

# DEALING WITH THE MINEFIELD OF TENANTS

Hi Arsh,

*I have recently purchased some BTL and HMO properties, and I'm finding dealing with tenants to be a handful. I am getting calls at all hours, the tenants aren't behaving and things are getting broken. I am wondering whether I am out of my depth! Is there anything I can do to streamline the process?*

Thanks,

ANNA – GLAMORGAN

Thanks for getting in touch, and let me congratulate you on your recent purchases. Ultimately, you have done the hard part! You have:

- Identified an area to invest in
- Researched the style of property you would like to purchase
- Researched the demand and the cash flow it would produce

## YOU HAVE TAKEN ACTION.

Therefore, I believe that if you spend a little more time ironing out your systems and processes regarding tenant selection, you should be able to relax and let the properties almost run themselves.

Let me start by saying that property is a people business! Whether you are letting the properties out yourself or choose to use an agent, you will need to deal with all kinds of people.

So consider:

- **Is your vetting process strong and robust?**
- **What questions do you ask at the outset?**
- **How does your advert weed out all the timewasters and people you would prefer to avoid?**
- **What funds are you requesting upfront?**
- **How do you compare to your competitors, ie other HMOs in your area?**

These may seem like very simple questions, but I am a firm believer that all the issues start here. After interviewing thousands of potential tenants over the years, I can quickly pick up on any tell-tale signals that indicate whether they might be right for me or not. To the right is a quick-fire guide to my vetting process:



ARSH ELLAHI

- 1. Who are they?** Just enough to identify and address them by their first name at this stage, and gauge first impressions.
- 2. How old are they?** I like to know this from the beginning. For the last nine years, I have refused to take on any tenant below the age of 35. Admittedly, my hand was forced when the government changed the LHA rules so that people under the age of 35 could no longer afford to live in a studio/one-bed flat. However, I embraced this and made it a blanket policy across all HMOs regardless of setup. This may seem strange for some, but I think that having people over 35 creates a very settled household, especially in HMOs.
- 3. Where are they currently living, and why do they intend to move?** A really important question. This will give you an indication of their motivation to move. Listen carefully to this answer, you don't want to take on another landlord's nightmare!
  - **Are they moving because they are looking for somewhere better/new location with work, etc?**
  - **Disputes with landlord?**
  - **Disputes with other tenants in the property?**
- 4. How quickly do they want to move?** Anyone who says they need to move today instantly makes me anxious. What's with the urgency? Now, just to clarify, when dealing with over-35s I have come across some scenarios that genuinely require a quick move, such as relationship breakups. Try to understand the motivation and feel free to ask direct questions such as:
  - **Do you owe any rent to your current landlord?**
  - **Would you have any issues with me contacting your current landlord for a reference?**
  - **Would you object to me visiting your current property?**
  - **Do you have a police record? If so, for what offences and dates? I appreciate this may make some landlords feel uneasy, but do you really want a tenant who could potentially put other tenants' lives at risk?**

## THE ULTIMATE TIP TO TENANT SUCCESS – DO THEY HAVE A GUARANTOR?

I speak to hundreds of property investors who believe that taking a tenant who has a deposit is best practice and the only advisable method. This is where the incoming tenant would need:

- **One month's rent in advance**
- **One month's deposit (which has to be placed in a deposit protection scheme)**

For the purpose of this example, let's just assume the rent on the property is circa £500 pcm. The person moving in must have £1,000, plus any additional fees, to move into the property.

In theory, a tenant who can pay such a large amount should be someone you would trust to be a good tenant. Because they could lose £500 if they do not conduct the tenancy in a correct manner.

However, is £500 really enough of a deterrent for a tenant not to cause damage? Over the past 20 years, I have seen thousands of tenants come and go, and the way they have treated a property when they have vacated.

Most of them have been fine and the property just needed a quick tidy up.

Pack up some left-over belongings, a quick touch up and the property is ready to be re-let.

However, I have also been in scenarios where a £500 deposit is a drop in the ocean compared to the amount of damage that a tenant has caused. One tenant decided to remove doors, smash windows and 'borrow' the kitchen. The cost of works came to nearly £10,000 – well in excess of the £500 deposit. And I'm not even mentioning the amount of rent arrears they owed before they absconded.

So, how can we protect ourselves? The answer is simple: do not take a deposit, take a homeowner guarantor instead.

For ten years, every tenant I've taken on has had to provide a homeowner guarantor. Just to clarify, a Google search for the definition of "guarantor" elicited:

*"A guarantor is someone who agrees to pay your rent if you don't pay it, for example a parent or close relative. Your landlord can take legal action to get any unpaid rent from your guarantor."*

Source: **Citizen's Advice Bureau**



## WHAT DO GUARANTORS HAVE TO DO?

- **Guarantors will be asked to sign the same tenancy agreement as the tenants, and so become legally liable to perform the same duties as tenants.**
- **Guarantors must be UK residents.**
- **Most landlords choose to comprehensively reference guarantors as well as the tenant to ensure they're suitable.**
- **Most tenancies in the UK are created as joint tenancies, whereby several parties are named on one agreement and all parties are jointly liable for all the obligations named in the agreement.**
- **In plain English, that means that any one tenant or guarantor can be asked to pay the full amount owed by any or all of the other people named on the agreement, should it come to it.**

The guarantor can be anyone who will vouch for the tenant. My list includes among others immediate and extended family members, friends and ex-spouses.

In short, almost anyone can be a guarantor, providing they own their own home and are willing to provide evidence to that effect. We would then check the ID against the title of the property from Land Registry, which costs just £3.

The guarantor must sign to say that they vouch for this person to pay the rent and keep the place in good order.

If you have a question you would like answered in this article, please feel free to email me: [arsh@arshellahi.com](mailto:arsh@arshellahi.com). I'll answer as many as I can over the coming months.

Should the tenant owe any rent or damage the property, the guarantor will step in and pay the arrears or cost of damage ... and we leave this amount uncapped.

Therefore, when the tenant decides to borrow my kitchen, the guarantor would be liable to pay for the works, regardless of whether it costs £5 or £50,000. It's important to remember that you will need a full inventory, including before and after pictures.

If the guarantor fails to pay, the landlord can take them to court. As they are a homeowner, that could result in a charge being put on their property or a black mark on their financial record. However, I've never had a guarantor refuse to pay.

Finally, I would like to say that if a tenant has a guarantor, it shows that someone is willing to vouch for them. More importantly, it focuses the tenant's mind because they will have two people to answer to should anything happen. The landlord will ask for the rent, and if they fail to pay, the guarantor will be on the tenant's back to ensure they do not become liable.

W I think it's a win-win scenario. It reduces the amount a tenant needs to move in, which makes you an attractive solution to those who don't have all the money to pay upfront.



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## CONTACT

As always, you can connect with me on my social feeds by finding me on:

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