



# A short guide to taking in a lodger

Against a difficult economic climate many homeowners are choosing to rent out a spare room to help cover mortgage payments or simply to generate extra income.

If you are considering renting out a room in your home this short guide provides some handy advice on how to protect your interests and maximise return.

# Introduction

Against a difficult economic climate many homeowners are choosing to rent out a spare room to help cover mortgage payments or simply to generate extra income.

Indeed with rental prices soaring, the number of people taking in lodgers is at all-time high with almost 12,000 homeowners renting out rooms to lodgers in January 2014.<sup>1</sup>

With many people still struggling to get on the property ladder and continued demands for more affordable accommodation, if you are considering renting out a room in your home our [residential conveyancing solicitors](#) have created this short guide with some handy advice on how to protect your interests and maximise return.

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1. According to flat and house share site SpareRoom.co.uk

**Please note that this guide has been prepared as a general overview. It is for guidance only and should not be considered a substitute for legal or financial advice.**

## Consider your options

For many people a lodger is a quick fix to short-term financial difficulties. For others having a lodger generates a regular stream of income. However renting out your home can be intrusive so it is important to weigh up your options first to make sure it is right for you.

As an increasingly mobile workforce adds to demands for affordable accommodation away-from-home, the number of homeowners renting a room on a Monday to Friday only basis has risen by 56% over the last two years.<sup>2</sup> Delivering the benefits of a lodger without a full time loss of privacy, this option appeals to many landlords who would prefer to keep their weekends for themselves.

If Monday-Friday still seems like too much, how about letting your home out over special events such as festivals and

sporting events? The London Olympics and Paralympics for example tempted many homeowners to rent out a spare room in order to make some extra cash on a short term basis. This type of room rental also tends to generate higher rental prices to meet the demand for accommodation during such occasions.

For many the positives of having a lodger outweigh the negatives. As well as generating a regular stream of income, renting a room can be a life-style choice. Not everyone wants to live alone regardless of their financial situation and many landlords enjoy the presence of a lodger to provide both security and companionship.

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2. According to flat and house share site SpareRoom.co.uk

## Think about who you want to live with

If you are considering renting a room in your home, particularly on a longer-term basis, it is important to find someone who fits in with your way of living.

While traditionally it was mainly young people and students looking to lodge, today a growing number of professionals are looking for comfortable, clean accommodation to facilitate their working patterns. Think about the type of person you want living under your roof and whether their lifestyle suits yours. It remains your home after all. Likewise when renting space in your home decide whether you are comfortable sharing with a stranger or whether you would rather share with a friend. Your lodger may wish to invite guests over and this may impact on how you live your life, so before you jump into the letting market it is always worth taking the time to figure out just what type of tenant you would prefer.

A word of caution however; if you do end up living with someone you don't know put safety first and keep any valuables hidden. In addition it is always worth seeking a recommendation or reference from someone in a position of trust before opening up your home.



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## Decide what to charge

The amount you can charge for renting a room is likely to depend on the rental market in your area and the condition of your property. When agreeing a price you should also decide whether bills are included in the rental price or whether you would prefer to split these with the lodger. In addition you may decide to offer additional services such as cooking, laundry, cleaning etc. for a cost. Whatever you agree should be set out up front in a legally binding agreement (more about this shortly).

## Get permission

You cannot normally rent a property without the permission of your mortgage lender. Even if your mortgage contract does not specifically mention renting out a room it is always best to err on the side of caution and check. While most lenders are happy to grant permission assuming a proper agreement is entered into, it is important to establish this before anyone moves in.

If you are a tenant yourself you would almost definitely need the permission of your landlord to rent out a spare room.



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## Make it legal

As mentioned above most mortgage lenders will agree to you renting out a room in your property if you have a correctly drafted agreement in place. In addition a legally binding agreement is crucial to protect your interests should any disagreements arise between you and your lodger.

If you or your lodger have any particular requirements it may be possible to incorporate or append these to the primary

agreement. Your [conveyancing solicitor](#) will be able to help you with this.

You will also need two printed copies of the agreement; one to be signed and kept by yourself and one to be signed and kept by your lodger. If you are attaching any additional documentation (such as an inventory or any pre-agreed 'house rules') make sure these are supplied with each agreement; again to be signed by each relevant party.



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## Use the correct agreement

It important to understand that the agreement covering the lease of a room to a lodger in a house or flat in which you live is different from the agreement needed when renting out a property in which you don't live to tenants. **When renting a room to a lodger it is likely that you will need a licence agreement.** When renting to tenants you need an assured shorthold tenancy agreement.<sup>3</sup>

While an assured shorthold tenancy agreement allows the tenant(s) to occupy a property you own and use it as their own home (with certain conditions), if you are renting a room in your primary residence a licence agreement will protect your rights in your own home without giving 'exclusive' occupation to the lodger. Certain facilities such as a bathroom or kitchen will need to be shared.

