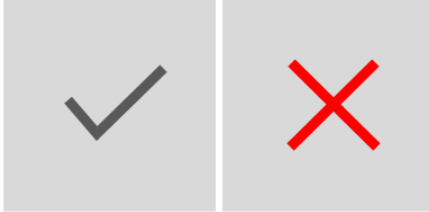


TENANCY R3REFERENCING EXPLAINED



A necessary evil?

Referencing is often a frustrating step in finalising a tenancy agreement in the context of corporate relocations. This factsheet summarises the key steps required to ensure referencing is passed with the minimum of administrative pain.

What is referencing for?

Avoiding bad tenants

Referencing is the best way for Landlords to protect themselves against bad tenants. The due diligence is there to ensure a view can be formed on prospective tenants to establish that:

- they are who they say they are;
- they have the ability to pay the agreed rent; and
- they have a history of paying rent on time and looking after the property in the right way.

As such, referencing often includes employment reference checks, credit checks, passports and utility bills checks, and previous Landlords' character references checks.

Compliance to current legislation

In addition, recent legislation has added to the burden of referencing by placing the onus of further tenants' checks on Landlords and Estate Agents. These are:

- Right to Rent checks ("R2R"); and
- Anti-Money Laundering checks ("AML").

More on each further down this factsheet. For now, let's look at how Landlords form a judgment on whether or not to accept you as a tenant.

Forming a judgment

Referencing is good practice

Referencing, other than R2R and AML checks, is not mandatory; though clearly it is a requirement brought about by the nature of the contractual transaction. And it is generally considered good practice for a reputable letting agent to conduct referencing no matter who or what the tenant is.

Referencing allows Landlords to form a view on whether or not to accept applicants as tenants, ensure they will look after their property in the right manner, and that they will be able to meet their future financial rental obligations.

The practice of referencing

Much of the frustration surrounding referencing stems not from the purpose but from the application of a standard process which does not always allow these checks to be tailored to the commercial substance of the transaction.

R3Location works with Agents to minimise the frustration that can arise as a result of this referencing – as this can erode goodwill between tenants and Landlords even before the tenancy starts.

Main referencing steps

These checks are mostly undertaken by Estate Agents who in turn sub-contract this particular area to external referencing agencies. The latter often apply a tick-box approach to the whole exercise. The bulk of referencing is covered by forms sent by referencing agencies directly to applicants at the time when the offer is accepted.

Standard referencing

Online forms normally require to provide:

- **Personal Details:** Your name and surname, email address and contact number together with your employment status and gross annual income. It will also ask you to confirm that there is nothing that would affect your credit history (such as any County Court Judgements, or Bankruptcy Judgements)
- **Address details:** detail of your current and preceding residential addresses over previous three years;
- **Current Landlord:** details of your current landlord or managing agents;

- **Financial information:** details of your current employment status, your annual income, your employer's details and permission to contact them for an employer's reference. Normally, in order to provide comfort to a Landlord that you can afford the property, annual salaries should be 2.5 times the annual rent to be paid.

Additional mandatory referencing

In addition to the standard referencing, the following will also now be required:

- **Right to rent check:** this to establish that you have the appropriate immigration status to rent in the UK. This applies to all adult occupants, not just the tenant. Agents will need to undertake a visual check of your identity and you will need to present your passport and other relevant (original) documentation such as your Visa for example. Detailed guidance has been issued by R3 already and can be found on [RightToR3nt](#) factsheet.
- **Anti-Money Laundering:** a recent addition to referencing and one that should not be problematic were it not for the fact that the Government has not prescribed any guidelines other than the need for Estate Agents to develop their own policy to ensure compliance with AML. This means different agents are now asking for different things. At its simplest, such requests include a copy of a passport, and a copy of a utility bill that is less than 3 months old.

Finally...what to expect?

Expect a fee

While the exercise is initiated by Landlords for their benefits, part (and sometime all) of the referencing fee is passed onto prospective tenants. This can vary but may well increase in the next 12 months as further restrictions on Agents' tenancy administration fees come into play.

Expect some inconvenience

R3Location will do its utmost to protect you from the different types and standard of requests issued by Agents. Ultimately, this is a rubber stamp procedure that should not impact unfavourably (at this level) on your ability to secure the house of your choice.