



On 1st October significant changes are being made to 'Houses classed as Multiple Occupation' or HMO as they are commonly known in the industry. Your landlord clients will need to be prepared and fully understand what these changes are and how these will affect them personally. This article will help you identify the clients that will be affected so that you can contact them accordingly.



Please note that current HMO licenses normally last for a period of 5 years. A Landlord would need to re-apply on expiry of this license.

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## Current definition of a HMO

- A property occupied by three or more unrelated people who form more than one household – e.g. 3 single people with their own rooms (three households) or 2 couples sharing a house occupying one room per couple (two households)
- The 3 or more people living there also share basic amenities such as a kitchen and bathroom
- The property will also need to obtain a licence (mandatory licencing) from the local authority if:
  - It is at least 3 stories high
  - Has 5 or more unrelated people living in it
  - Has 2 or more separate households living in it

**N.B.** This does vary across the UK as some councils require other HMO properties to be licenced and other councils require ALL private landlords to have a licence e.g. Rent Smart Wales.

## Current responsibilities of a HMO Landlord

A HMO Landlord must make sure that:

- Proper fire safety measures are in place, including working smoke alarms
- Annual gas safety checks are carried out
- Electrics checked every 5 years
- The property is not overcrowded
- There are enough cooking and bathroom facilities for the number of people living there
- Communal areas and shared facilities are clean and in good repair
- There are enough rubbish bins and bags.

## What are the new rules and what is changing?

From 1st October 2018 **Mandatory licencing** is changing and the Licencing of Houses in Multiple Occupation 2018 will replace the 2006 order of the same name.

- The 3 storey element is being removed, so any property occupied by 5 or more individuals who are from more than 1 household and not related to each other, will now require a HMO licence
- This licence will need to be applied for before 1st October 2018 to allow the client to lawfully continue to let the property.

**In addition to this change the rules around minimum room sizes have also been discussed, however currently these are not going to be implemented but may form future legislation. Please see details overleaf for information.**

## Minimum room size rules (Draft rules not yet implemented)

The minimum room size **could** be introduced by way of conditions when a landlord applies for a Mandatory licence granted after 1st October 2018. It will force the landlord to comply with the following:

- Notify the council of any room size less than 4.64m<sup>2</sup>
- Ensure that any room used for sleeping accommodation for a single person over the age of 10 years old is not less than 6.51m<sup>2</sup>
- For two people over the age of 10 sharing sleeping accommodation this must not be less than 10.22m<sup>2</sup>
- Ensure that any room used as sleeping accommodation for a person aged 10 or under is not less than 4.64m<sup>2</sup> for a single person
- Ensure that any room that is less than 4.64 m<sup>2</sup> is NOT used as sleeping accommodation
- When calculating floor areas, any ceiling height of less than 1.5 metres is not considered when determining size. This means that some loft rooms may not meet these requirements.

In addition to these room sizes there are some further requirements:

- A landlord must not exceed the number of persons specified in any room used for sleeping accommodation and must follow the requirements for minimum ages. For example, if a room size is 7.2m<sup>2</sup> then it is only fit for a single person over the age of 10 years old and a landlord will be breaking the rules if this room is let to two single persons over the age of 10.

## Breaches and fines

Where a breach is identified that has not been knowingly permitted by the license holder, they will have 18 months to rectify the issue upon notification from the local authority.

During this 18-month period the Local Authority may not revoke the licence or impose any fine, and the Licence holder must not commit any further offences in respect of any failure to comply with the new conditions.

A lenient approach will not be taken if before the license was issued the landlord was convicted of offences under Section 72 of the Housing Act 2004 (Offences in relation to licensing of HMOs) or fails to comply with the conditions of the license.

## How might these new rules affect your current HMO Landlords?

It is thought that a further 177,000 properties across England will now have to apply for a HMO mandatory license. London-based Property Enforcement Officer Ben Reeve Lewis believes that this is a very conservative estimate and that the new rules will have a wider reach. For example, flats above commercial properties will be captured under these new changes.

## Action Plan

- Contact all of your potential HMO clients and make sure they are aware of the new changes, particularly those that might have to renew an old HMO licence.
- Familiarise yourself with lending criteria around Houses in Multiple Occupation – Paradigm will be looking to produce some supporting documents to assist and you can also call our highly commended Mortgage helpdesk to discuss cases.

## Further reading

You can find out more about the upcoming changes, including updates from our Lending partners on our new dedicated page on the Paradigm Mortgage Services website.