

Passed 04/05/16

## **Guarantor Scheme**

### Union Notes:

1. Most landlords, and some private accommodation providers, that rent properties to students require a third person to act as a 'guarantor' before they sign a tenancy agreement. A guarantor is a third party, for example a family member, who agrees to pay the rent if for any reason the tenant cannot.
2. In some cases a guarantor is also liable for other costs that might be incurred, for example any damage to the property that happened whilst the tenant was living there.
3. Agreeing to be a guarantor is binding legal commitment, and landlords can take legal action against guarantor if the rent, or other costs, are not paid.
4. Trying to find someone to act as a guarantor presents problems for students for a range of reasons. Students who are care leavers, or estranged from their parents may not have relationships with their families which would enable them to ask them to act as a guarantor for a rented property.
5. In order for an individual to act as a guarantor, they must have an income which is suitably high enough to afford to cover the rent payment. For students from low-income backgrounds or who have parents that are out of work, or in low paid work, it can be a challenge to find a guarantor that the landlord will accept.
6. Most landlords require that a guarantor is based in the UK to make it easier for the landlord to pursue any unpaid rent using the UK legal system. For international students this poses a substantial challenge, as they may not be able to provide a guarantor that is resident in the UK for the full tenancy.
7. From NUS research, Homes Fit for Study we found that 66 per cent of international students were asked to provide a UK based guarantor when they were looking to rent privately, but 37 per cent were unable to do so. Over 90 per cent of these students were asked for rent up front to compensate for this, and between one and six months' worth of rent was generally requested – although six months' rent was the most common requirement.
8. In many cases this equates to between £2,000- £9,000 being paid to the landlord at the start of the tenancy, which unfortunately is not a viable option for some students. Upfront payments of rent make student renters vulnerable to unscrupulous landlords, as once the rent is paid the tenant will struggle to have their money reimbursed if they have to vacate the property for any reason, or the tenancy is ended.

[http://nusdigital.s3-eu-west1.amazonaws.com/document/documents/23316/94ad9ef9a3b8216ff034e8df63d9956b/Housing\\_How\\_To\\_-\\_University\\_Guarantors\\_Scheme.pdf?AWSAccessKeyId=AKIAJKEA56ZWKFU6MHNQ&Expires=1461691873&Signature=exFxF2Ny5Jjh2bK81snbJfd31HA%3D](http://nusdigital.s3-eu-west1.amazonaws.com/document/documents/23316/94ad9ef9a3b8216ff034e8df63d9956b/Housing_How_To_-_University_Guarantors_Scheme.pdf?AWSAccessKeyId=AKIAJKEA56ZWKFU6MHNQ&Expires=1461691873&Signature=exFxF2Ny5Jjh2bK81snbJfd31HA%3D)

### The Union Believes:

1. Requirement of providing a UK based guarantor places additional burden on international students. Most of the international students don't have a guarantor based in UK and are required to approach commercial guarantor schemes or live in unfriendly accommodations.
2. There are a number of private companies that offer to act as a guarantor for a fixed fee. Private guarantor companies require students to pay the fee up-front, and in many cases the charge is up to 95% of one month's rent, on average around £290. Additionally many of these schemes require a UK-based 'co-signer' before they will approve an application, and in the terms and conditions of these schemes it is apparent that the 'co-signer' is liable to repay any debt owed to the company as a result of non-payment of rent. These schemes are expensive, and usually unsuitable for international students who cannot find a UK 'co-signer' to endorse their application.
3. In response to the challenges faced by students who are unable to secure a guarantor some universities have introduced their own rent guarantor policies- where they institution will act as a guarantor for their students looking to rent a property in both University accommodations and the private sector.
4. In any case where the student renter defaults on their rent payment to the landlord, the university will make the payment and chase the debt owed to them by the student separately. It important to bear in mind that each institution is different, and any policy that is introduced will have to fit in with the culture and values of each organisation. There are successful implementations of these guarantor schemes from 1. University College London 2. SOAS 3. University of Edinburgh 4. University of York 5. London School of Economics 6. Queen Mary University of London

### The Union Resolves:

1. To convince our university to run a guarantor scheme in a pilot project, to test out how the scheme could work with a small number of students. Pilot schemes are useful for collect lessons about how to run a project on a wider scale and can help to demonstrate the benefits of the scheme in a low-risk environment.
2. A Sabbatical officer or officer team leading on the project could discuss with University to define which students are eligible for the scheme. For example some institutions have reserved the scheme for international students only, some only with dependent children, and some schemes are not open to students in their foundation year of studying at the university.

3. Most universities that operate guarantor schemes charge a small administration fee of £30-£50 per student. This fee can be negotiated by the officer team and University keeping as minimum as possible.
4. Officer / team will discuss with University to define which properties are eligible for the scheme. In order to minimise exposure to fraud, as well as rogue landlords, it is advisable to create (and make available to students) a register of properties that would qualify for the guarantor scheme.
5. Officer / team will discuss with University to define the rent level the scheme will cover. It would be sensible to cap the amount of rent, the scheme could cover to ensure that it is only being used for legitimate housing requests, however this should be reviewed according to any changes in accommodation prices to ensure that the level of cover provided to student renters is reasonable.
6. A robust verification procedure should be in place. It is advisable to make a copy of the tenancy agreement and verify the terms and conditions for any student accessing the scheme. Some institutions also ask for financial details from students, such as a proof of income or bank statement, to check that the student is able to afford the rent payments, and that the student has set up an automatic payment (such as a Direct Debit or standing order) to the landlord to avoid late payment. At the University of York, applicants have to have their tenancy approved from University before they can sign up, and are also required to provide bank statements and proof of income before they are allowed to join the scheme
7. To establish a clear policy and procedure to chase the debt owed for non-payment of rent. This could include verifying the students' home address and household details. Queen Mary University London includes a declaration in the application form to join the scheme that lays out the steps that will be taken to recover any debt owed to the university which students are required to sign.