

Summary Referencing Criteria

Advanced Rent has been instructed by your landlord or letting agent to conduct pre-tenancy checks on you before your tenancy starts. This document provides a summary of the criteria you would need to meet to pass our referencing process.

Tenants

As a tenant, you would need to prove you meet the following to pass our referencing process:

- ✔ You meet affordability – As a tenant, you would need to prove gross annual earnings over 30x the monthly rent for the term of the tenancy and have good general money management.
- ✔ If in rented accommodation, we would need to speak to your most recent landlord or letting agent to ensure you paid the rent on time.
- ✔ You would need to provide evidence of your right to rent in the UK
- ✔ You would need a UK credit file with no adverse credit

If you do not meet the above criteria, we may be able to proceed with a suitable UK-based guarantor.

Guarantors

As a guarantor, you would need to prove you meet the following to pass our referencing process:

- ✔ You meet affordability – As a guarantor, you would need to prove gross annual earnings over 36x the monthly rent for the term of the tenancy and have good general money management.
- ✔ You are a UK resident for at least 3 years.
- ✔ If in rented accommodation, we would need to speak to your current landlord or letting agent to ensure you pay your rent on time.
- ✔ You have no adverse credit on your credit file.

Please note, This document provides a summary only. When your application is set up, a link to our online forms will be emailed to you. Our cloud-based portal will outline all information required to support your application

If you have any questions regarding your ongoing application you can email us at

referencing@advanced-ref.co.uk

advancedrent

Advanced Rent Referencing Criteria and Guidance

Overview

When we are conducting a tenancy reference, we are trying to determine the suitability of a tenant for a rental property before any financial agreement is put in place. This is done by looking at the tenants current circumstances so we can assess the likelihood of issues that might occur during the tenancy, such as non-payment of rent. During the process we are looking at three main points

- Affordability assessment
- Rental History
- Credit History

There are a number of ways we verify the above information, through third party references and supporting documents to ensure we can accurately confirm the tenants details are correct. This gives us an idea as to whether the tenant will be able to meet the terms of their tenancy agreement.

Affordability Assessment

During the application process, we ask all applicants to define their income situation as one of or a combination of the following:

- Employed
- Self employed
- Unemployed
- Retired
- Student
- Homekeeper
- DSS

In any case which requires an applicant to send us evidence of their income, all documents and/or screen-grabs must clearly display the applicant's name and the date in order for us to be able to use them. If this is not possible for whatever reason, the applicant must send further proof which can be used for cross-referencing purposes.

Anything that we receive in an editable format, e.g. a spreadsheet cannot be accepted as valid proof.

A tenant needs to earn at least 2.5x the monthly rent to pass our affordability. This is the equivalent to 40% of the tenants income being used to pay the rent each month. If the tenant does not meet this, we will recommend a guarantor.

Any guarantor would need to earn at least 3x the monthly rent to pass our affordability. This is the equivalent of 33.33% of the guarantors monthly income being used to pay the rent each month.

Employed

We will require a credible reference directly from the employer via a company e-mail or over a company landline or on company headed paper. In addition to this, we will seek copies of the applicants last 3 months payslips and bank statements so we can cross reference the information provided by the employer.

We are able to review commission income on a case-by-case basis, The applicant must have been employed by the company for a minimum of six months and would need to provide their last 6 months payslips. We would work out an average of the monthly commission which will then be added to the basic salary.

Employment must be ongoing, for the duration of the proposed tenancy. Persons employed on a zero-hours basis will be acceptable if they have been employed for at least 6 months and can provide payslips to show their average monthly income for that period.

Self employed

Self-employed persons (including directors of limited companies) must provide documentary evidence of their income for at least 12 months, the recommend documents are as follows:

- 12 Months full personal bank statements (not just cover pages) historically from the date of our request.
- 6 Months full bank statements (personal) Historically from the date of our request but must be accompanied by another form of proof. This can be either
 - A tax return for the last financial year must be accompanied by 6 months bank statement
 - A reference directly from their accountant. With by a verifiable email or signed on letter headed paper.

Where an applicant is a self-employed contractor, we can obtain a reference from the company providing the contract but we will still require the supporting documents outlined above.

In some cases, for instance sole traders who do not have a personal current account, we may accept business bank statements, but this will be decided by management on a case-by-case basis.

We will asses the bank statements by totalling the income shown on the period so we can get an idea of the applicant's annual salary. If the bank statements are accompanied by another form of evidence, like a tax return, we will look at the bank statements to see if the income is similar to what they earned last year.

If an applicant that is self employed cannot provide evidence of income for at least 12 months, we cannot accurately assess their income therefore we will require a guarantor.

Cash in hand work cannot be verified.

Retired

Retired persons must provide proof of any pensions or benefits they are in receipt of. The affordability assessment for persons who are retired is fairly straightforward, as pension incomes are typically fixed.

Acceptable documents to prove pension income are either the applicant's most recent P60 form, entitlement letters from pension providers, or three months personal bank statements.

Other forms of pension documentation will be reviewed on a case-by-case basis.

Student

Students will be asked to provide proof of their student loan entitlement as this typically will make up their entire income. Part-time work is also common in student applications, in which case an employment reference will be sought in line with the criteria outlined above for persons who are traditionally employed.

All students require a guarantor to support their application, as even combined with part-time work their student finance entitlement will not normally be sufficient to pass affordability. In our experience, many students will be first time renters, and the presence of a guarantor can offer valuable extra security.

