

National Trading Standards Estate and Letting Agency Team Rent to Rent and Guaranteed Rent

Schemes – Consultation

Response from Propertymark

April 2024

Background

1. Propertymark is the UK’s leading professional body of property agents, with nearly 18,000 members representing over 12,800 branches. We are member-led with a Board which is made up of practicing agents and we work closely with our members to set professional standards through regulation, accredited and recognised qualifications, an industry-leading training programme and mandatory Continuing Professional Development¹.

Consultation – overview

2. The National Trading Standards Estate and Letting Agency Team (NTSELAT) is the lead enforcement authority for the Estate Agents Act 1979 and the Tenant Fees Act 2019. This consultation has been produced to help the NTSELAT gather opinions and evidence of Rent to Rent and Rent Guaranteed Schemes in terms of their compliance with existing regulations. These include the Tenant Fees Act 2019, the requirement to publish fees under the Consumer Rights Act 2015, the requirement for consumer redress under the Enterprise and Regulatory Reform Act 2013 and the requirement for client money protection under the Housing and Planning Act 2016. For the purpose of our response, we have grouped all rent-to-rent and guaranteed rent schemes as “R2R”. We also refer the landlord who owns the property as the “superior landlord” we also distinguish between an individual who is given some control over the property to sub-let it and companies. We will refer to individuals as “sub-landlords” and companies as “R2R companies”. When discussing both, we refer to sub-landlords and R2R companies as “R2R operators”.

Propertymark response – summary

3. Propertymark welcomes the opportunity to respond to NTSELAT on Rent to Rent and Guaranteed Rent schemes (R2R). As the largest professional body of property agents, we are dedicated to raising standards within the sector and to ensure that our members meet their legislative duties.

¹ <https://www.propertymark.co.uk/>

Schemes such as guaranteed rent can provide new entrant landlords into the private rented sector (PRS), which can help to offset existing supply and demand issues for properties to rent. However, these schemes cannot come at the cost of providing poor quality housing where tenants do not receive the required protections that they would have through giving a five or six-week deposit in England and a more common tenancy arrangement. We therefore fully support NTSELAT investigation into the impact of R2R schemes on tenants and the sector.

4. Our main concerns about R2R schemes can be summarised by the following three points:
- **Unlike traditional letting arrangements, there are fewer clear regulations and standards for R2R schemes** – this leads to uncertainty of expectations and responsibilities from both the superior landlord and R2R operator. This leads to cases where maintenance obligations are left unfulfilled with both parties claiming that the other party is responsible. This sets itself apart from an Assured Shorthold Tenancy agreement (AST)² which is the most common form of tenancy and where all the obligations should be established upfront.
 - **The way the schemes are marketed could attract landlords who are unaware of or are not interested in meeting their responsibilities to tenants** – Much of the information and promotion surrounding R2R is aimed at dismissing concerns people may have³, focusing on earning a “passive income”⁴ or emphasising the lack of effort required for the superior landlord⁵. This directly impacts those who are interested in R2R schemes, who may be attracted by the possibility of an easy passive income and may not understand their legal requirements or how to best provide good quality housing for a tenant.
 - **The way in which these schemes are established provides an opportunity for rogue landlords to escape their responsibilities** – if a superior landlord is not involved in the daily running of the property, they are less likely to take a vested interest in how the tenancy is managed. This could leave well-intentioned inexperienced sub-landlords having to maintain poor quality housing where full details about a deteriorated property are not fully provided.

² A tenancy can be an AST if all of the following apply: the landlord does not live in the property, the tenancy started on or after 15 January 1989 and the property is the tenant’s main accommodation.

