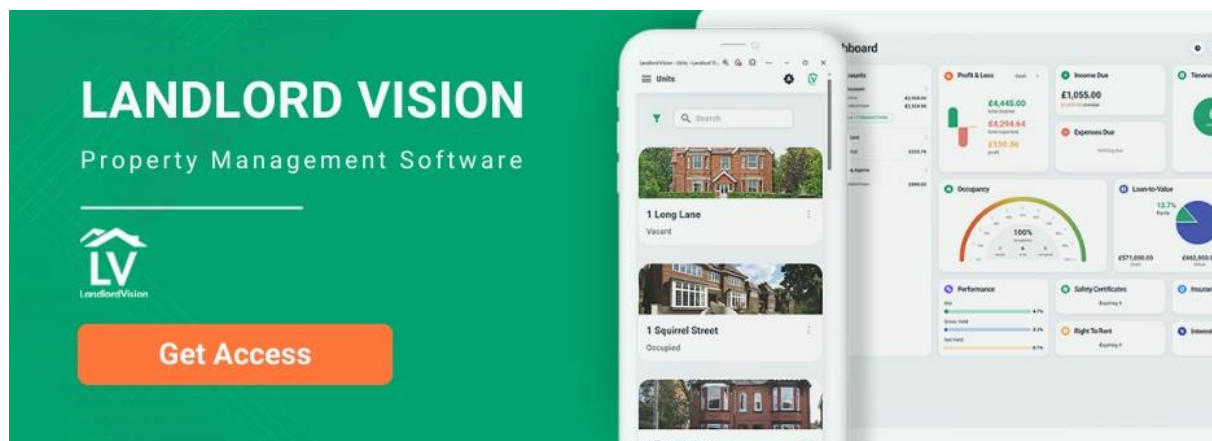
When housing tenants who pay rent out of their benefit allowance, you need to understand the Universal Credit payment system. You can find the rent rates that local authorities pay on your local authority website. If your rent is more than this figure, the tenant may need to top the rent payment up from other income/benefits.

I don't recommend taking this type of tenant on if you're a new landlord who doesn't yet feel confident with all your other landlord responsibilities. However, a tenant's

circumstances may change meaning they become a tenant paying rent with benefit payments. For this reason, it's best to understand the system just in case.

Sometimes, lenders and insurance companies stipulate that they won't cover tenants who pay rent with benefit payments so be aware of this before accepting your tenant.

Tenants on benefits have historically had a bad reputation. However, just because a person needs support from public funding does not mean they won't pay the rent. In my experience, tenants on benefits often make good long-term tenants.



The Process of Letting

Once you have chosen your tenant, you'll need to go through the correct process in order to comply with legislation. Complying with all necessary legislation ensures you are entitled to all your rights, should you face any issues with the tenancy. It's important to be business-like and always follow good practice, regardless of things like your relationship to the tenant.

The Tenants Fees Act introduced a list of charges that landlords are allowed to make and anything not on that list is not allowable unless it is claimed via the tenant's deposit. The list prohibits charges made to begin, renew or end the tenancy.

Retainer

A retainer is often called a holding fee. It is an amount of money paid by a prospective tenant to ensure that the property is held for them while the referencing process is going on. The tenancy must be agreed in principle before the retainer is taken so that, providing the referencing comes back clear, the tenancy will go ahead.

There are rules about taking a retainer:

- A **maximum** of the equivalent of one week's rent can be taken as a retainer.
- The property must not be advertised nor shown once a retainer has been taken.
- The retainer can be held for a maximum of 14 days unless both parties agree in writing that it can be held for an extended time. This is usually done if the screening process will take more than 2 weeks and often happens when there are several joint tenants, particularly students who live all over the country.
- If there isn't an agreement signed or the application is rejected within 14 days, the retainer must be returned to the applicant in full. Only then can the process continue or the property be advertised again.
- The tenant cannot be charged for referencing.

- If the referencing process fails because the applicant gave inaccurate information or withheld relevant information, the retainer can be kept by the landlord. The landlord can also keep the retainer if the tenant decides not to go ahead with the tenancy.
- If the landlord decides not to go ahead with the tenancy, the full retainer must be returned unless the situation above had occurred.
- In most cases, the tenancy does go ahead and there are two options for the retainer:
 1. The retainer is returned to the tenant.
 2. The retainer becomes part of the deposit or first month's rent – this is what usually happens.

