

Rent Guarantee Insurance Claims

User guide



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How do I make a claim?

After reading the following, you can submit a claim here.

For a claim to be successful the referencing requirements detailed below must be satisfied and copies of legally required documentation need to be made available.

In the event of missed rent, in the first instance you should contact the tenant to establish the reason behind the missed rental payment and try to agree a payment plan. Regardless of what is agreed at this stage, you should still submit a claim and upload the relevant documents and information. This documentation will be reviewed by the insurer's solicitors to ensure there is a reasonable prospect of evicting the tenant. There must be a reasonable prospect of an eviction succeeding for the claim to proceed.

If your landlord's tenant falls into arrears, you have 90 days to submit a claim on the rent guarantee policy, but we always recommend submitting within 60 days as one month's rent is taken from claims notified between 61 and 90 days.

For the claim to be valid, the tenant must be in arrears by two full monthly rental payments (for example, if the rental amount per month is £1000, a claim could be triggered if the tenant misses two full months' payments equalling £2000, or if the tenant underpaid by £500 over the course of four months' which equals £2000).

Assuming two full monthly rental payments have been missed and the conditions relating to referencing and legal documents have been met, the policy will act to issue the relevant section notice to initiate eviction proceedings and make the rental payments. Payments are made until vacant possession is gained (up to 15 months).

At the conclusion of the claim, the final payment will be made and you will have the possession of your property which you can then re-let.

Cover is also provided for rent recovery (legal costs incurred in the recovery of an undisputed debt) and dilapidations (legal cost of pursuing the tenant for the cost of repairs or damage over and above general wear and tear). To benefit from this cover, there must be a minimum of £1000 in arrears and dilapidations and a minimum of 51% chance of success. To achieve the 51% chance of recovery we would be looking to be able to take the tenants to court and for them to have the financial means to satisfy a judgement.

What isn't covered under a rent guarantee insurance policy?

- Where there has not been two full months of rent arrears.
- Issues that have arisen before the policy start date.
- Issues that happen within 60 days of a new policy when the tenant was an existing tenant in the property prior to cover (unless you held comparable cover for a minimum of six months immediately prior to purchasing the policy).

What is the tenant referencing criteria?

We're flexible with allowing you to use a tenant referencing partner of your choice. For a rent guarantee claim to be successful, you must satisfy the following referencing requirements.

Tenants:

Affordability

Evidence showing income received by the tenant(s) amounts to at least 2.5x the rental amount, which can be achieved either fully or as a combination of the following methods:

- Gross Employment Salary - employment must be on a permanent contract or a fixed term contract that runs up to or beyond the end date of the policy.
- Pension Income
- Self-Employment Income
- State Benefits



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Or

Evidence of immediate access to savings of at least 6x the monthly rent, that they have held for at least the last six months.

We would also accept verification of affordability for long standing tenants on the basis that they have paid their rent on time for the prior 12 months (within 31 days) and the landlord/agent is not aware of any changes to their income.

In addition to the affordability requirement, there also needs to be:

Credit check

Confirmed credit check from a licensed credit company showing no outstanding or satisfied CCJs, IVAs, CVAs or undischarged bankruptcies in the previous 3 years.

ID

Right to rent checks, or two forms of ID - one of which is a Government issued ID.

Guarantors:

Affordability

Evidence showing income received by the guarantor(s) amounts to at least 3x the rental amount, which can be achieved either fully or as a combination of the following methods:

- Gross Employment Salary - employment must be on a permanent contract or a fixed term contract that runs up to or beyond the end date of the policy.
- Pension Income
- Self-Employment Income
- State Benefits

Or

Evidence of immediate access to savings of at least 6x the monthly rent, that they have held for at least the last six months.

In addition to the affordability requirement, there also needs to be:

Credit check

Confirmed credit check from a licensed credit company showing no outstanding or satisfied CCJs, IVAs, CVAs or undischarged bankruptcies in the previous 3 years.

ID

Right to rent checks, or two forms of ID - one of which is a Government issued ID.

What legal documentation do I need for a claim to be valid?