³ <https://www.propertyreporter.co.uk/landlords/what-is-rent-to-rent-and-how-does-it-work.html>

⁴ <https://www.progressiveproperty.co.uk/rent-to-rent-explained/>

⁵ <https://propertygeek.net/article/rent-to-rent-the-ultimate-guide/>

- Despite our concerns, Propertymark members have good experiences with R2R operators. There are three main ways to prevent the abuse of R2R schemes. **Ensuring that both parties establish clear expectations before the superior landlord and R2R operator enter a contract** – many of the issues with R2R schemes can be addressed with clearer expectations from those looking to enter a R2R scheme. This would include ensuring that responsibilities for repairs are clear and that superior landlords understand what they are signing up for, for example, that they will likely have little control over who lives in their property unless they establish a different arrangement with the R2R operator.
- **Promoting the services of a letting agent within R2R scheme contracts** – letting agents can work with inexperienced superior landlords and R2R operators to ensure they understand their duties to each other and to tenants. Additionally, they can provide advice to either party if they suspect either the superior landlord or R2R operator may not be acting legally or meeting expected standards.
- **Promote regulations of R2R schemes to avoid abuse of the system** – this would include requirements to sign up to a deposit protection scheme, establish client money protection, independent redress and a requirement to meet housing standards as the Decent Homes Standard is introduced. NTSELAT should also take note of the impact of the introduction of the short-term lets registration scheme in England, which could provide an alternative way of regulating R2R schemes.⁶

Questions

Question 1: In your view, is the description of R2R and 'guaranteed rent' schemes given in part 2 of the brief accurate?

5. Yes, Propertymark believes that the description of R2R and guaranteed rent schemes given in part two of the brief is accurate.

Question 2: In your view, do the four types of R2R operators outlined in part 3 of the brief sufficiently cover all types of R2R operators in the PRS?

⁶ <https://www.gov.uk/government/news/short-term-lets-rules-to-protect-communities-and-keep-homes-available>

6. Yes, we believe that the four types of R2R operators outlined in part 3 is accurate. However, NTSELAT should be aware that some letting agents do work with other types of R2R operators to support them in their daily activities.

Question 3: In your view, do the five types of R2R models outlined in part 4 of the brief sufficiently cover all types of R2R models in the PRS?

7. Yes, we agree that the five types of R2R models outlined in part 4 of the brief sufficiently cover all types of R2R models in the PRS.

Question 4: In your view, do the issues for property owners outlined in part 5 of the brief sufficiently cover the issues faced by them in R2R schemes?

8. We agree with the issues outlined in part five of the brief. Many superior landlords are enticed by the potential to earn an income with little effort and therefore do not take the time required to ensure the contract between themselves and the R2R operator meets their expectations. As NTSELAT has rightly put it, this leads to a misunderstanding of their responsibilities such as maintenance of the property or that they will have no say over who lives in their home. One case shared by a Propertymark member was a situation when the property could not be rented out due to the superior landlord failing to maintain the building as they were unaware that it was their responsibility. The superior landlord ended up paying a significant amount of compensation to the R2R operator as a consequence. One additional issue for property owners that has been shared by Propertymark members has been cases where R2R companies who rent out property to criminals. R2R companies falsely advertise they only rent out to professionals but have turned properties into drug dens and brothels in some cases. This has led to at least one stabbing within a block of flats⁷.
9. We would consider a range of issues for the R2R sub-landlords and R2R operators in addition to just the owner. If the sub-landlord has been convinced into joining the scheme as an easy way to earn rental income without the need to own a property, they could fall foul to rogue superior landlords or scams themselves. From this, the following three would arise:
 - Firstly, a temporarily empty property could be advertised as part of a R2R portfolio, which a sub-landlord takes over, paying the fake superior landlord in the process. This would make any occupation illegal, which the sub-landlord would be liable for.

⁷ <https://www.inyourarea.co.uk/news/man-stabbed-during-attack-at-reading-flats/amp/>

- Secondly, the sub-landlord could be convinced by a rogue superior landlord to take ownership of a property that requires substantial refurbishment to bring it up to standard. Depending on the contract, the sub-landlord could pay a significant amount of money to refurbish the property if they are required to do so under the terms of the R2R agreement.
- Thirdly, the sub-landlord could be convinced by the superior landlord that any sub-let or tenancy does not require any deposit protections, tenancy agreement or other legal requirements. Inexperienced landlords who are only looking to make passive income through this would be particularly vulnerable to this.

