

# Case Study

## Rent to rent

### Key topics

Guaranteed rent agreement and cannabis cultivation

### Requested resolution made by complainant

- Pay the rent owed to the landlord
- Pay for the stress and inconvenience
- Pay for loss in rental income because of the damage to the property
- Refund administrative costs

### Award

- Pay £1,474 compensation equivalent to the outstanding rent and for stress and inconvenience
- Provide a written apology for not responding to the formal complaint

### Resolved by

Default decision

### What happened?

The landlord said:

- the agent was instructed to manage two properties on their behalf
- the agent allowed both properties to be used to cultivate cannabis
- the agent did not pass on the rent to be collected
- both properties were substantially damaged
- he had tried to contact the agent and give them time to put things right, however, they did nothing

The agent provided no rebuttal statement or evidence to support their defence.

### Key evidence

Correspondence, photographs, management agreements and tenancy agreement

### What was decided and why?

Cannabis cultivation and property damage

1. The Property Redress Scheme has no the authority to make decisions on criminal matters, so was unable to deal with allegations that the agent was involved with the tenants growing cannabis at both properties. The landlord was already in contact with the police, we also recommended the landlord take independent legal advice to explore any other options of pursuing the agent

2. What the Property Redress Scheme was able to consider was whether the agent was responsible to the landlord, in any way, for the tenants growing cannabis. Examples would be if the evidence showed that the agent did not carry out proper tenant referencing or carry out regular inspections, in line with their management agreement
3. In this case, the evidence clearly showed that the agent had carried out the necessary referencing. In addition, the landlord discovered the cannabis was being cultivated only one month into the tenancy. It would be unreasonable to expect the agent to have inspected the properties in this short amount of time so the agent was not found responsible for the damage caused to the property

#### Rent

4. While the agreement was called a 'management agreement', it included the following term: "Also the Agent shall forward £800 from the rent amount every month for the tenancy starting 02/01/2021 with no void periods for the full 12 months." In effect, the agent agreed to pay rent to the landlord monthly, with no conditions attached
5. This effectively created a 'guaranteed rent' agreement, even though the tenancy agreement named the owner landlord, as the landlord, and the agent was found responsible for paying the set amount of rent for the properties
6. The landlord confirmed they regained possession of the property on or around 23 February 2021 after the criminal activity was identified, with the help of the police
7. While the landlord did not formally end their management agreement with the agent, the agent's contractual responsibility ended once the agent no longer collected the rent or had any control over the properties. What the agent was found responsible for was rent up to 23 February 2021, when the properties were repossessed by the landlord

### How can you avoid this happening in future?


- Always carry out thorough referencing on prospective tenants to protect all parties
- Make sure there is a good inventory in place
- It is good practice to [check a property soon after a tenant moves in](#)
- Landlords should be aware of the kind of agreement they are signing and what it means:
  - It is more common for an agreement between a landlord and agent which includes a term holding the agent directly responsible for paying rent to the landlord for a fixed term, such as above, to name the agent as the landlord, and not the owner landlord
  - In effect, the agent is acting as the landlord's tenant and the person occupying the property is the agent's tenant, or sub-tenant, having been sublet the property by the agent, usually for higher rent than the agent is paying the landlord
  - It's important that an agent clearly and thoroughly explains this type of agreement with a prospective owner landlord client before they enter into a contract so the landlord understands how their contractual relationship with the tenants is affected, who will be occupying the property and any effect this has on the owner landlord's rights over the property
- A normal management agreement will not guarantee the rent to the landlord for a fixed amount of time

mydeposits has produced a comprehensive guide to avoiding the pitfalls of rent to rent, [The ultimate guide to rent to rent](#).

The Property Redress Scheme has produced rent to rent guides for landlords and tenants which you can find in our [resources](#).

## Contact Us

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