

AnthonyGold



# *Rent to Rent*

David Smith

Anthony Gold Solicitors

# *Rent to Rent*

- Hugely increased in popularity
- Driven partly by army of property speculators being told they can get rich with no money down
- Also pushed by agents as “guaranteed rent” scheme
  - Popular with some landlords as lower risk
- All schemes use some sort of “rent arbitrage”
  - Paying less rent than the middle man can receive
  - This may be by lower rent or room lets
- There are risks associated with all this

- This is a three way arrangement between the overall owner and the eventual occupier with a middle-man
  - That is distinct from the normal two way arrangement with an agent on the sidelines
- To keep things clear I will refer to:
  - Landlord- the property owner
  - Tenant- the person or persons actually occupying the property
  - Right to Renter or R2Rr- the middle man

## *What is this?*

- Normal landlord tenant relationships are two part
  - Landlord and tenant in a contract
  - Agent is merely the landlord representative
- R2R is different
- There is usually no agent
- The R2R person is in the relationship directly
  - They are the tenant of the landlord
  - They are the landlord of the end-tenant
- So there are direct contractual relationships
- The landlord has no direct contract with the end-tenant
  - And usually little say about who they are

## *Major risks*

- Fraud is much easier here
  - Some of the people involved are unscrupulous
- Some of the people involved are incompetent
  - Financially, legally, or both!
- Agreements are not conventional
- Landlord has little consumer protection to fall back on
- Mortgage lenders etc may not permit this

- Many people involved in this are slightly dubious
- They may not be honest about
  - Their financial position
  - Status of occupiers
  - Insurance and licensing
- They may not be terribly honest with occupiers either
- Risk of property fraud too from
  - Fraudulent transfer of property
  - Fraudulent loans secured on property
  - Have you secured your property from fraud?
  - <https://www.gov.uk/protect-land-property-from-fraud>

# Competence

- Many R2Rs know nothing about
  - HMO licensing
  - Selective licensing
  - Deposit protection
  - ASTs
  - Consumer protection for tenants
- They may think that they can use licences instead of ASTs
- Many have high risk financial models
  - And may collapse owing you and other money during the tenancy
  - Especially if put under pressure

- Property may need a licence
  - It might be in a selective licensing area
- The R2R may be using it as an HMO
  - Possibly without telling you
  - That may alter the licensing status
- You remain liable for
  - Getting a licence
  - License breaches
- You should be checking that they have a licence and are using it properly
- You may have planning restrictions on
  - Sub-letting
  - HMO use



# Agreements

- These are essentially commercial agreements
  - However they are outside the Landlord & Tenant Act 1954
  - So no automatic right to renew
  - Unless you let the R2R have an office in the property
- So the agreement is crucial and you will be bound by it
- Some of them are very unfair
  - Long periods with unpaid rent before termination is possible
  - Substantial renewal provisions
  - Difficulty in removing R2R person while they have tenants
  - Onerous obligations on landlord to do repairs or pay compensation
- Some are just rubbish!
- Be very careful with the contract indeed

- R2Rs are not agents
  - So no redress schemes
  - No CMP
- There are no professional bodies
  - So no code of practice
  - No complaints system
  - Probably no insurance
- Many are limited companies
  - So may go into liquidation
- You may consider
  - Personal guarantees from individuals
  - Larger deposits
- But it's still a risk

# *Consumer Legislation*

- No trader-consumer relationship here
  - At least not for the landlord!
- So landlords cannot rely on
  - Unfair terms legislation in relation to the contract
  - Mis-selling or misrepresentation legislation
  - Legislation against sharp practice etc

## *Lenders, insurers etc*

- The lender may not allow sub-letting
  - Insurer, any superior landlord may also not permit this
- There may be a restriction on short letting
  - Or HMO use
- Sub-letting is part of the point of R2R
  - Many R2Rs are also using short letting or room lets as well
- So this is likely to be a breach of the mortgage at least

## *Inheriting tenants*

- If the R2R goes bankrupt or you terminate them
  - The tenants will become yours
  - On their current tenancies
- If they are licensees then they will have no rights
  - But most will be on ASTs, even if the agreement says it's a licence!
- If the tenancy is bad then you will have to deal with that
  - The rent model may not add up
  - The deposit is likely to have disappeared
  - Tenants may be angry and uncooperative
- In some cases they are actually employees of the R2R company
- Records are likely to be absent
  - You should look for records as part of the agreement

## *Things to Consider*

- If its too good to be true...
- The agreement is critical
  - Make sure it protects you as well as the R2R person
- Make sure the company is reputable
  - Or you get personal guarantees
- Protect your property from fraud
- Get the right permissions
- Make sure you have records which will allow you to pick up the pieces

## *Contact Me*

AnthonyGold

David Smith  
Anthony Gold Solicitors

[david.smith@anthonygold.co.uk](mailto:david.smith@anthonygold.co.uk)

LinkedIn: [uk.linkedin.com/in/dsnsmith](https://uk.linkedin.com/in/dsnsmith)

[@hmolawyer](#)



*That's all Folks!*  
*Any Question?*