

## **AGENCY AGREEMENT**

THIS AGREEMENT IS MADE BETWEEN THE LANDLORD OF THE PROPERTY (AS NAMED AT THE END OF THIS AGREEMENT AND AA PROPERTY SERVICES UK LIMITED WHO AGREE TO ACT AS AGENT FOR THE LANDLORD AND ARE HEREINAFTER REFERRED TO AS "THE AGENT". THE PURPOSE OF THIS DOCUMENT IS TO SET OUT CLEARLY AND CONCISELY THE EXTENT OF THE LETTING AND MANAGEMENT SERVICE OFFERED AND THE SCALE OF FEES CHARGED.

### **LETTING ONLY SERVICE**

AA Property Services Uk Limited provides a letting only service to owners (and superior landlords) wishing to let out their property.

#### **THE STANDARD LETTING ONLY SERVICE INCLUDES:**

1. Advising as to the likely rental income.
2. Advertising and generally marketing the Property.
3. Interviewing prospective tenants and taking up full references including a credit search, an employment reference, a Landlord's reference (if appropriate) and a character reference. Where necessary, additional security may be requested, by way of guarantor.
4. Preparing the Tenancy Agreement (subject to a separate charge) for the Landlord to gain protection of the relevant rent and Housing Acts.
5. Liaising with a Landlord's mortgage company where necessary with regard to references and Tenancy Agreement.
6. Preparing a full inventory of furnishings, fixtures and effects and schedule of condition at the beginning of the tenancy by special arrangement, subject to a separate charge.
7. Taking a Deposit from the tenant to be held by the landlord or agent until the end of the tenancy when the Property and contents have been checked for unfair wear and tear.
8. Collecting the first month's rent and paying over to the landlord, normally within 7 days of collection, less any fees or expenses due or incurred. Payments will be made by bank transfer or cheque together with a detailed rent statement.
9. Carrying out a full inventory check and schedule of cleanliness at the end of the tenancy by special arrangement, subject to a separate charge.

## Scale of Fees

- Overseas Management Service	15%
- Standard Management Service	5%
- Letting Only Service	One-off fee equivalent to four weeks' rent for six months and 6 weeks' rent for 12 months
- Standard Tenancy Agreement	£75.00
- Renewals/Extensions of Managed Tenancy	£150.00
- Renewals/Extensions of let Only Tenancy	The equivalent to two week's rent on 6 months tenancies and four week's rent on 12 months tenancies and/or periodic tenancies.
- Inventories	From £90.00
- Schedule of Condition	From £90.00
- Tax Administration (Overseas Landlords)	From £25.00 per quarter
- Issuing Notice of Seeking Possession	£50.00 (Free of Charge with Management Service)
- Gas safety Inspection	From £76.38
- Electrical Safety Test	From £55.00
- Fire Safety Inspection	From £50.00

ALL CHARGES ARE SUBJECT TO VAT AT THE APPROPRIATE RATE (Currently 17.5%)

**GENERAL AUTHORITY:** The landlord confirms that he/she is the sole or joint owner of the Property and that he/she has the right to rent out the Property under the terms of the mortgage or head lease. Where necessary, the Landlord confirms that permission to let has been granted by the mortgagor. The Landlord authorises the Agent to carry out the various duties as detailed previously under the appropriate service. The Landlord agrees that the Agent, where they are providing the standard management service or overseas management service, may take and hold the tenant's deposit. The Landlord authorises the agent to take from the tenant's deposit any monies owed to the Agent by the Landlord. It is declared that the Agent may earn and retain commissions on insurance policies issued.

**INDEMNITY:** The Landlord agrees to indemnify the Agent against any costs, expenses or liabilities incurred on behalf of the Landlord in pursuit of the Agent's normal duties. To assist the Agent in carrying out his duties effectively, the Landlord agrees to respond promptly with instructions where necessary to any correspondence or requests from the Agent.

