

## Deposit Deductions - Landlord Advice

One of our most contentious areas of property management is deposit deductions after tenancy check out. All too often there are misunderstandings over the validity and value of those deductions. Anecdotal evidence from landlords, who have managed their own properties and gone through DPS adjudication, is that the process is weighted towards the tenant. However deeper analysis of how the adjudication process works would help landlords understand that actually the process is quite fair.

The aim of this information sheet is to help landlords to understand how Proudhouse negotiate deposit deductions and mediate between tenant and landlord - it may also help a self-managing landlord if this is relevant.

### AT CHECK OUT WE WILL:

- 1) Conduct a check-out, in person, and ideally with the tenant present. Carry out an objective assessment of the property; there is no need to be critical or to try and infer whether actions such as cleaning have been carried out or not. The process is simply an assessment for cleanliness and dilapidation and any discrepancies are noted. e.g., something is either dirty or it is clean - therefore this is noted on the check out report.
- 2) Use the inventory document and the original check-in report as references
- 3) Photograph any discrepancies
- 4) Have an objective conversation with the tenant on completion of the checkout, and if required aim to reach an initial understanding that there are problems that need to be resolved.

### POST CHECK OUT - OFFICE ACTIONS

- 5) We could, at this stage, simply process the deposit and make claims through the DPS. However, any claims that are not understood by the tenant are likely to be rejected by the tenant, via the DPS's email system. This will then open up a formal adjudication process; and the admin involved in this is significant.
- 6) Therefore, Proudhouse undertake informal mediation and adjudication in-house, in order to establish agreement before formalising via the DPS website.

### DEDUCTIONS - MITIGATE LOSS

It is important that the landlord understands the need to apportion costs relative to life-expectancy of any given item, and also understands their duty to "mitigate their loss". What do these mean?

Apportionment of costs: whilst it may seem frustrating, if an item in a property is damaged, a landlord cannot always expect it be replaced with new. This is because the age of the item may deem it worthless or have a value that is only a proportion of the new cost. So for example, a budget carpet may have a life of 5 years, therefore if it is damaged after 4 years, then the landlord might only be able to claim one fifth of the cost of a replacement.

Mitigating your loss: also as with any loss, a landlord has a duty to mitigate their loss. So if it is possible to repair an item or refurbish an item then this will be the expected course of action.

Copied below are extracts from the DPS own guidelines:

#### Life Expectancy Decorations

Hall, landing, stairs - 2 to 3 years  
Living rooms - approx 4 years  
Dining Rooms - approx 6 years  
Kitchens and bathrooms - 2 to 3 years  
Bedrooms - approx 5 years

#### Carpets

Budget quality - 3 to 5 years  
Medium quality - 5 to 10 years  
Top quality - up to 20 years

#### White goods

Washing machines - 3 to 5 years  
Cookers/Ovens/Hobs - 4 to 6 years  
Fridges - 5 to 8 years

#### Duty To Mitigate Loss

Repairs - such as sanding and revarnishing a work top  
Cleaning of carpets or curtains  
Compensation - e.g. a small burn to a work surface or carpet

#### Avoiding a betterment

Consider the age of the item - if the item is of an age to need replacing then its value is £0. Any percentage of £0 will still give an award of £0!



## Summary

A very small minority of landlords see the deposit as an opportunity to grab some money. We don't tolerate this at all - and please don't expect us to take any kind of dominant or reprimanding role with the tenant - you might "feel" that is required - but actually we just need to remain professional, objective and progress solutions. Most landlords understand the logic detailed above when it is explained to them.

Therefore please understand that Proudhouse aim to mirror the DPS guidelines as much as possible during our informal adjudication process. We will keep you updated although we also aim to resolve things quickly so that everyone can move on with a minimum level of stress.

We are an agent and work on your behalf, therefore, as a client, you are perfectly within your right to disagree with our assessments, and in that case we will hand the assessment process over to you for you to decide. Any subsequent formal adjudication process will then be forwarded to yourself.

A final word on wear and tear - tenants have a right to fair wear and tear. You have to bear in mind the likelihood of an event happening; e.g. a carpet will become worn over time; paintwork on walls will become grubby after a time; items that are usually manipulated and manoeuvred around are likely to get dropped or broken at some stage or another. Part of the deal with being a landlord and receiving rent, is that wear and tear is factored into your rental value and your overall losses and gains.

I hope this information sheet is an informative and helpful guide. It is really important to us that we manage the expectations of landlords to ensure that a full understanding of the process is gained by our clients and thus help keep the process professional and as stress-free as possible.



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