



Renting a room out in your home

Earn extra income through
renting a room in your home



Why you should consider renting a room
out in your home and how to go about it.

www.eastleigh.gov.uk/rentaroom

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Foreword by Councillor Anne Winstanley Cabinet Member for Housing



This publication is intended to provide guidance to households who may consider renting out a room in their home. With increasing demand for housing and

the high cost of both buying and renting, many people find it difficult to obtain accommodation. Housing Benefit changes are likely to make renting even harder for single people under 35 years old. We aim to support those with spare rooms to rent them out, this can help ease the housing shortage as well as providing extra income for hard pressed householders.

There are many benefits of renting out a room in your home. For instance:

- It can be a good source of extra income



- If you opt to use the HM Revenue and Customs Rent a Room Scheme, the first £4,250 per year you earn from rent is tax free
- It is a great way to meet new people and enrich your social life
- It provides extra security while you are away and your lodger can help keep an eye on the house

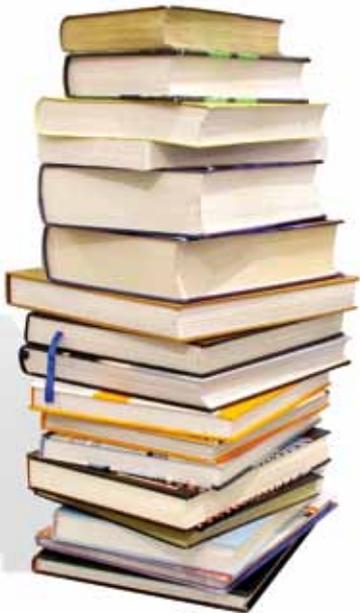
I hope you find this publication useful. If you would like any further information please see our contact details on the back cover.



Could I rent out a room in my home?

You do not have to be a homeowner to rent a room in your home. Here are some key points to remember:

- If you are renting check whether your rental agreement allows you to take in a lodger.
- If you have a mortgage check whether taking in a lodger is within your mortgage lenders terms and conditions.
- You should check with your insurance company as this might be affected.
- If you receive a 25% council tax discount because you live alone, you must inform the council's Revenue & Benefits unit once another person moves in.
- If you claim benefits, these will almost certainly be affected by taking in a lodger. You should therefore seek advice from the council's benefit department before deciding whether renting out a room would be financially worthwhile.



You can accept Housing Benefit as payment for the rent. Normally, Housing Benefit will be paid directly to the tenant, who will then pay you. However, in certain circumstances the rent can be paid directly to the landlord.



Resident Landlords and Lodgers

This information booklet is aimed at those who wish to rent out a furnished room or rooms in their only or main home. The law is different when renting out self-contained accommodation. Information on renting out self-contained accommodation is available from the council's Housing Advice team.

The lodger of a resident landlord occupies their room on what is called an **excluded** licence. This applies where landlords share essential facilities with their lodger, such as bathroom and/ or kitchen.

This form of licence ensures that the landlord's security and wellbeing in their own home is considered before that of their lodger. No one entering the landlord's home can claim protection from eviction. Importantly, it means that a lodger



can be asked to leave by giving reasonable notice and without having to obtain a court order.

When giving notice, remember that it may take a while for your lodger to be able to find alternative accommodation so give them as much time as possible. It is advisable to give notice in writing.

In extreme circumstances you are entitled to change your locks and place the lodger's belongings outside the property.



How do I find a lodger?



There are various useful websites to advertise a room:

www.roomster.co.uk

www.easyroommate.com

www.spareroom.co.uk

You can advertise for weekday lodgers on specialist websites such as:

www.mondaytofriday.com

www.bedandfed.co.uk

Alternatively, you may wish to advertise in your local newspaper, newsagents, or supermarket.

Taking in a lodger who you already know, or someone who has been recommended through a friend, is thought to be a relatively safe way of renting out a room in your home.





How much can I charge?



That all depends on where you live and what your property is like. Have a look at other peoples' adverts; for example on www.spareroom.co.uk, to see other rooms available in your area and get an idea what the going rate is likely to be.

Around 60% of the usual week-long rental is usually deemed appropriate for weekday rentals.

If you charge for additional services, you will need to add the payments you receive to the rent, to work out the total receipts. If you receive

more than £4,250 a year in total, you will have to pay tax, even if the actual rent is less than that.

