How to...

support tenants to find a lodger

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Setting the scene

It's not uncommon to find that social housing tenants let out their spare bedrooms to lodgers - after all, it's a statutory right for many. But a number of drivers mean that housing providers can expect to see a growth in this in the near future.

- the introduction of the social sector size criteria (bedroom tax) from April 2013 means that working age tenants who are on housing benefit will have their benefit reduced if they are considered to be under-occupying their home. Taking in a lodger may well be an option for those who can't make up the shortfall between benefit and rent but don't want to leave their home
- wider economic factors, including the rising cost of gas and electricity, mean that many tenants are struggling to make ends meet, even if they have jobs
- more people are looking to rent a spare room as buying or renting a home is simply not affordable in the current housing market. Added to this, personal circumstances, such as relationship breakdown or working in an area which is beyond commuting distance, along with changes to local housing allowance for under 35s, all mean that lodging is becoming increasingly common
- for landlords, it can help to make better use of under-occupied homes and to meet the needs of the increasing number of single people who are looking for a home.

As this is largely uncharted territory for many landlords, CIH has developed this 'How to…' guide to help you to consider and develop your approach to tenants taking in lodgers.

Legal matters

Whether or not a tenant can let out a spare room to a lodger depends on the type of tenancy they hold.

- secure tenants have a statutory right to take in a lodger – but they do need to tell their landlord in writing before the lodger moves in
- people with a local authority flexible tenancy also have the right to take in a lodger
- introductory tenants do not have a statutory right to take in lodgers – so you may want to take legal advice on how flexible you can be about this
- assured and assured shorthold tenants don't have a statutory right to take in a lodger but they may have a clause in their tenancy agreement which states that they need to ask their landlord's permission – their landlord cannot deny the request unreasonably
- non-secure tenants have a common law right to take in a lodger unless their tenancy agreement prohibits it.

Lodgers – a definition

A lodger is someone who rents a room in her/ his landlord's home and who shares living space with her/ him. Some lodgers receive services such as meals, cleaning or laundry as part of their agreement and may be described as 'boarders'.

Because they share living space with their landlords, lodgers are 'excluded occupiers' and, as such, are entitled only to reasonable notice that they have to leave. The notice does not have to be in writing and what is considered 'reasonable' may depend on why they are being asked to leave. We will look at this later.

If you have tenants who are taking in lodgers, there are some other things you need to bear in mind.

- tenants need to understand that there may be situations in which, by taking in one or more lodgers, they will exceed the permitted number of occupants for their home and could create **statutory overcrowding** – this is something you may need to explain and emphasise in any information you provide
- there is also potential that a **House in Multiple Occupation** (HMO) may be created so it's worth seeking advice from your local environmental health and planning teams
- there is scope for **unlawful sub-letting** to occur, either intentionally or unintentionally, and so it's important that your tenants' rights and responsibilities are explained clearly in any information you provide to them.
- bear in mind that while a lodging arrangement may not create a HMO for environmental health or planning purposes it may be considered such by council tax so it could be worth checking that out.

Helping your tenants to find a lodger – how far are you willing to go?

Impending welfare reform and wider economic factors mean that many landlords are now considering their approach to helping tenants who may be considering taking in a lodger. Playing some part in this process makes sound business sense as it can help you to:

- protect your income stream - tenants will be better able to pay their rent
- sustain tenancies - so reducing the costs associated with tenancy turnover, including void repairs and void rent loss
- make best use of available homes
- meet housing need
- anticipate, and so avoid, housing management problems.

Individual landlords' stances on lodgers vary but include:

- choosing not to be involved in any way at all – it's too complicated an area to get into and any benefits are outweighed by the potential risks. While this is perhaps understandable, it's important to bear in mind that risks can always be identified and planned for
- accepting that taking in a lodger is going to be a necessity for some, an increasing number of landlords are making sure that their tenants at least have access to good quality information on which to base their decisions
- exploring ways in which they can actively help tenants to find lodgers.

What could you do?

- provide useful information for tenants on the things they need to think about if they are letting out rooms in their home including hints and tips on handling common issues and situations. Bear in mind that helping them to get things off on the right footing will save problems for you all in the long run
- include taking in a lodger when discussing options with tenants who are affected by the social sector size criteria
- consider drafting an agreement and giving advice on agreeing bills, as this is the most common source of disagreement
- consider the scope to provide information and advice for lodgers – could the local housing advice or housing options service play some part in this?
- provide a checklist of organisations they need to tell, for example, DWP, housing benefit, council tax, their insurers and so on
- think about running briefing sessions for tenants who may be interested in taking in a lodger. You could cover the things they need to consider, offer the chance for one to one consultations and also invite tenants who have lodgers to come along to talk about their experiences

