

Residential

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Cowboy agents and landlords back in the firing line

RICS urges government to set up body to regulate housing industry. **Doug Morrison reports**

Regulation of the residential property industry is back on the political agenda.

An RICS study has revealed that poor practice and inconsistencies in the level of transparency of professional fees charged within the sector.

This leaves consumers unaware of what they are paying for when purchasing services in an industry that is still open to unqualified people setting up in business and handling large sums of money (see box).

The RICS wants the government to review existing legislation after concluding that landlords, letting agents and managing agents should be regulated by an independent body, such as the RICS-backed Property Standards Board.

The call for reform follows a year-long consultation of professionals and consumers on issues such as commissions on insurance, letting renewals and home information packs, as well as leasehold service charges and valuation fees.

Among the key recommendations are:

- Landlords, letting agents and managing agents should be subject to appropriate regulation to achieve consumer protection, efficient markets and consistency across the sector.
- The Property Standards Board should be given the authority to ensure all landlords, letting agents and managing agents comply with appropriate regulatory requirements.
- The RICS should work with the relevant authorities to ensure there is greater transparency and clarity in the description of mortgage and valuation fees for mortgage applicants.
- Consumers should be made aware of the relevant remuneration, commission and other payments paid on the purchase of insurance. Regulators should also impose requirements to improve transparency in relation to insurance.

Roger Southam, chairman of property management firm Chainbow and a panellist on the RICS transparency working group, believes problems in insurance could be resolved swiftly by the Financial Services Authority (FSA).

"The FSA should implement a clause in all insurance contracts stating that all parties concerned with a property that is being insured are privy to the premium details and what commission is being earned," he explains.

However, other recommendations would require a change in approach by the government, which has been reluctant to strengthen property regulation.



Can you manage for yourself?

Leyton resident Sharon Crossland (pictured) wants greater regulation. The 22-flat block where she lives in east London has fallen into serious disrepair.

Crossland moved into Wellington Mansions in 2003 with her partner, who has been a long leaseholder since 1989. The problems arose mainly because the freeholder was overseas and had never administered service charges.

As a result, the block had no external lighting, no refuse system and a roof that needed replacing.

"We were left to rot," says Crossland.

Eventually, the leaseholders met the criteria to secure the right to manage the block themselves. With the help of property management company Chainbow – whom Crossland met by chance – she established her own management company.

"What we have at the moment is a complete sector that has no entry criteria – anybody can set up as a managing or letting agent," says Crossland.

Apart from tightening up agency, she favours a register of both landlords and freeholders.

She explains: "When we set out to turn around the problems with this block, a private individual had bought the freehold but he was also allowed to set up his family as managing agents. That got me questioning the ease with which managing agents can be established to operate as such without knowledge of the legislation."

"If you haven't got a lot of money to take an errant managing agent to court and unless they're members of the Association of Residential Managing Agents, then you're stuck."

RICS president Max Crofts, who chaired the group, says: "Goodness knows why the government ducks the issue. There is certainly nothing going to happen before the election."

But Crofts adds: "While we have been working on this consultation we have witnessed a change in the banking world. The focus is now on sensible lending, transparency and proper management of risk. However, the current market solutions are piecemeal at best."

Last month housing minister John Healey indicated that a Labour government, if re-elected, would introduce legislation to increase protection to tenants in the private-rented sector. ■

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