

Rent paid in advance and withholding rent.

Applies to Rentman version 5.002.472 and later.

Contents

Rent paid in advance and withholding rent.....	1
Rent in advance.....	1
Jointly and Severally.....	2
Withholding Rent.....	3
When tenants pay in advance.....	3

Rent in advance.

It is common practice to receive 6 month's or a year's rent in advance in lieu of references and credit check.

This In-Advance amount must appear in the AST as part of a payment schedule otherwise the law demands it be treated as a Deposit and registered with a scheme. *Money you receive from the tenant either fulfils a current liability or is security for a future liability; if the rent is not yet due it is a future liability therefore the money received is security and therefore a Deposit. By making the rent in advance part of the AST's payment schedule it can become a current liability and the money received treated as rent.*

Ask your solicitor about Johnson v Old.

If the In-Advance amount on the tenancy screen's Pre-Tenancy tab is greater than the monthly amount Rentman will automatically add it to clause 1.7.4 of the AST.

The AST reads like this:

1.7 Rent

- 1.7.1 The Rent shall be £1,000.00 per calendar month payable in advance.
- 1.7.2 The Rent shall be paid clear of unreasonable or unlawful deductions or set-off to the Landlord's Agent by banker's standing order or such other method as the Landlord's Agent shall require.
- 1.7.3 The first payment of £6,000.00 being due on 1st May 2023 or prior to the date of taking possession.
- 1.7.4 The rent for the first 6 months will be paid on or before the date of occupation. The rent from 01 Nov 2023 will be payable on the 1st of each calendar month.
- 1.7.5 Rental payments overdue by more than 14 days will be subject to interest at the rate of 3% over the

Jointly and Severally

Imagine a tenancy for £900 per month with 3 tenants; one of them doesn't have references so you take 12 month's rent in advance from him and one month each from the other two. The tenants pay £4200 to move in (£3600 + £300 + £300). The following month you may expect £300 each from the other two but because the tenants are jointly and severally liable you have in law taken £4200 as the first 5 months rent for all of them - if the other two don't pay you can't pursue it till the £4200 has been exhausted.

To get around this and to track rent outstanding from the other two we create a payment schedule showing the £4200 in advance and then £600 per month. If they then did not pay according to the schedule you could, if nothing else, argue breach of contract (ground 12).

On the tenancy screen in Rentman set the Rent period to be "Schedule" and using the Increase Rent feature create a schedule like this

From:	22/03/2023	to	21/03/2024
Term:	12 Months	<input type="checkbox"/> Periodic	
Rent:	£900.00	<input checked="" type="checkbox"/> Schedule	<input type="checkbox"/> In Arrears
First Rent:	22/03/2023		
Deposit:	£1,200.00		

Rent Increases				
Effective	Amount	Period	Payable	DailyRate
22/04/2024	900.00	Monthly	22	29.59
22/04/2023	600.00	Monthly	22	19.73
22/03/2023	4200.00	InAdvance		0.00

Rentman will automatically add that schedule to clause 1.7.4 of the AST.

Note that after a year, if the tenancy goes periodic, the amount due is set to go back to a straightforward £900 each month.

The AST then reads like this:

1.7 Rent

- 1.7.1 The Rent shall be £900.00 per calendar month payable in advance.
- 1.7.2 The Rent shall be paid clear of unreasonable or unlawful deductions or set-off to the Landlord's Agent by banker's standing order or such other method as the Landlord's Agent shall require.
- 1.7.3 The first payment of £4,200.00 being due on 22nd March 2023 or prior to the date of taking possession.
- 1.7.4 The rent will be payable on the following schedule: £4,200.00 to be paid on or before 22 Mar 2023. From 22 Apr 2023 £600.00 will be payable on the 22nd of each calendar month. From 22 Apr 2024 the rent will be due on the 22nd of each calendar month at the rate of £900.00 plus any increase under the rent increase clause.
- 1.7.5 Rental payments overdue by more than 14 days will be subject to interest at the rate of 3% over the Bank of England Base Rate calculated from the date the payment was due up until the date payment

Withholding Rent

Legal Advice recommends that if you intend to withhold rent overpayments it be noted in the terms and conditions agreed with the landlord. Also note that with the rent in advance shown in the AST (as the law requires) it cannot be hidden from the landlord.

On the Rent tab of the tenancy screen tick the 'Withhold overpayments' checkbox

With this ticked when you receive rent Rentman creates itself a rent schedule into the next 12 months with rent due, rent received and a running balance; it then posts a new 'rent received' transaction (that doesn't appear on the bank ledger) for the next date that the balance is negative.

So... only the bank transaction you're receiving gets posted on the date you received it and appears in the bank ledger and can be reconciled; but it is these new post-dated 'rent received' transactions that will appear on the management statement once their date is reached.

(If you are confused.... look at the tenancy's rent history using the "Show Rent History" button on the tenancy screen... rentman will recreate that rent schedule so you can see why rent got dated when it did.)

When tenants pay in advance

You can enter a large rent received amount into the bank account without it appearing in the management statement or being paid to the landlord.

Instead Rentman will divide up the money and post multiple secondary "Rent Received" transactions with a date and amount to match upcoming "Rent Dues" until the amount received has been used up.

These secondary transactions will appear on the management statement when their date is reached. Commission will also only be charged when the rent received appears on the statement.

Imagine a tenancy with rent of £1000.00 being due on the 1st of each month.

On the 15th January 2023 you receive into your client account £5500.00. With this withhold rent set rentman will post 6 secondary transactions :

1 Feb 2023 for £1000.00
1 Mar 2023 for £1000.00
1 Apr 2023 for £1000.00
1 May 2023 for £1000.00
1 June 2023 for £1000.00
1 July 2023 for £500.00

Only the £5500.00 will appear in the bank ledger.

Only the secondary transactions will appear on each month's management statements and be included for commission - and only when their date is reached.

Likewise the secondary transactions will only be added to the building balance once their date is reached.