10. Our concerns over the potential for superior landlords to take advantage of inexperienced R2R operators comes from the decision of a 2023 court case where a property was sublet without the required HMO license and one of the tenants applied for a rent repayment order⁸. The Supreme Court ruled that the superior landlord was not responsible for repaying the tenant as he never collected any rent from the tenants. This ruling could be abused by superior landlords who provide housing that breaches legal requirements but avoid prosecution due to the precedent set by this case.

Question 5: In your view, do the issues for tenants outlined in part 5 of the brief sufficiently cover the issues faced by them in R2R schemes?

11. There are three additional issues for tenants that NTSELAT should be aware of:

- Firstly, R2R schemes can help negligent landlords and criminals avoid prosecution. If a property owner hires a landlord or company to manage lets, there is an additional level of separation from the superior landlord and any enforcement or investigation from a local authority. This will make it more difficult to prosecute rogue or negligent superior landlords, making this form of rental arrangement appealing to those who would abuse the system. This puts tenants at risk of substandard housing.
- Secondly, linked to our answer in paragraph 10, some R2R arrangements can cause serious disruption or harm to other residents in neighbouring properties.
- Thirdly, there are issues with sub-letting on a short-term basis where there are fewer regulations, standards or protections for tenants. For example, some tenants do not

⁸ <https://lisaslaw.co.uk/landmark-case-superior-landlords-not-liable-for-rent-repayment-order-rr/#:~:text=The%20Supreme%20Court%20gave%20a%20unanimous%20judgment%20and,with%20the%20tenancy%20that%20generates%20the%20relevant%20rent.>

receive an AST and are not technically tenants but living in the property through a license. This means that they are at greater risk of being evicted without notice.

Question 6: In your view, do the issues for existing letting and property management agents outlined in part 5 of the brief sufficiently cover the issues faced by them in R2R schemes?

12. There are three additional issues for letting and property management agents that have not been identified in the consultation brief:

- Firstly, challenges arise if there are multiple tenants within the property and one has committing anti-social behaviour. Depending on the nature of the agreement between the sub-landlord and the superior landlord, they could be uninterested in removing the tenant, making it difficult for the agent to proceed with eviction procedures.
- Secondly, a sub-landlord who is inexperienced or unaware of their full legislative requirements, believing the R2R scheme to be an easy way to earn a passive income, may be more likely to ask an agent to act illegally. As a result, agents could find themselves being pressured into acting illegally or risking losing their client, which in a best-case scenario creates issues with securing long-term relationships with clients and risks agent being liable for a criminal offence in a worst-case scenario.
- Thirdly, due to the reputation of R2R schemes, significantly more work from an agent is required ensure that the sub-landlord or R2R company meets their legal requirements. Smaller agents may not have the capacity to do this for all of their R2R clients.

Question 7: Do you have views on whether the number of evictions of tenants occupying a property under a R2R agreement are likely to increase during any proposed transition period that abolishes section 21?

13. We do not believe that there will be an influx in evictions of tenants occupying a property under a R2R agreement for three reasons:

- Firstly, sub-landlords and R2R companies who actively avoid their legal responsibilities are more likely to be unaware of or take into account the abolition of Section 21 notices and will continue to evict tenants without going through the correct legal procedures. This means they are unlikely to be impacted by the change in legislation, so will not evict tenants in anticipation of the abolition of Section 21.

- Secondly, R2R operators who sublet will not necessarily use an AST but another form of tenancy agreement or arrangement and will be less likely to provide ASTs as a way to avoid the reforms set out in the Renters (Reform) Bill.⁹
- Thirdly, R2R operators who work with agents, who were once agents or who understand their legal responsibilities will likely adapt as the rest of the sector will with the reforms.

