Guide to Buy to Let

Getting your buy-to-let business off the ground

Whether you are just starting out with a new buy to let investment or you are an established Landlord, this guide offers useful information on key areas of running a rental property successfully.

It covers issues such as Tenant deposits, managing letting agents, HMO's, Landlord insurance, Buy-to-let Mortgages and more..

In this Guide

Please note, the articles in this guide are for general guidance only. Your individual circumstances may differ and we recommend you seek professional advice with respect to any of the issues contained in this guide.

If at anytime I can be of help then please call me on 01635 523880

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Getting your buy-to-let business off the ground

The buy-to-let property market has been increasing in strength since the late nineties, but in the current climate, is buying a rental property still a good investment?

The UK's Landlords, Letting agents and Downer & Co say yes. Demand for rentals is still high, thanks to increasing numbers of single households, students, immigrants and the difficulty for first-time-buyers of getting onto the property ladder. While rental yields may be smaller than in previous years, the opportunities for long-term investment are still there. It is all about finding the right property in the right location.

Setting a budget

If you have decided to take on the buy-to-let market, the first thing you need to do is carefully lay out your budget. Ideally you will need a 25% deposit in order to secure a mortgage, plus the usual house-buying fees for conveyance, surveys, mortgage arrangement etc.

There are also other costs to think about, such as renovating or decorating; furniture & white goods; mortgage payments until the property is let; lettings agent fees or - if you are managing the property yourself - the cost of advertising for and vetting of Tenants.

Spreading the risk

If you have a large amount of money to play with, it may be worth considering buying more than one property.

For example, let's say you have a £120,000 budget and the property you want to buy is £200,000. You could put down all your money as a deposit, which would mean that your rental yield would be higher (because your mortgage payments would be smaller). But it means that your money is not working as hard as it could to make you a profit.

If the minimum deposit is 25%, that means you need only a £50,000 down-payment to purchase a £200,000 property.

Your £120,000 budget would therefore enable you to purchase two such properties, with plenty of money left over for fees and renovations.

Owning more than one rental property spreads your risk. If one of your properties is void for a month, the cost could be supported by the occupied property. It also means that in a tight spot you could sell one of the properties to support the other.

Meeting the bank's criteria

Even though it is generally more difficult to secure a mortgage thanks to the credit crunch, the same rules still apply for buy-to-lets. There are two criteria that are standard for most lenders.

The loan to value - this is the ratio between the size of the mortgage and the lender's valuation of the property. For most lenders the max LTV on a buy-to-let is 85%. Or 75% of this is your first BTL purchase.

The rental income must cover the mortgage payment by between 125 - 140%, depending on the lender.

How much money could you make?

A buy-to-let property should be looked at as a long-term investment, rather than as generating a steady monthly income. Ideally you want to generate a profit each month from your rent, however even if this doesn't happen your property may appreciate in value over time, enabling you to either sell up for the profit or re-mortgage to invest in another property.

Choosing the right property

Investors should look in the first instance for a buoyant rental market - it's no good buying a property for a great price if it can't be rented out. As with a business, a landlord needs to first identify the type of Client they might want to attract, as to a point this will dictate the location of the property. Downer & Co (Lettings) Ltd can help you with this decision and will advise on the current demands for properties in this area.

For example, if you wanted to rent a house to a family, a suburb in the catchment area of a good school would be ideal. If it's young professionals you're after, look for an area with high employment and good transport links.

Take the time to meet with lettings agents in the area and ask about rental demand, demand for furnished or unfurnished properties, the type of tenants you might expect, and crucially how much rent you can expect to charge.

There has been some research to suggest that new-build properties aren't as popular with renters as more established properties. Before buying, consider the pros and cons of each property type.

Young professionals may prefer a modern building with brand new fixtures and fittings but some locations become swamped with identical new builds, which become difficult to let.

Preparing your property for tenants

Once you have purchased your property, you will want to get tenants in as soon as possible to start covering the mortgage. There are a few things you can do to make your property as attractive as possible to prospective tenants.

