

Referencing - A guide for Landlords

“The tenants trashed my house!”...

”The tenants never paid rent!”...

“The tenants lied about their income!”...

“The tenant deserted the house with unpaid bills!”...

We've all heard of these stories before and I'm sure they're true. However, how did the landlord advertise and find the tenant in the first place? Was it a postcard In the local shop window? Or was the tenant a friend of a friend? And then what references did the landlord take?

This information sheet is all about referencing. As standard, Proudhouse reference all tenants so if you're receiving our managed or letting services then this will all be done for you. If you're a self managing landlord then read on!

A properly referenced tenant hugely decreases the chances of having problems further down the line. In fact, some insurance firms provide a lower landlord insurance premium if a professional referencing process has been used. As a self-managing landlord, you have various options but follow the 10 points below for tenant vetting and referencing.

Advertise properly and in a professional manner!
Tenants with poor credit know that they are not a good prospect - therefore they will look in the small ads and shop windows for unsuspecting landlords.

Good quality tenants expect to be referenced! Be confident and make the tenancy conditional on the tenant meeting a few basic standards.

Calculate a minimum income required - as a rough guide, the annual income of your tenant (which can be a combined income if more than 1 tenant is

present) should be around 30 x the monthly rent.
e.g. £650pcm x 30 = £19500.

Request to see proof of income - you could do this by either writing to the tenant's employer and/or requesting to see bank statements. If the tenant has a low income then ask for a guarantor... and then reference the guarantor in the same way!

Be wary of tenants with sob stories of how they are “moving to the area to seek a better life for their children”. It sounds really harsh but your rental property is a business, not a charity - by all means offer this type of tenant a tenancy - but don't be talked out of doing proper referencing.

Never let a property to a tenant who has not viewed it - insist on them viewing the property; otherwise you have to question why they want the property. Is it just a location for the tenant to arrange some sort of unusual or illegal activity? Overseas students and people moving to the country for work might be an exception.

Seeking a previous landlord's (or agent) reference can be useful however, be cautious; a landlord currently with a bad tenant is likely to write a glowing reference in order to help the tenant move along (to your property)!

Follow your instinct - if something doesn't seem right then it probably isn't.

Don't be racist, sexist, homophobic, xenophobic, overly friendly, gruff, inconsistent or dominant. Just be neutral, professional and helpful. Remember, there is a flip-side - the tenant might be selecting their landlord!

Finally, don't forget to setup your tenancy correctly with Right To Rent Checks and provide all of the Prescribed information (Housing Acts and Deregulation Act) - before or at tenancy commencement.





Summary

Follow all of these points - not just one or two of them. Your tenant may have a few weak areas but basically, if your tenant fails these checks then have the confidence to follow through and say, "I'm really sorry but you have not been selected for a tenancy this time". You don't have to give reasons or justify your decision. Good luck - there are plenty of professional, good quality tenants out there!

Proudhouse's referencing service is available to self-managing landlords as a one-off service. It includes a credit check, employer check, salary check, affordability check, previous landlord/agent check and bank account verification.



This document was authored by Chris Chambers of Proudhouse Property Management.

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