- Whilst assessing student income, any income the student has already received or will receive before the start of the tenancy will not be taken into account.
- If the applicant has not yet received their student finance entitlement, we can take a copy of their previous student loan letter as a guide.
- Student nurses or doctors can be accepted without a guarantor if they receive a wage from a medical institution.

Benefit Income

Applicants in receipt of benefit income will be required to provide documentary proof of benefits either in the form of their most recent award letters or three months personal bank statements.

We require a guarantor for every applicant that is in receipt of benefits and we cannot accept a guarantor whose income consists of or is topped up by benefits.

Savings & Investment

We do not take savings into consideration when assessing an applicant's affordability as they could be spent on a big purchase like a car leaving the applicant below the income threshold.

Stocks and Shares/Investments are only taken into consideration if they are substantial in value.

Rental History

Where an applicant declares they are or have been in rented accommodation, we will look to obtain a reference from their most recent landlord or letting agent. This should confirm the applicant has met the terms of their tenancy agreement to the satisfaction of the landlord or managing agent.

A former tenancy reference consists of the following questions:

- Rental start date
- Rental end date
- Monthly the applicant was paying during their tenancy
- Was the rent due paid on time?
- Would the landlord recommend the applicant to other landlords?
- Is there any further information we need to know about?

Where an applicant states they owned their own home, we will require proof of homeownership so we can be sure they are not withholding a potential bad former tenancy reference. This can be a letter from their mortgage provider and/or a land registry check.

This reference will be taken from the named referee on the application and could be either written (email or hard copy letter) or taken verbally over the telephone. When obtaining a landlord's reference, the team will take all reasonable steps to ensure that the referee is qualified to give the reference. In the applicants bank statements we should be able to see regular payments each month to the named individual or company that provided the reference.

If rent has been paid late, we will take a view on the number of times late and by how long before making our decision. Consistent late payment may not be an issue, if the account is brought up to date within 1 or 2 days. Any arrears and eviction will result in a fail.

Negative comments regarding property maintenance, damage or general performance will be assessed before we make our recommendation. These comments may result in a fail.

Supporting Documents

ID

The purpose of ID documents is to verify the person we are referencing is correct and to confirm their right to rent. All applicants must provide at least one form of Photographic ID. Acceptable documents include:

- **Passport** – This is acceptable on its own If the applicant is from the UK, Switzerland or the European Economic Area
- **Driving licence** – acceptable with another form of ID
- **BRP Visa** – Required if the applicant is not from the UK, Switzerland or the European Economic Area. The Visa must confirm the individual has a right to remain for the term of the tenancy. An individual must have a permanent residence in the UK before they can apply for a Visa.
- **Letter from the home office confirming Visa renewal/visa application is in process**
- **Letter from employer confirming Visa sponsorship application.**
- **Entry Clearance – applicable if the individual has not yet arrived in the UK.**
- **Birth Certificate**
- **A Share code provided by the home office website.**

It is essential the above documents are cross referenced with the tenants and/or guarantors details section of the forms to ensure we have the correct name, date of birth and nationality on the forms

Proof of Address

The proof of address document is used to confirm the applicant lived at their current address as stated in their address history. Acceptable documents include:

- Bank statement dated within the last 3 months
- Letter from the bank dated within the last 3 months
- A tenancy agreement for their current property

If the applicant cannot provide proof of their most recent address in the UK we will need to consider the reason for this.

Bank Statements

Unless the applicant is a student with a UK based guarantor, they will need to provide at least their last 3 months full bank statements. The bank statements must show their income being paid by their employment and the values must match with the payslips provided.

The provided bank statements need to show rent payments to the applicants most recent landlord or letting agent. If a tenant has not declared they are in rented accommodation but we can see rent payments, they may be hiding a detrimental reference.

Use of overdraft is not an issue and will not affect a tenants application. However if the tenant has heavy use of overdraft with regular returned direct debits, multiple loan repayments (including pay day loans) and excessive gambling, then we need to consider the impact on their affordability.

Credit History

When completing a reference check, we will search the database of our credit referencing partner, Call Credit, to check that the applicant meets the minimum credit worthiness standard and that they do not have any negative credit history such as CCJ's, bankruptcy or IVA's. The credit data we retrieve is the highest grade available to our industry, and we chose Call Credit to provide this as they have the largest and most complete database in the country.

The search we conduct is a 'soft' search and will not be visible to lenders or credit providers should the applicant apply for a mortgage or loan in future. The search will show on a personal credit file, but as mentioned will in no way have any effect on an applicant's ability to obtain credit in future.

A credit score is unique to each provider as each have their own metric and ranking system when producing a score. The scores we determine as bad caution and good are between the following value:

Bad –529 or below.

Caution – Between 530 - 540

Good – 541 or more.

The credit check will highlight any matched address the applicant has lived at or has been linked to by a number of sources, like a bank. We use this information to check the applicant has disclosed all of the

addresses matched within the last 3 years. If an address falls within that time which has not been noted, we will investigate as it may be a landlord we need to contact for a reference.

Summary

As long as an applicant is proven to earn at least 2.5 times their share of the annual rent, they have a credit score of 541 or above with no detrimental information, and have been a well behaved tenant in their current tenancy then they will achieve a pass result. If any of those criteria are not met, the likelihood is that the reference will fail, or they may require a guarantor.

Please be aware that this document is designed to provide guidance on the vast majority of scenarios but is not an exhaustive list. There may be times where management perceive a prospective applicant to be of high risk; in such cases more evidence may be sought or applications may be refused.

If you are ever in doubt as to whether an applicant's circumstances may cause them to fail referencing, please do not hesitate to call our trained referencing team on 01603 558180- we are happy to advise you at any point.