- help tenants to find a lodger by providing free advertising either as part of your choice based lettings scheme or alongside any private rented vacancies you advertise - SpareRoom is offering CIH members discounted packages to help tenants get started advertising for a lodger (see the last page of this guide for further information).
- consider the scope to run 'matching' events bringing tenants with spare rooms and potential lodgers together as well as providing useful information for both parties
- review your policies and procedures to make sure that they cover lodgers and the associated issues clearly and comprehensively
- make sure that IT records are regularly and properly updated so that you can keep track of which and how many of your tenants have lodgers – this is particularly important if the numbers are likely to increase in the future
- train staff to make sure that they understand your approach to taking in lodgers and can give tenants clear and accurate advice
- explore the scope to offer some floating support in the early weeks of any lodging arrangement - it may increase its success by helping to identify and iron out any issues at an early stage
- assess the potential risks raised by tenants taking in lodgers and consider how far you need to go, if at all, to mitigate them.

Learning from others

Derby Homes has produced a helpful lodging fact sheet for tenants
www.derbyhomes.org/welfare-reform

Eastleigh Borough Council has developed a good quality guide on letting out rooms
www.eastleigh.gov.uk/pdf/Rentaroom2011.pdf

Hull City Council has a comprehensive policy and procedure to guide staff on lodging issues. It is also working with partner landlords to develop information for tenants who are considering letting out a room to a lodger.

Contact: Kerrie Lammiman Kerrie.Lammiman@hullcc.gov.uk

London Borough of Islington invited local housing associations and SpareRoom to participate in its recent Mutual Exchange Fair. The event introduced tenants to the changes in benefits and the under-occupancy rules, and provided them with some options to help them through the changes. SpareRoom guided tenants through the points they'd need to consider if they were to take in a lodger, and distributed The Social Tenant's Guide to Taking in a Lodger which is available to download free from www.spareroom.co.uk/bedroomtax

Your tenant as landlord

The idea of tenants taking in lodgers, and so becoming landlords themselves, may make you feel a little nervous. But with some thought, well-timed information and support you can help your tenants to avoid most pitfalls.

Money, money, money

There are clear financial advantages for tenants taking in lodgers:

- working age tenants claiming housing benefit won't be subject to a size criteria reduction for any extra bedroom which is occupied by a lodger
- they receive some helpful extra income to help them to make ends meet.

What's the position for tenants claiming means-tested benefits?

Currently, income from lodgers is taken into account for means-tested benefits and so the first £20 per week is ignored. If meals are included, 50 per cent of anything over the £20 is also ignored. The lodger can also claim housing benefit for their room rent in their own right.

However, once claimants start to move across to universal credit, which will happen on a phased basis between October 2013 and 2017, the rent from a lodger will no longer be treated as income but they will be subject to a size criteria reduction for the extra room that the lodger rents. Potentially, this will make taking in a lodger a more attractive option, particularly for tenants affected by the size criteria.

Your tenants need to think about a number of finance-related issues when taking in a lodger:

- they need to work out what to charge
  - they can check rental rates for similar properties in their area on www.SpareRoom.co.uk. They can also search 'room wanted' adverts on the website to check demand levels and the budgets of room seekers. They can then choose to price their room at a competitive level to attract plenty of responses, from which they can choose the lodger who best fits in with their household and lifestyle
  - they can check adverts in the local paper and online to get a feel for the going rate for those offering and those seeking a spare room
  - they need to factor in the increased cost of heating a room which may not have been used before, greater use of electricity and hot water and so on
  - are they going to provide, and so charge for, services like cleaning, laundry or meals? They don't need to offer more than a furnished room and the money they receive for these services will be assessed as income (see below)
- under the government's 'Rent a Room' scheme, someone letting out a room can earn up to £4,250 a year in rent without paying income tax as long as they live in the same property and the room is let as furnished. Visit www.direct.gov.uk/en/MoneyTaxAndBenefits/Taxes/TaxOnPropertyAndRentalIncome/DG_4017804 to find out more. There is also a simple, free, downloadable guide at www.spareroom.co.uk/rentaroomscheme
- if your tenant lives alone and takes in a lodger they need to bear in mind that they will lose their 25 per cent single person discount for Council Tax. There are certain exceptions, such as taking in a lodger who is a full-time student or someone who rents for part of the week and pays council tax at their main address
- tenants will need to inform their home contents insurer that they are taking in a lodger – not doing so may invalidate their policy
- asking their lodger to pay by standing order will avoid any awkwardness about asking for the rent and help the lodger to manage their outgoings. Your tenant should also consider asking for a deposit to cover unpaid rent or damages. Although such deposits are not covered by the deposit protection scheme, you may want to think about the scope to provide such a service.

Offering extra services to lodgers – is it worth it?

