



# TERMS AND CONDITIONS

## Sovereign House Estates Ltd.

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# TERMS OF LETTING FOR RESIDENTIAL PROPERTY

APPLICABLE FROM AUGUST 15<sup>TH</sup> 2003

## THE SERVICE WHICH SOVEREIGN HOUSE ESTATES OFFER TO LANDLORDS

### 1. The services

#### A. Simple Letting Service (*Let Only*)

In providing this, our standard service, we will:

- (I) Inspect your property and assess its rental value. We will then promote your property and upon finding potential tenants negotiate an acceptable rent.
- (II) Take up full references on the proposed tenants unless otherwise agreed with you. These include bank references and, where applicable, previous landlord references. We also run a computerised credit check. This whole process enables us to build up a clear picture of the tenants so that we may assess their suitability as accurately as possible.
- (III) Initially collect one calendar month's rent in advance and one calendar month's rent as a security deposit. We then arrange for all subsequent monthly rent payments to be paid into a bank account of your choice by standing order. Unlike many letting agents, we do not hold the security deposit, but immediately pass it on to the Landlord.
- (IV) Prepare an agreement on an Assured Shorthold Tenancy and ensure that it is signed by the landlords and the tenants. (*We cannot give any legal advice, which, if required, should be obtained from your own legal advisers*).
- (V) Serve on the tenants a Section 21 Notice under the Housing Act 1988. It is a legal requirement that this notice be served on the tenants at least two months before the contract expiry date.
- (VI) Advise the tenants to arrange for all utility accounts to be put into their name. However, it is important that you contact the various utility companies before your departure and in advance of returning to occupy your home as only you can sign off for these facilities. We cannot accept any responsibility for inaccuracies or delays on the part of the companies.

Our Simple Letting service does not include the performance of any management service. During the tenancy, organisation of repairs, payment of rates and ground rent etc., is the complete responsibility of the client. Communication between landlord and tenant is direct.



## **B. Comprehensive Letting and Management Service (*Managed*)**

In providing this, we will:

- (I) Provide services as in **A.** above;
- (II) Receive rent regularly in accordance with the terms of the agreement. We retain the money throughout the month in order to pay current outgoings such as general and water rates, ground rates, insurance premiums and (*in properties divided into two or more units*) the account for the lighting, heating and cleaning to the common parts. This is conditional on the landlord having instructed those creditors in writing to send their accounts regularly to us. Only if an account arrives at our office shall we deem it to be properly payable by ourselves and accordingly discharge it.

Please remember we are legally prevented from making disbursements unless your account has sufficient funds. Although we do our best to query any obvious discrepancies it must be understood that we are entitled to accept and pay without question, demands and accounts, which appear to us to be in order.

- (III) Investigate defects that are brought to our attention by the tenants. We cannot accept responsibility either for latent defects, defects occurring prior to the start of the tenancy, or for failure to notice anything concealed from our representatives.
- (IV) Dealing with day-to-day management matters, including minor repairs up to a maximum of **£150** for any item. If the expenditure necessary is large we will, wherever possible, obtain the landlord permission to proceed. However, when an emergency arises, e.g. a burst water tank, we normally proceed without prior approval.

However, for the supervision of works of renewal, repair or replacement of existing fixtures, fittings furniture or appliances, which we think are likely to cost more than **£500**, estimates are obtained (*and submitted to the landlord for approval if available*) and works are inspected. An additional supervisory fee of **10%** of the total cost of the work **plus VAT** is charged for this service.

- (V) Where the landlord requests refurbishment works of any kind, a fee of **15%** of the total cost of the work **plus VAT** is charged for this service. This will normally include obtaining estimates and job specifications and inspection of works.
- (VI) Balance your account monthly and send on an itemised statement. In most instances the balancing cheque is paid directly to your designated account.

We reserve the right to cancel the comprehensive Letting and Management Service at our discretion, at any time, by giving at least two calendar months notice to the landlord.



## Additional Services

The following are **NOT** included within the Comprehensive Letting and Management services

### Key cutting

- Where not enough sets are supplied (*especially pre-tenancy*) a charge of **£25 + VAT** is made in addition to the cost of the keys.

### Extra copies of invoices or statements

- We ensure that all landlords receive a monthly statement but should you require extra copies to be sent to you or your accountant; a charge of **£25 + VAT** is made per twelve month period.

### Interim inspections

- We will carry out one free inspection per tenancy. Each inspection thereafter (*if requested*) is charged at **£40 + VAT**.

### Forwarding of mail

- Where landlords items of personal mail are forwarded/handed in person to us by the tenants, the items will be forwarded by post to the landlord at a cost of **£25 + VAT** per batch sent, plus the cost of postage unless otherwise notified. Landlords can personally collect any received items from one of our branches free of charge if this is more convenient (*please notify us of the branch you wish to collect it from in good time*).

Please note that we will **NOT** hold items of mail for longer than a month at a time (*from the items stamped date of receipt*). All items that we hold for longer than a month will be forwarded on to you in the post and the standard fee of **£25 + VAT** plus the postage costs will apply.

