

# WELCOME TO OUR GUARANTORS GUIDE FOR RESIDENTIAL LETTINGS

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The guarantor is the landlord's insurance policy against tenant default. It is important that you are aware of your responsibilities as a guarantor.

The guarantor pays the landlord the rent if the tenant defaults and they pay the landlord his losses, expenses or damages where the tenant fails to carry out their obligations under the lease.

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# WHO CAN BE A GUARANTOR?

Where a guarantor enters into an agreement he or she normally agrees to meet the full obligations under the tenancy agreement on the tenant's behalf.

This may include rent arrears, damage to the property, or other liabilities and obligations arising from the tenant's failure to comply with the lease covenants. The guarantor is contractually bound to accept these legal liabilities of the tenant and will be sued if they don't comply.

As with most types of legal action, claims against guarantors have been on the increase in recent years so the role of guarantor is quite an onerous one and not one to be entered into lightly.

The guarantor would usually need to be a home owner with steady long-term employment if she is to satisfy the requirements of a good credit score to become a guarantor. Parents of young people or students are often asked to guarantee their children's rent. This, hopefully, is less risky for the parent, as they know that their child can be trusted?

However, parents need to be cautious here because joint residential tenancies for students or groups usually carry joint and several liability - this means that the parent is, in effect, guaranteeing all the other residents as well, not just their child!

A guarantor will be required to do two things:

Complete a Guarantor's Application form  
Sign a Guarantor's Agreement

The guarantor's application form is similar to the tenancy application.  
Credit searches and references will be checked and all of the following:

- The individual's identity
- The property to be let
- Guarantor's personal details
- Residency information
- Legal history and any CCJ's
- Employment history
- Accountants, solicitors, character referee
- Bank and trade references for businesses
- Declaration allowing credit search



# GUARANTOR AGREEMENT

The wording of the Guarantor Agreement is crucial. This is a legal contract and will be strictly enforced by the courts according to how it is worded - there is no standard form or statutory Guarantor Agreement.

If the agreement states that the guarantor is a primary obligator the guarantor will be obliged to carry on paying until the end of the term certain, or when the tenant leaves if the tenancy has become a periodic one.

On the other hand, should the agreement state that the guarantor indemnifies the landlord against losses due to the tenant's default or failure to observe the agreement terms, then the landlord is obliged to minimise their losses.

For example, the landlord may be expected to use possession proceeding or re-let as soon as possible if the tenant leaves within the term certain, leaving the guarantor to pay his rent.

However, the guarantee agreement may state that the landlord is not obliged to minimise his losses, in which case he could sue and the guarantor would have to keep paying. In extreme cases the guarantor may be forced to sue the tenant for damages and apply to take over his tenancy, thus making it possible for her to terminate the tenancy agreement.

Particular care needs to be taken by guarantors of commercial leases where obligations can be for many years. Here, guarantors could find themselves guaranteeing the lease of a failed business, or where the tenant has varied the lease terms to the detriment of the guarantor.

Guarantors can therefore find themselves completely taking over the obligations of the original tenant, taking on more onerous terms or continuing to underwrite the lease for subsequent tenants.



# SETTING UP THE TENANCY

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## 1. References and Financial Checks:

We carry out strict referencing procedures, using a specialist independent referencing company who demand the highest standards in the industry and have over ten years experience. This essential and detailed process gives us an understanding of your personal and financial circumstances in addition to previous agent/landlord/solicitor references. Specialist personnel are on hand to deal with applications from foreign nationals, overseas applications, limited companies and other firms.

## 2. Tenancy agreement :

The Housing Act 1988 (as amended by the Housing Act 1996) specifies the types of tenancy and whilst there are several types, it is almost certain that the tenancy of the property will be an 'Assured Shorthold Tenancy'. Empire Estates use a comprehensive tenancy agreement. Tenancy agreements are normally for an initial term of six months or one year and usually thereafter renewed for a further term.

## 3. Inventory/Schedule of Condition:

It is essential to have an independent inventory/schedule of condition prior to each tenancy and we can arrange this on your behalf. You will be expected to sign the inventory and initial every page.

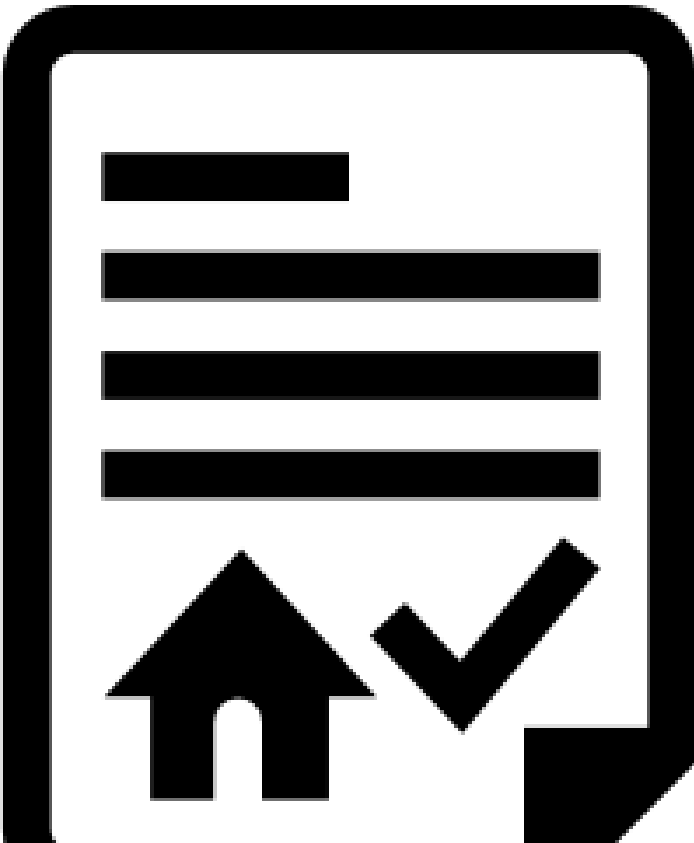
At the end of the tenancy the property is inspected and any damage or deterioration to its condition is noted. You are responsible for the cost of rectifying any damage, above what is considered to be fair wear and tear, caused by you at the property and this cost is deducted from your deposit.

**4. Rental Payment and Deposit:** Before you sign the agreement, we must receive cleared funds including the payment for the first months' rent and the deposit. The deposit is usually the equivalent of six weeks' rent. We always ensure that funds are cleared before you are allowed to move in. At the same time we process a standing order in respect of future rental payments.

## Tenancy Deposit Protection

Landlords are required to join a tenancy deposit scheme, if they take deposits. This will mean that deposits are safeguarded.

The scheme offers alternative ways of resolving disputes which aim to be faster and cheaper than taking court action



# COMMITMENT TO EXCELLENCE

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Our highly experienced team are always willing to help and we aim to try and take away all the stresses and strains that are associated with the property industry.

The team are committed, professional and enthusiastic, and they all have comprehensive local knowledge and lettings experience.

We believe in building long lasting relationships with our tenants, many of whom have been with us for several years.

We pride ourselves on great customer service with an ethos to continually exceed expectations of our new and long standing customers.

**The Property Ombudsman:** We are a member of the Property Ombudsman.

This is a fair and independent service for dealing with unresolved disputes between tenants or landlords of residential property in the UK.

**Client Money Protection:** We are members of Lonsdale PI + CMP Scheme.

**We are Members of the RLA Residential Landlords Association.**