Redecorate

Even if your property is in a respectable condition, it will make a huge difference to give it a fresh coat of paint. Wherever possible go for paint rather than wallpaper, which is expensive and time-consuming to replace if it is stained or damaged. You should keep the colours as neutral as possible as not only will a blank canvas appeal to the majority of tenants, it will also be cheaper to maintain.

Furnished or non furnished?

If you go for the furnished option, any furniture you buy should be sturdy and relatively cheap to replace (unless you are going for the high-end market). Go for neutral styles that have wider appeal.

If you are providing white goods, ensure that you spend a bit more money for good quality products. This will mean spending less on repairs in the long run.

Carpets and curtains

Keep to neutral colours which go with anything and which make the property seem bright and airy.

The most important thing to remember is to go for quality, hardwearing styles that can be easily cleaned and will not need changing for at least a few years.

Finding the right buy-to-let mortgage

For landlords, buy-to-let mortgages are readily available, although for a fixed or discounted rate it may be necessary to compromise on the cost of it. Banks are now far stricter about enforcing the criteria they place on buy-to-let mortgage applications; however here are some basics to be aware of:

Do your research

First things first, go to see a specialist mortgage advisor who has access to the whole of market. The banks will just promote their own products and even though you may have to spend £200-300 for advice this will repay itself within a few months.

When a lender is considering your eligibility for a buy-to-let mortgage, the main criteria they use are the loan to value and the rental yield vs. the mortgage payment.

This means that you need to research your property in advance of purchase.

It is also advisable to research which types of rental property are most in demand in an area. New build apartments and houses or period properties?

You can speak to Downer & Co Lettings to get a good idea of the rent you can get for your chosen property. A mortgage lender will generally expect the rent to equal between 125% and 145% of the mortgage payment.

It is easy for a landlord to be tempted to let a property for a higher than average rent, however this is a fast route to long void periods with no tenants. Keeping rents at the market price will benefit a landlord in the long term, as it makes it easier to find and keep tenants.

What is your deposit worth?

You need to have a deposit in order to get a buy-to-let mortgage. Most lenders will lend a maximum of 85% of the property value.

For example, if the property value is £100,000, you will generally need to have a deposit of £15,000 in order to buy it.

Whatever deposit you have will determine what type of property you can buy and where you buy it. Many property developers offer new-build apartments with some kind of discount on the deposit, however before buying what seems like a good deal you should check that the area is suitable for rentals.

Interest only or repayment?

Most landlords take out interest-only mortgages as the smaller monthly payments give the best rental yield.

If you take this option you need to think about how you will pay the money back at the end of the mortgage term, assuming you wish to keep the property for that long.

There are many great deals around on savings accounts and ISAs at the moment due to the increasing interest rates. At worst, such savings could save the day should you experience a long void period or some unexpected expenses.

Most landlords don't expect to keep their rental property for the full mortgage term so it doesn't make sense to take a repayment mortgage where you would be paying back mostly interest in the first few years.

Specialist products for multiple properties

Some lenders have specialist buy-to-let mortgages covering portfolios of properties rather than just one property. This may be a good option for Landlords who have three or more rental properties.

These types of mortgages may offer the following benefits:

The rental income and loan-to-value is averaged across your portfolio, meaning that you can take advantage of any excess rental income to support the purchase of another property.

You can have different interest rates on each property but within one single account, making it easier to manage - just one monthly payment and one mortgage statement per month.

If you re-mortgage your portfolio with one of these products, you could get a better loan to value rate than you would on a single property.

Re-mortgaging your buy-to-let

The buy-to-let industry is increasingly competitive, as the market has grown rapidly in the UK and now the rental demand is high thanks to fewer homes being sold. Mortgage rates are competitive and it pays to shop around for a good deal. Your current lender may be your best bet for a good remortgage product as they already know your history and will be much keener to keep your custom.

When considering a re-mortgage you should first look at your current mortgage situation. Find out your interest rate, what your monthly payments are and if you are on a fixed or variable rate. You may also have to pay an early repayment charge to move your mortgage.

Don’t forget to factor in your costs

Many landlords don’t factor in related costs when looking at their budget. You may think you’ve got a 25% deposit but what will you have left after these costs have come out of it?