Question 8: Do you have views on whether the model(s) of R2R can/will continue when no fault evictions are abolished?

14. Yes, we believe R2R models will continue even when no fault evictions are abolished. As mentioned in question seven, there will likely be a further move away from R2R operators providing ASTs. Some Propertymark members even see that the number of R2R schemes will increase as a consequence of the Renters (Reform Bill). We see three reasons why R2R schemes will continue to exist, if not grow. The first of which is to move away from standard tenancy agreements and move towards alternative models, such as a short-term lettings model or other agreements. Secondly, as stated in paragraph 14, some R2R operators will continue to avoid legal liability and evict tenants illegally. Thirdly, for some R2R operators who fully understand and are committed to meeting their legal responsibilities to tenants, they will adjust to the new legislation without evicting their existing tenants.

Question 9: Does abolishing fixed term tenancy agreements increase the element of risk for property owners and make R2R agreements less desirable for them? (i.e., it would be more difficult to provide vacant possession at the end of the R2R agreement).

15. No, as mentioned before, R2R operators who wish to provide tenancies that allow them to evict tenants at the end of their contract with the superior landlord will establish alternative tenancy arrangements outside the scope of upcoming legislation.

Question 10: Are there any other risks or consequences to R2R agreements for property owners, R2R operators, or tenants if fixed term tenancies are abolished.

16. Yes, the risks to abolishing fixed-term tenancies are significant. As mentioned in earlier questions, R2R operators will be incentivised to provide tenants alternative tenancy arrangements. Through these arrangements, tenants lose the protections that they would have through the new tenancy

⁹ <https://bills.parliament.uk/bills/3462>

agreements that would be required under the Renters (Reform) Bill. This means that more tenants will no longer have access to independent redress, client money protection, notice period requirements and clear tenancy terms such as landlord obligations which are required through a more traditional tenancy agreement.

Question 11: Do you have views on whether there are sufficient protections for property owners and landlords to prevent R2R operators from making modifications to a property without permission (such as partitioning a property to create new bedrooms to increase occupancy)?

17. Yes, we have concerns that there are insufficient protections for property owners. The level of freedom that R2R operators have to make modifications to the property largely depends on the individual contracts between superior landlords and R2R operators. However, some people signing up to let out their home to an R2R operator may be attracted by the ability to earn a passive income without the need to worry about the responsibilities of managing the property themselves. This could lead to contracts being signed that are heavily in favour of the R2R operator since the superior landlord is more interested in making their passive income and is unaware of the risks involved to their property.

Question 12: Do you have views on whether there are currently sufficient protections for tenants who are occupying a R2R property that does not meet the required standard?

18. Yes, we are concerned that there are insufficient protections for tenants. Due to the nature of R2R schemes, R2R operators are often looking for quick financial returns. In contrast with landlords who own their property, they are more likely to properly ensure tenants meet affordability criteria, look after their property which they consider an investment and ensure tenants stay long-term. Without the vested interest in the property and well-being of tenants, the issues NTSELAT has highlighted in Part five of the consultation brief become more common in R2R tenancies.

Question 13: Do you have views on whether there are currently sufficient means for tenants or property owners to seek advice, help, or support if there is an issue or complaint with a R2R operator?

19. We do not believe there are sufficient means for tenants or property owners to seek advice, help or support if there is an issue with the R2R operator. This is for three main reasons. Firstly, since R2R operators are not incentivised to work with letting agents, there usual property agent redress

schemes are not available to tenants. Secondly, in England there is currently no national landlord registration scheme which makes it difficult to hold R2R operators to account. Thirdly, local selective and additional licensing schemes are often not designed to account for R2R schemes, which makes it difficult for local authorities to identify if a R2R property is being rented out and who should sign up to the licensing scheme; the superior landlord or the R2R operator.

Question 14: In your view, is the current redress requirement for letting and property management agents sufficient to capture R2R operators?

