

From April 2013 the government has introduced new rules in Housing Benefit for working-age people living in social housing, which includes property rented by Orkney Islands Council and Orkney Housing Association Limited. Housing Benefit will no longer pay for bedrooms that they decide you do not need.

For some people, offering out a spare room to a lodger may be a sensible option. This would mean that Housing Benefit would no longer consider the room to be spare.

In addition to this, the first £20 of weekly income from a lodger is ignored and won't affect your benefits. If you receive more than £20 a week in rent, the extra cash is likely to affect your benefits - although overall you should still be better off. Your local authority or an advice organisation will be able to advise you on the effects additional income will have on your benefit.

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.

## Step by step guide to renting out a room

### 1. Step One – Get your house rent ready

Make sure your home and the room you want to rent out is safe, fire proof and that you have general safety sorted.

If you are planning to rent out a room, let your landlord know as you may need to get permission first. Councils and housing associations usually allow tenants to take in a lodger, but you have to check and get permission.

Also speak to where you claim benefits from to check if the extra cash affects your entitlement.

A general guide to letting a room is available here:

<http://www.communities.gov.uk/publications/housing/lettingrooms?view=Standard>

Further information on the Rent a Room scheme and taking in a lodger are available here. It may also be worth speaking to the Citizens Advice Bureau.

[http://www.direct.gov.uk/en/MoneyTaxAndBenefits/Taxes/TaxOnPropertyAndRentalIncome/DG\\_4017804](http://www.direct.gov.uk/en/MoneyTaxAndBenefits/Taxes/TaxOnPropertyAndRentalIncome/DG_4017804)

## **2. Step Two – Advertise**

There are lots of ways you can advertise your spare room. Try putting a notice in your local shop or go online and advertise it for free through one of the many websites available.

## **3. 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 your time to talk to the people viewing your property to make sure they are a good fit for your home.

It is also good to lay down your simple ground rules early, so you both know what to expect.

## **4. Step Four – Get references**

Ask your new lodger if they can provide references from an employer or previous landlord. This can give you extra peace of mind that the agreement you are entering into is likely to be alright.

## **5. Step Five – Get it in writing**

Have a written agreement between you and your lodger.

This should include: rent amount and payment details; which rooms/facilities the lodger is entitled to use; services you agree to provide; any share of household bills, how long until the payment amount is reviewed and house rule; notice period. There are many guides to lodger agreements available through bookshops and stationers.

### **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.

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