



COMPANY LETS EXPLAINED

DETAILED GUIDE FOR LANDLORDS



LOCKS PROPERTY LTD

The key to unlocking great property deals

How Does a ‘Company Let’ or ‘Rent to Rent’ Work?

Company lets, also known as Rent to Rent is where an individual or company manages a property for a period of time from a landlord and offers to pay a fixed rent to the landlord. The landlord gives consent to the third party, ‘the Renter’, to then rent the property to other tenants. The “Renter” in this example would be Locks Property Ltd (LPL). LPL is fully liable to pay the monthly rent to the landlord. There are several ways to legally sublet a property, usually involving commercial or corporate tenancies, management agreements, and leases or guaranteed rent schemes.

Why do landlords choose to use Company Lets rather than a traditional letting agent to rent out their property?

The benefits of the arrangement to the landlord is that their rental income is guaranteed regardless of whether there are guests staying at the property paying rent or if the property becomes empty. Locks Property Ltd (LPL) would also take care of any damage to the property up to £150 as it is their responsibility to return the property back to the landlord in the same condition (but often better) as when they took it. The property will be regularly professionally cleaned. These factors give the landlord a peace of mind and a hassle free service.

The landlord would not incur any letting, management or renewal fees. LPL would be expected to comply with the numerous laws and compliance issues that an agent would generally deal with, saving the landlord time and money. The landlord can also request a longer contract with the LPL, being anything from 1-5 years. This provides more security for the landlord, making it possible for them to budget long term. At the end of the term, it may be possible to agree a continuation of contract if this works for both parties.

What are the benefits to the renter, Locks Property Ltd?

As the Renter has taken a lease of the property they become the landlord. This gives them the opportunity to find guests for the property and they get to keep whatever rent the guests pay. They generally allow more flexible arrangements with the guests, and since there is no AST contract, the guests do not have the same rights as tenants, which makes it easier for LPL to manage any potential problematic guests.

What legal issues should the parties consider?

The agreement between the landlord and LPL would be of a commercial nature so really they should enter into a lease of the property for the period of time LPL is going to pay a Fixed Rent. Also, the parties should have clear and unambiguous terms of business as to exactly how much LPL would be due to pay the landlord and what they are responsible for in terms of the management of the property and the landlord's compliance with the various legislation related to renting property.

Redress Scheme arrangements

Although the Company Let model does not fit the traditional definition of lettings or property management work, Locks Property Ltd would have a relationship with both the landlord and the guests acting as a 'middleman'.

They find the guests for the property and they generally undertake property maintenance and repairs on behalf of the landlord. For all these reasons the work they do is very closely linked to the definitions of both lettings and property management work so we recommend that all Guaranteed Rent operators join a consumer redress scheme.

Why is it important to have Redress?

Both the landlords and the tenants would be consumers as the Renter is offering a service to both parties. If there is a dispute as to the terms or the service provided then the consumers can escalate the concerns to an independent body. The Renter is providing the consumers with peace of mind that they will deal with letting the property correctly and professionally. Also, the Renter could face suffering a penalty for undertaking work which means they are legally required to join a redress scheme.

For more information on the Property Redress Scheme, and how it can protect both landlords and management companies, see: <https://www.theprs.co.uk/about-us>