



A NEW DECADE... AND MORE CHANGES AFFECTING LANDLORDS

GRAHAM KINNEAR

2020 is proving to be another year that will see further regulation impacting the private rental sector. Whilst the threats of a tenant's right to buy and stringent rent controls appear to have subsided at least for the time being, there are a number of changes which do come into force this year.

MARCH EXTENSION TO FITNESS FOR HUMAN HABITATION ACT

Of the announced changes, the first will be implemented in March and is an extension to the Fitness for Human Habitation Act, which was originally introduced last year. Its aim was to ensure that rented property is both safe and secure. The 2020 changes mean that from March 20th 2020, the rules will apply to existing periodic tenancies. The rules will apply only in England (there are separate rules for Wales) but will allow the tenant to take legal action against their landlords.

It is therefore critical that you inspect your properties and ensure any significant defects are attended to. Pay critical attention to damp, ventilation, heating/hot water and security. Your local authority may be happy to undertake an inspection under the HHSRS rules to establish whether you are compliant. Non-compliance could lead to a court order enforcing you to undertake works and could additionally see you paying damages to your tenants.

APRIL CHANGE TO MINIMUM ENERGY EFFICIENCY STANDARDS

April will bring a significant change to the Minimum Energy Efficiency standards (MEES). The change means that the rules will cover existing tenancies and therefore those properties which are not exempted and which currently have an EPC score of 38 or less (ie, Band F or G), cannot be legally rented out. There is a requirement that the

landlord must spend £3,500 to improve the energy rating before an exemption application can be considered.

There are a considerable number of properties which currently fall into this category, so you should review your portfolio and take swift action to rectify any issues prior to April. I suspect lenders will be looking closely at this as their customers' inability to rent the property will significantly impair their ability not just to meet their mortgage obligations, but also their chances of being able to sell the property at a fair price.

APRIL NEW CGT RULES

April also sees the introduction of new Capital Gains Tax (CGT) rules for property investors. CGT is a tax paid on profit of a property that is not your main or principal residence. The rules will therefore affect the sales of investment property.

Under the existing rules you do not pay tax for the years that you lived in the property, plus the last 18 months of your ownership. From April, this so called "lettings relief" is abolished and the 18-month allowance will be reduced to nine months. A further change means that following a property sale, the tax due will need to be paid within 30 days rather than the end of the tax year.

APRIL END OF CLIENT MONEY PROTECTION GRACE PERIOD FOR AGENTS

April, being the start of a tax year, is often the month where changes are introduced. This April also sees the end of the grace period for agents to have Client Money Protection in place. The rules were introduced a year ago, however a further 12-month period was given for compliance to be implemented.

Landlords who perhaps manage a couple of properties for fellow investors or property sourcers who accept client money for reservation fees may not necessarily believe they are agents, but the rules would suggest otherwise.

If you act on behalf of another, then you will likely be considered an agent and must have Client Money Protection in place.

JUNE TENANT FEES ACT — EXISTING TENANCIES

The month of June brings the further implementation of the Tenant Fees Act. Whilst it was introduced in 2019, it is extended to cover existing tenancies as well as newly created ones from June 2020. This piece of legislation prohibits the charging of fees other than rent, deposit, holding deposits and charges for defaulting on the contract. Penalties for non-compliance are £5,000 for a first offence and £30,000 for any further breaches.

FORTHCOMING CHANGES...

Once you have your head wrapped around these new changes, bear in mind that the government have also committed to the introduction of the Renters Reform Bill, which is aimed at providing a raft of reforms to make the private rental market fairer. This legislation, once introduced, is likely to confirm the abolition of Section 21 notices and may also include some additional measures.

If nothing else, this year's changes demonstrate the need for property investors to continue to develop their knowledge base and business model in order to accommodate a changing marketplace and operating environment.

And to think some people think being a landlord provides a passive income!

As always I am happy to assist readers of YPN and can be contacted on 01843 583000 or graham@grahamkinnear.com



Graham is the author of "The Property Triangle".