Deposit

A deposit is taken to cover costs in the event of losses or damages found at the end of the tenancy. There are very strict rules about how this money is handled. We begin by acknowledging that this is the tenant's money. Landlords can make a claim against the deposit to cover damages if the claim is supported by clear evidence.

The deposit is also covered by the Tenants Fees Act as follows:

- A **maximum** amount equivalent to 5 weeks' rent may be taken as a deposit.
- Within 30 days of taking the deposit, it must be protected in a government-approved deposit protection scheme – there are 3 approved companies for this.
 - The full amount must be held with the scheme and there is no cost involved. Either the landlord or agent can choose a protection scheme to put the tenant's deposit in.
 - An insurance premium to cover the scheme costs needs to be paid and the landlord holds the deposit.

Once the deposit is protected, landlords must give all related documents to the tenant within 30 days of when the deposit money is paid to the landlord. Each

protection scheme has its own rules that you **must** follow. These rules are backed by legislation and failure to follow them can cost us up to three times the amount of the deposit in compensation to the tenant. This is one of the **most common** and expensive mistakes that landlords make.

At the end of tenancy, an undisputed deposit must be returned to the tenant within 10 working days. If the tenant has agreed to any stoppages that will be the end of the deposit.

Where the tenant doesn't agree with claims for damages, the disputed amount can be withheld until the tenant raises a dispute with the scheme and the arbitration process begins. The arbiter's findings are final but that doesn't prevent landlords from making a claim in court. Either way, if a landlord makes a claim and the tenant disputes any amount of the claim, the scheme you use will require the deposit to stay with them during an arbitration process.

Important Documents

Before the tenancy begins there are documents that must be given to the tenant. They have all been covered individually above, but this is the full checklist:

Documents Which Must Be Given to Tenants Before They are Given Access to the Property:

1. **How to Rent booklet – download from gov.uk** - Always download the most up to date version because the latest version must be given to the tenant. It is not acceptable to send them a link, but a copy can be attached to an email.
2. **EPC download from epcregister.co.uk** - This can be attached to an email, given as a hard copy, or a link to where it can be viewed.
3. **Gas Safety Certificate** - The original must be shown and a copy can be given either in hard copy or attached to an email.
4. **Electric Safety Certificate** - The original must be shown and a copy can be given either in hard copy or attached to an email.

5. **Deposit protection documents from deposit protection scheme** - The certificate should be signed by the landlord and tenant and a copy can then be attached to an email for records.
6. **Copy of the HMO license if there should be one** - A copy can be attached to an email and a copy must be displayed in a visible part of the shared areas.

It's important to have a clause in your tenancy contract stating that email is an acceptable method of communication so that these documents and any other important communications can be sent by email.

It is best practice to take a private email address rather than a business one, which can change when employment changes and emails can be lost. If the tenant doesn't agree to email, the only other option is Royal Mail personal delivery with a signature or a witness statement from an unrelated person.

Text or WhatsApp messages are useful for things like confirmation of an appointment or visit but they are not sufficient to satisfy the legal requirement to provide documents or information where that is relevant.

Overseas tenants (Pre-start of tenancy)

If overseas tenants have no UK guarantor landlords are legally allowed to accept 6 or 12 months' rent and many people coming from overseas will offer this.

It is important that the tenancy agreement is clear that the rent for the future period is due for payment on day one and that no other rent will be due until the end of the period covered. If the contract says that the rent is due 'monthly in advance' and you have taken 6 months in advance, then this will be considered as a deposit which is unlawful because it is more than 5 weeks.

Check-in Process

Before move-in

Before moving any tenants in you must adhere to the following:

- Check the identity of all signing parties.
- Both copies of the Tenancy Agreement must be signed and witnessed (if applicable).
- If you are taking a guarantor, it is important that they sign the guarantee **BEFORE** the tenancy contract is signed otherwise the guarantee is not valid. The reason for this is that the guarantor must gain something from giving their guarantee, in this case, they gain the tenancy being granted to the person who they are guaranteeing. If the tenancy contract is already signed and dated before the guarantee they have not gained anything and therefore the guarantee is not valid. It's important to take advice on the wording of the guarantee, particularly where there are several joint tenants and therefore several guarantors.
- Collect any student council tax exemption certificates. Many universities have a system tied to the local council in order for their students to claim an exemption from council tax. It's important that landlords get a copy of a document for each student to verify that they are in fact studying at that institution. If just one of a group begins working, the property will be subjected to council tax of 75%, and the tenants become liable for this, but only if the landlord has evidence of a joint contract and exemption for all other tenants.
- The first month's rent, deposit, and future arrangements for payments must be given. Landlords can ask for a standing order to be set up, but they cannot insist and they must accept payment of rent in any form of legal tender. There is a restriction on the amount that tenants can pay in coinage, otherwise, landlords will be considered to have refused payment of the rent.
- The deposit and first month's rent must be paid in cleared funds before the keys are given to the tenant.
- If the tenant is paying weekly, landlords must provide a Rent Book.