20. We do not believe the current redress requirement for letting and property management agents is sufficient to capture R2R operators.¹⁰ Considering that around 50% of landlords do not use an agent and the number of R2R operators is likely to be less, that leaves a significant number of R2R operators without redress.¹¹ For those who do use agents, the existing redress schemes would not protect tenants from activities that the R2R operator or superior landlord is ultimately responsible for. Additionally, calls to introduce a single Ombudsman for the private rented sector could fail to capture R2R operators or superior landlords who have a greater control of the property for two reasons.¹² Firstly, since R2R operators could be classified as tenants in some cases, which could fall outside of the scope of the redress scheme. Secondly, there is an additional level of separation from superior landlords and tenants. Therefore, if a superior landlord neglected their duties, they could claim that the R2R operator was responsible.

Question 15: Do you have views on whether any R2R models involve the handling of "client money" as per part 6 of the brief?

21. Yes, if an agent is involved within the R2R scheme, then they will handle client money. If the R2R scheme includes the handling of deposits, then the R2R operator will also handle client money.

Question 16: Do you have views on whether there are any circumstances where the premium paid under a R2R agreement could be considered "client money" as per Part 6 of the brief?

¹⁰ <https://www.gov.uk/redress-scheme-estate-agencies>

¹¹ <https://www.gov.uk/government/publications/a-fairer-private-rented-sector>

¹² <https://committees.parliament.uk/work/6862/reforming-the-private-rented-sector/publications/reports-responses/>

22. We do not believe that there would or should be a case where the premium paid under a R2R agreement could be considered “client money”. The payments made would be treated no differently than ground rent within a lease agreement.

Question 17: In your view, are final tenants of a R2R operator at any increased risk of being required to make a prohibited payment compared to a typical tenant in the PRS?

23. Yes, we believe that tenants of a R2R operated are at risk of being charged a prohibited payment. Inexperienced R2R sub-landlords are more likely be unaware of the Tenant Fees Act 2019¹³ or, in the case of scam R2R operators, maliciously ignore the legislation. This can be offset by R2R operators who work with property agents, who can inform less experienced R2R operators of prohibited payments.

Question 18: Do you have views on whether there are currently sufficient mechanisms in place to protect a final tenant who is required to make a prohibited payment by their landlord (i.e., the R2R operator)?

24. We do not believe there are sufficient mechanisms to protect a tenant who is required to make a prohibited payment for three reasons. Firstly, there are insufficient redress mechanisms in place to allow tenants to raise complaints with their landlords. Secondly, tenants may be unaware of the existence of prohibited payments. Thirdly, considering the current supply issues within the PRS, tenants may be more willing to accept prohibited payments if it means they can secure themselves a place to live.

Question 19: Do you have views on whether 'scam' or 'fake' R2R operators exist in the market, and whether there are currently sufficient protections in place for consumers/tenants and property owners/superior landlords against that business practice?

25. Yes, we have covered this earlier in our response, with the example of where a scam R2R operator rented properties for criminal use, which led to the stabbing of a neighbouring resident. Currently, there are not sufficient protections for tenants and superior landlords considering that this takes place, where the only protection would be the ability for superior landlords to cancel their business relationship with the R2R operator. This is not necessarily guaranteed if the superior landlord is allowing the illegal activity to take place.

¹³ <https://www.legislation.gov.uk/ukpga/2019/4/contents/enacted>

Question 20: Do you have views on whether the term 'guaranteed rent' when used to promote R2R schemes could be potentially misleading where it is not protected with a relevant insurance product?

26. No, we do not have any views on this.

Question 21: Are you aware of any R2R scheme operators who provide a compliant and successful service?

27. Yes, we are aware of R2R scheme operators who provide a compliant and successful service. Propertymark members have reported good experiences with R2R operators who spent a significant amount of time working with agents in order to ensure they are compliant, and they understand the amount of work that goes into letting out a property.

Question 22: Are you aware of any organisations who provide training, advice, and support specifically for R2R operators?

