

Guaranteed rental income can prevent losses - Roberts

A rise in rental payment defaults over the festive season meant buy-to-let investors became more aware of the need to insure against potential losses.



Roberts

Just Letting Property Group CEO John Roberts said typically around 10% of tenants regularly defaulted on their monthly rentals, but as companies made up to three debit runs off December pay cheques, this figure rose to 12% for the last month of the year and in January 2013 had climbed to 14.88%.

Data collated by the group reflected a 26% increase in the number of buy-to-let investors nationally contracting to receive guaranteed rental income should tenants default on their monthly commitments.

Guaranteed rental

The group's recently launched RentSecure product guarantees buy-to-let investors their full monthly rental despite tenants defaulting on rental payments; only paying a portion of their amount due; or defaulting and refusing to move out, thus initiating eviction proceedings and continuing to live in the property during the eviction process. Investors also receive an additional 30 days rental after defaulting tenants have vacated the property, providing peace of mind for bond repayments while seeking out new tenants. RentSecure pays the legal costs and rentals up to R100,000.

During 2011, Just Letting Property agents experienced a 10.96% default among the 5385 debit order transactions operated through its systems. This figure fell marginally last year to 10.2% among 8171 transactions, but the implication for buy-to-let investors not receiving their monthly rental was defaults on their loan repayments and substantial cash flow issues. This could potentially affect the landlord's credit rating.

Roberts said the bulk of defaulters paid their outstanding rentals at a later stage, but it was not a position landlords wanted to tackle regularly. Defaults had come on to the database's radar screen from January 2011, reflecting the impact of a sluggish economy and the hangover from Christmas debts.

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