

Deposit Bond / Rent Deposit / Rent In Advance Scheme

Introduction

This policy explains Tonbridge and Malling Borough Council's (TMBC) rent deposit bond / rent deposit / rent in advance scheme. It includes information on who is eligible to be assisted through the scheme and how an application from a customer should be processed.

The rent deposit scheme is designed to assist eligible households to secure accommodation in the private sector, usually by way of a deposit bond. In exceptional circumstances, the deposit will be made by way of an interest-free cash payment to the landlord, which is repayable to TMBC by the tenant in weekly or monthly instalments. Additional payments to cover rent in advance or other fees or charges necessary to secure a tenancy will only be considered in exceptional circumstances.

The deposit bond provides financial compensation to landlords for rent arrears (to a maximum figure of one month/six weeks rent), theft and/or damage caused by the tenants and members of his/her household and any extraordinary cleaning costs at the end of the tenancy (also restricted to a maximum figure equivalent to one month/six weeks rent).

The Bond does not cover:

- theft and/or damage by others
- reasonable wear and tear to fixtures, fittings and furnishings
- items covered by the landlords own buildings and/or contents insurance
- costs related to items that the landlord has a duty to supply and maintain
- unpaid utility bills and/or service charges or
- personal debts to the landlord or letting agent

All cases that are dealt with as an exception to the standard procedure must be agreed with the Chief Housing Officer, and a detailed file note made of the reasons for the exception.

Deposit Bond / Rent Deposit / Rent In Advance Scheme Procedure

1 Establish if the customer is Eligible for the Scheme

Eligibility - General

In order for an applicant's eligibility under this scheme to be assessed, an interview with a Housing Options Officer will be arranged. The basic criteria for eligibility are as follows:

Applicants must be eligible to join the Council's Housing Register, whether or not they are actually included on the register. Ineligible applicants include someone who is subject to immigration control or someone who has been guilty of

unacceptable conduct (including anti social behaviour); please see TMBC's Housing Allocation Scheme for a more detailed explanation on ineligible applicants.

Eligibility – Financial considerations

Applicants must demonstrate that they have no other means of securing sufficient funds for a deposit, for example from a social fund loan or grant, credit union loan, or assistance from family or friends. (People who are working, or those with a good credit history may be able to obtain a bank loan or overdraft to fund their own deposit.)

Applicants will not usually be eligible for a deposit bond, rent deposit or rent in advance payment if they have any outstanding debts to the Council (including any previous rent deposit which has not been repaid in full). Where there is an outstanding debt, the applicant's repayment history and ability to keep to agreed repayment schedule will be relevant. All cases should be considered on their merits, and reasons for any non payment and extenuating circumstances such as joint liability for debts with previous partners taken into account.

NB: Details of any arrangement made to provide a Bond or cash deposit for an applicant with an outstanding debt to the Council must be recorded on a file note in the customers file, signed by the Housing Options Officer and authorised by the Chief Housing Officer.

Eligibility - Local Connection

Applicants must have a local connection with Tonbridge and Malling, as set out in Annex 18 of the 2006 Homelessness Code of Guidance. Applicants will have a local connection if at the date of application:

- they are normally resident within the borough and have lived here for at least either 6 out of the last 12 months, or 3 out of the last 5 years;
- they are employed in the borough on a permanent basis;
- they have immediate family members (parents, brothers, sisters or adult children) who have lived in the borough for the last 5 years or more; or
- for other special reasons.

Where an applicant has a local connection to more than one authority they should apply to all relevant boroughs for assistance with rent deposit schemes, to maximise their chances of finding a suitable property.

Eligibility - Homelessness

Applicants must be homeless or threatened with homelessness in the near future.

Eligibility – Priority Need

Applicants will usually only be considered for financial assistance if they fall into one or more of the priority need categories as set out in the Homelessness (Priority Need for Accommodation) (England) Order 2002. See the Order for more information on priority need categories, which are summarised below as follows.