In addition to the tenant reference checks, the agent must also ensure that all legal documentation is in order and correct. The following documents will be requested when processing a claim:

- A copy of the signed tenancy agreement
- Up to date rent schedule
- Proof that the following documents have been issued to the tenant(s)
 - How To Rent Guide
 - Gas Safety Certificate (if applicable)
 - Energy Performance Certificate (EPC)
 - Electrical Installation Condition Report (EICR)
 - Deposit Protection Certificate (if a deposit has been taken)
- Copies of correspondence that has been exchanged with the tenant(s).
- Details of prior agreements and payment plans put in place with the tenant(s)
- Copies of any notices that have been served to the tenant(s)



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Rent guarantee insurance claims scenarios

To help you understand the policy and some of the claims scenarios that typically occur, we have put together some examples.

The primary reason for beginning any rent guarantee claim is that the tenant(s) haven't paid their rent and are in arrears.

We advise all our policyholders to notify us of when a tenant(s) falls into arrears so we can log a claim within required timeframes and provide appropriate advice.

In the following examples, tenants have been in the property for a number of months with a rental amount of £1,000 due on the first of each month. There is an assumption that they have passed all referencing criteria and the relevant documents are in place.

Scenario one:

- 1st January default of £1,000
- 1st February default of £1,000
- 1st March onwards continue to default on the rent

How would the policy respond?

This would be covered. The rent arrears would be sufficient as two full monthly rental payments have been missed. A claim could be made once reasonable prospect of success has been assessed by our panel solicitors. Rent guarantee payments would be made for each month that the tenant remains in the property and in arrears, then we would review the appropriate course of action. Assuming they stay in arrears, eviction proceedings can be initiated. Once the tenant has vacated the property, up to 75% of the monthly rent would be paid for a further three months under the vacant possession part of the policy.

Scenario two:

- 1st January default of £500
- 1st February default of £500
- 1st March onwards the tenants pay the full rent but stay £1,000 in arrears.

How would the policy respond?

This would not be covered. While the tenant has been in arrears for two months, they have not missed two months' full payment (£2,000). If the tenant continued to default £500 a month then on 1st April they would meet the arrears requirement and a claim could be made ($4 \times £500 = £2,000$).

Scenario three:

- 1st January default of £1,000
- 1st February default of £1,000
- 14th February tenants move out of property and possession gained.

How would the policy respond?

This would not be covered. Two full months' payments had been missed on 1st February. However, as the tenant moved out the rent guarantee payment would be pro-rata to the point when possession was gained, in this scenario that would be £1,500.

In all cases we would strongly advise clients to log a claim as soon as the tenants fall into arrears, even if they are not yet in two full months' arrears. Once the tenant has missed two full months' payments, our panel solicitors will assess the claim to determine if there is a reasonable prospect of success.



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What are 'reasonable prospects of success'?

Reasonable prospects of success is a legal definition that means you have a 51% or greater chance of winning your legal case.

For our panel solicitors to proceed with the claim there must be a 51% or greater chance of winning the legal case to gain possession of your property. The scenarios below give some examples of how this works in relation to a rent guarantee claim.

Scenario one:

- Tenant has missed two full monthly rent payments.
- All legal responsibilities (e.g., deposit protection, tenancy agreement, EPC certificate provided to the tenant(s) etc) have been completed by the landlord and can be evidenced.
- There were no maintenance issues on the property.
- Tenant referencing completed and passed.

This would meet the reasonable prospects of success benchmark and a claim would proceed.

Scenario two:

- Tenant has missed two full monthly rent payments.
- All legal responsibilities (e.g., deposit protection, tenancy agreement, EPC certificate provided to the tenant(s) etc) have been completed by the landlord and can be evidenced.
- There were no maintenance issues on the property.
- Tenant referencing was **not** completed.

This would meet the reasonable prospects of success, but a claim would be invalid as tenant referencing wasn't completed. If, however, the tenant had been in situ for over 12 months and had historically paid the rent on time this would be covered.

Scenario three:

- Tenant has missed two full monthly rent payments.
- Some legal responsibilities haven't been completed and cannot be evidenced.
- There were maintenance issues at the property that were not addressed
- Tenant referencing was **not** completed.

This would not meet the reasonable prospects of success benchmark as the landlord has failed to complete their legal responsibilities and cannot provide the evidence required, and their unaddressed maintenance issues at the property. In this instance we would seek legal advice to determine if the situation can be remedied. In many scenarios errors can be rectified, and the reasonable prospects requirement can be met.