## Rent Arrears – Landlord's Options

#### Scenario 1:

Landlord approached by tenant with request for rent holiday/concession.

### Landlord sends holding letter and suggests alternatives

The landlord could request the tenant's trading information and details of their net assets in order to assess the position.

# Parties negotiate the terms of the rent concession

These discussions should be held on a without prejudice and subject to contract basis

### Parties enter into side agreement

- Rent holiday
- Rent deferral
- Quarterly to monthly payments

Landlords will need to consider the need for consent under any banking and headlease obligations

#### Scenario 2:

Following service of a rent demand the tenant fails to pay rent.

### Landlord sends tenant chaser letter requesting payment

Note – the right to forfeit will be waived if a chaser letter is sent.

#### Tenant continues to fail to pay rent

In this scenario, a number of options will be available to you. These are detailed below.

#### **Pursuit of other parties**

- Guarantors
- Sub-tenants
- Former tenants
- Landlord's insurers

#### Statutory demand

If the tenant fails to pay within 21 days of service of the demand and is unable to pay debts as they fall due, the landlord can petition the court for a winding up order.

### Commercial rent arrears recovery

This statutory route allows the landlord to take control of and sell tenant's goods to recover arrears.

#### **Debt claim**

Before bringing a claim, the landlord should serve a letter before action requiring payment within a reasonable period of time. Certain claims can be made online if less than £10,000 or if over £10,000 but under £100,000. The Court Issue fee can be rolled into the wider claim and, if successful, also recovered from the tenant.

### Rent deposit and bank quarantees

Consider whether to call in a bank guarantee or withdraw from a rent deposit. The deposit deed will usually require notice to be served on the tenant before withdrawal.

#### Forfeiture

Forfeiture by peaceable reentry or by court proceedings will bring the lease to an end. Rates liability will fall back on the landlord.

Landlord should check if any grace period needs to be allowed before action can be taken.

**Take note:** As trailed above, these options are likely to change if your tenant has entered into liquidation or administration or if a moratorium applies. Get in touch if you would like to discuss further.