

The National Approved Letting Scheme (NALS) www.nalscheme.co.uk is an independent not for profit licensing scheme for lettings and management agents operating in the Private Rented Sector.

NALS agents are required to:

- Deliver defined standards of customer service
- Operate within strict client accounting standards
- Maintain a separate client bank account
- Be included under a Client Money Protection Scheme

Agents must provide evidence that they continue to meet NALS criteria on an annual basis, in order to retain their licence. The scheme operates UK wide and includes 1550 firms with over 2,500 offices. . NALS is an authorised provider of approved training for Rent Smart Wales and a member of its stakeholder group. NALS also administers the SAFEagent campaign www.safeagents.co.uk the purpose of which is to raise consumer awareness nationally of the need to ensure that landlords and tenants should only use agents who are part of a Client Money Protection Scheme offering reimbursement in the event that an agent misappropriates their money. The campaign is recognised by the UK Government.

Summary

NALS welcomes the Welsh Government's commitment to a better Private Rented Sector (PRS) offering safety and security for tenants.

NALS believes the majority of agents charge tenants fair and reasonable fees* for the services that they provide. The small minority who overcharge are held up as the norm – this is erroneous. NALS does not support the overcharging of tenants.

NALS does not support a ban on all upfront letting agent fees because it believes that this will not deliver the outcome to which the Welsh Government aspires.

NALS believes it will reduce the range of services on offer to tenants and make it more difficult for tenants to access the PRS. Of particular concern is the constraints on accessibility the fee ban may place on vulnerable tenants who will no longer get the level of service they have enjoyed previously from agents and they may be less likely to obtain tenancies.

Understanding the service agents provide to tenants

NALS understands that agency fees can be perceived as unaffordable when viewed alongside deposits and the other costs which tenants' incur when moving. We know that many tenants have little information about why fees are charged, or what for. However, we believe that banning of upfront fees would limit the services that can be offered to tenants by agents. Furthermore, a ban on legitimate fees may lead to tenants paying more over the longer term.

Agents provide services to both landlords and tenants. For example, they typically offer tenants a choice of properties, with viewings arranged at mutual convenience for existing and incoming tenants. They carry out referencing checks on both the tenants and any guarantors. They also help to negotiate the Tenancy Agreement, explaining to both parties what the agreement covers and the obligations that come with it. They take deposits if required and provide protection of the deposits through the relevant protection schemes.

NALS believes that in order to ensure a stable sector and fairness for all - tenants, landlords and agents – the implementation of a fee ban should be considered within the regulatory regime which already exists in Wales. Where Rent Smart Wales already has strict oversight of agents and landlords, we believe that agent fees could be capped rather than banned completely.

Implications of the ban

For Tenants

Rents may need to rise, if the fees for essential services provided to tenants – for example, referencing, deposit administration and the tenant's share of inventory costs - are passed on to the landlord. If rents rise, this could result in tenants paying more over the life of a tenancy than if fair and reasonable charges were levied in advance.

Certain types of tenant will be particularly disadvantaged. These include benefits claimants (who are more likely to be vulnerable), and those that need guarantors. Agents provide an important service to these groups, but will be unable to resource this if fees are banned.

Agency staff are trained and possess the right level of knowledge, to ensure that neither their landlord clients nor their tenant customers are unfairly disadvantaged. However, with the abolition of fees, it is highly likely that letting agencies will have to reduce staff and training budgets. They will have to refer tenants to solicitors or legal specialists on tenancy agreement queries. This will result in higher costs and possible delays.

For Landlords

Any increase in fees to landlords is likely to increase any reluctance they may have to engage a reputable agent. Service and property standards are then likely to fall AND there will be increased financial pressure on landlords to self-manage.

Some small landlords may simply quit the market when faced with the burden of absorbing costs previously met by tenants, coupled with changes in Stamp Duty Land Tax and Mortgage Interest Relief.

For Agents

With reduced income, agents will be unable to maintain investment in training and development of staff. Many agents have staff capable of preparing legal documentation with support from a landlord and tenant specialist solicitor. If agents are no longer able to provide this service, this will definitely disadvantage tenants. NALS does not believe that a fee ban will make the market more competitive. The resulting cost pressures may well lead to job losses and closure of branches resulting in small local agents leaving the market.

General points in relation to the Bill

Security deposits

NALS is concerned that the Bill refers to “prescribed limits” for security deposits but there is no indication as to what the “prescribed” limit would be. We would ask the Welsh Government to provide clarification on this before the enactment of the Bill.

Enforcement

We would ask the Welsh Government to ensure that resources are available for enforcement of any fee ban to ensure that appropriate action is taken against those agents who may flout the law.

Conclusion

NALS urges the Government to consider the wider implications of the proposed fee ban. In order to ensure a stable sector, a level playing field and fairness for all, NALS believes that the proposed fee ban legislation should be re-examined, within the wider context of the already regulated lettings and management agent market where fees could successfully be capped rather than banned.

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[*NALS fees survey October 2016](#)