

The Minimum Level of Energy Efficiency for rental properties

This fact sheet is to provide guidance and advice to landlords of private rented properties that fall under the Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015.

The above regulations set out the minimum level of energy efficiency for private rented properties. This is measured by having an Energy Performance Certificate (EPC). It is a legal requirement to have an EPC to market a property for sale or for rent. An EPC must be available to any prospective tenants or buyers, and displayed on all advertising material.

In the rental market, an EPC must be provided to all new tenants before the start of their tenancy as well as to all current tenants who are renewing their tenancy.

Now, it is important that landlords have a record of the EPC being provided to their tenant. Without this evidence, a court will not enforce any notice to a tenant which a landlord may need to rely on to gain possession of their property. Providing an EPC is now part of the prescribed information that must be provided under the Deregulation Act 2015 (see our 'Deregulation Act 2015' fact sheet).

What is the minimum level?

From **1st April 2018**, landlords may not grant a new tenancy to a new or existing tenant if the property has an EPC rating of band F or G, as shown on a valid energy performance certificate for the property.

From **1st April 2018**, landlords will not be allowed to continue to let a property if the property has an EPC rating of band F or G.

Landlords are encouraged to take action as soon as possible to ensure their properties meet or exceed an EPC rating of E by April 2020. A landlord will have to ensure that energy efficiency improvements are made to the property to raise the EPC rating to E or above.

Are there exemptions?

In some circumstances, a landlord may be able to claim an exemption from this; for example, whenever the possible improvements recommended to the property will still result in the property remaining below the rating of band E.

Originally, if a landlord could not obtain third party funding to cover the whole cost of works needed to make the property an acceptable rating, they could apply for an exemption. From **1st April 2019**, this will no longer apply. The landlord's financial contribution element will be capped at £3,500 (inclusive of VAT) for F or G rated properties.

Introducing a 'High Cost' exemption

Where a landlord has to make a contribution, a 'High Cost' exemption has been introduced. It can be used where an EPC F or G rating cannot be improved to an E rating without costing in excess of £3,500.

If third party funding is used alongside a landlord's contribution, the third party funding may be counted within the cap. *(For example, if a landlord can obtain £1,000 of third-party funding, only £2,500 of self-funding will be necessary.)* Any investment in energy efficiency the landlord has made to the property since the **1st October 2017** may also be counted within the cap.

Where a landlord is unable to improve their property to band E within the cap, they should install all the measures which can be installed up to £3,500, then register an exemption.

What happens to the 'Consent' exemption?

From **1st April 2019**, the 'Consent' exemption (where a sitting tenant could withhold their consent to a Green Deal finance plan) is removed. The landlord instead will now have to find alternative ways to finance the improvements up to the cap of £3,500.

Once an EPC is produced, it is valid for ten years.

There may be some circumstances where a property does not need an EPC and does not need to comply to the minimum standard requirements.

Further details of EPC's and exemptions can be found at:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/788145/domestic-private-rented-property-minimum-standard-guidance-landlords-las.pdf

