

Gilli today announced that it has chosen The Deposit Protection Service (The DPS) to protect tenancy deposits.

Press release, 24 April 2010

“We believe that The DPS provides the best protection for both tenants and landlords with all deposit related funds being automatically ring-fenced,” said Vladimir Romaniv, Director at Gilli.

From 6 April 2007, all deposits (for rent up to £25,000 per annum) received by landlords and letting agents for Assured Shorthold Tenancies (‘AST) in England and Wales, must be protected by a tenancy deposit protection scheme. This means that if a landlord or an agent has not protected the tenant’s deposit within 14 days of receiving it, they can be ordered to repay three times the amount of the deposit to the tenant.

The DPS is the only Government-authorized custodial scheme. It works by holding a tenant’s deposit, free of charge, for the term of the tenancy agreement. At the end of the rental period, the deposit, and a portion of the interest it has accumulated, is paid back to whoever is entitled to it. The remaining interest is used to fund the service.

The remaining two schemes, Mydeposits and The Tenancy Deposit Scheme (TDS), are insurance-based schemes. “On most tenancy agreements estate agents put the clause that deposits are protected by one of the licensed schemes. This clause in a contract may create a false sense of security for landlords, particularly if the agency goes into liquidation,” said Mr Romaniv. The landlord remains ultimately responsible for tenant’s deposit and return of it at the end of the tenancy.

Since the credit crunch some estate and letting agents were adversely affected. Inzo, a well-known Fulham-based estate agency, went into liquidation in April 2009 leaving thousands owed to landlords and tenants, in unpaid deposits and rent. Inzo was registered with one of the insurance-based schemes and had deposits kept on its accounts. When the company ran out of cash it used clients deposits as trading finance.

This issue of protecting a deposit will become even more important for landlords as from October, 1 2010. According to the current legislation associated with the Housing Act 1988, a property cannot be let on an AST if the annual aggregated rent exceeds £25,000. It has been proposed that the maximum rent threshold should be increased to £100,000 as from 1 October 2010. Not only will this change take immediate effect for new tenancies granted from 1 October, but the government also intends the threshold to apply to existing tenancies already granted. If a landlord fails to register the rent deposit for an AST, he risks being fined up to three times the value of the deposit and losing the right to seek possession of the property.

About Gilli:

Gilli® is a London online estate agent, dealing with both lettings and sales. Gilli is trading name of LGR.net Ltd. The company was founded in 1996 and from 1997 its specialised in Internet property marketing, covering primarily London areas.

<http://gilli.co.uk>