A household is considered in priority need if it contains:

- a pregnant woman or dependent children,
- a person who is vulnerable as a result of old age, mental illness or physical disability, having been a care leaver and is aged over 21 or other special reason,
- a person who is homeless or threatened with homelessness as a result of fire, flood or other disaster,
- a 16 or 17 year old who is not considered a 'child in need' under the Children Act 1989,
- a person under 21 who was looked after by Social Services between the ages of 16-18
- a person who is vulnerable as a result of having been a member of Her Majesty's regular naval, military or air forces
- a person who is vulnerable as a result of having served a custodial sentence or having been committed for contempt of court or any other offence or having been remanded in custody
- a person who is vulnerable as a result of ceasing to occupy accommodation because of violence from another person or threats of violence from another person which are likely to be carried out

Exceptionally, some non-priority applicants can be considered for the scheme. This could include for example, some older single homeless applicants, or those in low paid employment with no other way of securing finance, and can demonstrate an ability to repay any cash loaned within a reasonable timescale.

NB: Details of any arrangement made to offer a deposit bond or rent deposit/rent in advance payment to applicants with

- *no local connection,*
- *or who are likely to be intentionally homeless*
- *or not in priority need*

Must be recorded on a file note in the customer's file, signed by the Housing Options Officer and authorised by the Chief Housing Officer.

2 Processing an Application for Rent Deposit Bond / Deposit / Rent in Advance

The application form for a Deposit Bond/Rent Deposit/Rent in Advance payment must be completed either by the applicant or on the applicant's behalf. This application form is to be used for all applications, including deposit bond, cash deposit or rent in advance. This form, as well as the other paperwork needed to process a rent deposit application, is stored in 'I Drive/House/Admin/Housing Options/Rent Deposit Bond Scheme April 09 onwards/Masters for Rent Deposit Scheme.

Eligible applicants are entitled to a bond of equivalent value of up to a maximum of six weeks rent if with a letting agent (letting agents ask for six weeks rent as a deposit as standard procedure) or one month's rent (four weeks where the rent is due weekly) if the property is being managed by a landlord themselves (or the maximum amount of Local Housing Allowance (LHA) for the person's bed need in that area, whichever is the lower amount).

Where a bond is acceptable, the applicant is required to set aside monthly payments (preferably in a separate savings account) over twelve months, so that the bond can be replaced by a cash deposit at the end of the first 12 months. This deposit can then be used to secure the tenancy for a further period, or transferred to another property.

Where a bond is not acceptable, a cash payment for the equivalent amount will be paid to the landlord as a deposit, to enable the applicant to secure privately rented accommodation.

Additional payments to cover rent in advance or other fees or charges necessary to secure a tenancy (for example referencing fees) will only be considered in exceptional circumstances, and will not be considered unless the applicant is in priority need for assistance.

Applicants in receipt of Income Benefits or Job Seekers Allowance should approach the Department of Works and Pensions (DWP) to apply for a Budgeting/Crisis Loan or Community Care Grant to cover any additional payments such as rent in advance if necessary. Claims to DWP can be made by telephone on **0845 6088580**. As this payment can take up to six weeks to be paid by the DWP, customers should be advised to obtain the application form for a Budgeting or Crisis loan as early in the application process as possible. Forms can be downloaded via the direct.gov website: www.direct.gov.uk

NB: Details of any arrangement made to provide a Bond or cash deposit for an amount higher than the equivalent value of six week's rent or to make payments in respect of rent in advance or other fees and charges must be recorded on a file note in the customers file, signed by the Housing Options Officer and authorised by the Chief Housing Officer.

Maximum Amounts that can be Borrowed by a Customer

The maximum amount of the Deposit Bond or Rent Deposit payment is the equivalent of six weeks rent as a deposit, plus (in exceptional circumstances) the equivalent of one calendar month (or four weeks where the rent is due weekly) rent in advance. Properties within Tonbridge and Malling fall into one of three broad market rental areas (High Weald, Maidstone or Medway & Swale) and the amount of LHA payable varies between the three. Some applicants will seek rented accommodation outside the borough, where different LHA rates will apply. Although the actual amount advanced for a rent deposit will vary according to the LHA area, the absolute maximum for properties within the borough will be the equivalent of the rate for High Weald (as at January 2011):

1 bedroomed property 4 weeks @ £137.31 = £549.24 (or £595 pcm)
 2 bedroomed property 4 weeks @ £178.85 = £715.40 (or £775 pcm)
 3 bedroomed property 4 weeks @ £230.77 = £923.08 (or £1000 pcm)
 4 bedroomed property 4 weeks @ £366.73 = £1466.92 (or £1589.16 pcm)
 5 bedroomed property 4 weeks @ £542.31 = £2169.24 (or £2250 pcm)

The LHA rates are updated monthly. The Housing Options Officer should check that the prevailing rate *as at the tenancy start date* is used to determine the amount of the advance.

