Part 3 | Rent In Advance – When It Is, And Isn't Allowed

In the latest in our 10-part guide to the Renters' Rights Bill, we look at one of the most controversial areas of the Bill – the ban on taking Rent in Advance.

It has long been a well-used practice in the private rented sector, and for some tenants, it could be the difference between securing a home or facing homelessness. Under the Renters' Rights Bill, this option will no longer be allowed for new tenancies.

However, thanks to a concession made during the Bill's passage through the Lords rent in advance payments remain allowable on existing tenancies only. This means landlords and agents do not need to amend agreements already in place.

The Lettings Hub has been heavily involved in the debate on this area of the bill; attending the House of Lords and providing data-led evidence showing that, far from being exploitative, rent in advance is a vital access route for many tenant groups.



The New Rules

- For new tenancies, landlords and agents cannot require rent in advance beyond the initial rent period (maximum one month).
- Any clause in a tenancy demanding extra rent up front will be void and could be classed as a prohibited payment under the Tenant Fees Act 2019.
- Pre-tenancy rent payments - where rent is paid before the tenancy agreement is signed - are also prohibited.
- Existing tenancies with rent-in-advance clauses are protected, but only where the tenant agrees to continue making those payments. Landlords can't request additional advance rent if the tenant disagrees.

Voices From Parliament

During both the Commons and Lords debates, several MPs and peers argued passionately about rent in advance:



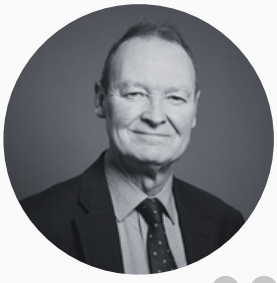
The practice of landlords demanding large amounts of rent in advance must be prohibited.

Landlords will be free to carry out the necessary checks, and if they are not satisfied, tenants can seek alternatives such as a guarantor or landlord insurance.

Matthew Pennycook | Housing Minister

Banning landlords from obtaining rent in advance will create greater risk for landlords and make them risk-averse in selecting tenants. This can only be detrimental to the latter.

Lord Carter of Haslemere





Overseas individuals, new business founders, and students with no guarantor may have the funds to pay rent in advance, but they cannot due to this Bill and will be overlooked in preference to those with regular incomes.

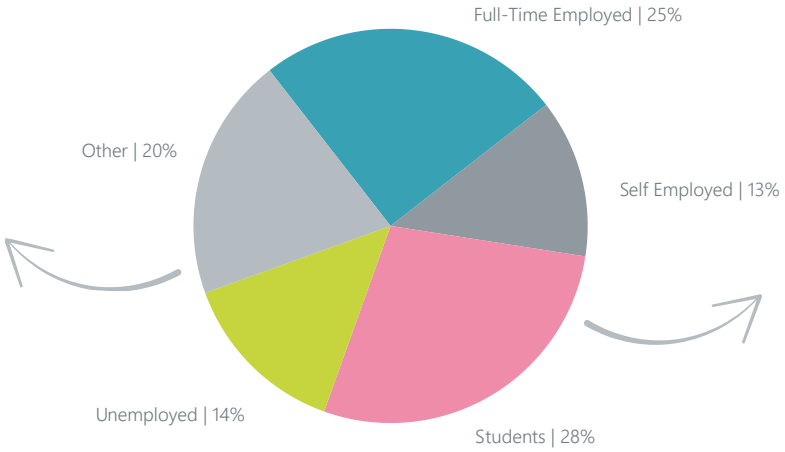
Lord de Clifford

The Lettings Hub Research | What Our Data Showed

Earlier this year, we analysed 30,000 tenants who paid rent in advance over the previous three years. Here's what we found:

35%

of the tenants needed to pay rent in advance as they currently had no income. This could be a mixture of the tenant being unemployed, a student or in the other category.



From the

28%

were of students paying Rent in Advance, 72% from the UK and 28% international.

7%

of all tenancies begin with rent paid in advance; demonstrating that it is a minority practice, not the norm.

15%

of tenants paying £5,000+ per month used rent in advance, compared to just 6% of tenants paying £1,000 or less.

8%

had a UK-based guarantor, suggesting the vast majority used advance rent because they weren't able to secure a guarantor.

