

OFT Lettings Report

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in Scotland**

Why Letting Agents?

An important sector

- 2010-11: the PRS made up 16.5% of all housing in England (3.6 million households), 19% of housing in NI & 11% in Scotland (up from 5% in 1999)
- More people needing to rent due to decrease in mortgage lending & decrease in social renting
- Demand is outstripping supply –creating risks

Much concern about the sector

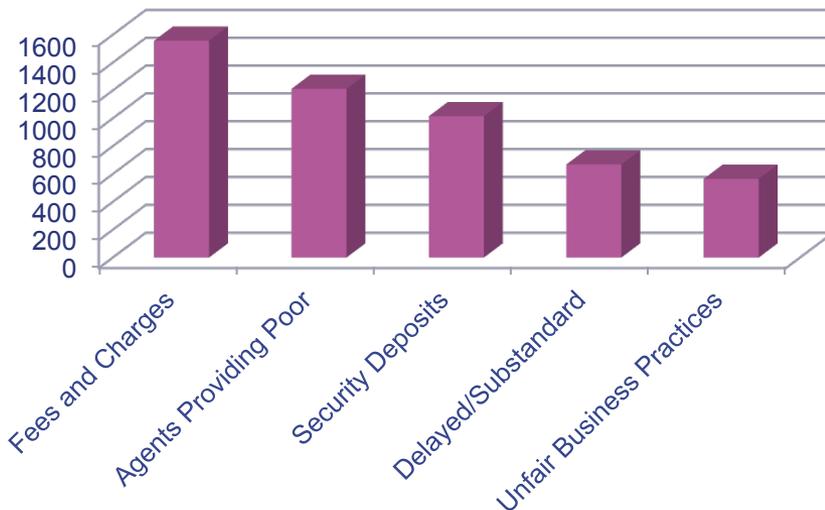
- Concern about concealed charges (renewal commission)
- Much lobbying for change
- Industry initiatives to improve things (TPO Code Stage 1 completed)

Lettings still a very complained about sector

- Risk of market failure if parties don't trust agents
- So we reviewed all letting agents complaints on CD in 2011 to identify problems.

Headline findings from OFT Intelligence Review

Top 20 Grouped Complaint Type	Number of issues	Percentage
Fees and Charges	1557	30%
Agents Providing Poor Service	1211	23%
Security Deposits	1015	20%
Delayed and Substandard repairs	668	13%
Unfair Business Practices	565	11%
	5016	97%



Complaints indicate tenant or landlord feels:

- dissatisfaction or
- uncertainty.

Not necessarily evidence of malpractice by agent

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➤ Analysis of the Market

- To understand the causes of problems
- And map out features of a well functioning market

➤ Legal analysis

- To identify possible solutions
- And identify weaknesses in the current regime

➤ Recommendations to make the market work better

What are the main problems?

Unclear and surprising charges

Disputes about the quality of work by agents

Overly high expectations by tenants?

Agents not always acting in landlord's interest

Non refund of security deposit

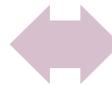
Misleading adverts

Key features of a well functioning market

Active tenants make informed choices and demand high standards



Agents bring together tenants and landlords and correct errors that landlords and tenants make



Fair dealing landlords act reasonably towards tenants and demand high standards from agents

Suggested next steps

UK Government should consider

- The benefits of requiring agents to sign up to a code of practice or join a redress scheme.
- Whether the level of consumer protection law coverage is right.
- The benefits of introducing any elements of regulatory regimes operating in Scotland, Wales or Northern Ireland.

UK Government & Industry should

- Discuss if more could be done for landlord and tenants to understand and compare codes.
- Think about the feasibility of portable reference checks

Industry bodies should

- Think about the feasibility of introducing common principles to achieve more consistency and encourage shopping around for properties.

Follow on work in relation to Scotland

To input into Shelter Scotland's Renting Scotland website.

To consult on guidance on application of consumer protection law to professionals in the lettings market

To update OFT existing Guidance on tenancy agreements

To launch a UTCCRs Hub as a resource for agents and professional landlords

To discuss and agree an enforcement strategy with Trading Standards Scotland

Any Questions?

OFT report is available on our website:

http://www.offt.gov.uk/shared_offt/markets-work/lettings/oft1479.pdf