

PETRIE'S LETTING SERVICES

DEPOSIT MANAGEMENT

SAFEGUARDING YOUR DEPOSIT,
SECURING YOUR PEACE OF MIND.

WHAT IS THE TENANCY DEPOSIT FOR?

This deposit acts as security for the landlord in the event of any damages to the property or unpaid rent at the end of the tenancy. The deposit is usually equivalent to one month's rent and is held in an approved account.

At the end of the tenancy, if everything is in good condition, the landlord is expected to authorise the return the deposit to the tenant. If there are damages or unpaid rent, the landlord should deduct those costs from the deposit before returning the remaining amount.

CAN THE MONEY BE DEDUCTED FROM THE DEPOSIT WITHOUT THE TENANT'S AGREEMENT?

In most circumstances, no. An Assured Shorthold Tenancy (AST) requires that all deposits must be registered with an Approved Tenancy Deposit Scheme. These schemes require the Landlord to pay the deposit and provide the details of the tenancy within 30 days of the tenancy start date. At the end of the tenancy, both parties must confirm to their chosen Deposit Scheme that they both agree on the amounts to be released to both parties. If no agreement can be made, both parties will need to agree to an arbitration from the deposit scheme or suspend the claim pending a Court Order.

WHERE DO I REGISTER THE DEPOSIT?

- **Tenancy Deposit Scheme (TDS)**
- **Deposit Protection Service**
- **MyDeposits**
- **Zero Deposit Schemes**

WHAT HAPPENS IF I DONT REGISTER THE DEPOSIT WITH AN APPROVED SCHEME?

- You may be ordered to return the deposit to the tenant in full or to register the deposit with an approved scheme
- You cannot issue the tenant with a Section 21 unless the deposit was protected in the allocated time or not at all. If you wish to serve a section 21 in this scenario you must return the full deposit to the tenant
- You can be fined up to 3 X the value of the deposit

HOW DO YOU MAKE AN AGREEMENT FOR THE RETURN OF THE DEPOSIT?

Once you have assessed which areas you believe deductions are required for, inform the tenants and maybe ask for their thoughts on the damage or reason for deductions. Your memory isn't perfect, you may have gave the tenant permission to throw away that old wardrobe or a contractor could have caused damage whilst carrying out repair work.

The tenant may accept the deductions you require, be happy to agree an alternative amount or be willing to make good the reason for the deduction. If you are happy with this, ask the tenant to fulfil their promise and once this is done the deposit can be returned in full.

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Alternatively, advise the tenant that you will submit a formal claim for the agreed value through the deposit scheme and once accepted the unclaimed balance will be returned to them.

You will then receive the agreed amount and this will be the tenancy finalised.

The easiest way is to ensure there can be fair agreements made is by using the mentioned Inventory and Schedule of Conditions, prior to the tenant moving in and once they have moved out. It is recommended you get the tenant to sign and add comments / photos to the move in Inventory once they have moved in so there is no discrepancy in any difference in the condition of items.

We have another document on the importance of Inventory and Schedule of Condition in our Important Documents section

WHAT IF AN AGREEMENT CAN NOT BE MADE?

Negotiations can be made as previously mentioned however if no agreement can be made, a formal claim can be processed for the required amount and the tenant can formally respond with their thoughts.

Once a claim has been made, the unclaimed balance will be returned to the tenant and the amount the tenant accepts to release will be paid to you. The disputed balance will remain with the Approved scheme until an agreement can be made. Both parties have the option to refer the claim to arbitration from approved adjudicators, usually within the company protecting the deposit.

HOW DOES ARBITRATION WORK?

Both parties will be given a set time period in which to provide any evidence they feel is necessary relating to the claim being made. This can include the Inventory & SoC Reports, the Tenancy Agreement, bank statements, invoices and mid-term visit reports. Each claim is unique and there are many different ways claims or counter claims can be evidenced, emphasising the need for clear documentation and communication throughout each tenancy.

The arbitrators will collate the evidence from both parties and assess each claim. They will make the judgement on whether the claim is fair in the eyes of the Law, they are legally trained and will reach the just outcome based on the Tenancy Agreement and all information given.

HOW DOES ARBITRATION WORK?

The arbitrators will base their assessment on the following:

- **The Tenancy Agreement:** *Did the tenant give the notice in line with the stated minimum notice required in the tenancy? Did the agreement say the tenant has to get permission to make additions to the wall by adding nails or painting? Who's responsibility is the window cleaning?*
- **Wear and tear:** *Based on the length of the tenancy, how many occupants there were, the condition of the item at the start of the tenancy and life expectancy of items. ie. a kitchen worktop, a solid granite worktop is expected to last longer than a vinyl chipboard worktop.*
- **Evidence and Comments from either party:** If the Landlord explains to the arbitrator that the property was freshly decorated prior to the tenant moving in, in a 1 year tenancy you should still expect the decor to be in good condition, however if the tenant explains that there was a leak and the Landlord hired decorators during the tenancy to complete decoration work in the claimed area, the claim will likely not be awarded as the Landlord cannot prove the tenant is responsible.

The adjudicators decision is final and cannot be overturned, once the decision is made neither party can change the outcome and the repayment will be made as per the outcome of the adjudication.

Claims can also be suspended, this is usually pending a Court Order. This is whereby a Court can order the deposit scheme to repay the deposit to the other party if the requirement for this can be proven in court.

DO NOT RISK NON-COMPLIANCE

Landlords are required by law to protect tenants' deposits in a government-approved scheme. Failure to comply can result in financial penalties and impact the landlord-tenant relationship. Understanding these regulations helps maintain professionalism and ensures that you and your tenants feel secure in their rental arrangements.

GET IN TOUCH



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