From April 2011, housing benefit for new claimants will be capped at the following rates:

£250 per week for 1 bedroomed property
 £290 per week for 2 bedroomed property
 £340 per week for 3 bedroomed property
 £400 per week for 4 or more bedroomed property

Although the capping may not have a significant impact on most applicants, other than those needing larger properties, reductions in the LHA rates from April 2011 may make it more difficult for applicants to secure affordable tenancies in the private sector.

Single applicants under the age of 25 (35 from April 2012) should be advised that Local Housing Allowance is usually restricted to the amount allowed for a room with shared facilities.

Example One - Where an applicant is to be offered a Deposit Bond:

Applicant requires 2 bedroomed property @ High Weald LHA rate of £178.85 per week (Correct as at January 2011).

Maximum deposit bond agreed = £1073.10, minimum payments to a savings account over 12 months are £20.63 per week or £89.43 per calendar month.

NB: Where a savings period of 12 months would cause exceptional hardship, the savings period can be extended to 18 months if authorised by the Chief Housing

Officer.

Example Two - Where an applicant is to be offered a cash deposit:

Eg. Applicant requires 2 bedroomed property @ High Weald LHA rate of £178.85 per week (Correct as at January 2011).

Maximum deposit advanced = £1073.10, minimum repayments to TMBC over 18 months are £13.75 per week or £59.62 per calendar month.

With the addition of maximum rent in advance of £715.40, total amount advanced = £1788.50, minimum repayments to TMBC over 18 months are £22.92 per week or £99.36 per calendar month.

Once the maximum amount to be advanced has been agreed, the Housing Options Officer will draw up a repayment schedule to ensure that the advance is repaid as soon as possible over a maximum period of 18 months. The first repayment must be made within 28 days of the advance.

NB: Where the advance includes an additional payment in respect of rent in advance, or where a repayment period of 18 months would cause exceptional hardship, the repayment period can be extended to 24 months where authorised by the Chief Housing Officer.

3 Application – General Procedure

The applicant must complete and sign the Deposit Bond/Rent Deposit/Rent in Advance application form and provide the necessary documents to verify their eligibility for the scheme. The Housing Options Officer must complete all relevant parts of the Deposit Bond/Rent Deposit/Rent in Advance Scheme Checklist, and ensure that certified copies of original documents are placed on the applicant's file.

These documents will include proof of ID for all members of the household (birth certificate, passport, driving licence etc), proof of current address(es) and proof of income (wage slips, last 2 months bank statements, proof of benefit entitlement etc). National Insurance numbers of all adult members of the household must be obtained. Where the applicant is unable to provide sufficient proof of their income, the Housing Options Officer will undertake an Experian check to verify their circumstances.

The Housing Options Officer must complete a detailed financial statement with the applicant to ensure that repayments are affordable, and advise the applicant of the consequences of failing to keep to the terms of the repayment agreement.

Housing benefit claimants

The council's safe guarding policy allows for payments to be made directly to a landlord if the tenant has had difficulties in maintaining their rent account in the

past or experiencing mental health or learning disabilities which would make it difficult to sustain their tenancy. Guidance released by the Communities and Local Government in 2010 allows for Housing Benefit departments to make payments directly to a landlord should the tenant be assisted into accommodation by the local authority. Consequently, all applicants assisted in accommodation via the Deposit Bond / Rent Deposit / Rent In Advance Scheme, (who are entitled to housing benefit) will usually be required to agree to have their Local Housing Allowance paid directly to the landlord.

4 Application – Deposit Bond

If the applicant is eligible to be considered for a Deposit Bond:

Once a suitable property has been identified, the Housing Options Officer should contact the landlord to verify that:

- the property is a suitable size for the applicant's household
- the rent level is within LHA rates
- a deposit bond is acceptable
- the property has smoke detectors and a current gas safety certificate and electrical safety certificate where appropriate (copies to be obtained for the file)
- the property has a current Energy Performance Certificate (EPC) with an energy efficiency rating of A, B, C or D
- wherever possible, the landlord has a current landlords buildings insurance policy, (and any additional insurance policies in respect of contents, rent guarantee or personal liability etc) (copies to be obtained for the file)
- wherever possible, a detailed inventory has been taken and agreed between the tenant and landlord (with dated photographs to verify the property condition). A copy of the inventory (where provided) must be obtained for the file
- wherever possible, the tenancy should be for a minimum period of 12 months

