



Rightmove Landlord & Tenant Services Referencing Criteria and Guidance

Overview

When we complete a reference check, we are looking at three main points -

- Affordability Assessment
- Rental History
- Credit History

If an applicant has income or liquid funds to the ratio of 2.5 times their share of the rent (annual) they will achieve a pass in that respect. Almost any kind of income can be considered, so long as it is liquid and guaranteed. For guarantors, the ratio rises to 3 times their share of the annual rent.

Affordability Assessment

During the application process, we ask applicants to define their income situation as one of, or a combination of the following:

- Employed
- Self-employed
- Contracted
- Unemployed
- Retired
- Student

We also ask the prospective tenant if they have any savings they would like to declare to support their application - these can be used to augment an applicant's income figure if their salary or other earnings do not meet the affordability criteria.

In any case which requires an applicant to send us evidence of their income, all documents and/or screen-grabs must clearly display the applicant's name and the date for us to be able to use them. If this is not possible for whatever reason, the applicant must send further proof which can be used for cross-referencing purposes.

Anything that we receive in an editable format, e.g. a spreadsheet will not be accepted as valid proof.

Employed

We will require a credible reference directly from the employer via a company e-mail or over a company landline. If we are unable to obtain from either, we will seek bank statements and an employment contract to verify the information provided. In some cases for references from a company email that lack credibility we will ensure to carry out a robust check via the internet to verify all information and contact details supplied.

If there are any overwhelming concerns with credibility, a guarantor or rent in advance will not rectify a failed result.

In certain circumstances some employers may require the applicant to request their reference directly or they are required to provide the reference directly to the applicant. In such cases we will review the reference received and assess whether further documentation is required to support this.

We're able to review commission income on a case-by-case basis, in which the applicant has been employed by the company for a minimum of six months. We would request a minimum of six months' payslips and we would work out an average of the monthly commission which will then be added to the basic salary.

We are unable to accept bonus/allowances unless they are contractually guaranteed by employers and even then, this must be reviewed on a case-by-case basis. Employment must be permanent and ongoing for the duration of the proposed tenancy.

Persons employed on a zero-hours/temporary contract will require a credible reference directly from the employer via a company e-mail or over a company landline, confirming they have been employed for at least 12 months. For zero hours, we also require confirmation of their average hours per week and hourly rate. In some circumstances it may also be necessary for us to see payslips up to 12 months.

Self-employed

Self-employed persons (including directors of limited companies, if they hold more than a 5% stake in the business) must provide documentary evidence of their income, in the form of their last 3 months' personal bank statements. If the applicant has an accountant, a reference will also be requested.

The bank statements provided must be complete (not just cover pages) and cover a period of 3 consecutive months minimum, historically from the date of our request. Business bank statements will not normally be accepted, as we are looking at individual income, rather than the turnover of their business.

In some cases, for instance sole traders who do not have a personal current account, we may accept business bank statements, but this will be decided by management on a case-by-case basis.

We will assess the personal statements by totalling income over the period received, calculating a monthly average and then using that average figure to project an estimate of earnings over the coming 12 months.

We obtain an accountant's reference (if applicable - many sole traders or small businesses self-assess) to give us an idea of the applicant's earnings over the last financial year. This builds up a picture of how consistent a self-employed person's income is historically and combined with the evidence of current earnings, allows us to be confident in the figure we attribute to the application.

It should be noted that applicants who list themselves as contracted or employed but as a director/vice president/CEO etc will be contacted to query their shareholdings/employment terms (e.g. sub-contractor) or if they are employed through their own limited company or as a sole trader. It may also be necessary to assess their income in the same way we assess self-employed applicants.

If an applicant has been self-employed for anything less than three months, they will require a guarantor or must pay full rent in advance.

If a guarantor has been self-employed for anything less than six months, they will not be suitable to stand as guarantor.

Retired

Retired persons must provide proof of any pensions or benefits they are in receipt of.

Acceptable documents to prove pension income are either the applicant's most recent P60 form, entitlement letters from pension providers, or three months personal bank statements.