**MAINTENANCE:** The Landlord warrants that the property is made available in good condition and that the property, any beds, sofas and all other soft furnishings conform to the current fire safety regulations. The Landlord agrees to make the Agent aware of any

on-going maintenance problems. The Agent is able to arrange works and/or quotations prior to the commencement of a tenancy and when instructed, the Agent endeavours to select competent tradesmen at a reasonable price, and will guarantee the standard of workmanship. By law, it is necessary to carry out an annual inspection service for the central heating and any gas appliances and if instructed, the agent can provide this service (subject to a separate charge). The Agent will cause these to be carried out on the Landlord's behalf if they are not instructed to carry out the inspection and the relevant certificate of proof is not forthcoming. The Agent will expense and administer the necessary inspection and maintenance records. The Landlord agrees to pay the agent reasonable expenses for arranging and/or supervising such work. Where there is a garden attached to the property, the Landlord must ensure that it is well tended and free from weeds prior to the tenant moving into the property. Garden tools should be provided in order that the tenant may maintain the garden.

**OVERSEAS RESIDENTS:** When letting property and collecting rents for landlords overseas, the Agent is obliged by Taxes Management Act (TMA) 1970 and the Taxation of Income from Land (Non-Residents) Regulation 1995 to deduct tax (at the basic tax rate) to cover any tax liability, unless the Agent has been authorised in writing by the Inland Revenue to receive rent gross. The Agent prepares the accounts inhouse to reduce costs with the overview of a suitably qualified accountant in order to manage correspondence with the Inland Revenue. Administration expenses may be charged by the Agent for work requested by the Landlord, the Landlord's accountant or the Inland Revenue in connection with such tax liabilities. In many cases, landlord's tax liability is minimal when all allowable costs are deducted.

**COUNCIL TAX:** Payment of council tax will normally be the responsibility of the tenants in the property. However, landlords should be made aware that where a property is empty, let as holiday accommodation, or let as a house in multiply occupation (HMO) responsibility for council tax then rests with the owner of the property. The Agent suggests that the landlord notifies the appropriate council tax office should they wish to terminate an account.

**SERVICES:** It is the responsibility of the outgoing party to notify the appropriate services to terminate an account. In many cases the service companies (e.g. BT) require that the new occupiers formally request and authorise the service and it is not responsible for the Agent to do this on the tenant's or landlord's behalf. Regarding mail, landlords should take care to inform all parties (e.g. Banks, clubs, societies etc) of their new address and to arrange a re-directing service with Royal Mail; it is not always possible to rely on tenants to forward mail.

**INVENTORY:** The Agent can prepare an inventory for the Property and a charge will be made for this. The charge would depend on the size of the property. The inventory will include all removable items in the Property (except those negligible value) plus carpets, paintwork, wall covering, curtains, mirrors, sanitary ware and other articles. Landlords should not leave any articles of exceptional value in the Property without prior arrangement with the Agent. A full schedule of condition can be prepared at the start of

the tenancy and at the end of the tenancy. A checkout is conducted with the tenants to substantiate the original signed inventory and to determine the state and condition of the property.

**TENANCY AGREEMENT:** AA Property Services Uk's standard tenancy agreement will be provided as per our scale of charges. A copy of this agreement can be forwarded to a designated advisor or building society at your request. Should the landlord, his/her advisors or mortgagor require amendment of the contract, or require the Agent to enter into further work or correspondence, an additional fee for this extra work will be requested.

**INSPECTIONS- (Management Service Only)** Under the terms of the Management Service, the Agent will normally carry out inspections quarterly starting after the second month. It is not the intention to check every item of the inventory at this stage; the inspection is concerned with verifying the good order of the tenancy (i.e. house being used in a "tenant-like" manner) and the general condition of the property. This would normally include inspecting the main items (carpets, walls cooker, main living areas and gardens). Where these were felt to be unsatisfactory, a more detailed inspection would generally be made. Following the departure of the tenants, the Agent will normally carry out a final brief inspection of the property when keys are collected from the tenant. Where there is a dispute by the tenant, an independent inventory service body can be appointed to carryout a full inventory check and schedule of condition at the landlord's request and any deficiencies or dilapidations would normally be submitted to the landlord with recommended deductions or replacement values. Subject to agreement, any claim of £3,000.00 or less may be referred to arbitration.

**HOLDING FEES AND DEPOSITS:** A fee is generally taken from a tenant applying to rent a property. The purpose on this fee is to verify the tenant's serious intent to proceed and to protect the Agent against any administrative expenses that may be incurred conducting the appropriate enquiries to assist in an application for a tenancy. Such fee does not protect the landlord against loss of rent due to the tenant deciding to withdraw or references proving unsuitable, although early acceptance of rent from the applicant would not be advisable until satisfactory references have been received. Landlords should notify the Agent where they wish a larger security fee or deposit to be carried to protect against loss of rents, or insurance undertaken.