### Pre-let service

- Where work is required before the tenancy can commence such as pre-tenancy cleans, repainting and repair works, these can be carried out for a charge of **£30 plus 15%** of the total net invoice.

**Organisation of gas safety and electrical safety checks carry no pre-let charge. The landlord will only be charged the cost of the works invoice.**



## 2. Commission

### A. Simple Letting Service (Let Only)

Our standard commission rate is **10%** of the Total Rent payable, **plus VAT**. The minimum fee for this service is equivalent to 6 months commission plus VAT. All commission is due at the commencement of the tenancy, and deducted by us from the initial sum collected from the tenant as stated in section 1A paragraph (III). The balance is then passed to the landlord.

If the letting is extended beyond its original term by the original tenant (*whether or not negotiated by us*), our commission in respect of the future period will be charged based on the above rates. However, under the Simple Letting Service, after the initial 12 months, our commission in respect of the future period will be discounted as follows:

**2nd twelve months - 20% discount (i.e. fee reduced to 8% + VAT)**

**3rd twelve months onwards - 40% discount (i.e. fee reduced to 6% + VAT)**

The above discounts will **NOT** apply in the event of the tenants comprising of any new individuals at renewal, or in the event of renewal not being notified to us.

Any discount is conditional upon payment by the landlord within 10 days or either the renewal date or the invoice date (*whichever is later*), after which the fee will revert to our standard fee as stated in 2A above, plus interest at **20%** per annum pro-rata.

### B. Comprehensive Letting and Management Service (Managed)

Our standard commission rate is **15%** of the Total Rent payable, **plus VAT**. The minimum fee for this service is equivalent to 6 months commission plus VAT. Commission is taken **10%** Upfront and **5%** Monthly.

**Note:** Commission will be calculated with reference to the term of the tenancy (*see section 5*).

Under the Comprehensive Letting and Management Service, if the letting is extended beyond the original term by the tenants, (*i.e., any of the individuals*), whether or not negotiated by us, our commission in respect of the future period will be charged at the standard commission rate as stated in 2B above.

### C. General notes on commission.

- (I) If the property is sold to the tenant or a connected entity either during or after the expiry of the term, commission on the sale price is payable at **2% + VAT**, and becomes due on the completion of the sale regardless of the date when the sale price is actually paid.
- (II) In the event of a renewal of the letting not being negotiated by us, the landlord agrees to notify us of the agreed rental amount at renewal.



- (III) In the event of legal action being taken by us to recover due commission from a landlord, all parties legal costs and expenses will be borne by the landlord.
- (IV) In the event of the existing tenants effecting an introduction to the landlord of a new tenant to the property, it will be deemed that the new tenant was introduced by Sovereign House Estates Ltd., and a renewal fee will be payable by the landlord to Sovereign House Estates Ltd. based on the above standard commission rates.

### **3. Additional charges**

Should you require an inventory to be taken at the commencement and checked at the termination of the tenancy, we can instruct established firms to act on your behalf. No liability is accepted for any error or omission on the part of the inventory clerk. The preparation of the inventory is charged to the landlord who can re-use the inventory for subsequent tenancies. The cost will vary depending on the work involved.

### **4. Penalty fee**

When an offer has been verbally accepted by a landlord and we have applied for references, should the landlord subsequently inform us they do not wish to proceed we reserve the right to charge the landlord a penalty fee equivalent to the minimum commission outlined above.

### **5. General**

- A. If you do not own the freehold of the property to be let, but occupy it as a tenant or lessee you should ensure at the outset that:-
  - (I) Your lease permits you to let the premises.
  - (II) You obtain the permission of your landlord if your lease requires this and of your Mortgagee, if any.
  - (III) The letting is for a period expiring prior to the termination of your own lease.
- B. If freehold, mortgaged property usually requires permission from the mortgagees to sub-let and it is the landlord's responsibility to obtain this.
- C. It is the responsibility of the landlord to ensure that all furniture supplied to the tenanted property complies fully with the Furniture and Furnishings (*Fire and Safety*) Regulations 1998.
- D. It is the responsibility of the landlord to ensure that all gas appliances are installed and checked annually for safety in accordance with the Gas Safety (*Installation and Use*) Regulations 1994, and to provide the tenant with a copy of the gas safety certificate.



