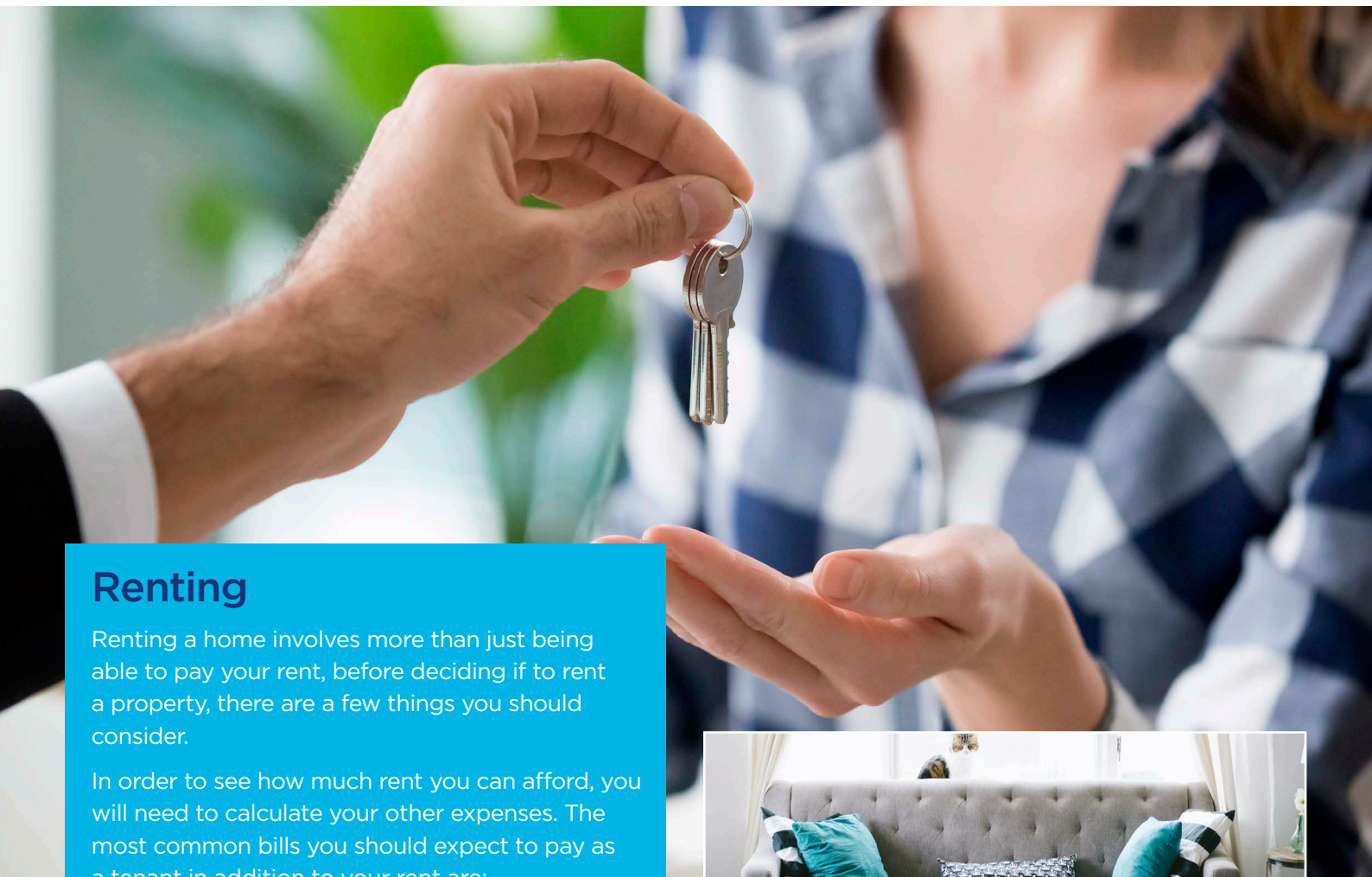




Renting and Letting



Renting

Renting a home involves more than just being able to pay your rent, before deciding if to rent a property, there are a few things you should consider.

In order to see how much rent you can afford, you will need to calculate your other expenses. The most common bills you should expect to pay as a tenant in addition to your rent are:

- **Water bill**
- **Service charges**
- **Council Tax**
- **Gas and electricity bills**

To help with your budgeting, you could ask the agency, landlord or previous tenant to provide you with estimates of these bills.

You may have extra monthly bills to pay, such as a TV license, a landline phone bill, home contents insurance, digital TV subscriptions and broadband. As well as any credit card bills or car loans.

Before committing to a rental, ensure you've completed a realistic budget of your costs. Click [here](#) to use our budgeting tool.



If you are renting a property with other people, it's important to be organised about money. At the start of a shared tenancy, it's a good idea to sit down with your housemates to work out a fair system for sharing the cost of your bills and ensure they're always paid on time.