Purchase costs:

Stamp Duty Solicitors Fees Survey / valuation

Mortgage application and/or arrangement fees

Property costs:

Insurance

White goods

Decorating costs

Furnishings (for a furnished rental)

Ongoing costs:

Lettings agent fees,

Maintenance,

Ground rent,

Service charge (for leased flats ft apartments),

Insurance premiums,

Income tax,

Safety certificates.

Licenses for homes in multiple occupancy

Licenses for Homes in Multiple Occupancy have been mandatory for some time. If you're thinking of renting out your property to students or to a number of individual occupants who will sign individual rental agreements, here is a short guide to HMO licensing.

How do you know if your property is an HMO?

If you let out a property that falls into at least one of the following categories, then it is classed as an HMO: Downer & Co would also strongly advise that you contact the Local council www.westberks.gov.uk for full guidance as this can differ between local authorities.

- An entire house or flat that is rented out to 3 or more tenants, who form 2 or more households and who share a kitchen, bathroom or toilet.
- For the purposes of the Housing Act 2004, a household is classed as members of the same family living together, which includes couples married or living together as husband and wife (or in an equivalent same-sex relationship), half-relatives and foster children and their guardians.
- A house that has been converted entirely into bedsits or other non-self-contained accommodation, and which is let to 3 or more tenants who form 2 or more households and who share a kitchen, bathroom or toilet.
- A converted house that contains non-self-contained flats (i.e. the flat does not contain within it a kitchen, bathroom and toilet), and which is let to 3 or more tenants who form 2 or more households and who share a kitchen, bathroom or toilet.
- A building which is converted entirely into self-contained flats if the conversion did not meet the standards of the 1991 Building Regulations and more than one-third of the flats are let on short-term tenancies.
- In order to be an HMO the property must be used as the tenants' only or main residence and it should be used solely or mainly to house tenants.

Properties let to students and migrant workers will be treated as their only or main residence and the same will apply to properties which are used as domestic refuges.

Applying for an HMO licence

Your local housing authority will be able to tell you which department can issue you with a licence.

Either the landlord can hold the licence or they can nominate someone else like a property manager or agent (with their permission).

Whoever holds a licence must be the person who is most appropriate to hold the licence for the property and this is likely to be the person who receives the rent for the property.

If you own more than one HMO, a separate licence will be needed for each. The licence is also non-transferable to another property.

The length of the application process depends on the number of properties the council is issuing licences for and the circumstances of the property.

However, as long as the landlord has submitted an application, they are covered until the licence is approved.

The cost of a licence may vary from council to council, as it is set at each council's own discretion. However, guidelines state that the fees must reflect the actual costs to the local authority of setting up a licence.

What happens if I don't apply for a licence?

Landlords are legally required to obtain a licence for an HMO. A fine of up to £20,000 is applicable for landlords who do not arrange a licence.

In certain cases, rent could be reclaimed by the benefit office (if paid as housing benefit) or by the tenants themselves if a landlord is found to be operating a licensable HMO without a licence.

If a landlord has been convicted of the offence (or the local housing authority is satisfied that the offence has been committed even though the landlord has not been prosecuted), a local housing authority can reclaim any benefits paid when the landlord was operating without a licence by applying for a Rent Repayment Order.

Similarly, tenants (including former tenants) are also allowed to make an application for a Rent Repayment Order, where the landlord has been convicted of the offence or where a Rent Repayment Order has already been granted to a local housing authority on the same property.

If you plan to rent out your property on a multiple occupancy basis, it is best to seek advice from the council before making any commitments.

Find out more about licensing for your HMO at:

http://www.communities.gov.uk/housing/rentingandlettinq/privaterenting/housesmultiple/

Tenant Deposit Schemes

All deposits taken on rental properties have to be safeguarded by one of three Government approved schemes. One of the schemes is free and the other two are insurance based.

The Government introduced Tenancy Deposit Protection to encourage better practice in deposit handling and to assist with the resolution of disputes. Now, when a tenant pays a deposit and is entitled to get it back, they will be reassured that this will happen. Overall, the rules will ensure that Landlords and Tenants both have a clear agreement on the state of the property at the point when they enter into a rental agreement, and on what condition the Landlord would expect it to be in on the Tenant's departure.