The Housing Options Officer should then refer the details of the property and all members of the prospective tenant's household to the Private Sector Housing Team, together with copies of the gas safety certificate, EPC (and electrical safety certificate where issued) and inventory (where provided), to arrange an inspection. An officer from the Private Sector Housing Team will undertake a Housing Health and Safety Rating System assessment of the property to determine that there are no category 1 hazards present. The officer will also check the property to determine if it meets the household's needs, for example, if a member of the household has mobility problems, the property will be checked to verify whether the access/number of steps in and around the property is suitable, and if not, whether the property can be adapted to meet their needs.

Once the Private Sector Housing Team are satisfied that the property is suitable for the applicant, the Deposit Bond application should be passed to the Housing Needs Manager for authorisation, except in those exceptional cases where the Chief Housing Officer must authorise the Bond.

The amount of the Deposit Bond will depend on:

- the size of the property the household requires, i.e. a single person or couple with one child would require a two bedrooled property and would therefore only be assisted to secure a two bedrooled home, (unless a larger property was offered at an equivalent or lower rent within LHA rates)
- the weekly or monthly rent liability

The Deposit Bond is only valid for the fixed period of the tenancy ie six or twelve months. During the period of the tenancy, the tenant is expected to set aside sufficient money to enable them to be able to pay their own deposit to their landlord at the end of the fixed term of the tenancy. If the landlord agrees that the tenant can continue in occupation at the end of the fixed term, whether or not a further tenancy is granted, the tenant must provide a cash deposit to replace the Bond. However, it is recognised that many tenants are likely to be on a low income and may find it difficult to make regular payments into a savings account, or may draw on savings during the tenancy to pay for unexpected bills or emergencies. If the tenant has insufficient money to replace the total value of the Bond, the shortfall may be covered by a further Bond at the landlord's request.

To help tenants make regular savings towards a deposit, it may be appropriate to suggest that they consider joining Kent's Credit Union. This was launched in March 2010 and is called Kent Savers Credit Union. (www.kentsavers.co.uk, **0300 4569990**). In order to be eligible to join this Credit Union, people have to be resident in the county of Kent. There is an annual membership fee of £2 and identification has to be provided before an account can be set up, although Kent Savers state they can verify customers via an online Credit Reference Agency.

Any payments made by the tenant towards a deposit will be deducted from the amount requested. A further Bond, for some or all of the original amount, will usually only be agreed if the tenant has not made sufficient payments during the course of the tenancy to replace the Bond with a deposit and there have been no problems with the conduct of the tenancy.

Once the Bond has been agreed, the Housing Options Officer should give one copy of the Deposit Bond Scheme Terms and Conditions to both the landlord and the tenant, together with a copy of the relevant Deposit Bond Scheme agreement. The landlord and tenant should each sign the appropriate agreement, which should be countersigned by the Housing Options Officer. The originals should be kept on the applicant's file and a copy given to the landlord and tenant.

The Housing Options Officer should send an e-mail to the following members of the Finance team: Paul Worden & Dominic Reynolds, detailing the amount and

duration of the Bond, and keep a copy of the e-mail on the file.

Details of the Bond should be entered on the spreadsheet "Deposit Bonds.xls" which is held at I:/House/Admin/Housing Options/Rent Deposit Bond Scheme Feb 09 onwards

Once the tenancy start date is known, the Housing Options Officer should diarise a date 6 weeks after the start of the tenancy to make a telephone call to both the tenant and the landlord to:

- check whether the tenant is making regular payments towards their own deposit into a savings account, as agreed
- check whether the tenancy is running smoothly, with no issues that could lead to a potential claim being made against the Bond
- check whether the landlord has any issues which could jeopardise the ongoing tenancy or lead to possession proceedings
- verify any changes in circumstances

5 Application – Rent Deposit and/or Rent in Advance

If the applicant is eligible to be considered for a cash payment in respect of a Rent Deposit and/or Rent in Advance:

Once a suitable property has been identified, the Housing Options Officer should contact the landlord to verify that:

