

**EMBARGOED 00.01 THURSDAY 8 DECEMBER 2011**

## **TENANTS RIPPED OFF BY LETTING AGENTS**

Tenants are being let down by an unregulated lettings market, with significant upfront costs, variable fees and a lack of transparency around charges, according to a new report published today by independent think tank, the Resolution Foundation.

In a mystery shopping exercise of letting agents in three cities, the range and type of fees charged varied significantly; for example, administrative fees ranged from £95 to £375. Total upfront costs (including deposit, admin fees and rent in advance) for a one bed property in London were £2,166, around double those in Manchester (£1,028) and Gloucester (£1,094).

Just two of the letting agents displayed the costs of renting on their websites and many renters only discovered charges after they had decided to rent a property.

Average deposits for a one bed property ranged from £487 in Manchester to £1,099 in London. Many tenants reported difficulties when moving within the private rented sector as they had to hand over a new deposit, before they'd got their old one back, even under the new tenancy deposit scheme.

Today's findings are particularly relevant given the growing number of households forced into renting for the long term: it would take a low to middle income household 31 years to save for a deposit if they put aside 5% of their annual income. In 1988 only 14% of low to middle income households aged under 35 were living in rented accommodation, by 2008 it had tripled to 41%.

Unlike estate agents, letting agents are unregulated and under no compulsion to hold membership of an ombudsman service, leaving dissatisfied tenants with no access to redress.

The Resolution Foundation is calling for:

- Letting agents to be regulated to the same level as estate agents, so that unscrupulous agents can be banned;

- All agents to be signed up to an ombudsman service giving redress to tenants;
- The ombudsmen's codes of practice to stipulate that agents must display all charges to tenants and landlords on their website and in adverts in a way that is easily comparable across agents;
- For the government to consider ways to make it easier for tenants to transfer deposits between landlords when they re-tender for the tenancy deposit protection schemes in 2012.

Vidhya Alakeson, Director of Research said:

*'The lack of regulation in the exploding private rented market is of growing concern. We need more transparency so tenants at least know what fees they're facing and to help create a more competitive market. Given that an increasing number of families have no option other than to rent long term, we need to question why letting agents are not regulated to the same degree as estate agents.'*

Christopher Hamer, The Property Ombudsman said:

*'This report emphasises the growing importance of the lettings sector for people seeking a home to live in. The Government does not see regulation of the sector as a priority and I, therefore, welcome the recommendation of this report that all letting agents should be required to be registered with an ombudsman scheme so that, at least, landlords or tenants can gain redress where they have been disadvantaged by an agent. Providing clarity and transparency of fees is also very important. As more and more people become tenants or landlords these measures would assist them in fully understanding the commitments they are taking on and enable them to challenge the agent if anything is unclear.'*

## **Notes to editors**

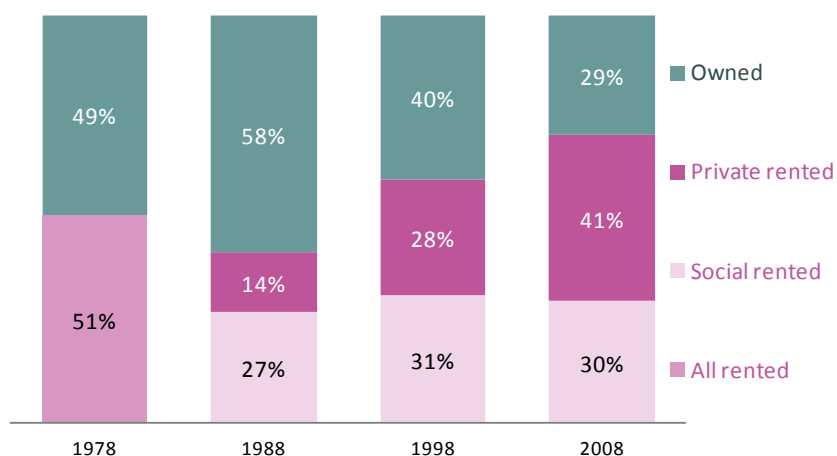
Resolution Foundation conducted a mystery shopping exercise of 25 letting agents based in London, Manchester and Gloucester. We also surveyed tenants about their experiences with letting agents and held several focus groups.

**Average upfront costs for a one bed property where there is one adult on the tenancy agreement, by geographical location (£)**

	London	Manchester	Gloucester
Administration fee	248	129	185
Deposit	1099	487	519
Rent in advance	819	412	390
<b>Total</b>	<b>2166</b>	<b>1028</b>	<b>1094</b>

The average monthly income for a household on a low to middle income is £1,700 (Forthcoming, Resolution Foundation). The average upfront cost of renting a two bed property for two adults and any children is £1,500.

### Tenure of low to middle income households where the head of household is under 35 years of age: 1978-2008



Resolution Foundation is an independent think tank focused on improving the lives of people on low to middle incomes [www.resolutionfoundation.org](http://www.resolutionfoundation.org)

This report, *Renting in the Dark: creating a lettings market that works for tenants*, by Louisa Darian, forms part of the Resolution Foundation's programme of work on housing. The work is focussing on how to create a private rented sector that provides secure, long-term tenure for low to middle income families. As part of this we are developing a model to support institutional investment in family friendly, build-to-let accommodation. Other housing publications can be found on our website:

[Meeting the housing needs of low-to-middle earners](#)

[Making a Rented House a Home: Housing solutions for 'generation rent'](#)

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