Tenancy Deposit Solutions Limited

This scheme is accredited by the Government and is free of charge as the company earns money on the interest gained from holding your tenant's deposit.

A convenient online service allows the landlord to register to make deposit payments, transfers and repayments 24 hours a day. Help and advice is available from a dedicated call centre, available during office hours.

There is an Alternative Dispute Resolution Service (ADRS) available, which can help to resolve disputes without the need for legal action.

For more information visit www.depositprotection.com or call 0870 707 1707

Tenancy Deposit Solutions Limited, TDSL is an insurance-based tenant deposit scheme, where member landlords are able to hold on to deposits for the duration of the tenancy agreement.

The landlord is required to pay a fee to protect their tenant's deposit. If there is a dispute over the return of the deposit at the end of the tenancy period, an insurance policy ensures that the amount to which the tenant is entitled is returned.

The scheme will provide deposit dispute assistance free of charge to all clients. Both landlords and letting agents can join the scheme.

For more information visit www.mydeposits.co.uk

The Tenancy Deposit Scheme TDS

The TDS is an insurance-backed deposit protection and dispute resolution scheme run by The Dispute Service.

It builds on a scheme established in 2003 to provide dispute resolution and complaints handling for the lettings industry. The scheme enables letting agents and landlords to hold deposits.

For more information visit www.thedisputeservice.co.uk or call 0845 226 7837

How does it work?

Custodial Scheme

1. The tenant pays the deposit to the landlord
2. The landlord pays the deposit into the scheme
3. Within 14 days of receiving the deposit, the landlord must give the tenant information about the scheme
4. At the end of the tenancy, if the landlord and tenant agree how the deposit should be divided, the landlord should inform the scheme who will return the deposit ensuring it is divided in the manner agreed.
5. If there is a dispute, the scheme will hold the amount until the dispute resolution service or the courts decide what is fair.
6. The deposit must be returned to the tenant within ten days of the scheme being notified of agreement between the landlord and tenant or notified of an ADR/court decision.

Insurance-based Scheme

1. The tenant pays the deposit to the landlord
2. The landlord retains the deposit and pays a premium to the insurer
3. Within 14 days of receiving the deposit, the landlord must give the tenant information about the scheme
4. At the end of the tenancy, if the landlord and tenant agree how the deposit should be divided, the landlord returns all or some of the deposit
5. If there is a dispute, the landlord must hand over the disputed amount to the scheme for safekeeping until the dispute is resolved
6. If the landlord fails to comply, the insurance arrangements will ensure the return of the deposit to the tenant if they are entitled to it.
7. The deposit must be returned to the tenant within ten days of the tenant requesting that the landlord return his deposit

What happens if a Landlord doesn't take Tenant Deposit Protection?

The landlord will not have use of the 'notice only' method of regaining possession of a property.

Currently, a landlord can obtain an order for possession of their property at any point after the first six months of the tenancy, providing any fixed term has expired and the landlord gives the tenant at least two months' written notice (Under Section 21 of the Housing Act 1988). This is known as 'notice-only'.

However, the landlord is unable to regain possession of the property using the usual 'notice only' grounds, if the deposit has not been safeguarded and the prescribed information not been passed onto the tenant within 14 days of the Landlord receiving the deposit.

The landlord may have to pay a fine.

Tenants can apply for a court order requiring the deposit to be safeguarded or the prescribed information to be given to him about the scheme in which the deposit is safeguarded.

Where the court believes that the landlord has failed to comply with these requirements, or the deposit is not being held in an authorised scheme, the court must either order the landlord within 14 days of the making of the order to repay the deposit; or order the landlord to pay the deposit to the custodial scheme administrator.

The court must also order the landlord to pay to the tenant a fine of three times the deposit amount within 14 days of the making of the order.

Landlord Insurance, why it should be at the top of your list

Every Landlord has heard of horror stories surrounding buy-to-let investments. Fires and floods, sitting tenants, loss of rent - it might be tempting to think that none of these things can happen to you, but is it really worth taking the chance?

Landlord insurance can be simple to buy and reasonably priced. More importantly it is invaluable in a crisis, and tax deductible!

The simplest way to buy Landlords insurance is to compare quotes online.