28. We are unaware of any organisations that provide bespoke training specifically for R2R operators. However, some Propertymark members have been approached to provide advice to R2R operators, particularly around how to meet their legal requirements to tenants.

Question 23: Are you aware of any existing trade organisations specifically for R2R operators, or those who support R2R operators?

29. We are unaware of any existing trade organisations specifically established to support R2R operators. However, some individual Propertymark agents have stated that they have worked closely with R2R operators to ensure they meet all their legislative requirements.

Question 24: In your view, what tools and resources are available for aspiring or existing R2R operators who wish to be or become compliant with their regulatory obligations?

30. We are unaware of any tools or resources specifically designed for R2R operators who wish to become compliant with their regulator obligations. Existing landlord and property agent tools and resources are likely being used by R2R operators.

Question 25: In your view, are local authorities sufficiently able to advise tenants and businesses on R2R scheme issues?

31. We are not fully aware of existing advice across local authorities. We expect that the advice is likely to be inconsistent and reflect existing resource shortages across many local authorities. Furthermore, the new and growing nature of R2R schemes is likely to make it more difficult for local authorities to provide advice.

Question 26: In your view, are local fire services engaging sufficiently with industry and local authorities to address any increased fire risk in R2R HMO properties?

32. We are unaware of the engagement of local fire services.

Question 27: In your view, are police engaging sufficiently with industry and local authorities to address organised criminality in R2R properties?

33. We are unaware of the engagement of local police services.

Question 28: In your view, are police correctly advising on issues of illegal eviction and harassment under the Protection from Eviction Act 1977 (in relation to R2R issues)?

34. We are unaware of the advice police are providing regarding R2R issues.

Question 29: In your view, what more could be done by other regulatory bodies to tackle issues that arise from company "pheonixing".

35. From a letting agent's perspective, we would like to see requirements for property agents to take steps to understand if an R2R company is engaging in pheonixing. Through the introduction of the Economic Crime and Corporate Transparency Act¹⁴ estate agents and other businesses will be required to identify the employment of clients, so they can report discrepancies between data on Companies House, and what a client has provided. A similar requirement can be extended to letting agents to check on Companies House to see if an R2R company is likely to be engaging in pheonixing. Propertymark can provide guidance and share best practice on this.

Question 30: Do you have views on whether there is currently an issue for property owners, tenants, or local authorities in identifying the responsible person or 'controlling mind' of the R2R operators?

¹⁴ <https://www.legislation.gov.uk/ukpga/2023/56/contents/enacted>

36. Yes, we expect that this is an issue. This is due to the existing challenges for agents when identifying the responsible person where property transactions are undertaken on behalf of an individual who is not engaging with the other parties. R2R schemes are vulnerable to criminal activity, which further exacerbates this issue.

Question 31: Do you have views on whether tenants occupying a property under a R2R scheme are at an increased risk of harassment or illegal eviction from the R2R operator or property owner compared to a typical tenant in the PRS.

37. Yes, for several reasons that we have already explained, including the increased likelihood of inexperienced sub-landlords or R2R scams, the lower chance that R2R operators will use an agent and the lack of explicit redress schemes or licenses for R2R operators.

Question 32: How strongly do you agree or disagree with the following statements?

38. Most R2R operators run a successful and compliant service – we disagree.

39. There is a need for R2R operators to be specifically required to register for consumer redress – we strongly agree.

40. Tenants are sufficiently protected from being required to make prohibited payments to R2R operators – we disagree.

41. There are sufficient consumer protections in place to protect tenants from scam R2R operators – we disagree.

42. The benefits of R2R schemes for property owners outweigh the risks - we disagree.

43. R2R schemes are a legitimate and viable business opportunity for existing property agents – we neither agree, nor disagree. This will depend on the action taken to remove scam R2R operators and to improve compliance with legislative requirements.

44. 'Guaranteed rent' is a potentially misleading description of R2R – we disagree.

