



# Tenant Fees Bill

## Committee stage

Citizens Advice helps people find a way forward.  
We advocate for our clients and consumers on the issues that matter to them.

### Overview

- **Schedule 1, page 24, line 30, paragraph 4:** The government should either tighten the paragraph on default fees to include a list of what fees would be allowed under it, or remove it entirely to allow relevant charges to be dealt with independently through the existing deposit scheme.
- **Schedule 1, page 24, lines 12 and 15:** The Bill should be amended so that deposits are capped at 4 weeks' rent, rather than 6 weeks' rent. This would help 47% of renters with costs, rather than 8%.
- **Schedule 1, page 24, line 19:** Holding deposits should be capped at 3 days' rent rather than 7 days' rent to protect renters against disproportionate costs.
- With the changes above and adequate enforcement, this Bill should fix a dysfunctional feature of the rental market, helping the 4.7 million households who privately rent. It will also make it easier for renters on lower incomes to meet the upfront costs of renting.

### Closing the loophole on default fees

Schedule 1, paragraph 4(1) of the Bill allows the landlord to recoup any reasonable costs caused by a 'default by the tenant', so long as 'the tenancy agreement requires the payment to be made'.

This paragraph means people can be charged if they breach their tenancy agreement. It aims to cover things like late rent or replacements for lost keys. The problem is the Bill doesn't define or - more importantly - limit what 'defaulting' on a tenancy could be.

The way in which this is worded means that it is open to abuse by rogue landlords and letting agents. We've already heard from the sector and enforcement bodies that we should expect this to occur.

We understand that there may be circumstances whereby the landlord is left out of pocket because of the tenant's behaviour. For example, having to pay for cleaning fees, or having to replace items such as lost keys. However, the deposit system was put in place to specifically deal with these issues. It is a system that works well and allows for an independent arbitration process, should anything be disputed.

We're concerned that the way in which the default fees paragraph is worded would allow fees that would normally form part of the deposit arbitration scheme to fall under the scope of a 'default fee'. We already see examples of where this would be the case:

- *"To pay £100 for professional cleaners of communal areas if found dirty."*

- *“Pay the Landlord’s reasonable legal and/or other costs reasonably incurred as a result of any breaches by the tenant of his obligation under this Agreement.”*

This sets a dangerous precedent as it takes away the independent arbitrator. We do not believe that this is the government’s intention with this paragraph.

Throughout the pre-legislative process of the draft Bill, and during the passage of the Bill, there have been types of default fees mentioned. For example, recouping late rent, or paying for a replacement key. We know that these issues occur infrequently.

Analysis by the Deposit Protection Scheme has found that just over 50% of renters get their full deposit back and the average amount returned to the tenant is 75% of the original deposit value. This demonstrates quite clearly that instances where the letting agent or landlord are left out of pocket are relatively slim.

Therefore, including this paragraph in the Bill is a disproportionate response and is replication of an existing process - but without independent arbitration.

**The government should either tighten this paragraph to include a list of what fees would be allowed under it, or remove it entirely to allow relevant charges to be dealt with independently through the deposit scheme.**

## Capping deposits at the right level

In the Queen’s Speech policy paper 2017, it was announced that there would be a 4-week cap. However, the Bill suggests setting the cap at 6 weeks. This will not reduce the costs that most tenants face at the outset, as the government intends. It will only help 8% of renters.

Large deposits can be a significant barrier to accessing the private rented sector, or moving within the sector. Almost 11,000 private renters came to Citizens Advice because of issues relating to their deposits in the past year.

Our research found that the most common amount to pay for a refundable deposit is 4 weeks/1 month (34%). By setting a cap above the average deposit level, it risks increasing costs further for those struggling to enter the market. **The deposit level should be capped at 4 weeks’ rent.**

## Holding deposits

14% of tenants are currently charged a returnable holding deposit, at an average cost of £250. The mean cost is £377. The gap between the median and mean demonstrates that some tenants are being hit by extortionate and disproportionately high costs. **A cap of 3 days’ rent would prevent this.**

Sometimes a tenant’s circumstances or budget will change unexpectedly and they will need to withdraw from renting a property they originally intended to take. This can happen for reasons beyond the tenant’s control.

Smaller holding deposits still have the effect of deterring tenants from taking a large number of properties off the market, while avoiding hitting tenants’ finances unnecessarily.

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