- If the tenant is paying cash, landlords should provide a Rent Book. When collecting rent in cash, do not go at a regular time on the same day each week or month or take someone with you who could support you in the event of an attempt to accost you.
- Using a Rent Book – landlords need a copy for the tenant and one for themselves. Each person should sign and date the other copy when each payment is made. This is evidence of payment or nonpayment and is important if there are rent arrears in the future.

At the property

On move-in day, there are a few more things to do to get the tenancy started:

- Check the identity of the tenant against the Right to Rent document.
Note: it is unlawful to ask if they have applied for settlement status. This is only necessary if the online verification system has not been used.
- Check inventory at the property and offer to demonstrate how to use any item that the tenant is not familiar with or any items that you know are tricky to use.
- Show the tenant how the heating, shower, cooker, etc., works. Discuss the 'fair usage clause' in your contract if bills are included and make them aware that the cost of going over the utility allowance will be added to the rent.
- Show the tenants that the smoke detectors and carbon monoxide detectors work.
- Show tenants the fire exit route. Tell them not to attempt to fight fires, but to leave the property, stand clear, and call the emergency services.
- Go over how to report anything that needs fixing and your list of emergency contact details. It's best to tell tenants that you work office hours unless there is an emergency. Tell them they can call or text within working hours (unless in case of emergency), but can email anytime as emails will be read the next working day. Note to landlords: it's important to maintain and only work within these working hours for non-urgent enquiries. Do not call text, or visit the

property outside of your working hours unless there is an emergency or the tenant has asked you to do so.

- If the tenants are paying the utility bills give them details of utility companies and ask them to sign up. It is good practice to inform the utility companies of the tenants' names and details of the start date of their tenancy just in case they forget. In particular, go to Landlord Tap and register the property and update tenant details at the turn of every tenancy because the water supplier is the only utility provider which cannot withdraw their services and they have the legal right to charge the landlord if the tenants' details have not been provided. Take meter readings and meter ref numbers and share them with the tenant for future reference, in the event that you need to use the fair usage clause you will need these.

Managing the Tenancy

Record Keeping

- Keep good records of rent payments and do not allow the rent to remain unpaid for more than 7 days before chasing payment.
- If a tenant owes one month's rent and fails to pay for a second month, on the second day of the second month you have 8 weeks' rent arrears and therefore grounds for eviction. You can do this yourself or engage an eviction specialist.
- If you and the tenant can't work out an acceptable plan to catch up with payments, you should consider starting the [Section 8](#) Eviction process by serving the correct form with 2 weeks' notice that you intend to take it to court. In my experience, this often encourages the tenant to change priorities and pay the outstanding rent. If it doesn't do not allow the rent arrears to grow while not taking action.

Inspections and Access to the Property

Type A HMO

It's important to keep up to date with visits, inspections, repairs, and safety certificates. In a type A HMO, landlords can carry out these visits without notifying the tenants, but it is still good practice to do so, especially if you need access to bathrooms.

Type B HMO

If you need access to individual rooms, you must give a minimum of 24 hours' written notice, and even then, the tenant has the legal right to stop us from entering the room unless they are present or it is a convenient time. Note: a term in a tenancy contract stating otherwise does not override the tenants' rights, but the tenant must be reasonable and allow landlords to maintain their properties, in particular when it comes to safety. Good tenant relations are important for harmony and also for good management.

Repairs and Maintenance

Repairs and maintenance should be requested by email or via a system if you have one. It's important to have a paper trail to evidence ongoing repairs and maintenance and particularly to show that issues are dealt with in a timely fashion as the law requires. Throughout the tenancy, landlords must maintain everything supplied at the start of the tenancy. Landlords **cannot** opt out of this responsibility by omitting an item from the inventory. HMO landlords can expect more damages because there will be more use of many items, this comes with the territory of running an HMO.

