

Tenant Referencing Using Common Sense

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Common sense tenant referencing was pretty much the only option available when I first became a landlord and started letting property in the late 1980's.

In this article I am going to explain what my family do to find the next perfect tenant, right from the day an existing tenant let's us know that they want to move out. More often than not these days, tenants think they can serve notice with just a phone call, email, facebook or text message – more about that later.



It saddens me that so many landlords and letting agents now rely far too heavily on outsourcing their due diligence to tenant referencing agencies. Now don't get me wrong, some of these agencies do a great job but I see them as the icing on the cake, not the cake itself. Many also rely far too heavily on insurance to protect their risks. Once you have made your first claim on a Rent Guarantee Insurance (RGI) or claimed on your buildings and contents policy for malicious damage caused by tenants you will realise that it's no fun at all. Prevention is better than cure I can assure you!

In all the years my family have been landlords we have only had to go to Court twice to seek possession, this is despite having granted over 1,000 tenancies. We have not had one single tenancy deposit dispute referred to arbitration or the small claims courts. Perhaps we have just been lucky, however, I prefer to think this has something to do with the way we apply common sense to our letting and tenant referencing process. We do not let to all tenant groups but if you use this as a template for your future letting and tenant referencing I'm very confident that you will have a lot less problems in future. Our target markets are mature professionals (over 30's), working families with children of school age and baby boomers. We don't let to youngsters and we don't target the benefits market, however, if we did nothing much would be too different, save perhaps for the types and locations of properties we invest in.

What is Common Sense Tenant Referencing?

For us it starts with creating demand.

If you only have one tenant enquiry and a vacant property there is a strong temptation just to get it rented. For this reason we make sure our properties are well advertised at a good price and well before they are vacant wherever possible. We use all of the leading property portals (Rightmove, Zoopla etc.) but we also let our existing tenants know when a property is due to become vacant. We get a lot of our new tenants as a result of referrals. We have also had To-Let boards made up, it's amazing how many enquiries we get from those too. Generally we place these in the windows of the property, ideally, more than one wherever possible. Our advertising usually includes the words, "pets considered, guarantors may be required". That's because we are a nation of pet owners. I will come back to that point later.

Help from existing tenants

As soon as a tenant serves notice we go to meet them. It is important at this stage to get tenants to serve proper written notice so we prepare a letter for them to sign at this meeting. We find out why they are moving and do our best to help them as much as possible. For example, we assure them that we will deal with meter readings and inform the utility providers of their contract termination and new address on move out day. We discuss references which we are bound to receive from their new landlord or mortgage lender. We let them know what they need to do to get a full refund of their deposit. We then ask for their help in return, i.e. to allow us to show prospective tenants around before they move out. We prefer to arrange block viewings. We also offer our existing tenants an incentive to be as helpful as possible and give them tips on what they can do. For example if they are a bit untidy or the grass needs cutting etc. we very subtly point that out. The incentive isn't much, the discussion about a full refund of the deposit is usually a good enough motivator. We generally give tenants an extra £100 back over and above their deposit if we can get new tenants moving in within a week of the old tenants moving out. We always allow ourselves at least a day or two to redecorate between tenancies.

New tenant enquiries

If we get less than a dozen new enquiries for a property within a week of advertising it we have probably got something wrong, maybe/usually the price. We operate in the provinces so demand isn't typically that strong. I appreciate that in London 12 enquiries in a week for a reasonably priced property would be very low but for us, that's about three times the number of enquiries most landlords receive.

The following is a list of initial questions we ask before arranging a viewing which go beyond the norm of name, contact details and income:-

1. Where are you living now?
2. Why are you looking to move? If, for example, they say they want something bigger we ask in what way, i.e. more bedrooms or just more space? The more we talk the more we learn. When they first call they just expect to make an appointment for a viewing. However, when we show a genuine interest in them most appear to appreciate it. We don't want to let to people we can't get on with anyway so we are not at all bothered about showing them our property if we aren't going to get on.
3. When are you looking to move? If their time scales don't match my requirements I tell them that. Sometimes people can be flexible.
4. How long are you planning to stay in your next property? Note that we are looking for long term tenants as changeovers are time consuming and usually require some redecoration between tenancies, all of which can impact heavily on profits.
5. Do you have any children? If so we engage in conversation about age, schools etc. to build rapport.
6. What pets do you have and who looks after them whilst you are at work and on holiday? If a person has pets we chat about that to build rapport, i.e. type, breed, colour, how long have you had him/her etc.