If you're named on any bill, you're responsible for ensuring it is paid in full. If you miss a payment or don't pay your bills on time, you may get a bad credit rating, which will make it difficult for you to borrow money in the future. For more details on credit ratings click [here](#).

Rent arrears

If you cannot pay your rent, don't ignore the problem. Talk to your landlord as soon as possible. Explain why you're going to be late paying the rent and ask for some extra time.

Being repeatedly late with your rent could lead to eviction and a bad reference from your landlord. Which may make it difficult for you to find another property to rent. Your landlord may also withhold some of the deposit to cover underpaid rent if you still owe money when you move out.

If you want to talk to someone about how to deal with your landlord, you can call [Shelter](#) or the [Citizens Advice Bureau](#), or [Housing Advice NI](#) in Northern Ireland.

If you are struggling with your everyday expenses, click [here](#) to read our how to spend less guide.

If you're already in arrears with your rent or are struggling with debts, don't worry alone, talk to someone as soon as possible.

We've teamed up with [PayPlan*](#), one of the UK's leading free debt advice providers, who offer free and confidential advice to anyone in serious financial difficulties.

They're able to advise you on a range of debt solutions suited to your individual circumstances, helping to protect you and your family with a sustainable way to manage your debt. Get free and confidential help to combat your debt, call [PayPlan*](#) on **0800 197 8433**.



Legal and financial responsibilities

When renting a property, it's important to be aware of your financial and legal obligations to the landlord.

Before you sign a tenancy agreement, be sure to read it in full, including all the small print. It will list your obligations as a tenant. For example, you might be obliged to do specific things, like maintain the garden or pay certain bills, like council tax or a service charge or have the house professionally cleaned before you leave the property.

Keep in mind you'll need your deposit back at the end of your tenancy to help pay the deposit on your next rental property and you might also need a reference from your landlord for any future rental or for a mortgage if you decide to buy.

If you are sharing a property with others, it's important you establish whether you are joint tenants, or whether you're the sole tenant and any others living there are your 'guests' and your responsibility. For more details on joint tenancies click [here](#).



Renters insurance

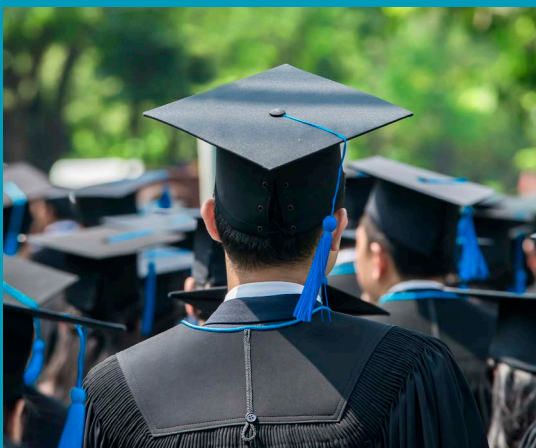
If you're renting, chances are that your landlord's insurance will only insure the building you live in, not the things you own.

You may want to consider protecting your possessions, by taking out home contents insurance, to cover items like your mobile phone, television, bike and laptop. For more details on Police Mutual Renters Insurance click [here](#).



Rent guarantors

If you're very young, unemployed or studying, or renting for the first time, your landlord might consider you as more of a risk than other tenants. They might require you to ask someone (usually a parent) to act as a 'guarantor'. This means if you fail to pay the rent, the landlord can legally call on your guarantor to pay it on your behalf.



Tenant's rights

As a tenant it's important that you are aware of your rights in the event of a disagreement or dispute with a landlord. A tenant's rights may vary in accordance with the type of tenancy agreement in existence.

The main responsibilities of a tenant are to pay the agreed rental payment in accordance with the tenancy agreement whilst also taking care to look after the property. This will include general upkeep and may include carrying out minor repairs, such as changing a light bulb. Tenants are required to allow access for the landlord to complete any other repair work upon reasonable notice.

The tenancy agreement should set out the main responsibilities of the landlord but section 11 of the Landlord and Tenant Act 1985 also implies certain legal obligations.

Letting

If you are considering letting properties there are a few things you will need to consider.

Buy to let mortgages

Buy-to-let mortgages are for landlords who want to buy property to rent it out. The rules around buy-to-let mortgages are similar to those around regular mortgages, but there are some key differences.

The interest rates tend to be higher on buy-to-let mortgages and the arrangement fees may be more expensive. You may also need a larger deposit, but you can often take out an interest only mortgage if it's buy-to-let. Not all banks and building societies offer this type of mortgage so there may not be as much choice.

You should be able to get a buy-to-let mortgage under the following circumstances:

- You want to invest in property.
- You can afford to take and understand the risks of investing in property.
- You already own your own home, whether outright or with an outstanding mortgage.
- You have a good credit record and aren't stretched too much on your other borrowings, for example, credit cards.
- You earn around a minimum of £25,000 a year.
- You're under a certain age. Some lenders have upper age limits, typically between 70 or 75 when the mortgage ends.

