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THE LANDLORD'S GUIDE TO DEPOSIT PROTECTION

LEGAL COMPLIANCE AND DISPUTE PREVENTION BY CHARLES J HARRISON

Section 1: Legal Obligations for Landlords

- The 30-Day Rule: Once you receive a security deposit for an Assured Shorthold Tenancy (AST), you must protect it in a government-approved scheme within 30 calendar days.
- Prescribed Information: Within that same 30-day window, you are legally required to provide the tenant with the 'Prescribed Information.' This document explains which scheme is being used and how the tenant can apply for the return of the deposit.
- Deposit Caps: Since 2019, security deposits have been capped at five weeks' rent for tenancies with an annual rent of less than £50,000. Charging more than this is a prohibited payment.

Section 2: Approved Protection Schemes

- Custodial Schemes: These are free to use. You transfer the deposit money to the scheme, and they hold it in a secure bank account until the end of the tenancy.
- Insured Schemes: You (or your agent) pay a small fee to the scheme to 'insure' the deposit, but you keep the actual money in your own bank account during the tenancy.
- Dispute Resolution: All approved schemes offer a free Alternative Dispute Resolution (ADR) service. This is a semi-judicial process used to decide how the deposit should be split if the landlord and tenant cannot agree.

Section 3: Avoiding Deductions and Disputes

- The "Golden Thread" of Evidence: The single most important document in a deposit dispute is the independent inventory. Without a professional, date-stamped record of the property's condition at start-of-tenancy, it is nearly impossible to prove damage occurred.
- Check-Out Reports: At the end of the tenancy, a check-out report should be conducted to highlight any changes. This report should clearly distinguish between 'Fair Wear and Tear' and 'Tenant Damage.'
- Cleaning Standards: Most deposit disputes are caused by cleaning issues. Providing a 'Cleaning Checklist' to tenants two weeks before they move out can significantly reduce the likelihood of a claim.

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