Upon signing the tenancy agreement, the Agent will take a dilapidations deposit from the tenant (usually equivalent to five weeks' rent) in addition to one month's rent in advance. The purpose of the dilapidations deposit is to protect the landlord against damages to the property during the tenancy itself. **Under the management service**, these deposits are held by the landlord or the landlord's agent (as Landlord's agent) as security for performance of the Tenant's obligations and shall be repayable to the tenant only after the end of the tenancy. Then without interest and after deduction of any sums required to compensate the Landlord, whether wholly or in part of any breach of obligation on the tenant's part. Any dispute as to the liabilities of the tenant, which cannot amicably be resolved between the parties will be settled by arbitration. The deposit must be kept in a

separate and secure client account ready for refunding (less any charges due). If dilapidations are disputed at the end of the tenancy, we will endeavour to mediate between the parties to help reach an agreement. If a dispute needs to be resolved by the courts, the Landlord will need to produce evidence in order to justify deductions from the deposit.

**TERMINATION:** Landlords should be aware that any tenancy agreement entered into on the landlord's behalf is a binding legal agreement for the term agreed. Landlords should be aware that the legal minimum notice period to tenants under assured tenancies is generally two months and this needs to be given even in the case of a Fixed term tenancy which is due to expire.

**INSTRUCTIONS:** It is agreed that any instructions to the Agent from the Landlord regarding termination, proceedings, major repairs, payments, or other significant details regarding the letting be confirmed to the Agent in writing.

**VALUE ADDED TAX:** Our fees are subject to VAT at the appropriate rate (currently 17.5%).

**HOUSING BENEFIT:** The landlord undertakes to reimburse the Agent for any claims arising from overpayment, which may be made by the local authority in respect of housing benefit, or other benefit scheme, paid to or on behalf of the tenant as rent. This undertaking shall remain in force during the currency of the tenancy and up to six years thereafter, whether or not the Agent continues to be engaged to let or manage the property under this agreement.

**SAFETY REGULATIONS: WARNING:** Landlords should read and understand these obligations. The letting of a property is now closely regulated with respect to consumer safety. The law makes particular demands regarding the safety, servicing and inspection of the gas and electric appliances and installations within a property, and with respect to the safety of furniture and soft furnishings provided. The following regulations apply:

- Furniture & Furnishings (Fire) (Safety) Regulations 1988 – General Product Safety Regulations 1994
- Gas Safety (Installation and Use) Regulations 1998 – Gas cooking Appliances (Safety) Regulations 1989
- Electrical Equipment (Safety) Regulations 1994 – Plugs and Sockets (safety) Regulations 1994

The Landlord confirms that he/she is aware of these obligations and that the Agent has provided sufficient information (via explanatory leaflets enclosed) to assist with compliance. It is agreed that the Landlord shall ensure that the Property is made available for letting in a safe condition and in compliance with the above regulations. The Agent shall ensure that all relevant equipment is checked at the beginning of the tenancy or during the tenancy as required. The Landlord agrees to indemnify the Agent

against any reasonable expenses or penalties that may be suffered as a result of non-compliance of the Property to fire and appliance safety standard.

**SALE OF PROPERTY:** In the event of a party introduced by the Agent (or any person or body corporate associated with that party) subsequently purchasing a property, whether before or after entering into a Tenancy Agreement, commission shall be payable by the landlord to the Agent on completion of the sale at the rate of 2.5% of the sale price, plus VAT subject to a minimum fee of £2000.00 (inclusive of VAT).

**INSURANCE:** The landlord shall be responsible for the property being adequately insured and that the insurance policy covers the situation where the property is let. **Under the Management Service**, the Agent would normally be responsible for the administration of any claims during the period of management and can arrange to renew any insurance policies provided the Landlord has instructed the insurance company to submit renewal of an insurance policy to notify the insurers of all material matters which exist or have arisen and are relevant to the risks insured.

**LEGAL PROCEEDINGS:** Where the agent is managing the tenancy, any delays of payment or other defaults will be acted on by the Agent in the first instance. Where the Agent has been unsuccessful in these initial actions or there are significant rent arrears or breaches of the tenancy agreement, the Landlord will be advised accordingly. A solicitor would then be appointed and instructed by the Landlord (except where the Agent is unable to contact the Landlord, in which case the Agent is authorised to instruct a Solicitor on the Landlord's behalf). The landlord is responsible for payment of all legal fees and any related costs. An Insurance policy is recommended for this eventuality. Details of AA Property's Insurance Policies are available on request.

