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Don't hand over the deposit to those bungling bureaucrats

Victoria Whitlock finds a (legal) way to keep tenants' deposits in her bank account

OH WHADDYA know? An ill-conceived government-backed scheme to supposedly stop unscrupulous landlords from running off with their tenants' deposits has cost taxpayers £12.7 million. That's because the muppets who set up the Deposit Protection Service (DPS) four years ago mistakenly thought the cost of running the scheme would be funded from the interest earned from landlords handing over their tenants' deposits for safekeeping. They didn't envisage that interest rates might plunge, thus putting paid to any idea of the scheme being self-financing.

Now the Government has had to honour Labour's pledge to bail out the DPS, but the DPS is itself, in my

'Stop boo-hissing. I'm not suggesting landlords run off with their tenants' deposits – but there is another way'

opinion, an utterly pointless waste of money. The is because, obviously, the sort of landlords who help themselves to tenants' deposits tend not to register with the DPS in the first place. Why would they? That's like leaving a prison door unlocked and expecting the criminals to check themselves in and out of their cells.

Even though landlords are legally obliged to declare tenants' deposits within 14 days of receipt, I'm not at all surprised that even some decent, law-abiding ones haven't registered with the DPS. In fact, I'd urge them not to.

Oh stop boo-hissing, I'm not suggesting they run off with their tenants' money, I'm just saying that it's daft for landlords to hand over deposits to a third party.

Why do that when it's still perfectly legal to keep the deposit yourself? I don't mean permanently, you can't spend it, you mustn't treat it like a bonus like some scumlord, but there's another lawful – in fact government-approved – insurance-backed protection scheme called Tenancy Deposit Solutions (see mydeposits.co.uk), that allows you to hang on to the cash.

Admittedly Mydeposits isn't free, unlike the DPS, which won't cost you

The accidental landlord

a penny. Mydeposits charges landlords a one-off joining fee of £60, and then £17.50 for each deposit of less than £300, or £30 for larger deposits.

At current interest rates you'd have to have a deposit of at least £1,200 to invest for a year to earn enough to cover your costs, but I think £30 is a small price to pay to be able to keep the money in your own bank account (or biscuit tin, whatever). This way, if you're landed with an unexpected maintenance bill or the tenant defaults on their rent, you've got a bit of cash in the bank/biscuit tin to tide you over.

I think the insurance-backed scheme is better for the tenants, too. When my tenants leave, I give them their deposit back on the spot. But if I handed over their cash to the DPS, it could take at least 10 days for the money to be transferred to the tenant's bank account.

Whatever you do, don't allow a letting agent to look after the deposit, especially if they charge you an "administration fee" for the privilege. They're supposed to surrender it to the DPS or sign up to an insurance scheme, but if they don't and they go bust/run off with the money – or drown in their own oiliness – it will be down to you to refund the tenant. Many agents (at least some of those I've dealt with) deliberately give the impression that landlords are not legally allowed possession of the deposit, but as long as you're registered with one of the above schemes you are, so insist the agent hands over the cash. Rugby-tackle them for it, if necessary.

Once you've got the money safely in your account you've got 14 days to register it with Mydeposits, or surrender it to the DPS, if that's what you'd prefer. Then just ignore the sound of rogue landlords laughing at you from their sunloungers in Marbella.

Mother-of-two Victoria Whitlock lets three properties in south London.

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