For simplicity, the cost of utilities such as gas, electricity and water is often considered as part of the rent charge.

Additional services you might decide to provide and charge for could include:

- Meals
- Washing
- Use of telephone





The Inland Revenue operate a Rent a Room tax scheme. This is an optional scheme that allows you to receive a certain amount of tax-free 'gross' income from renting furnished accommodation in your only or main home to a lodger.

A lodger can occupy a single room or an entire floor in your home. However, the scheme does not apply if your home is converted into separate flats that you rent out.

If you are in the rent a room scheme you cannot claim any expenses relating to the letting (e.g. wear and tear, insurance, repairs, heating and lighting).

The £4,250 allowance is an overall limit per landlord and may be halved if someone else in the property receives an income from letting. If you earn more than £4,250 from renting out a room you need to work out whether you would be better off declaring your rental income on your self-

assessment tax return and paying tax in the normal way. The Rent a Room Scheme has its advantages and disadvantages – it is simply about working out what is best for you.

For more information visit:

www.direct.gov.uk or,
www.hmrc.co.uk





What are my responsibilities as a landlord?



Care must also be taken with regard to furniture and furnishings and the general safety of the building.

The accommodation should be in good repair, well-maintained, and capable of being effectively heated. Any safety hazards should be promptly dealt with.

Your property must be safe. When conducting work on your home please note:

Gas safety - all gas engineers must be registered with the Gas Safe Register:
www.gassaferegister.co.uk

Electrical safety - for details on how to find a registered electrician visit: www.esc.org.uk

Fire safety - guidance on fire safety in residential accommodation can be downloaded free of charge at: www.lacors.gov.uk/contentdetails.aspx?id=19843





How can I prevent problems from occurring?

You do not have to produce a written letting agreement but it is advisable to do so. You can draw up your own agreement, but it is recommended you follow a template. You can obtain a free template at: www.routledgelaw.com/pocketlawyers/YouAndYour/02%20Lodger%20Agreement.doc

Items usually covered in an agreement include:

- How long the letting will last
- How much rent the lodger has to pay, and any arrangements for review if necessary
- How much notice one party will give to the other at the end of the letting
- What meals or services will be provided, if any.





Preventing problems continued...

It is usual to ask for rent in advance, e.g. at the start of the month if it is paid monthly.

You are entitled to take a deposit before the lodger moves in, to act as security in case they leave the property owing you money, or to pay for any damage. The amount of deposit is negotiable, but a month's rent as deposit is not unusual.

In a written agreement, it should be stated clearly the circumstances under which part, or all of the deposit may be withheld at the end of the let.

It is recommended that an inventory be made on the day the lodger moves in and then checked when the lodger leaves your home. The inventory should be signed by both parties and a copy retained so that if damages are caused by your lodger, you have a record of the original condition.

Taking photographs of the interior of the accommodation when the let starts can also be a useful way of recording its condition, in case of any later dispute.

If you take a deposit, it may be advisable to keep the deposit in a separate bank account so that it can be returned easily at the end of the letting.





There are other options available for those who do not wish to rent a room full-time:



Seasonal lodgers - Making a profit from events

You might want to consider renting your room during big events in the area. For instance, people might be interested in renting a room during the Southampton Boat Show and exchange students may be looking for rooms for the summer.

Monday to Friday lodgers

There is a growing demand for rooms just during the week. Typically, the individuals interested in this type of letting are commuters or contract workers who wish to cut down their travelling times.





Where can I get further advice?

Advice on general legal issues can be obtained from Citizens Advice Bureaux, the local authority's Housing Department, or a solicitor. The Community Legal Service Directory in libraries gives listings of what advice sources are available for the local area. The National Landlords Association (NLA) is the leading independent national organisation for private residential landlords. For further information regarding the NLA please see: www.landlords.org.uk

Please note: *This booklet is intended to be a guide to help you and a useful source of information. It does not provide an authoritative interpretation of the law; only courts can do that. Nor does it cover every case. If you are in any doubt about your legal rights or obligations you would be well advised to seek information from a Citizens Advice Bureau, or a law centre or to consult a solicitor.*

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This information can be provided in alternative formats including large print, audio tape, Braille and other languages by calling

023 8068 8000, emailing direct@eastleigh.gov.uk or texting 07797 877001.