Other forms of pension documentation will be reviewed on a case-by-case basis.

Student

Students will be asked to provide proof of their student loan entitlement as this typically will make up their entire income. Part-time work is also common in student applications, in which case an employment reference will be sought in line with the criteria outlined above for persons who are traditionally employed.

In general, most students will require a guarantor to support their application, as even combined with part-time work their student finance entitlement will not normally be sufficient for all but the cheapest of properties. In our experience, many students will be first time renters, and the presence of a guarantor can offer valuable extra security.

- Whilst assessing student income, any income the student has already received or will receive before the start of the tenancy will not be considered
- We require the student finance for the academic year that will cover the tenancy - we are unable to accept proof from previous academic years

Benefit Income

Applicants in receipt of benefit income will be required to provide documentary proof of benefits either in the form of their most recent award letters or their last 3 months' personal bank statements.

We are happy to take a view on all forms of benefit income, provided we can see sufficient evidence that they will continue at the prospective address.

Universal Credit

To assess Universal Credit, the applicant must provide their last 3 months, full breakdowns of their payments. These can be obtained from within their online Universal Credit portal. Bank statements cannot be accepted when assessing universal credit.

Savings

In cases of assessing an applicant's savings, we require a personal bank statement in the applicant's name dated within the last 30 days. We will also accept a credible screen-grab. Savings must have been present in an account for at least 30 days before they are acceptable.

- **Stocks and Shares/Investments** - RLTS are unable to accept stocks and shares towards an affordability assessment, as their value is subject to change and not guaranteed. In very exceptional circumstances we may be able to count stocks and shares towards savings, should they be substantially larger than the required amount. This will be decided on a case-by-case basis by management.

- **Proceeds of a property sale** - If an applicant has advised that they are selling their property, and that their income calculation will be based partly or in whole on this, the funds must be cleared into a current or savings account before they can be counted. Solicitor's letters cannot be treated as acceptable proof of savings as house sales can still fall through at the last minute.
- **Savings held in a business account** - We are unable to accept savings held in a business account, even if the applicant is the owner of the business as we are unable to determine if those funds are for business or personal use.

Please note – If a Rent Guarantee & Legal Expenses policy is purchased when savings have been used towards affordability, the tenant must be re-referenced in advance of any subsequent policy renewal to reconfirm that sufficient savings continue to be held, or they have a new income stream to achieve affordability.

Rental Income

To assess rental income the applicant must provide their last 3 months' personal bank statements and a signed tenancy agreement, showing consistent receipts of payments from their tenants and an accountant's reference confirming income (if applicable).

Rent In Advance

If a client informs us that a tenant is paying rent in advance, this will be acceptable in most circumstances, unless there is clear risk to the landlord of the tenant taking charge of the property, e.g. an extremely negative reference from the previous landlord. Applications such as this will be dealt with on a case-by-case basis by management.

Please note – If an insurance policy is purchased on a property which has had rent paid in advance, the policy will be Legal Expenses Insurance only, and there will be no rent guarantee cover. At a renewal stage, the tenant(s) must be re-referenced to confirm that they can achieve the affordability threshold in order to be eligible for a Rent Guarantee & Legal Expenses policy, otherwise the policy will renew as Legal Expenses only.

Rental History

If an applicant has declared that they have been in rented property within the last three months, we will look to obtain a reference from their landlord/managing agent. This should confirm that the applicant has met the obligations on their tenancy agreement to the landlord/managing agent's satisfaction.

A landlord's reference request consists of the following questions, along with confirmation of the address -

- Was the applicant's rent always paid on time?
- Did the applicant maintain the property's condition to an acceptable standard?
- Would you recommend the applicant as a tenant to other landlords?
- Do you consider the applicant to be trustworthy and honest?
- Do you have any other comments or information you feel we should be aware of?

This reference will likely be taken from the named referee on the application and could be either written (email or hard copy letter) or taken verbally over the telephone. When obtaining a landlord's reference, the team will take all reasonable steps to ensure that the referee is qualified to give the reference.

