

Added value

The services offered by referencing providers are increasingly expanding to products which provide agents with commission as companies attempt to help agents counteract the tenant fee ban. "Over the last two years we've been dramatically expanding our range of products and services, which we've ensured are all designed to be fair to all and in compliance with the new rules. We recognised that letting agents would need help to become more efficient and find new ways to generate additional income, while reducing their current business costs, so we've been working to provide as many income opportunities as possible under one roof, so that our clients can benefit from the efficiencies and cost reduction associated with using a single supplier," says Heidi.

Ati Abatay says Home PPL has been adopting a similar approach. "The tenant fee ban is the hottest topic of our industry. Just like any other provider within the market we have made certain changes. We have always had value-added focus, so we had previous partnerships in place that we offered to our clients. But right now with the tenant fee ban, we have struck new partnerships and we are offering new deals so that clients can offer additional products and services to their tenants to first, compensate for the amount of money they are expected to lose when the tenant fee ban kicks in and additionally increase their offering to their tenants so the tenants move into the property much easier with more convenience."

This is even the case when referencing prices are low, for example, at Vouch. "Vouch also offers automated new revenue streams. Things like utility notifications, it will handle that and also insurance products such as rent guarantee. It's all nice and easy and designed to bring some money back into your business," says Tillyer.

"Obviously the extra income streams are going to be absolutely key in terms of going forward – it could be the difference between making it and not for some agents. We are not saying this is going to fix the whole tenant fee situation for them – it's not – but this is a good step in the right direction."

Signs of change

Some providers don't offer commission, but instead sell insurance products that agents can then sell on to their clients. At LetHQ, for example, Skinner says agents are increasingly doing so with its rent protection insurance. "What we find is that the agent will buy it off us for £99 and then they will include it as part of their management package or they will upsell it to their clients. They might charge the client £150 for it."

Some agents, however, are more focused on price than addition revenue streams. "Many companies offer commission, however this is not our main focus. We are looking to achieve the best price we can for our clients, who are likely to take over this cost," says Catherine Cockcroft, Head of Lettings at Aylesford International.

Many agents expect to pass the cost of referencing directly on to their landlords, although there are still some that believe,



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Letting agents should beware of cutting costs. Referencing shouldn't be downgraded; it is an investment in your client's most valued asset.”

Vivienne Nelson Reference My Tenant

mistakenly, that they will be able to refer tenants to referencing agencies directly, meaning the tenant will pay the company. This view is perhaps understandable given some referencing providers have been advertising direct-to-tenant offers.

However, ARLA Propertymark Chief Executive David Cox warns agents against this once the fee ban is in place. "Once the tenant fees ban comes into force, agents will not be able to send tenants off to a third party referencing agency (if obtaining that reference comes at any cost to the tenant). Clause 2(2) of the Tenant Fees Bill is very clear on this point."

Dangers of DIY

Although many agents are talking about passing on costs to landlords, there is some doubt in this marketplace about how willing to accept extra costs landlords will be, particularly in light of the other cost increases they are already facing due to tax changes.

"Don't be surprised to see some agencies take referencing in-house in a bid to cut costs," says Nel at Johns & Co.

Josh Sagal of Glentree Estates agrees, but thinks this would be a mistake. "Personally, I think moving away from professional referencing companies is very risky and by doing this you are not providing a

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service to your client. In addition to the credit score (something you won't see from bank statements, payslips or employment letter), agents are not trained to spot whether or not a bank statement is fraudulent. This is something someone in a referencing agency will see immediately."

Others are worried agents will stop referencing altogether, which would have a knock-on effect on other services to agents. For example, Housing Hand's Group Operations Director Terry Mason says this would have a big impact on his firm, which provides guarantor services to tenants who don't pass traditional referencing.

"What we don't want is landlords and letting agents saying 'well we're not going to bother referencing then,' because that would be absolute chaos."

Housing Hand, which works with 4,000 agents across the country, relies on the referencing information passed over by agents, typically taking on not the tenants that fail outright, but those who are a pass if they can provide a guarantor. "If agents stop referencing then we would probably have to start referencing ourselves. But then we'd have to increase our prices.

"It's a bit like a spread bet. More people are genuine and pay than don't but it's not a big enough difference to say we will accept them without a reference. We still need the letting agent to do the referencing."

While many may indeed be looking for ways to cut costs, the vast majority of agents are likely to agree tenants still need to be referenced. But by which company, at what price and with what extra benefits is certainly something many are now thinking hard about. ■