**LETTING ONLY SERVICE:** The fees are payable at the commencement of the tenancy and will be deducted from monies received by the Agent on the landlord's behalf. If the tenant leaves prior to the end of the term of tenancy, the Landlord shall not be entitled to reimbursement of any fees paid.

**STAMP DUTY:** For every new tenancy created on or after 1<sup>st</sup> December 2003, will mean that most tenancy agreements will not attract attention from the Stamp Office. Stamp Duty has been abolished for leases both residential and commercial and has been replaced by the **Stamp Duty Land Tax**. **Stamp Duty Land Tax** for residential tenancies will only need to be paid where the lease value exceeds £60,000 during the lease period. In the instance of periodic tenancies the lease period will be set at 12 months. Below this threshold, no tax will be payable.

**RENEWALS:** Where the tenancy is renewed or extended to the same tenant (or any person associated with the tenant) originally introduced by the Agent, a renewal fee will be payable by the Landlord as detailed in our scale of charges. The Agent shall prepare the tenancy agreement, if required, for the new or extended tenancy. The renewal fee is payable irrespective of whether AA Property Services Uk Limited negotiated the renewal or extension.

**ACCEPTANCE & VARIATION:** The terms and conditions of this agreement may be varied by the Agent at any time, but only prior to written notification and mutual consent.

Whilst every endeavour is taken to ensure that a prospective tenant is respectable and credit worthy at the time of signing the Tenancy Agreement, we cannot accept responsibility for non-payment of rent, damage or other default by tenants, or any associated legal costs incurred in their collection. An insurance policy is recommended for this eventuality and we are able to provide details of suitable cover on request.

## **THE GAS SAFETY (INSTALLATION AND USE) REGULATIONS 1994**

### **BACKGROUND**

Badly installed or maintained gas appliances in properties can pose a significant danger to the occupants. Each year between 30 to 40 people die of Carbon Monoxide (CO) poisoning with the most vulnerable people being those who live in rented houses in multiple occupation.

### **SCOPE**

The Regulations apply to all gas appliances in the property (other than any specifically excluded by the regulations) and any associated gas pipe work leading to the appliances.

The Regulations were extended on 1<sup>st</sup> April 1996 to include flue serving a gas fitting.

The Regulations include portable heaters and other gas appliances fed by bottled gas.

The Regulations apply to tenanted properties in both the private public sector.

### **ANNUAL TESTING**

**STATUTORY REQUIREMENT:** The Regulations require that an annual check is carried out in all rented properties. The amended regulations now also specify the nature of the tests to be carried out during such checks.

The engineer will verify the correct operation of the appliance, taking the device through an ignition cycle and checking that any safety devices are working correctly. The inspection of combustion can either be carried out visually or with an instrument. The colour of the flame will normally determine whether a gas appliance is burning correctly. The flame should be blue with no traces of luminescence.

A pressure test is to check for leakage of gas within the appliance or supply pipe work. The pressure is typically checked over a three-minute interval. The vent check is designed to verify that there is an adequate supply of air to the appliance. The Regulations now specify what size of vents will be necessary for a particular size of gas appliance and in some cases; the engineer will check that vents are provided and unobstructed.

Finally, the engineer will inspect the flue or chimney leading from an appliance. This needs to be tested to ensure that the products of combustion are carried away safely and efficiently.

### **COMPETENT PERSONS**

**REQUIREMENT:** Any work done on gas appliances, including new installations, maintenance and the safety check specified above shall be done by a competent and suitably qualified engineer. This person or his employer must be CORGI (Council For Registered Gas Installers) registered.

### **SAFETY CERTIFICATE**

**REQUIREMENT:** Amended Regulations introduced on 31<sup>st</sup> October 1996 state that the landlord must provide a copy of the record to any new tenants BEFORE they move into the property to which the record relates. If the period of letting is for 28 days or less, then a copy of the record may be prominently displayed at the premises. A copy of the gas safety check or record should be given to each existing tenant in the property within 28 days of the date of the check.

### **PENALTIES AND ENFORCEMENT**

The penalty for non-compliance can be a fine up to £5,000.00 and in some cases imprisonment. Enforcement is by the Health and Safety Executive (HSE).