- E. Unless otherwise agreed the rent quoted by us to a tenant will be inclusive of all outgoings for which you are responsible (*i.e. ground rent, service charges etc.*) with the exemption of council tax, gas, electricity, telephone, water and television licence for which the tenant will be directly responsible.
- F. It is necessary for us to allow approximately 10 working days for rent cheques to be cleared before the money can be transferred to your account.
- G. The landlord should ensure that their insurance policy covers furnished lettings and that insurers are aware of the changed circumstances.
- H. The landlord will be informed of any rent arrears or other breaches of covenant of which we are aware. Should it be necessary for a solicitor to become involved you will be responsible for choosing and instructing your own solicitor and for all legal fees involved. A legal insurance policy is available at a small premium for owner/occupiers letting out their property, if required.
- I. All rental income is subject to income tax and in the case of the landlord being resident abroad we may become liable in the event of their default. Arrangements for payment of income tax must be made prior to a landlord's departure abroad, which may involve our retention of a percentage of the "Total Rent Payable" which will be calculated according to the basic rate of tax currently prevailing. We regret that we cannot be responsible for dealing with your income tax affairs, which should be referred to your accountants whose name and address should be given to us.
- J. Except, in certain restricted circumstances, the Housing Act 1988 gives security of tenure to tenants of furnished (*and unfurnished*) premises. Also, in the case of an Assured Shorthold Tenancy, such tenants are entitled to refer the rent payable under the tenancy to a rent assessment committee. Such applications for assessment or appearance before the rent assessment committee or any other court or tribunal will be by special arrangement only and will be separately charged.
- K. Acceptance of the terms set out in this document forms a binding legal agreement and this agreement shall be interpreted only in accordance with English law. Any dispute arising from or in relation to it shall be subject to the jurisdiction of an English court alone.
- L. The tenant will normally pay a deposit against possible dilapidation to the property. Where our comprehensive management is required, this deposit will be held by us as stakeholders. The landlord will not be entitled to any interest which accrues on this sum during the tenancy. Where our simple letting service is required the deposit will be passed on to the landlord at which point our responsibility ceases.
- M. Our employees are bound to adhere to the letting terms and are not authorised to permit or accept any variations of these terms whatsoever.
- N. Unless we receive your specific instructions to the contrary, details of your property may be given on a commission sharing basis to other agents. This involves you in no additional expense and may increase the chances of letting the property.



- O. Save as otherwise agreed by special arrangement in writing we are not responsible for the property before the tenancy commences or between tenancies. Landlords must ensure that the property is thoroughly cleaned throughout, all machines are in working order and furnishings are in good repair.

## 6. Definitions

- A. **"Term"** means the aggregate length of a tenancy negotiated by, or through us on our introduction, and includes any subsequent letting (*whether or not pursuant to the exercise of an option contained in the original letting agreement*) by the same landlord (*or any connected person or entity as herein defined*) to the same tenant (*or any connected person or entity*) whenever the subsequent letting begins within 6 months of the termination of the original tenancy.
- B. **"Connected person or entity"** means (*in relation to a person*) any associate (*as defined in Section 303(3) of the Income and Corporation Taxes Act 1970*) and includes any close Company (*as defined in Section 282 of that act*) in which that person or any associate of his is a participator (*as defined in Section 303(1) of that act*) and also includes any company (*and any connected person or entity of that company*) which shall be employer or former employer or guarantor or former or proposed guarantor of that or former employer or guarantor or former or proposed guarantor of that person and means (*in relation to a company*) any person employed by the company or for whom the company is or has become or proposes to become a guarantor and includes any company which is a holding company of the company or subsidiary company of the company or a member of the same group (*as defined in Section 272 of that act*) as the company.
- C. **"Total Rent payable"** means the total rent which would become due under the tenancy were it to continue (*without interruption*) - for the term stated whether or not the same is actually received.
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# OWNERS INSTRUCTION AND DECLARATION

TO BE COMPLETED BY THE LANDLORD

Re:

*(insert full name and postcode of property)*

I/We agree and confirm **my/our** instructions as follows:

That this agreement is subject to the terms and conditions printed herewith which I/we have read and fully understood and which form a legally binding contract between us.

**Sovereign House Estates Ltd, 324 Mare Street, Hackney, London E8 1HA**

Let **my/our** property under the terms and conditions for the following service(s):

*(please tick as appropriate)*

<input type="checkbox"/>	<b>SIMPLE LET (LET ONLY)</b>
<input type="checkbox"/>	<b>SIMPLE LET AND FULL MANAGEMENT SERVICE (MANAGED)</b>

*(insert FULL names. If the property is jointly owned please state FULL names of ALL the owners. If the property is corporately owned the company's full name and registered office must appear on this form signed by an authorised signatory)*

I/We declare that I/we am/are sole/joint owner(s) of all the freehold/leasehold property as printed above and that I/we have obtained all necessary consents to enable me/us to enter into an agreement to let the above property *(whether superior lessors, mortgagees or others)* I/we confirm that I/we have read the safety section on pages 4 and 5 of the "guide for landlords" document provided in our introduction pack and warrant that all the premises and services, furniture and fixtures and fittings to the property comply *(of applicable)* with the following legislations:

- Furniture and furnishings *(Fire) (Safety)* Regulations 1988 *(as amended)*
- Gas Safety *(Installation and Use)* Regulations 1998
- Electrical Equipment *(Safety)* Regulations 1994
- Smoke Detection Act 1991

I/We expressly consent to Sovereign House giving tenants and prospective tenants **my/our** contact details and **my/our** bank account details for the purpose of this agreement.

<b>Signed:</b>	
<b>Print Name:</b>	
<b>Date:</b>	