Complaints

Tenant complaints and issues can be difficult to handle. As a starting point, it is best to let tenants try to resolve their issues amongst themselves. Only when they cannot resolve an issue should the landlord get involved and this is where it's important to show good communication and patience. Remain fair and don't take sides. If one person is at fault, you can help to resolve issues and if they still cannot come to a resolution, it may be best for a new tenant to be found.

Ending the Tenancy

Landlords have no right to notice from the tenant at the end of the fixed-term – however, most tenants do give notice mainly because they want to know what they must do to end the tenancy and regain their deposit. If tenants move out without notice and don't owe rent, landlords cannot withhold money from their deposit in lieu of notice.

If a fixed-term tenancy ends and becomes a rolling tenancy, this is known as a Statutory Periodic Tenancy (SPT) or Contractual Periodic Tenancy (CPT). If this was mentioned in the original tenancy agreement, it's a CPT, or if it happened by default it's an SPT. When a tenant goes onto an SPT or CPT, a minimum of one month's notice must be given ending on the last day of a rent payment period.

A signed and witnessed 'deed of surrender' is needed if a tenant moves out after service of an eviction notice or if they move out by choice without giving notice. Without this, landlords haven't got legal possession of the room/property.

Pre Checkout

Before tenants move out, you can do the following things up to 2 months before the end of the tenancy date:

- Visit tenants or send a letter reminding them that the property needs to be in the same state it was at the start of the tenancy. Give tenants guidance on returning the property in fair condition and recommended cleaning products if they would like advice.
- Remind tenants that you will be going through the inventory to check all items are still there and in good condition. Give them a copy of the inventory/condition report, including photographs.
- Explain the checkout process to tenants and requirements.
- Inspect the property to pick up any repairs/maintenance issues not already reported by tenants.

- Suggested contractors who may be able to help tenants with cleaning, etc. However, you cannot charge for this service, nor tell tenants to use cleaning contractors.
- Agree on a time to check out the tenant.

During Checkout

- Take a copy of the original signed tenancy with you.
- Go through the inventory and agree on any losses or damages for which the tenants will be responsible. It is always better to agree on what the tenant will pay from the deposit because if a claim is disputed, the landlord will need to spend time and have evidence to convince the arbiters that it is fair to take money from the tenant's deposit.
- Similar to above, agree on any cleaning fees for items not cleaned by the tenant. Landlords cannot charge a standard cleaning fee; they need to get a quotation and agree on the cost. However, if landlords haven't got good evidence that the room was clean at the start of the tenancy, arbiters will not allow the claim. To claim for damage, landlords must take into account the age of the items against their life expectancy and account for fair wear and tear. The claim can only be made for damage beyond fair wear and tear, not new for old.

Post Checkout

- Return the undisputed deposit within 10 working days and get quotes or invoices for any claims.
- Prepare evidence for stoppages from the deposit. This can include image comparisons of before the tenancy and after. Send this evidence to tenants and try to reach an agreement within 10 working days. If they raise a dispute send evidence to the deposit protection scheme.
- Schedule any work needed on the property before moving in the next tenants.

- Notify utility companies of the tenant's forwarding address and readings.
- Ensure all belongings have been removed and get a signed agreement that this has happened, so that tenants know they've taken all their belongings with them.
- Take Meter Readings.
- Make sure all keys are returned and change the lock on the bedroom.
- Some people prefer not to supply a forwarding address, in which case, it should be made clear that they cannot return to collect post, nor expect other tenants to forward it to them. All post will be returned to the sender.



“They seem to have thought of everything! – Have been using Landlord Vision for 2-3 years now. I find it to be an amazing piece of software which makes the job of managing a property portfolio very simple. The built in book-keeping ...

★★★★★ by Andy A

Rated 4.4 / 5 | 131 reviews

★ Trustpilot

BE SAFE

It is paramount to think about your safety when managing your rental property.

You may remember the name Suzy Lamplugh?

Suzy Lamplugh went missing at the age of 25 in Fulham, West, in July 1986 and has never been found. Suzy was an Estate Agent who went to show a prospective buyer a property and no one knows what happened to her after setting out to do the viewing. Paul and Diana, her parents established the Suzy Lamplugh Trust in December 1986, to be able to offer personal safety training and advice to others, to help people be and feel safe.

