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Get Your Tenants to Pay Rent on Time



Contents

How to Get Your Tenants to Pay Rent on Time	3
Late Rent vs No Rent.....	3
Deal with the Emotional Issues	4
Plan Your Finances	4
Set up Automatic Rent Payments	5
Document Everything.....	6
Report to Credit Bureaux.....	7
Communication	7
Charge a Late Fee.....	8
Offer a Financial Incentive.....	9
Offer a Repayment Plan.....	10
Contact the Guarantor.....	10

How to Get Your Tenants to Pay Rent on Time



Ending up with tenants that don't pay rent on time, (or worse, don't pay rent at all) is a rite of passage for most landlords.

You can have the best rental payment system and process in the world. But, at some point, unless you are extremely lucky, you're going to come across a

tenant who just doesn't pay on time. In that situation it pays to be prepared.

Here we're going to look at some top tips for getting your tenant to pay their rent on time. We'll also look at how to deal professionally with tenants when they don't.

Late Rent vs No Rent



There's a difference between paying rent late and not paying rent at all.

If your tenant is consistently paying late, it could be that there are issues with the payment date or method. Maybe you collect rent on the 1st of the month, and they get paid on the 5th?

In the first instance try talking to your tenant to see if there's anything you can do to help them pay on time.

Sometimes you can work with the tenant to accommodate a different payment date or a different method of payment. If the tenant is forgetful, maybe a monthly rent reminder will help them keep on track with their rent payments?

Deal with the Emotional Issues



Late payments or rent arrears can cause all sorts of emotional issues for landlords.

If your tenant isn't being communicative or is causing issues, then you'll experience a great deal of frustration when trying to come to a resolution. If the tenant's rent payments are covering the mortgage on the property you might find it even more difficult to keep a lid on your anger and sense of injustice.

If a tenant has stopped paying rent altogether, you'll have to wait for a while before you can start any official eviction processes. This period of waiting is going to be difficult, especially if your tenant isn't communicative.

The stress caused during this waiting period can take its toll on you. Make sure you take good emotional and physical care of yourself if you start to feel the effects. Learn to accept what's happening, identify the steps you need to take to resolve the issue, and in between taking these steps get plenty of rest and relaxation.

Letting stress build up can cause all sorts of physical problems too, so it's important not to dismiss this self-care routine.

Plan Your Finances



Before even renting out a property, you should have a financial plan of action that you can take if, or rather when, you have a tenant that doesn't pay their rent.

Save a little money every month as a financial contingency in case your rent doesn't arrive.

It might feel like you shouldn't have to do this, and the tenant should just pay their rent on time. Being financially prepared for gaps in rental payments will relieve a lot of pressure while you are dealing with late rent payment issues.

Most experts recommend saving at least two months' rent for each of your properties. As it takes two months to start an eviction process, having this financial stop gap will give you some financial breathing space if your rent is late or doesn't arrive.

If you've already rented out a property and you don't have savings, consider getting some rent payment insurance. Not all insurance providers are created equal, so make sure you do your research before investing in a plan.

You can claim on your rent payment insurance in the event your tenant doesn't pay rent. Make sure you check any terms, conditions, and exclusions so you don't end up out of pocket when the time comes.

Set up Automatic Rent Payments



Encourage your tenants to pay their rent automatically. This can be arranged in a few different ways.

Automatic payments prevent any issues related to forgetting when the rent is due and ensures you get the rent on the right date every month.

Most tenants are happy to set up automatic payments as it helps them to budget and keep organised too.

Make sure you understand the different types of electronic payments. A standing order is set up and maintained by the tenant. That means if there's a rent increase the tenant is responsible for changing the amount on the standing order.

Direct Debits are controlled by you. While a tenant can cancel a Direct Debit, they can't alter the amount.

Electronic card payments are usually made manually by the tenant every month, these have a high likelihood of being forgotten about.

Most of these electronic payment methods will incur a nominal processing charge, so do your homework before committing to a specific provider or processor. Generally, it's worth paying the nominal fees to get your rent paid on time automatically.

It doesn't have to be difficult to set up automatic rent payments. Standing orders are set up by the tenant, Direct Debits can be collected via good landlord software (like Landlord Vision 😊) and card payments can be processed by online companies like GoCardless, PayPal and Worldpay.

Document Everything



If your tenant is just late paying the rent, then it's probably best to start by picking up the phone. Or you could send your tenant a text message to remind them that the rent is late.

