



Ministry of Housing, Communities & Local Government

Rt Hon James Brokenshire MP

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2 May 2018

Dear Colleague

TENANT FEES BILL

I am writing to inform you that the Government has today introduced the Tenant Fees Bill to the House of Commons. This Bill is integral to our on-going commitment to making renting fairer and more affordable.

Tenants rely on agents to find properties, yet they are selected and appointed by landlords. That disparity can lead to tenants paying hundreds of pounds in fees that are far from transparent, substantially raising the costs involved in renting, and causing nasty surprises for new tenants who think they've found a home that suits their needs and budget. It can also lead to agents double charging landlords and tenants for the same services.

The Tenant Fees Bill will help millions of renters by bringing an end to costly letting fees charged by landlords and agents as well as capping tenancy deposits. Tenants will be able to see upfront what a given property will cost them in the advertised rent level. We estimate a saving to tenants of £25-70 per year with greater savings for those who use letting agents and/or move more frequently.

We published the Bill in draft on 1 November 2017 and I am particularly grateful to colleagues on the Housing, Communities and Local Government Committee for their detailed pre-legislative scrutiny. This process has been invaluable in testing whether the legislation achieves its aims. I welcome the Committee's acknowledgement that the Tenant Fees Bill has the potential to save tenants in the private rented sector hundreds of pounds as well as making the market more transparent.

We have fully considered the Committee's report and recommendations, which were published on 29 March. I am today publishing the Government's response and am

pleased to accept the majority of their recommendations, which have refined and informed the final Bill.

After careful consideration, the Government has decided not to accept the Committee's recommendation to lower the cap on tenancy deposits to 5 weeks' rent. We can see the benefits of a cap at 5 weeks' rent but a cap of 6 weeks' rent should better support both landlords and tenants by giving landlords greater financial flexibility. This is important to retaining investment and supply in the sector.

In Scotland tenancy deposits are capped at 8 weeks' rent. A cap of 6 weeks' rent offers greater affordability benefits to tenants whilst allowing landlords greater flexibility to accept higher risk tenants such as those with pets. A deposit of 6 weeks' rent will be an upper limit and not a recommendation. We expect that landlords should consider on a case by case basis the appropriate level of deposit to take and will provide guidance to this effect.

The Bill is not about driving letting agents out of business. Letting agents should be reimbursed for the services they provide but this must be by landlords rather than tenants. Landlords are better able to shop around for the agent offering the service that they are seeking at the price they want to pay. This will help to ensure that the fees charged reflect the real economic value of the services provided and sharpen letting agents' incentive to compete for landlords' business.

Good letting agents and landlords that provide services that represent value for money will continue to play an important role in the market and it will be much harder for rogue agents to exploit their position between landlords and tenants.

To further protect those living in the rented sector from abuse and poor practice, as well as preventing reputable agents from being undercut by rogue operators, we have committed to requiring all agents to be regulated and meet minimum standards. Tomorrow, we will be laying regulations to implement mandatory client money protection scheme membership for letting and managing agents. This builds on the good work led by Baroness Hayter and Lord Palmer of Childs Hill and their working group. Mandatory membership of a Client Money Protection scheme will ensure that each and every agent is giving tenants and landlords the financial protection that they deserve.

Further, last month, we introduced banning orders and a database of rogue landlords and agents giving local authorities the tools that they need to crack down on the worst operators in the sector. We are also supporting Karen Buck MP's Homes (Fitness for Human Habitation) Bill to increase standards in the rented sectors by providing tenants with legal powers to hold their landlord liable if they fail to address serious health and safety hazards.

The Tenant Fees Bill is just the latest stage in our work to make the housing market work for everyone. Everyone deserves a safe, secure, affordable place to call their own, and this Government is taking real action to make sure they get it. I hope you will join me in supporting this important legislation through Parliament.

I have also made a factsheet available in the library and at Annex A, which outlines the detailed provisions of the Bill.

A handwritten signature in blue ink, appearing to read 'James Brokenshire', written in a cursive style.

RT HON JAMES BROKENSHIRE MP