

Welfare Reform Act – Changes to Housing Benefit

What you need to know

RENTING OUT YOUR SPARE ROOM TO A LODGER

1. What is a lodger?

A lodger is a person living in your home other than a member of your household, who rents a room from you and may share the bathroom, kitchen and/or living room with you, under a formal arrangement, with a written agreement.

A relative or friend living with you living as a member of your household would normally be treated as a 'non dependant' rather than a lodger, in benefit terms and their income would affect your Housing Benefit.

2. Why might I consider this?

From April 2013 the UK Government brings in new rules on Housing Benefit for working-age people living in social housing. Housing Benefit will no longer pay for bedrooms that the Government rules say you do not need. This is called under occupation.

Under the new rules, if you are classed as 'under occupying' and you claim Housing Benefit now or in the future the amount of Housing Benefit you receive will be reduced and you will have to pay the rest of the rent yourself. There are two rates for the reduction:

- a) If you have one extra bedroom your Housing Benefit will reduce by 14% of your rent.**
- b) If you have two or more extra bedrooms your Housing Benefit will reduce by 25% of your rent**

For some, offering out a spare room to a lodger may be an option to help them pay for the shortfall.

For more information on under occupancy and the rules on who is entitled to a bedroom please see our Under Occupancy fact sheet online or ask Customer Services on **01506 280000** or via your local office.

3. How will this affect benefits?

From April 2013 lodgers will count as occupying a room under the new rules. Any income you receive from a lodger will be considered and deducted pound for pound from your benefit, apart from the first £20. The first £20 of weekly income from a lodger is exempt and won't affect your benefits, so overall you may still be better off. The Advice Shop or Citizens Advice Bureau will be able to advise you of the effect additional income may have on your benefit.

(Please Note: the rules are likely to change again on Universal Credit – lodgers possibly may not be counted as occupying a room and the size criteria reduction will apply, but any income the tenant receives from lodgers will be fully disregarded and will not impact on the amount of a claimant's Universal Credit award.)

Homeowners and tenants who let furnished accommodation and take in a lodger are exempt from paying tax on rental income of up to £4,250 a year – and because it's tax free, it also won't affect the amount that you receive in Child Tax Credit or Working Tax Credit either.

4. How do I go about taking in a lodger?

We have included a step-by-step guide on the other side of this fact sheet which will make sure you go through the correct legal process and both you and the lodger know what you are entering into.

7. I'm interested, who can I speak to?

Please contact your local office on: **01506 280000** or email Customer.Services@westlothian.gov.uk

We offer interpretation and translation if needed.

STEP-BY-STEP GUIDE TO TAKING IN A LODGER

Step one – Get your house rent ready

Your home and the room you want to rent out should be safe and fireproof. If you are planning to rent out a room, speak to your housing office on the details given over the page. Councils and housing associations usually allow tenants to take in a lodger, **but you must get written permission.**

Step two – Advertise

There are lots of ways you can advertise your spare room. Put a notice in your local shop or advertise it for free on one of the many websites available.

Step three – Find someone that's right for you

Letting someone live in your home is a big step, so it pays to be prepared. Take time to talk to potential lodgers to ensure they are a good fit for you. It is sensible to lay down simple ground rules early, so you both know what to expect.

It is likely that insurance premiums will increase by allowing someone to share your home, because of factors such as accidental damage. It is advisable to check your contents cover and if existing arrangements do not provide cover if part of the property is let, to arrange to extend the cover.

Step four – Get references

Ask potential lodgers if they can provide references from an employer or previous landlord. This gives you peace of mind that you are entering into a secure agreement.

Step five – Get it in writing

Have a written agreement between you and your lodger. There are guides to good lodger agreements online and in book shops. A written agreement should include:

- Rent amount and payment details
- Which rooms/facilities the lodger is entitled to use
- Services you agree to provide and what household bills will be shared
- How long until the payment amount is reviewed
- House rules
- Notice period

Safety tips

- Always have a friend accompany you to interview new lodgers
- Keep valuables locked away during the interview
- Make sure you use the interview as an opportunity to ask about anything that concerns you

Frequently Asked Questions

What tenancy status does a lodger have?

Your lodger should have what is known as a 'common law' tenancy if they share accommodation with you but have exclusive possession of part of the property (for example, they have their own bedroom).

What does 'exclusive possession' mean?

Exclusive possession means that only the lodger is entitled to use that part of the accommodation and you, their landlord, cannot enter without their permission.

What if you want the lodger to leave?

You can only ask a lodger to leave under certain circumstances - you cannot evict without a court order.

What notice period does a lodger need to give if they want to leave?

They will need to give you a notice to quit in writing at least four weeks before the term expires. If the lease is for a year or more they should give you at least 40 days notice. If they don't give enough notice the lease will automatically repeat itself.

Would taking in a lodger affect my Council Tax?

If you are receiving a single person's discount on your council tax, you would no longer be eligible for this if you take in a lodger. However, you can charge your lodger their share of the council tax bill.

A guide to letting a room is available on this website:

http://scotland.shelter.org.uk/get_advice/advice_topics/renting_rights/taking_in_a_lodger_or_subletting_your_home

Details on Rent a Room scheme & taking in a lodger are available on this website:

http://www.direct.gov.uk/en/MoneyTaxAndBenefits/Taxes/TaxOnPropertyAndRentalIncome/DG_4017804

A sample lodger agreement:

<http://www.westlothian.gov.uk/media/1976/Lodger-Agreement/pdf/lodgeragreement.pdf>

Please remember...

If you are on benefits and are thinking of taking a lodger, find out how your benefits may change by contacting the Advice Shop/Citizen's Advice Bureau, or talking to staff at your Job Centre.

If you are on benefits and decide to go ahead and take a lodger, don't forget to report a change in circumstances to your Job Centre as well as telling the Council.