A typical conversation will last 15 to 20 minutes. If we don't like what we have heard we will not arrange a viewing. Of course we are polite at all times but we do have several excuses (white lies) which we use. Our classic is:-

- Well I've got three viewings tomorrow morning which I've managed to squeeze in and unfortunately I won't have any more time. Can I get back to you tomorrow evening and let you know how I get on with those as I wouldn't want to commit to a viewing and waste your time if it's already gone.

Sometimes we are just completely honest, e.g. I'm really sorry but I don't think it would be fair on your two Rottweilers to leave them in a 2 bed flat all day whilst you are out at work. We really did have to say that once!

Viewings

We try to do viewing on block wherever possible. We stagger them every 15 minutes and always text people an hour before to confirm. Very rarely do people ever turn up on time but that's fine as one of us often keeps the next set of viewers chatting whilst we are showing others around. This also demonstrates that demand for our property is high. During a viewing we always explain that we charge referencing fees but only when we are very confident that we will be offering a tenancy. If we like what we see and they appear to feel the same way then we then explain that we would need to meet them at their home to complete an application form, look through bank statements and that we will need them to provide us with photocopies of passport/driving licence and two utility bills at that time. We also explain that we will also need to see the originals.

Most people ask why we need to see six months bank statements. We explain that we are not particularly fussed about how much money they've got. We just want to see their income going into the bank and that their regular commitments are honoured without exceeding any agreed credit limits.

If they agree to everything I've said above they've pretty much made up their minds that they want to take our property.

If they don't agree we apply this little motto ***"some will, some won't, so what, who's next"***.

Some people want to look at other properties and that's fine, they can always get back to us and we can pick up where we left off if our property is still available. If we don't like the look of them we simply tell them to have a think about it, go and look at some more properties, and that we have several more viewings to do. We then leave it with them to get in touch again if they want to proceed. Usually by the time they get back to us the property is let.

The meeting at their home

We always dress down as that's how we feel comfortable and we think that's what makes tenants feel comfortable too. They know why we are there and in most cases they have all their documents ready for us to take a look at. As well as looking through these we get chatty and reconfirm the reasons they first told us they were looking to move. We ask to meet their pets if they have any and all the time we are looking for little tell tale signs of whether they are likely to respect our property. No no's for us are washing drying on radiators, mould on walls, scratches on the backs of doors, poor cleanliness of carpets and gardens, messy kitchens, unpleasant odours of pets or cooking. Some people reading this might think we are too picky but I refer back to the facts highlighted in the first few paragraphs of this article in terms of no disputes and only two evictions going to Court out of well over 1,000 tenancies.

Pets

As I said at the beginning of this article, we are a Nation of pet lovers. Most adverts I see for rental property state "no pets". Fair enough if you are letting a 4th floor studio flat I suppose but would you really object to them having a goldfish? Think about the message you are sending out! For people who don't do the same level of due diligence as my family on new tenants I can understand why they say "no pets". Claiming on insurance policies and the small claims Courts are all possible but it's a pain in the Also, the more you claim, the more the insurance premiums increase. Prevention is better than cure and for most landlords that's a no pet policy. However, that also rules out enquiries from over half of the population. The easiest way to double the number of your enquiries from a property advert is to use the words "pets considered – guarantors may be required".

It's amazing that when you talk to peoples pets how many owners answer for them isn't it? Try it is you don't believe me! For example, I often ask pets the same questions as I ask their owners when they first enquire about a property. Whilst making a fuss of dogs I will often say to the dog, "so who looks after you whilst mummy and daddy are out at work?" The pet owner usually answers for them, hopefully the same answer they gave when I first spoke to them on the telephone

Deed of Assurance

The type of tenants we target are often looking for a long term tenancy. We don't offer these, we always offer 6 months AST's to enable us to apply to the Courts for a possession order on a no fault basis if we absolutely need to. This can be unsettling when we explain this to some tenants, especially if they have previously been evicted through no fault of their own. No words of reassurance are going to convince some people. Therefore, our opportunity to put our money where our mouth is involves the offer of a [Deed of Assurance](#) as an alternative to a long term tenancy. The blue text is a link to a long discussion thread about the pro's and cons to both landlords and tenants of [Deed of Assurance](#) vs long term tenancies. In very simple terms, a Deed of Assurance is a contractual promise from the landlord to pay compensation to the tenant if possession is obtain by the landlord within a given time period (e.g five years) despite the tenants having kept to their side of the contract. This is much better for both parties than tying themselves into a long term contract in my opinion.