If it's gone past that stage though, start documenting everything.

If it gets to a point where you need to seek possession of the property, you'll need a clear audit trail that shows you've tried to resolve the situation calmly and rationally and above all professionally and legally.

While it's sometimes easier to discuss things over the phone, you could email the tenant to let them know what you want to talk about then follow up with a phone call to make sure there's an audit trail.

Hopefully you'll be able to resolve any rent payment issues with your tenant before it even gets to court stage. If you can't come to a resolution, then it's important you're prepared.

Wherever possible use professional and legal documents or templates. You'll need to avoid including anything that could be mis-construed as aggressive by your tenant.

Pro Tip: Landlord Vision contains a legal document centre with unlimited use of legal documents. The documents are checked and updated by lawyers every year. You can use autofill these templates with tenant data and get them signed by your tenant inside the software.

Report to Credit Bureaux



You can give tenants an incentive and a deterrent in one by reporting their rent payments to credit bureaux.

This incentivises tenants to pay on time as it helps build their credit score when they do. It also penalises tenants who don't pay their rent on time by reporting it negatively against their credit score.

This is a relatively new concept, until now credit bureaux tended to only accept missed rental payments and evictions on credit reports, but recently they've started accepting rent payments made on time as an indicator of credit worthiness.

Because this is relatively new, there isn't much help out there for landlords, much of the information is geared towards tenants. If you're interested in exploring the idea though, [Creditladder](#) and [Experian](#) are great places to start.

Communication



There's no substitute for good communication. In this section we'll look at how and when you should communicate with your tenants if they are late paying rent.

Be clear about when the rent is due and how much is to be paid before the tenant moves in. Make sure this is also documented in the tenancy agreement.

If your tenant is paying every month but not on the date you prefer, decide if it's worth saying anything at all. After all, you're still getting the rent, right?!

The first time you notice the rent hasn't been paid on time give your tenant a quick call to explain you haven't received it. This helps you and the tenant to deal with any administrative issues or glitches that might have occurred and resolve the situation quickly.

[7]

If you've spoken to the tenant and they've agreed to act but then fail to follow up, send a polite email or SMS to remind the tenant, explain to them that they'll receive a late payment letter or notice in a few days' time which they can dis-regard if they've paid up. Explain this is a normal administrative step so the tenant doesn't panic. This is where your paper trail starts. From this point onward, ensure you're documenting your communications with the tenant, preferably in writing by letter or email.

If the tenant has received the late payment notice but still hasn't paid any rent, then it's worth getting in touch again. This time ensure you send a letter or an email. In this letter outline any fees the tenant must pay as a result of not paying rent. If there are any other consequences, like a negative effect on their credit score, or the possibility that you'll get in touch with their guarantor for outstanding rent, outline these too. Sometimes pointing out the consequences is enough to spur the tenant into action.

Remember you should do whatever is reasonably possible to help the tenant pay their rent on time. That may include changing the date of the rent payment, the payment method, or setting up a re-payment plan if the tenant is struggling financially. You want your rent to be paid, so it's a good idea to help your tenant make this a reality.

Be objective when you speak to the tenant, don't let them play on your good will and don't delay your actions based on their promises. We've all fallen for sob stories we wish we hadn't in the past. That's not to say that you should distrust your tenants or their situations but be realistic and trust your gut instincts. It's business at the end of the day.

If you've gone through these steps and your tenant still hasn't made a rent payment, it's a different matter. You're providing a service and the tenant should pay for that service. In the case of non-payment, you may have to take more official steps to resolve the issue.

Charge a Late Fee



Many landlords and letting agents use negative sanctions to discourage non-payment of rent. One of these is to charge a fee for late rental payments. This can be an effective way to ensure you get your rent on time.

[8]



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You must be cautious of this approach if your tenants are struggling financially. If this is the case, they'll be under a lot of stress. Piling more stress and financial worries onto your tenant by adding late payment fees into the mix is a recipe for disaster. If you apply a late fee while your tenant is already struggling this can go a long way towards ruining any relationship you have with them.

If you already have late payment clauses written into your tenancy agreement, use these to your advantage when trying to resolve the situation with your tenant.

You could try explaining to the tenant that you'd like to help them get back to a place where they're paying their rent on time, and that you'd like to lessen their financial burden by waiving the late fees till they are back on their feet. This will go a long way towards strengthening the relationship between you and your tenants and they'll be more likely to work with you to get back on track with their payments.