- the property is a suitable size for the applicant's household
- the rent level is within LHA rates
- the property has smoke detectors and a current gas safety certificate and electrical safety certificate where appropriate (copies to be obtained for the file)
- the property has a current Energy Performance Certificate (EPC), with an energy efficiency rating of A, B, C or D
- wherever possible, the landlord has a current landlords buildings insurance policy, (and any additional insurance policies in respect of contents, rent guarantee or personal liability etc) (copies to be obtained for the file)
- wherever possible, a detailed inventory has been taken and agreed between the tenant and landlord (with dated photographs to verify the property condition). A copy of the inventory (where provided) must be obtained for the file

The Housing Options Officer should then refer the details of the property and all members of the prospective tenant's household to the Private Sector Housing Team, together with copies of the gas safety certificate, EPC (and electrical

safety certificate where issued) and inventory (where provided), to arrange an inspection. An officer from the Private Sector Housing Team will undertake a Housing Health and Safety Rating System assessment of the property to determine that there are no category 1 hazards present. The officer will also check the property to determine if it meets the household's needs, for example, if a member of the household has mobility problems, the property will be checked to verify whether the access/number of steps in and around the property is suitable, and if not, whether the property can be adapted to meet their needs.

Once the Private Sector Housing Team are satisfied that the property is suitable for the applicant, the Rent Deposit/Rent in Advance application should be passed to the Housing Needs Manager for authorisation, except in those cases where the Chief Housing Officer must authorise the payment.

The amount of the Rent Deposit and/or Rent in Advance will depend on:

- the size of the property the household requires, i.e. a single person or couple with one child would require a two bedroomed property and would therefore only be assisted to secure a two bedroomed home (unless a larger property was offered at an equivalent or lower rent within LHA rates)
- the weekly or monthly rent liability

Where a cash payment is made direct to the landlord, the tenant is expected to make regular payments to repay the advance, interest free, over a maximum period of 18 months. This period can be extended to 24 months in exceptional circumstances to make repayments more affordable to the applicant.

Applicants are required to make a first repayment as soon as possible, ideally within one week of the advance, and set up a standing order mandate for regular repayments to commence within one month of the advance. The Housing Options Officer should complete the standing order mandate form, setting out the required payments, for the applicant(s) to sign.

Once the Rent Deposit and/or Rent in Advance payment has been agreed, the Housing Options Officer should give one copy of the Rent Deposit and/or Rent in Advance Scheme Terms and conditions to both the landlord and the tenant, together with a copy of the relevant Rent Deposit and/or Rent in Advance Scheme agreement. The landlord and tenant should each sign the appropriate agreement, which should be countersigned by the Housing Options Officer. The originals should be kept on the applicant's file and a copy given to the landlord and tenant.

The Housing Options Officer will need to raise a BACS (or cheque) payment to the landlord's account for the specified amount, and raise an invoice for the full amount to be sent to the applicant within 7 days of the advance. **Full details are included in the separate financial procedures for the rent deposit scheme.**

Details of the Rent Deposit and/or Rent in Advance payment should be entered on the spreadsheet "Rent Deposit Bonds etc.xls" which is held at **I:/House/Admin/Housing Options/Rent Deposit Bond Scheme Feb 09**

onwards/Rent Deposit Bonds etc.xls

The following must be provided by the landlord to the Council within 14 days of the funds clearing in their account:

- A copy of the tenancy agreement.
- A signed copy of the inventory (where provided)
- Details of their chosen Tenancy Deposit Protection Scheme. If the scheme provider gives a letter or certificate evidencing protection of the deposit, then the landlord must give a copy to the Housing Options Officer. If the chosen scheme provider allows, the Landlord should register the Council as a named party on the paperwork, so that the deposit is returned to the Council at the end of the tenancy.

Once received, the Checklist form will need to be updated. Copies of the documents should be taken and placed in the applicant's file. Details of the property inspection including the gas safety certificate, EPC, electrical safety certificate (where issued) and inventory (where provided) are stored electronically by the Private Sector Housing Officer.

This Procedure may be subject to necessary changes as required in line with all other procedures, protocols, and policy. From time to time it may be necessary to make minor amendments to the published scheme, for example if we decide to change the length of time to repay a loan. The authority to introduce such minor amendments is delegated to the Director of Health and Housing. In addition, the Housing Needs Manager will instigate a review of this Procedure every two years.