45. There are no issues with R2R sub-letting in my area – we disagree although with the caveat that Propertymark is a UK-wide organisation, and we have shared examples where R2R sub-letting has been an issue.

Question 33: In your view, what is the biggest benefit of R2R schemes for property owners?

46. From our perspective, the biggest benefit of R2R schemes for property owners is the potential to earn additional income without having to invest the time needed to let out a property from a more traditional tenancy arrangement.

Question 34: In your view, what is the biggest benefit of R2R schemes for tenants?

47. We do not believe there are any considerable benefits for tenants, however, R2R schemes do provide opportunities for new landlord entrants into the PRS which may increase supply of homes for people to rent. This indirectly helps increase the availability of rental properties for tenants. R2R schemes may also be able to provide fixed-term tenancies since they are not required to provide a tenancy agreement once the Renters (Reform) Bill is enacted.

Question 35: In your view, what is the biggest benefit of R2R schemes for local authorities?

48. The benefits of increased supply also apply to local authorities. More homes available helps to reduce the chances that people will be at risk of homelessness, which may help to reduce costs for local authorities. However, some tenants and local authorities may prefer that the increase in supply of homes in the private rented sector came in the form of more traditional tenancy agreements.

Question 36: In your view, what is the biggest benefit of R2R schemes for R2R operators?

49. The biggest benefit for R2R operators is the opening of a new market and an alternative way for businesses to rent property with some greater flexibility due to the lack of existing regulations.

Question 37: In your view, what is the biggest risk of R2R schemes for property owners?

50. The biggest benefit of R2R schemes for property owners is also its biggest risk. If property owners do not wish to spend the time to let out a property properly, then they are more likely to fall for R2R scams, actively avoid any responsibilities they have, or abuse the system's lack of redress to provide substandard housing with little accountability. This is not an issue however for the R2R

operators who understand their legislative responsibilities and provide genuinely good rental experiences for tenants.

Question 38: In your view, what is the biggest risk of R2R schemes for tenants?

51. There are currently fewer protections available to tenants. This could lead to tenants being at risk of eviction, being charged higher than market rates and living in sub-standard property where they are at risk of eviction if they raise any concerns.

Question 39: In your view, what is the biggest risk of R2R schemes for local authorities?

52. Local authorities may face challenges to enforce existing regulations, in particular the enforcement of licensing schemes. It will be more difficult to establish that a property is being sub-let where the total number of tenants would meet the requirements for an HMO licence. This means local authorities would have to spend additional time and resources to enforce licensing requirements.

Question 40: In your view, what is the biggest risk of R2R schemes for R2R operators?

53. There are risks when establishing terms with superior landlords. If expectations are not established from the offset, R2R operators could be at risk of facing legal challenges from superior landlords, where precedent has been set in favour of superior landlords.

Question 41: Do you have any additional comments?

54. We acknowledge that there are several concerns with R2R schemes, considering the risks that R2R operators will not meet their legal requirements and that superior landlords could abuse the system, which is largely due to the under-regulation of R2R schemes. However, there are R2R operators who do provide an excellent service and who meet their legal obligations. There are three ways to improve the quality of service and root out R2R scam operators:

- Firstly, there must be an exerted effort to improve the knowledge of superior landlords and R2R operators, to avoid cases where either party has decided to engage with R2R schemes off the back of poor information such as YouTube videos or articles emphasising the ability to earn a passive income. This ensures all parties are aware of the risks, requirements and challenges involved in renting out property.
- Secondly, NTSELAT should consider establishing a list of questions that should be considered by both parties before entering a R2R agreement. This would include but would not be limited to, questions such as consumer protection arrangements, the

financial resources available to the R2R operator, the responsibilities of the superior landlord (if any), the superior landlord's ability to approve tenants, the process the R2R operator follows verify the source of funds of tenants.

- Thirdly, we would like to see steps take to regulate R2R operators. This could include requirements such as signing up to a Code of Practice, requirements such as client money protection or a registration scheme.