Offer a Financial Incentive



Everyone loves a financial incentive and your tenants are no different. There are lots of incentives typically offered by landlords to help keep their payments coming on time.

You could offer a discount for tenants paying by direct debit or standing order – it doesn't have to be huge, but a nominal discount will go a long way.

This will also encourage your tenants to pay electronically which will prevent them forgetting when the rent is due.

Another popular incentive is to offer tenants a reduced rent in December if they pay the rest of their yearly payments on time. Some landlords amortize the annual cost of rent over 11 months instead of 12, and then don't collect rent in December (providing all the payments have been made on time).

There are plenty of ways to offer financial incentives without being out of pocket. Get creative and ask your tenants what would incentivise them to pay rent on time.

Offer a Repayment Plan



If you have a tenant that's struggling financially, but they're making every effort to communicate with you and they've been good tenants up to this point, then consider working with them to put a repayment plan together.

The plan can help your tenant catch up on the rent by spreading the cost of rent owed. This won't be an ideal

solution if your tenant is going to be in financial trouble long term.

You could also consider reducing the rent for a short period of time while they get back on their feet. Most landlords will feel differently about this, you're running a business after all. But it's worth asking yourself if it makes sound financial sense to keep renting at a lower rate than to re-advertise the property and put up with it being empty for an indeterminate amount of time.

Make sure you document any plans you put together with the tenant and that the tenant signs these documents. That way if the tenant doesn't keep up with the re-payment plan you can show this to be a breach of your agreement.

Contact the Guarantor

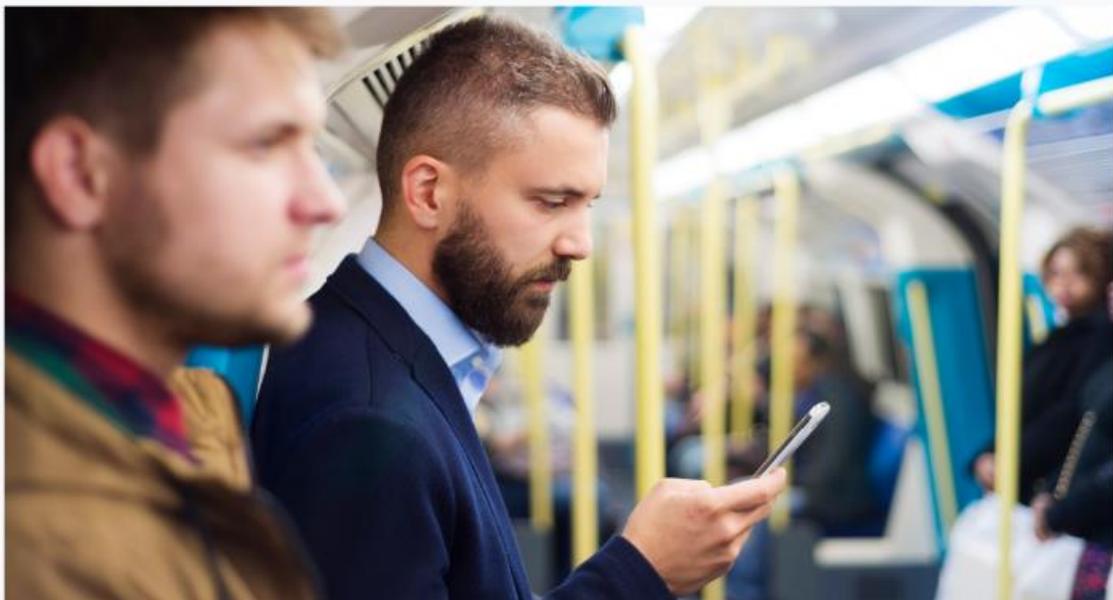


If your tenant is falling behind with the rent and you've tried all reasonable steps to get them to pay up or they've resisted your attempts at open communication, let the tenant know that you're going to contact their guarantor to ask for the rent payment.

This is often enough to get tenants to talk or pay up. If you don't get any response from the tenant after a few days, then try collecting your rent from the guarantor.

If you're in a situation where your tenants still aren't paying rent when you've taken all these steps, then you may need to take more decisive action. Before you can seek re-possession of your property your tenant has to be two months in arrears.

Dave just checked his Income Tax report, instructed a supplier to fix the leaky tap at no 12, renewed the tenancy for no 24, and replied to three tenant emails – all with one app...



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