Building Insurance

This is the only type of insurance that is a complete must-have. It will protect your property if it is damaged or destroyed due to the following: fire, lightning, earthquake, explosion, aircraft, riot, civil commotion, malicious persons, storm or flood, water leakage, falling trees, falling TV aerials, impact, leakage of fuel, theft or attempted theft, accidental breakage of glass or sanitary fittings and subsidence.

If you require cover for accidental damage you will need to check whether this is automatically included in your policy or if you need to add it on.

You also need to check that your property is eligible to claim for certain types of damage, for example if you live in an area where there is a flood risk you may find you are not fully covered. Look for exclusions on the policy document before agreeing to purchase the insurance.

Finally, the total amount you request cover for should be the cost to rebuild your property not the market value. The proposed declared value must represent the maximum amount likely to be at risk - in the event of underinsurance claims, payments may be reduced.

Contents Insurance

You should consider contents insurance if you are letting your property out furnished or part-furnished.

Contents insurance will cover possessions in your rental property against accidental damage, loss or theft.

The insurance does not cover any possessions owned by your tenant and therefore you should recommend to them that they take out their own contents insurance.

Ensure that you are aware of the excesses that apply to different types of claims with different insurers, as this may affect your decision on which policy to buy and which items you feel are worth covering.

If your rental property is damaged or destroyed and made uninhabitable, you will inevitably suffer a long period without rental income. Loss of rent insurance covers you in these circumstances.

Generally loss of rent comes hand in hand with alternative accommodation. This allows you to cover the cost of accommodation for your Tenants while the property is being repaired.

Legal Expenses

If you rent out a property for long enough, sooner or later a tenant is going to let you down. For some unlucky landlords this results in a drawn-out and expensive legal process.

Legal expenses insurance covers legal costs involved with pursuing a tenant for vacant possession or to evict unauthorised occupiers.

It can also cover your legal costs for claiming damages from a tenant for failing to return your property to you in the same state of repair in which they first rented it from you.

Acts of Terrorism

Premiums are not expensive but do depend on the location of the property. Often this extra cover is considered by landlords with buildings situated in inner city areas and the rates are calculated accordingly.

Tenant Default

This type of insurance covers you if, for any reason, your tenant defaults on rent payments.

What are a Landlord's responsibilities?

There are specific legal obligations and responsibilities on a Landlord with regard to Fire safety for Furniture & Furnishings, gas supply and appliances, electrical wiring and appliances as well as legislation on whom you rent your property to. Prior to letting your property we will advise you regarding all relevant guidance concerning but not limited to the following regulations:

The Furniture and Furnishings (fire) (safety) Regulations 1988 as amended 1993

The 'Gas Safe' Regulations 1994 (Installations and Use)

Electrical Equipment (safety) Regulation 1994 & 2016

The Low Voltage Electrical Equipment (Safety Regulations) 1989

Part 'P' Building Regulations (Electrical Safety in Dwellings)

Building regulations (Smoke Alarm) 1991

Management of Houses in Multiple Occupation (England) Regulations 2006

The Smoke and Carbon Monoxide Alarm (England) Regulations 2015

Legionella assessments

Immigration Act –Right to Rent 2014 & 2016

Construction (Design and Management) Regulations 2012 & 2015

Energy Performance of Building Regulations 2007 to 2012

Security of tenure

Tenants are guaranteed a level of security of tenure by the Protection from Eviction Act which states that no tenant may be evicted from residential property without due process of law.

This Act effectively means that a tenant who refuses to leave a property is not breaking the law but merely exercising their rights, it also means that landlords cannot simply harass a tenant into leaving or change the locks, as they will face a fine or possible imprisonment.

It can take around 3 months for a landlord to secure possession of their property through the courts, an expensive and stressful process. Many landlords anticipate such a worst case scenario by taking out insurance.

The Housing Act 1988 (amended) introduced the Assured Shorthold Tenancy agreement, which guarantees a tenant security of tenure for a minimum of 6 months, depending on the agreed term of the tenancy - as long as the tenant does not breach the contract.

Further to this, when the tenancy period comes to an end the agreement does not finish but continues on automatically on a Statutory Periodic basis, unless the tenant chooses to vacate.

