



Introduction

The National Approved Letting Scheme (NALS) www.nalscheme.co.uk is committed to raising standards in the Private Rented Sector and ensuring that it operates fairly for all; agents, landlords and tenants.

Houses in Multiple Occupation (HMO), additional and selective licensing schemes are part of the drive to improve standards and protect tenants. However, over the past few years we have seen a plethora of schemes operating in the capital, charging a variety of fees which place a financial burden on landlords who also have to grapple with different licensing criteria applied in individual boroughs.

NALS commissioned London Property Licensing* to carry out research on fee levels for existing licensing schemes.

In addition to the mandatory HMO licensing schemes that operate across England and Wales, there are 29 separate additional and selective licensing schemes operating in London.

Based on our own research, these schemes have extended licensing to an estimated 235,000 properties (as of November 2017). A separate application is required for each licensable property.

Failing to submit a licence application for a licensable property creates a significant compliance risk for the landlord and their letting agent (if any). It is a criminal offence which can result in prosecution and a hefty fine, a civil penalty of up to £30,000, an order to repay up to 12 months rental income and the inability to evict the tenant using a Section 21 notice of seeking possession.

This research summary explores the licence application fees charged by the London Boroughs in the period 2014/2015 to 2017/2018. We only collate this data for the London area and do not comment on licensing fees charged in other parts of the country.

Research Summary

Mandatory HMO Licensing

Mandatory HMO licensing was introduced in April 2006 and operates across every London Borough. It applies to all privately rented homes that are three or more storeys in height, occupied by five or more people comprising two or more households and where there are shared facilities (kitchen, bathroom etc).

For comparative purposes, we have analysed the licence application fee for a three-storey shared house containing five single person lettings.

In 2014/2015 the average licence application fee was £902

In 2015/2016 the average fee was £943 – an annual increase of 4.5%

In 2016/2017 the average fee was £1065 – an annual increase of 12.9%

This upward trend in fees looks set to continue. Since April 2017, over a quarter of boroughs have implemented a further increase in fees. The average fee for a three-storey shared house containing five single person lettings is now £1119, a further annual increase of 5%.

Additional Licensing

Additional licensing schemes have been implemented in half (51%) of London Boroughs. Some schemes extend borough wide while others concentrate on smaller geographical areas. These schemes extend licensing to a wider range of HMOs, although each scheme has different requirements.

The average licence application fee for a shared house containing five single person lettings is now £1164. This is slightly higher than the level charged for mandatory HMO licensing.

Selective Licensing

Selective licensing schemes have been implemented in a third (33%) of London Boroughs. Some schemes extend borough-wide while others concentrate on smaller geographical areas. These schemes extend licensing to all private rented properties that are not already licensed under a mandatory HMO or additional licensing scheme.

The average licence application fee is currently £560 which is about half the fee charged under the mandatory HMO and additional licensing schemes. These are often houses and flats occupied by a single household on a lower rent which may help to explain the lower fee.

Observations

Whilst selective licensing fees have remained relatively stable, mandatory HMO licensing fees have increased 19% in the last two years and additional licensing fees have shown a similar increase, leading to upward pressure on the cost of private renting.

Local Authorities need to develop a more efficient and streamlined approach for handling licence applications that provides a light touch approach for the majority of compliant landlords whilst freeing up resources to tackle criminal landlords that seek to evade their responsibilities and place their tenants' lives at risk.

The figures quoted in this report relate to each borough's standard schedule of fees. It does not include early bird or accreditation discounts that are offered by some councils, or higher charges that are imposed in certain circumstances.

The average fees referred to mask significant variation between boroughs. Five boroughs charge a mandatory HMO licensing fee of at least £1,440 and one borough charges £2,500 for a shared house containing five single person lettings. Three boroughs charge no more than £650 for the same property.

Application fees for larger properties with higher occupancy levels can be more expensive. Some boroughs cap the maximum fee charged per property whereas others do not.

Whilst most licences are issued for five years, one borough issues mandatory HMO licences for three years and some boroughs issue shorter one year licences if they have concerns about the use, condition or management of the property. If the licence holder changes, a new licence application is required and the fee must be paid again. Likewise, if a property changes from an HMO to a single family let or vice versa, a new licence application and fee may be required.

The application fee is not the only aspect of licensing that drives up costs for private landlords and letting agents. Licence applications can take a considerable period of time to prepare and landlords and agents can require specialist assistance to manage the application process. A measured floorplan is sometimes required and the licence can impose additional requirements for the use, condition and management of the property.

Licensing Fee Research 2017

Council	2014/15 Mandatory licensing fee (5 units)	2015/16 Mandatory licensing fee (5 units)	2016/17 Mandatory licensing fee (5 units)	2017/18 Mandatory licensing fee (5 units)
Lewisham	£900	£900	£2,500	£2,500
Greenwich	£700	£714	£721	£1,885
Richmond upon Thames	£1,285	£1,315	£1,400	£1,737
Westminster	£1,425	£1,425	£1,425	£1,425
Hammersmith & Fulham	£1,200	£1,200	£1,400	£1,400
Wandsworth	£1,070	£1,070	£1,470	£1,358

Kensington & Chelsea	£1,336	£1,336	£1,336	£1,336
Lambeth	£1,250	£1,250	£1,250	£1,335
Islington	£1,000	£1,300	£1,300	£1,300
Southwark	£900	£1,250	£1,250	£1,275
Croydon	£1,200	£1,200	£1,200	£1,250
Ealing	£1,144	£1,157	£1,250	£1,250
Harrow	£1,250	£1,250	£1,250	£1,250
Kingston upon Thames	£1,000	£1,000	£1,200	£1,200
Hounslow	£1,046	£1,069	£1,123	£1,123
Havering	£640	£646	£1,060	£1,081
Newham	£950	£1,050	£1,050	£1,050
Haringey	£1,040	£1,040	£1,040	£1,040
Barnet	£985	£989	£1,008	£1,008
Bexley	£400	£400	£1,000	£1,000
Bromley	£1,000	£1,000	£1,000	£1,000
Merton	£1,000	£1,000	£1,000	£1,000
Waltham Forest	£930	£930	£930	£1,000
Hillingdon	£480	£980	£980	£980
Sutton	£875	£900	£925	£925
Barking & Dagenham	£714	£714	£900	£920
Redbridge	£670	£670	£800	£800
Hackney	£730	£750	£750	£750
Camden	£828	£675	£675	£743
Tower Hamlets	£567	£695	£700	£700
Enfield	£600	£600	£600	£650
Brent	£540	£540	£540	£540
City of London	£110	£110	£110	£110

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*The research was conducted by independent housing consultancy London Property Licensing for NALS between November 2014 and November 2017. For comparative purposes, the figures quoted relate to each council's standard schedule of fees for a three-storey shared house with five single person lettings. The information has been collated from each council's website, FOI and/or other information requests. It does not include any early bird or accreditation discounts, or higher charges such as 'finder's fees' that are imposed in certain circumstances.