Full residential tenancy agreements are very heavily regulated and offer tenants a high degree of protection. Licence agreements on the other hand primarily protect your rights in your own home and will typically cover:

- The rent amount (including any deposit) and when this needs to be paid
- Responsibilities should any damage occur (for example that the lodger will cover the costs of any damage they incur)
- The notice required by lodger/landlord for ending the agreement
- An inventory of any possessions in the room(s). Without an inventory in place it is very difficult to claim for any deductions at a later date.

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3. This may not be the case in all circumstances. Your solicitor will be able to fully advise you on the best agreement for you based on your particular circumstances.



Without a full tenancy it is easier to remove unsuitable lodgers than it is tenants. However it is vital not only to understand which agreement you need but also the implications should your circumstances change. If you rent out a room and then decided to go travelling for example, the lodger could become a full tenant by default with all the rights that confers.

Your [conveyancing solicitor](#) will make sure that the right agreement is in place to protect your particular circumstances and you should keep them updated should these circumstances change.



## Understand your responsibilities

If you rent out a room in your home, you are legally responsible for providing your lodger with a safe living environment. It is therefore your responsibility to ensure your home meets safety regulations. This may include:

- Ensuring that your smoke alarms are working
- Ensuring that you have a valid gas safety certificate and carbon monoxide detectors (where applicable)
- Ensuring that the living conditions are up to scratch
- Carrying out any repairs and maintenance in a timely manner

If you do take in a lodger, while it is important that you respect their privacy and don't access their room without consent, you do have the right to enter their room for maintenance purposes. You should however give them reasonable notice if at all possible.

Under a licence agreement the tenant does not have 'exclusive' access to his/her room and if it has a lock you are entitled to a key. The tenant's rights and your responsibilities will be set out in the licence agreement and your solicitor will be able to talk you through these.

## Understand the tax implications

Under the Government's Rent a Room scheme you can earn £4,250 a year tax-free when renting a furnished room in a property you live in.<sup>4</sup> To benefit from this tax exemption you don't need to do anything. This includes telling the Inland Revenue about the rent.

However if you receive additional income for services such as meals, cleaning etc. this will contribute towards the £4,250 threshold.

If you earn more than £4,250 a year through renting a furnished room in your home you must complete a tax return and opt-into the scheme to claim your tax allowance.

You can't use the scheme for homes converted into separate flats or for properties in which you don't live and the room being let must be used for residential rather than business purposes.

In addition if you have more than two lodgers you may lose this tax break as you will be deemed as running a guest house. Your property may also be classed as a House in Multiple Occupation and additional rules apply here.

Depending on your particular circumstances the Rent a Room scheme may not be right for you. Under the scheme you cannot claim any expenses such as lighting, repairs, insurance heating etc. and so it is always best to seek financial advice to work out what best suits your needs.

For more information on the Rent a Room scheme go to <https://www.gov.uk/rent-room-in-your-home/the-rent-a-room-scheme>

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4. This amount is halved if you share the income with someone else.



## Make sure you are covered

It is likely that your home contents insurance will need updating should you decide to rent out a room. While telling your provider about your lodger may increase your premiums, not doing so is likely to invalidate your policy. It is also worth noting that your contents insurance is unlikely to cover your lodger's belongings.

## Understand the benefit implications

If you are on benefits such as income support or jobseeker's allowance these are likely to be reduced if you rent out a room. If you do not declare any income from renting a room you may be prosecuted for fraud and forced to repay what is due. Likewise if you have been benefiting from a single-person exemption on your Council Tax you will lose your right to this

discount unless your lodger is a student. This may not apply if you are renting out a room to a tenant on a Monday-Friday basis only and they are registered to pay Council Tax elsewhere.

## Get a deposit

It is always a good idea to take a security deposit up front to protect yourself from any unpaid bills or damage to your property. While under an assured shorthold tenancy agreement this deposit needs to be protected under the deposit protection scheme, this is not the case under a licence agreement. Again your solicitor should be able to advise you on what is required.

It is also advisable to get your lodger to set up a standing order for rent payments to save you having to ask for the money each month.



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## Deal with any disputes quickly

While having a lodger can be a great long-term investment, difficult lodgers can make the process extremely stressful, not to mention financially detrimental. If you are a landlord faced with a difficult situation it is vital to keep on the right side of the law. Consult your solicitor quickly if you have any concerns.

Taking in a lodger suits many people. However having someone else share your home can be stressful. Compatibility, communication and a shared understanding of each party's right and responsibilities are paramount to a successful relationship.

At Linder Myers our [expert property solicitors](#) have extensive experience in helping landlords, both with the setting up of tenancy and licencing agreements, and in resolving any disputes that arise between landlords and tenants/lodgers.

Should you require our assistance in relation to any of the information supplied in this guide, or any other landlord related legal services please get in touch today.

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# About Linder Myers

Linder Myers is a firm of solicitors with specialist departments in nearly all areas of law. We pride ourselves on our commitment to clients in delivering efficient, high quality legal services.

Linder Myers specialises in the following areas of law:

- Corporate & Commercial
- Commercial Litigation
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- Court of Protection
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- Employment
- Family
- Medical Negligence
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