To bring it to an end, the landlord must serve a written notice to the tenant citing Section 21 of the Act and giving 2 months notice.

If the tenant is in breach of the agreement, for example if they haven't paid their rent, then a notice relating to Section 8 of the Act should be issued citing the relevant grounds for possession.

There are also everyday rules that the landlord should adhere to when dealing with their tenant. The landlord must supply the tenant with a contact name, address and telephone number along with the lettings agent's details if one is used.

The landlord must also allow the tenant peaceful and quiet enjoyment (read: possession) of the property. Therefore 24 hours notice must be given in writing before the landlord can access the property to carry out non-emergency repairs or an inspection. This doesn't apply for emergency repairs.

Tax

Landlords should always be aware of their tax responsibilities with regards to income from rents and capital gains on the sale of a rental property.

Reporting property income to the Inland Revenue is one of the most overlooked aspects of owning a buy-to-let.

Many landlords who either lose money or break even assume that they don't have to report it on their tax return; however it is a legal requirement.

There are certain benefits afforded to landlords with respect to tax deductions that make the process less painful.

Certain expenses involved with running a rental property can be deducted from your tax bill, such as agent's fees, the cost of gas safety checks and some repairs, legal and accountancy fees, insurance premiums.

What about the Tenant's responsibilities?

The tenant is responsible for paying the agreed rent on time to either the landlord or the lettings agent. He or she also has certain responsibilities towards taking care of the property and any furniture, aiming to return it to the landlord in the same condition as when they moved in.

Depending on what is included in the cost of rent, the tenant may be responsible for paying bills and Council Tax. In order for them to take responsibility for payments, the landlord or lettings agent must inform the council of the name of the tenant.

They are responsible for:

- paying rent as agreed
- taking care of the property
- paying bills (e.g. gas, electricity, telephone etc) as agreed with the Landlord. In most cases, paying council tax, water and sewerage charges.

Top ten dos and don’ts for Landlords

- Research your area, including tenant demand and the number of other rental properties on the market.
- Be 110% aware of your legal obligations.
- If you’re looking for student lets, get to know the Accommodation Officers at the local university so they are happy to promote you.
- Keep up to date with the latest legislation
- Take 1.5 months rent as a deposit to cover any rent problems towards the end of the tenancy.
- Prepare a thorough inventory, which includes the state of the property, not just the furnishings.
- Don’t increase the rent without good reason - you could lose tenants
- If managing the property yourself, ensure you background check your prospective tenant thoroughly
- Be 110% aware of your legal obligations. Yes I am repeating myself but it pays to speak to a professional.
- Keep your tenant happy

What to expect from your lettings agent

Many landlords, especially those who own buy-to-let properties outside their hometown, find the services of a good letting agent invaluable.

Finding and vetting tenants and the day-to-day management of a property is more time consuming than most people think, and saving money by ‘doing it yourself’ can end up being a false economy. It can also be difficult for a landlord to make the in-depth background and reference checks needed to vet potential tenants effectively.

For landlords who own a portfolio of properties, using a lettings agent is a must particularly for the task of finding and signing up tenants. Showing prospects around properties at all times of the day and night can be awkward and time consuming when dealing with more than one rental property.

What can a lettings agent do for you?

Depending on your situation, an agent can either be used just for finding tenants and tying up agreements, or for a full management service.

Finding a tenant

The first thing the agent will do is visit the property to take measurements, details and photographs with which to compile their advertisements and window display and web presence.

The landlord may wish to be present for this, as it is a good time to get the agent's opinion about possible improvements that would help to hook tenants in, and for the landlord to highlight features that they think would be good selling points.

Every agent will have a different method of advertising your property, from a simple window display card to weekly advertisements online, Facebook, Twitter and in the local press. Find out in advance the level of promotion that your chosen agent will perform and, if there are adverts going into publications, ask which ones?

Downer & Co places advertisements in the key local papers which attract a wide range of possible tenants and also advertise on sites such as Rightmove, Zoopla, Primelocation, our own easy-to-use website and social media including videos on Facebook and Twitter. Interior and exterior photographs and an accurate property description highlight the properties best features ensuring you get the greatest possible exposure and maximum rental. Our videos of your property really help the exposure and we will do these at no additional costs.