If tenants are thinking about providing and charging for services like cleaning and meals, they also need to work out if it's worth their while to do so. For those on means-tested benefits, 50 per cent of the income is ignored for benefits calculations and, for all tenants, all the income is counted towards the tax free amount of £4,250 under the Rent a Room scheme. Taking everything into account and depending on a tenant's individual circumstances, they may be better off simply providing and charging rent for the room.

Finding a lodger
There are a number of options for tenants to consider including:
- placing a free advert on www.spareroom.co.uk if they have access to email and the internet
- placing an advert in the local paper
- looking at press adverts from people seeking a spare room to rent
- word of mouth – friends and relatives may know of someone who is looking for a room
- could you or the local council advertise spare rooms alongside any advertising you do for private rented vacancies?
- is there scope to advertise spare rooms through your choice based lettings scheme?

Tenants need to take their time to choose the right match and not feel obliged to accept the first person that responds. It is important also that they consider whether their lifestyles are compatible, for example, do they work shifts? Will they be in the house when your tenant is out? Will they fit in with any family or pets that your tenant has? It's also important for tenants to be aware of personal safety issues. Working with the Suzy Lamplugh Trust, SpareRoom has developed some helpful tips for their advertisers: www.spareroom.co.uk/content/info-flatsharing/safety-tips-for-advertisers. It's worth taking a look at this when developing your own information for tenants.

Learning from others

Although work is still at a very early stage, **Kent Housing Partnership** is looking at the potential to incorporate adverts for spare rooms within its choice based lettings scheme.

Contact: Amber Christou amberchristou@swale.gov.uk

Moat Housing are working with SpareRoom to supply a package, including advertising and a lodger agreement, free to tenants who want to find a suitable lodger.

Contact: Peggy Sue Nicholson PeggySue.Nicholson@moat.co.uk
or Rebecca Hunt rebecca@spareroom.co.uk

Start as they mean to go on
A written agreement, signed up front by both your tenant and their lodger, will make sure that both sides are clear about what's expected, including how much notice the lodger can expect if they are asked to leave. Tenants need to be careful that they don't inadvertantly confer greater security of tenure on their lodger, by for example, creating an assured shorthold tenancy. A standard agreement is available for a fee at www.spareroom.co.uk/content/info-landlords/lodger-agreement

Other things you could suggest your tenants think about include:
- being clear about the services they will or won't be providing to their lodger
- agreeing:
  - o which areas of the house the lodger can have access to, including the garden
  - o use of cupboard space and appliances like the washing machine and fridge/freezer
  - o access to or use of parking
  - o whether the lodger can have visitors or overnight guests
  - o basic ground-rules including coming in late at night or leaving early in the morning.

If things just don't work out
As mentioned earlier, lodgers are excluded occupiers and are entitled only to reasonable notice which does not have to be in writing and a court order is not required. What is considered 'reasonable' may depend on:
- the length of time the lodger has lived with the tenant
- the length of time between rent payments, for example, weekly or monthly
- whether the lodger and tenant have been getting on
- how quickly the tenant may need the room for someone else.

It may be useful to include this in any information you provide to tenants.

Together...

...we can support your tenants to find lodgers

SpareRoom.co.uk, the UK's leading flatshare site, helps thousands of people rent out their spare room every month. We're now working with Housing Associations who want to support their tenants to find lodgers.

We've got over 10 years' experience of guiding people through the process - let us help your tenants find the right lodger for them.

Special Offer for CIH Members:
Discounted packages including advertising, lodger agreements and phone support.

Call Rebecca now to get your discounted advertising package on
01625 666 758

rebecca@spareroom.co.uk

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Useful resources and information

SpareRoom
SpareRoom is the UK's leading flatshare website, and the team behind it has over a decade's experience of matching lodgers with homeowners and tenants. Its aim is to make getting a lodger simpler and easier, supporting individuals through the process every step of the way. It produces information and guidance, and has become an industry authority on lodgers and live-in-landlords.
www.spareroom.co.uk

CIH offers a range of welfare reform-related services including:
- income health checks and service reviews
- in-house training on welfare reform and the impacts
- facilitation of strategic partnerships with commercial and charitable organisations
- providing executive and team briefings on the subject of welfare reform
- visit www.cih.org/welfarereform or email welfarereform@cih.org to find out more.

For free advice and support on making best use of your stock and preparing for welfare reform, contact the CIH Making Best Use of Stock Team mbus@cih.org

Making it Fit – a guide to preparing for the social sector size criteria
www.cih.org/resources/PDF/Policy%20free%20download%20pdfs/Making%20it%20fit.pdf

Practice online: tenancy management (available to CIH Chartered members as part of their CIH membership)
www.cih.org/practiceonline

Shelter has produced a range of relevant fact sheets
www.shelter.co.uk

Chartered Institute of Housing
Octavia House
Westwood Way
Coventry CV4 8JP
Tel: 024 7685 1700

www.cih.org