Explaining our processes to tenants

Whilst we are with our prospective tenants we explain the following process:-

- 1) Formal referencing, credit checks and costs. We charge £89 per tenant over the age of 18. We instruct the referencing company and most things are then dealt with by email and telephone. We remind prospective tenants of the urgency and to let their employers, accountants, existing and previous landlords to know about that too.
- 2) We leave an unsigned copy of the tenancy agreement with our clients to review and explain that we will get them to sign it on move in day. Landlords should never sign an AST prior to move in day unless they already have vacant possession of the property, just in case the existing tenant doesn't move out. Same goes for new purchases by the way. If we are dealing with a new property purchase we still do everything I have explained in this article. our purchases are always conditional upon the vendor allowing tenants to do viewings.
- 3) Once referencing is accepted on the basis that RGI (Rent Guarantee Insurance) is available we ask for the deposit to be paid to hold the property. We immediately protect the deposit and have the Deposit Protection Certificate and Prescribed information ready to serve on move in day. If referencing fails we insist on a Guarantor. We don't actually purchase RGI but that's not to say we wouldn't recommend it to others. We took a commercial view of the costs of dealing with the problems we have encountered and compared that to what we would have paid out in RGI premiums and that's how we arrived at our decision. For landlords with small portfolios, minimal capital reserves and where cashflow is vital we highly recommend the purchase of RGI. It's only viable to self insure with the benefit of strong capital reserves and economies of scale.

4) On move in day the first thing we go through is the inventory. If you are not very experienced at producing these I strongly recommend you get these done professionally. Have the inventory prepared in advance of move in day and make any changes necessary on the day to reduce time. I use this as an opportunity to show tenants where everything is and how they work. For example, the stopcock, heating and hot water system, cooker, etc. etc. We also have letters prepared for the tenants to sign to go to Utility companies and the local council for Council tax purposes. These include meter readings and move in dates. Tenant signs these, we counter sign, we make sure they are posted. We also explain to tenants that we will do a snagging list inspection of their property after the first month but they are to contact us immediately if there are any problems whatsoever. It might be coincidence that we have never had a cannabis farm in one of our properties but I suspect our due diligence has put the crooks off. We never really know why some perfectly acceptable tenants don't proceed but perhaps these were criminals – we will never know!

5) The next stage is signing the tenancy agreements – one for them, one for us. Our AST's are always for 6 months and are executed by way of deed. This means that we need an independent witness to signatures. Advantages are that we have up to 12 years to bring claims in the event of rent arrears or damage compared to 6 years if the tenancy is a standard contract. If a guarantor is required we always insist on meeting them too and establishing their identity in much the same way as for tenants – not necessarily at the point of check in though.

6) Hand over keys and Landlords Gas Safety Certificate

7) Serve Deposit Protection Certificate and Prescribed information. We always get tenants to sign these to confirm that they were served immediately after the tenancy was granted.

8) Serve section 21 (1) b. We explain to tenants that this gives us the right to apply to Courts for eviction after an initial six months but it is only in extreme circumstances that we would ever exercise that right.

9) Sign the Deed of Assurance if applicable.

I won't go into all the legal reasons why, however, it is very important that you follow each of these steps in the right order.

Just remember, this is the start of what will hopefully be a long term relationship. It is important that you nurture the relationship over time. I'm not suggesting you become best friends with your tenants, I actually think that you should leave them alone as much as possible once they are settled. However, it's important to give their problems equal if not greater attention as you would your own problems if and when they arise.

By doing all of these things there is still no guarantee that things will not go wrong. However, you will significantly reduce the risks.

Good luck