## **THE ELECTRICAL EQUIPMENT (SAFETY) REGULATIONS 1994**

### **BACKGROUND**

The Health and Safety Executive (HSE) have estimated that, in one year alone, some 2000 fires were caused by faulty electrical appliances. With a large number of electrical appliances now found in a typical household and an increasing demand for consumer

safety, the government has introduced various legislation in recent years, relating to electrical safety of household appliances.

Where a Landlord or a Letting Agent is supplying property, the electrical safety regulations will apply since they are deemed to be “suppliers” of the equipment. The Regulations require that all appliances or equipment supplied must be safe.

### **COMPLIANCE**

Unlike the gas safety regulations, there is no specific requirement for regular testing under the Regulations; however, in order for a Landlord or Letting Agent to ensure compliance, some on-going checks should be scheduled:

- All electrical appliances should be checked for defects by a qualified electrical engineer prior to a letting e.g. frayed wiring, badly fitted plugs etc.
- All unsafe items must be removed.
- Ensure that instruction booklets are available at the property for all appliances and that any necessary safety warnings are given to tenants.
- Avoid purchasing second-hand electrical appliances for rental properties.

### **GENERAL SAFETY**

In measuring safety, the “supplier” needs to ascertain whether the product will comply with current UK requirements for safety of domestic electrical products. There is no mandatory requirement for second-hand equipment to undergo any safety testing but a supplier may wish to arrange for testing to check the safety of any equipment to ensure that the equipment is safe so as to avoid committing any offence. In practice, the only effective way to ensure that any equipment is safe is by employing a competent person to test the equipment before a property is let.

### **SCOPE**

The Regulation covers all mains voltage household electric goods including cookers, kettles, toasters, electric blankets, Washing machines, immersion heaters, etc. Regulations do not include the fixed electrical installations since these are “Items attached to land”.

### **PENALTIES AND ENFORCEMENT**

The penalty for non-compliance can be a fine of up to £5,000.00 and in some cases imprisonment. Enforcement is by the local Trading Standards Office (TSO).

## **FURNITURE & FURNISHINGS (FIRE) (SAFETY) REGULATIONS 1988 (AS AMENDED)**

Many domestic fires start with soft furnishings catching fire and many deaths are attributed to the highly poisonous Fumes given off by man-made foams and coverings. The Regulations specify improved levels of fire resistance of materials used in the construction of domestic upholstered furniture and furnishings.

The Regulations were amended in 1993 to draw specific attention to the responsibilities of Landlords and Letting Agents and those engaged in the “letting of accommodation” to ensure that furniture supplied with rented accommodation, is complaint.

### **SCOPE**

The regulations apply to:

- Beds, headboard of beds and mattresses
- Sofa-beds, futons and other convertibles
- Nursery furniture
- Garden furniture, which is suitable for use in dwelling
- Scatter cushions and seat pads
- Pillows, loose and stretch covers for furniture
- The regulations do NOT apply to:
  - Antique furniture or any furniture made before 1950
  - Bed-clothes (including duvets)
  - Loose covers for mattresses
  - Pillowcases and sleeping bags
  - Curtains and carpets

### **PROVISIONS**

The bulk of the Regulations deal with the duties of manufacturers in producing and supplying domestic furniture and furnishing to the required new standards of fire resistance. These standards include two tests, the “match test” and the “cigarette test”. For new furniture, the effect of the Regulations is that such products manufactured after 1<sup>st</sup> March 1989 or sold by a retailer after 1<sup>st</sup> March 1990 shall be to new standards and will be labelled accordingly. Effective from 1<sup>st</sup> March 1993, Landlords who let residential property will be expected to ensure that any soft furniture complies with the Regulations.

## **IDENTIFICATION**

Display labels can identify compliant furniture. These labels will be supplied on purchase and permanent labels are also normally attached to the furniture itself. Furniture or furnishings purchased after 1<sup>st</sup> March 1990 should all have attached labels.

## **AGENTS RESPONSIBILITIES**

It is important that an Agent informs any Landlords of the requirements of the Regulations. The Agent is expected to be familiar with the safety requirements in exercising his normal professional expertise. On this basis, it can be argued that the Agent has a duty of care to inform Landlords of any relevant safety legislation that may apply, and could be held negligent if he failed to do so.

## **PENALTIES AND ENFORCEMENT**

The penalty for non-compliance can be a fine up to £5,000.00 and in some cases imprisonment. Enforcement is by the local Trading Standards Office (TSO).