Use a [mortgage calculator](#) to work out how much you can afford to repay on a buy-to-let mortgage. Learn more about buy-to-let property investment risks and return [here](#).

Plan for times when there's no rent coming in

Don't assume your property will always have tenants. There will almost certainly be times when the property is unoccupied or rent isn't paid and you'll still need to pay your mortgage payments. You will also need to budget for maintenance costs or major repair bills.

Unless you have never owned a property, Stamp Duty Land Tax (SDLT) for buy to let properties is an extra 3% on top of the current SDLT rate bands for properties above £40,000. Find out more [here](#).

Don't assume you'll be able to sell the property easily to repay the mortgage. If house prices fall, you might not be able to sell for as much as you had hoped. If this happens, you'll be left to make up the difference on the mortgage



Tax implications

As a landlord you must also tell HM Revenue and Customs about income you receive from renting out a property so you can pay any tax you owe.

You should also keep a record of income you receive and evidence of expenses, such as letting agent's fees, buildings insurance and maintenance and repair costs.

Income Tax

The income you receive as rent is liable for income tax and should be declared on your Self-Assessment tax return for the tax year it was earned in. This might be taxed at 20%, 40% or 45%, depending on your income tax band.

You can offset your rental income against certain allowable expenses, for example, letting agent fees, property maintenance and Council Tax. Find out more about filing a self-assessment tax return [here](#).

Property income allowance

The property income allowance means property owners can earn up to £1,000 rental income tax free each tax year. Basic rate tax payers could save up to £200 and higher rate tax payers up to £400. If you own a property jointly, for example with your partner, you can both claim the allowance.

If your rental income is £1,000 or less per tax year, you will not have to declare or pay tax on this income.

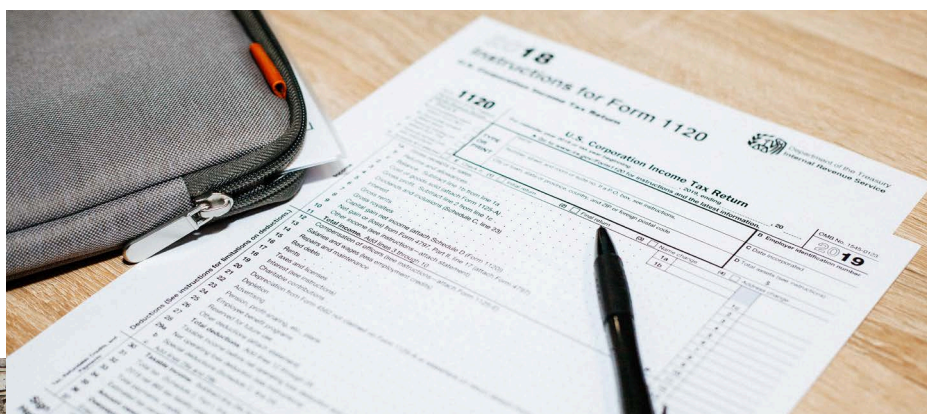
The property income allowance will also apply to Class 4 National Insurance Contributions.

Capital Gains Tax

If you are selling a property that isn't your main home it's likely you will have to pay Capital Gains Tax on any gain, if your gain is higher than the annual threshold.

You can offset expenses of a capital nature such as replacement windows against capital gains when the property is sold. As this might be many years later it's important to keep records and evidence of any such expenditure. When you come to sell, check with a financial adviser or accountant what you can claim back.

Read more about Capital Gains Tax on property [here](#).



Landlord insurance

Landlord insurance provides cover for your property, usually this will cover both the building itself and any furnishings you've provided. It also protects your rental income and covers your liabilities if your tenants are injured on your property and you are deemed to be at fault.

You can also include add-ons protecting you from various situations, like lost rent if tenants are forced to move out, accidental damage and periods when your property is empty.

Landlord insurance isn't a legal requirement, but it is recommended for anyone who lets a property out. A standard home insurance cover will not be suitable to cover a rental property.

Responsibilities of a landlord

If you rent out a property, whether this is one or lots of properties, there are certain things you have to do as a landlord.

If you're renting out your own home, you must tell your mortgage lender. You may have to pay a higher rate of interest on your mortgage, or switch to a buy to let mortgage.

If you're buying a property specifically to rent out you have to take out a buy-to-let mortgage.

You have many legal responsibilities to comply with as a landlord, including:

- **drawing up a legal tenancy agreement**
- **safety of gas and electrical appliances you supply**
- **fire safety of furniture and furnishings you supply**
- **providing an Energy Performance Certificate for the property**
- **protecting your tenants' deposits in a government-approved scheme**
- **checking your tenants have the right to rent your property if it's in England.**

Find out more about legal responsibilities as a private landlord in England and Wales [here](#).

If you take a deposit from your tenants, it must be protected and you must tell the tenants what they can do if there's a dispute about the deposit. You can register your tenants' deposits with a Tenancy Deposit Scheme, for more details read more [here](#).



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