Real Tenant Stories

From our survey of 500 tenants who used rent in advance, we heard from:

- ***A retired couple who feared being forced into a hotel or hostel if they were unable to secure a home; the rent in advance they had in savings later secured their rent.***
- ***A young couple returning from travel, with no current income, who secured a flat by using their savings for rent in advance; both are now employed.***
- ***An international student unable to secure a UK guarantor paid rent in advance to access accommodation near their university.***
- ***A mature student who had faced four failed applications before a family member stepped in to help with upfront rent.***

81%

of the tenants responding to our survey told us that not being able to secure this property would have more than a minimal impact on them, with the majority saying it would have a significant impact

64%

of tenants used their own savings to pay the advanced rent:

Why We Challenged The Government's Suggested Alternatives

The government suggested tenants could instead rely on:

1 | Referencing alone | Even well-referenced tenants can face unexpected financial shocks.

2 | Guarantors | These are increasingly difficult to find, especially under open-ended tenancies where the liability never ends.

3 | Landlord insurance | This is simply not available unless referencing thresholds are met, which many rent-in-advance tenants fail to do.

We argued that removing rent in advance without a viable replacement leaves agents and landlords with no way to mitigate risk, and we remain concerned that many tenants will simply be rejected.

Risks For Tenants

The groups most likely to be affected include:

- Students (particularly international or without a guarantor).
- Gig workers, freelancers, and the self-employed.
- Recently relocated tenants with no UK rental history.
- Tenants with poor credit histories or irregular income.

Without rent in advance, these tenants may be locked out of the PRS entirely, forced into unsuitable accommodation or homelessness.



Practical Advice For Agents



1

CONSIDER PROFESSIONAL GUARANTORS

With rent in advance ending, Professional Guarantors allow tenants to pay a fee to a third-party company, which then acts as their guarantor. This is particularly useful for tenants without a UK based guarantor such as overseas students. It also removes the emotional pressure of asking a loved one to take on personal liability; whilst still providing landlords and agents an extra layer of security, backed by an organisation with verified means.

When the Bill is enacted, landlords will be looking for added protection in a system where it could take longer to evict tenants who fall into arrears, because:

- Eviction for arrears won't be possible until rent is at least three months overdue.
- The notice period will be four weeks minimum.
- All claims will need a court hearing.
- Fixed-term tenancies will end, meaning ongoing, open-ended liability for personal guarantors.

2

REVIEW YOUR PROCESSES

Audit your agreements | Go through your tenancy portfolio and flag every case where rent-in-advance has been agreed.

Tighten up your templates | Remove or amend any standard clauses that refer to rent in advance, except for the first rent period. This prevents staff accidentally using outdated documents.

Train your team | Front-line staff must be able to explain the new rules confidently to tenants. A short refresher session or quick-reference guide can prevent slip-ups that risk non-compliance.

As this change rolls out, the best path forward is to:

- Select robust referencing and tenant screening to ensure you have as much information about each applicant as possible.
- Consider recommending a Professional Guarantor alternative if an otherwise great tenant can't prove their income.

Look Out For Future Issues In Our 10-Part Special

Watch out for our full series of info sheets – comprehensive guides to the changes we can expect in the Bill, including:

- Preparing For The Removal Of Section 21 Notices.
- Section 8 Notices | Expanded Grounds And Notice Periods.
- Rent In Advance | When It Is, And Isn't Allowed.
- Fixed Term Tenancies | What You Need To Know.
- Increasing Rents Using A Section 13 Notice.
- Pets In Lets | Creating (And Protecting) Pet Friendly Tenancies.
- Students Lets | Your Definitive Guide.
- Renters' Rights Bill | Where Are We Now? Back In The House Of Lords.
- Decent Homes Standards And Awaabs Law.
- Rent Repayment Orders And Penalties.



BOX FROM THE LETTINGS HUB

At The Lettings Hub, we're always here to support you through the ever-changing lettings landscape. With the Renters' Rights Bill introducing new regulations, staying updated is crucial. That's why we offer a variety of resources to help you navigate these changes smoothly. From webinars and blogs to tailored guides, our platform is packed with expert insights. Be sure to follow us on LinkedIn and bookmark our Renters' Rights Hub for the latest updates, tips, and advice.