There is a lot of good information and advice on the website here: [Suzy Lamplugh Trust](https://www.suzy-lamplugh-trust.org/). The important thing to remember is not to put yourself at risk. Meeting strangers to conduct viewings is a normal part of landlord life, but everyone needs to have strategies in place to ensure they are safe at all times. If anything unexpected does happen, it's important that someone knows where you are. If you don't feel safe doing the viewings and visiting properties that are tenanted you should probably consider using a managing agent.

Are HMOs Worth All The Red Tape?

In the final section of this guide, I will cover many of the things you must do in order to be a compliant HMO landlord and whether the reward is worth the risk. Every investor has different overheads and it is important to do your calculations to make sure you can cover these.

People often talk about the profits they make from investing in rental properties, but sometimes they are not telling the whole truth, or their overheads are lower because they aren't being compliant with the law.

It is NEVER a good idea to do this. Anyone, including your tenants, can find out anything very quickly online. Ignorance is never an excuse when it comes to following the rules. Do your sums based on being fully compliant, allow for voids because there will be voids, allow for damages caused through heavy use, and even for misuse in a type A HMO because it's hard to find one person willing to pay for the damages.

In a type B HMO, the costs can be shared between all tenants because they are all jointly responsible and it's up to them to agree on who caused the issue, not the landlord. As long as you have good evidence, like an inventory and condition report from the start of the tenancy, you can claim from their joint deposit and the tenants can sort out among themselves which of them loses the money and gets less deposit back. This is why it's important to name a head tenant in your deposit protection and return the balance of the deposit to that person. Remember to include the invoices/quotation for any losses or damages you claim.

If you are offering an "all-inclusive" rent that includes bills, make certain that you have a fair usage clause in your contract, so tenants know if they use more than a fair amount of the utilities, they are responsible for the cost. This is especially important when faced with increasing costs caused by inflation, as increased bills might make your investment unprofitable. I would also recommend including a clause forbidding the charging of electric vehicles from your supply.

Regardless of whether you pay the bills or your tenants do, make sure that you do everything to keep costs down. Do this by buying A-rated equipment, having good insulation, and heating with individual controls on each radiator. Action any suggestions to increase your EPC rating, which by law must be a minimum of E, but the better the rating the less costly it is to run the heating. It is unlawful to take away the control of heating from tenants, even when the rent is all-inclusive. Some landlords believe that the “tenants are not paying”, but of course they are. It is just included in the rent.

Take account of the fact that the cost of your borrowing may increase, as we are unlikely to see the low-interest rates of the last decade again for some time, if ever.

An increasing number of local authorities are re-banding council tax on HMOs either on an individual room or floor basis. When they do this, the liability for payment of council tax leaves the landlord and transfers to the tenants. Unfortunately, even where landlords offer to reduce the rent (to allow for what they are saving in council tax), the increased cost of council tax for the tenant can be so much that they can no longer afford to live there. In these instances, tenants may opt to move to a self-contained property for a similar cost, either way, it means voids and it is really bad news for landlords. There have been several attempts to challenge local authorities who have re-banded council tax on HMOs in this way, but I am not aware of any that have succeeded. Even where the rooms in question are not en-suite and have no element of self-containment this council tax re-banding can happen.

The other issue with council tax is that when a room is empty and it's separately banded for council tax, the landlord will be charged for each day that it's not tenanted which increases the cost of voids.

Have an emergency fund for a new boiler, roof, or any major item.

Allow for regular costs like gas and electric safety inspections, EPCs, cleaning of shared areas and between tenancies, clearing of gutters and drains, cleaning of windows, garden maintenance, Membership of Information Commissioners Office (all landlords need to join), fire risk assessment (all landlords must all have one on

file), and on-going testing of equipment, and letting/managing agent fees if applicable.

Can You Do All This and Still Make a Decent Profit? Or Are You Investing for the Longer Term?

If your answer is no to both of these, think again before entering this market.

It's all about timing. Will the property be ready at a time when there is a good demand? For example, if you plan to let to students most will begin looking for a property in December/February for the year that begins the following September/October. There are usually some last-minute tenants during August but you will need to let individual rooms because they probably won't know anyone. After August you will struggle to let.

Most markets do not have such a tight season but there are often times when demand is much lower, people often do not like to move in December unless they are starting a new job in January and the main holiday season can be very quiet too. If your market is contractors, check things like annual close down - companies like JLR have these, as well as seasonal layoffs – many large construction companies have these and anything else likely to reduce demand or indeed increase it.

If you feel prepared to set up an HMO following all necessary regulations and there is good market demand, then this could be the investment for you.





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