These factors may affect the type and quantity of people who make enquiries.

The agent will normally ask you for two complete sets of keys to the property. This usually means including keys for utility cupboards and post boxes if you have them. One of the sets is kept for their own use and one is given to the tenant once the agreements have been signed.

The agent will use their keys to show prospective tenants around your property. A good agent will keep you updated on progress and pass on possible action points as gathered in feedback from the viewers.

References and contracts

When a tenant is interested in renting your property, the lettings agent will ask them for references. Most good agents will use an independent reference agency to ensure that best practice is followed and that a thorough right to rent, financial and background check is done. This may include contacting previous landlords & professional acquaintances such as doctors or lawyers, and in some cases checking criminal records.

It's vital that these checks are thorough and are completed before anything is signed, as it is all too easy for a landlord to find themselves with a sitting tenant, without rent for a month, or with a tenant who is careless of the property and its contents. It can be an expensive process to expel a tenant from a rental property and best avoided where possible.

Once the references are checked and the tenant is approved, the next stage is to complete an inventory of the property's contents and a report on the condition of the property. Both the tenant and the landlord should sign the inventory, and this will be used as a benchmark when it is time for deposit to be returned.

The lettings agent should go through the tenancy agreement with the landlord to ensure he understands what he may be liable for and his overall responsibilities. If it is available, use an ARLA/Property Mark (Association of Residential Letting Agents) or RICS (Royal Institute of Chartered Surveyors) tenancy agreement, which lays each clause out in plain English and is fully comprehensive.

Tenant Deposit Protection

If a landlord takes a deposit from a tenant, some form of deposit protection must be used to ensure that at the end of the tenancy period an agreement can be reached on the amount to be returned to the tenant.

Lettings agents will set up the deposit within a protection scheme for the landlord if they are working on a fully managed basis.

Otherwise the landlord may needs to make their own arrangements (see the article on Tenant Deposit Protection). Downer & Co protect the deposit in all cases.

After the tenant has moved in

At this point some landlords choose to manage their properties themselves. For those that choose a fully managed service, here is what might be expected from an agent:

- Contact the utility companies and council tax office
- Regular visits to the property
- Rent collection and payment to the landlord
- Day-to-day maintenance and repairs requested by the tenant
- Alerts to the landlord on any major problems with the tenant or the property
- If the tenant hands in notice, the agent should start showing people around the property immediately to try to prevent void periods

To avoid misunderstandings, landlords should always read their contract with the lettings agent carefully so that responsibilities for each party are clear.

Many landlords would not be without the services of a lettings agent to take on the pressures and problems that at some point are part and parcel of owning a buy-to-let. If you think that this route is for you, thorough research and, wherever possible, recommendations are an important part of the process.

What about Capital Gains Tax?

If you are thinking about selling your buy-to-let property, you need to be aware of Capital Gains Tax, and how much you may be liable to pay.

Capital Gains Tax can claim up to 40 percent of any profit you make on your rental property, although you can usually deduct the costs of buying the property in the first place (such as stamp duty) and the costs involved with selling it, such as estate agent's fees.

As Capital Gains is a tax that should be declared by the property owner, it often gets overlooked. It has been estimated by the government that thousands of properties have been sold in the last few years on which no tax has been paid. This includes properties that are considered holiday lets.

There are ways you could potentially reduce the tax you have to pay on your profit and we would advise that you contact you accountant to discuss these.

What happens if you don't pay Capital Gains Tax?

Capital Gains Tax is paid through the income tax self-assessment system. This means that if you sell your property early in the tax year, but don't complete your tax return until the deadline, you will need to ensure you still have the money to cover payment.

If you don't receive a self-assessment tax return in the post, but you've sold your buy-to-let property, you are still liable for CGT and should contact the tax office.

If you don't inform HMRC of the sale of your property, there may be financial penalties or even prosecution.

For more information on Capital Gains Tax and how it could apply to the sale of your property, contact your tax office or seek professional advice.

I hope that you have found this guide to be useful and I wish you all the best in your future career as a landlord.

If at anytime I can be of help then please call me on **01635 523880**

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