

Seize the Fees: The extent of illegal fee charges in Glasgow.

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Summary:

- It is **illegal** for letting agencies or landlords to charge anything but rent or deposit since 2012.
- **93%** of surveyed respondents had been charged an illegal fee.
- **£110** – Average amount respondents charged
- **£11,384** – Total amount respondents charged.
- Castle Residential, Infiniti Properties, Fineholm and 1st Lets are the worst offenders.
- The most commonly charged fees are administration, credit check and reference checks.
- There is a **clear lack of enforcement** by the government and local authorities in stopping letting agents from charging fees.
- Living Rent recommends that punitive measures be put in place to penalise breaches of the law.

Introduction

The Housing (Scotland) Act 1988 made it an offence for property owners and letting agents to charge the tenant any premium¹. In 2012, the Scottish Government took further steps to clarify what a premium entailed².

A premium was defined as a sum of money that a tenant pays to the property owner as a pre-condition of being allowed to have or renew a tenancy³. Despite the legislation being clear that charging fees other than rent or deposit is illegal, letting agents continue to flout the law.

Living Rent's research has found thousands of pounds worth of illegal fees charged to tenants. This malpractice will continue given the poor enforcement of rules by local and national authorities.

This briefing examines how much has been charged, how the fees are presented and who is charging them within the Glasgow district. The second section presents a brief overview of the cost of renting in Scotland and Glasgow compared to the rest of Scotland, based on the Scottish government's publication of Private sector rent statistics: 2010-2017. Finally, the briefing suggests recommendations to stop letting agencies and landlords from charging of illegal fees.

¹ Housing (Scotland) Act 1988. <https://www.legislation.gov.uk/ukpga/1988/43/section/27>

² BBC News <http://www.bbc.co.uk/news/uk-scotland-scotland-business-19374452>

³ Charges in Tenancy Agreements, My Deposits Scotland.

https://www.mvdepositscotland.co.uk/sites/default/files/mvdeposits%20Scotland%20Guide%20to%20Charges%20in%20Tenancy%20Agreements_0.pdf

Findings

As the housing crisis deepens within Britain, letting agents and landlords are using a multitude of illegal premiums¹ to create additional revenue in this time of crisis. Living Rent Glasgow has been working alongside private sector tenants to highlight the extent of this malpractice and help tenants recover the money illegally charged from these premiums. Living Rent Glasgow conducted an online survey aimed at past and current private sector tenants, in order to understand the extent and consequences of this malpractice and to submit the evidence of the illegal premiums being charged.

Fees range from:	£15 to £490
The average fee is:	£ 110
The total amount charged to respondents is:	£ 11,384

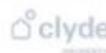
Table 1: The result of the survey as of September 2018

Given the illegality of charging fees, letting agents often attempt to hide that they charge fees by referring to fees as ‘charges’ under various names. The most common types of fees charged are administration fees, credit checking fees and reference checking fees. Many respondents were charged multiple fees that added up to hundreds of pounds. Letting agents charge each tenant individually for “administration” or “reference checking fees”. Table 2 highlights the type of fee charged and how many times it was charged.

Administration	36
Credit Check	34
Reference Check	33
Holding Fee	26
Guarantor Fee	12
Processing Fee	9
Assessment	5
Verification Fee	2
Other	16

Table 2: Various titles used by letting agencies to refer to the fees

Four letting agents have been found to be the worst offenders. They are Fineholm, 1st Lets, Castle Residential and Infiniti Properties. Letting agents, rather than individual property

Castle Residential 	16
Infiniti Properties 	14
Fineholm 	9
1 st Lets 	7
The Edzell Group 	4
Clyde Property 	4
DJ Alexander 	4
Grant Property 	4
Let's Direct (sic) 	4
Private Landlord	6
Other	22

owners, appear to be the most likely to charge an illegal fee. Table 3. shows the prevalence of letting agencies charging illegal fees, based on survey responses.

Table 3: The list of letting agents charging premiums

Average rents for a one-bedroom property have increased by 25.6% between 2010 and 2017 across Glasgow⁴. In real terms, this is an increase from £437 to £549. Nationally, the average rent for one-bedroom property has increased by 13%. There is an even more marked increase in rent in properties with more bedrooms. Two, three and four-bedroom properties have seen a 19.9%, 15.9% and 19.2% increase in rent respectively at the national level between 2010 and 2017^{5,6}.

⁴ Page 10, Table 1, Private sector rent statistics: 2010–2017
<https://beta.gov.scot/publications/private-sector-rent-statistics-scotland-2010-2017/pages/10/>

⁵ Page 12 and page 14, Private sector rent statistics: 2010–2017,
<https://beta.gov.scot/publications/private-sector-rent-statistics-scotland-2010-2017/pages/10/>

⁶ Shelter, <http://blog.shelter.org.uk/2016/02/renting-families-move-so-often-they-are-nearly-nomadic-new-research/>

For Glasgow between 2010 and 2017 rents for two, three- and four-bedroom properties have seen a 32.1%, 32.6% and 42.8% increase in rent respectively. This additional premium charged at an average of £110 is another financial burden on tenants who already face the rising cost of living.

Living Rents Recommendations

The law is clear on premiums. They are illegal. Therefore, Living Rent recommends that both local and national authorities enforce the law properly. Tenants' rights to housing has been undermined by letting agents and property owners, who have been charging them illegal premiums in addition to already rising rents.

Living Rent has four proposals.

- 1. Any letting agent who charges an illegal fee must pay back three times the amount charged to the tenant.**
- 2. The letting agent must be struck off and not allowed to continue practicing under an updated The Letting Agent Registration (Scotland) Regulations 2016 legislation.**
- 3. All public money and contracts should be withdrawn from the offending letting agent.**
- 4. All Letting Agents operating in Glasgow to enter and sign an agreement with Living Rent pledging to not charge any premiums other than rent or deposit, or request that any payments are made to third parties as a condition of tenant entering into a lease agreement.**

A harsh penalty to complement the legislation will discourage letting agents from charging fees. Currently, it is up to the tenant to both know the law and recover the money from letting agents. This must change and letting agents and landlords must be held to account. The Scottish government and local authorities need to implement regulation that penalize letting agencies' malpractices and ensure that sufficient means are deployed for councils to be able to enforce regulations.

Methodology

The data for private sector rents costs are taken from the Private Sector Rent Statistics, Scotland, 2010 to 2017 Report. The data for unlawful fees were collected by Living Rent via an online survey with any evidence of fee-charging additionally submitted. As of 14/06/18, there have been 105 Respondents. Five percent is used as a conservative estimate. In England, 24% of private renters moved within their housing tenure with an average tenancy lasting one year⁷. In Scotland, forty-one per cent of private rented sector tenants have been at their property for

⁷ Shelter, <http://blog.shelter.org.uk/2016/02/renting-families-move-so-often-they-are-nearly-nomadic-new-research/>

less than a year. ⁸Fifty-four per cent say they intend to move from their current property within five years⁸. It is therefore likely that a similar number of Glasgow private renters move each year. A majority of these will move to a new private tenancy through a letting agent. If just a fifth of these moving tenants in Glasgow is charged a fee it comes to the 5% figure.

⁸ Scottish Household Survey: Scotland's People Annual Report 2016 <http://www.gov.scot/Resource/0052/00525075.pdf>