If rent has been paid late on no more than two occasions by less than a week in the last three years, it will not affect the result of the reference; it will however be noted in the final report. If rent has been paid late

on more than two occasions, or by more than a week in the last three years, the reference will fail.

Negative comments regarding property maintenance, trustworthiness or general performance of the tenant will generally not cause a fail due to subjectivity, but will be noted in the final report so the prospective landlord can make an informed decision.

In the even we are unable to obtain a landlord reference or we have concerns about the credibility of the reference we can seek a copy of the applicant's most recent tenancy agreement and 6 months' statements to confirm payment of rent.

Credit History

When completing a reference check, we will search the database of our credit referencing partner, Equifax, to check that the applicant meets the minimum credit worthiness standard and that they do not have any negative credit history such as CCJ's, bankruptcy or IVA's. The credit data we retrieve is the highest grade available to our industry, and we chose Equifax to provide this as they have the largest and most complete database in the country.

The search we conduct is a 'Soft' search and will not be visible to lenders or credit providers should the applicant apply for a mortgage or loan in future. The search will show on a personal credit file, but as mentioned will in no way have any effect on an applicant's ability to obtain credit in future. We are looking to see that any applicant has a credit score of at least 650 and that their record is free from detrimental information.

In order to provide a degree of flexibility around adverse credit, our standard criteria will allow for one CCJ (or equivalent) up to the value of £300. This would be acceptable without the need for a guarantor.

Adverse credit history can be quite common, so instead of immediately failing a reference where detrimental information is found, we would approach our client to explain the situation and check if a guarantor would be acceptable in this instance. We would recommend a guarantor in cases such as this, to alleviate some of the risk associated with renting to persons with poor credit. If a guarantor is subsequently added to the application, and they are able to pass referencing, then the tenant will also be awarded a pass result. If a guarantor is not added, the reference will fail.

As part of the credit checking process, we look for any credit accounts in the applicant's name at their current address. Our checks include mortgages, loans, utility accounts, mobile phone accounts and so on. The main reason that we look for linked accounts when credit checking is because they are a good indicator that the person we have checked is not using a fake name/fraudulent identity. The kind of accounts we look for are all governed by the Consumer Credit Act and obtaining an account of this kind using a false identity is near enough impossible due to the rigorous and stringent checks made by lenders prior to granting credit.

Occasionally there will be no credit accounts found following a credit search. This may occur for a number of reasons - the applicant may not have kept their address up to date with any lenders, the applicant may not have any accounts in the first instance, or all the accounts may be registered in a spouse or partner's name. It is important to note that not all lenders or credit providers report their customers account status to Equifax, and as such an applicant may have accounts at their address but they may not show on their credit report.

All that we advise you do if an applicant has no accounts showing, is to be vigilant when checking their ID - the possibility that they are using a fake name is remote, but you can reduce this possibility to zero by ensuring that the photo ID they provide matches the person in question.

Debt Management Plans and Voluntary Arrangements are not recorded by credit reference agencies and as

such do not appear on an applicant's credit file. However, if an applicant self-reports this to us via their application, or we find evidence of such an arrangement, we will always investigate this. The nature of the DMP or VA will likely result in the applicant needing a guarantor to support their application, or pay rent in advance.

Summary

If an applicant is proven to earn at least 2.5 times their share of the annual rent, they have a credit score of 650 or above with no detrimental information and have been a well-behaved tenant in their current tenancy, then they will achieve a pass result. If any of those criteria are not met, the likelihood is that the reference will fail, or they may require a guarantor.

Please be aware that this document is designed to provide guidance on most scenarios but is not an exhaustive list. There may be times where management perceive a prospective applicant to be of high risk; in such cases more evidence may be sought, or applications may be refused.

If you are ever in doubt as to whether an applicant's circumstances may cause them to fail referencing, please do not hesitate to call one of our trained administrators on 0191 256 0920 - we are happy to advise you at any point.