



University Guarantor Schemes

Most private landlords ask for a guarantor, but what about those students who can't supply one?

This briefing will explain some of the difficulties encountered when trying to find a guarantor in the private rented sector and outline ways for institutions to help their students.



What is a guarantor?

Most landlords, and some private accommodation providers, that rent properties to students require a third person to act as a 'guarantor' before they sign a tenancy agreement. A guarantor is a third party, for example a family member, who agrees to pay the rent if for any reason the tenant cannot.

In some cases a guarantor is also liable for other costs that might be incurred, for example any damage to the property that happened whilst the tenant was living there.

Agreeing to be a guarantor is binding legal commitment, and landlords can take legal action against guarantor if the rent, or other costs, are not paid.

What are the problems encountered?

Trying to find someone to act as a guarantor presents problems for students for a range of reasons.

Students who are care leavers, or estranged from their parents may not have relationships with their families which would enable them to ask them to act as a guarantor for a rented property.

In order for an individual to act as a guarantor, they must have an income which is suitably high enough to afford to cover the rent payment. For students from low-income backgrounds or who have parents that are out of work, or in low paid work, it can be a challenge to find a guarantor that the landlord will accept.

Most landlords require that a guarantor is based in the UK to make it easier for the landlord to pursue any unpaid rent using the UK legal system. For international students this poses a substantial challenge, as they may not be able to provide a guarantor that is resident in the UK for the full tenancy.

What are the options and risks of renting without a UK guarantor?

From NUS research, Homes Fit for Study we found that 66 per cent of international students were asked to provide a UK based guarantor when they were looking to rent privately, but 37 per cent were unable to do so. Over 90 per cent of these students were asked for rent up front to compensate for this, and between one and six months' worth of

rent was generally requested – although six months' rent was the most common requirement.

In many cases this equates to between £2,000- £9,000 being paid to the landlord at the start of the tenancy, which unfortunately is not a viable option for some students.

Upfront payments of rent make student renters vulnerable to unscrupulous landlords, as once the rent is paid the tenant will struggle to have their money reimbursed if they have to vacate the property for any reason, or the tenancy is ended.

Transferring significant amounts of money to landlords to secure a tenancy also leaves student vulnerable to fraud. International students, as well as students who cannot visit a property in person before they sign a tenancy agreement, may fall victim to online property fraud. Property fraud usually happens where someone posing as a landlord posts a fake property advert and takes advance payments of 'rent' from unsuspecting students. Students who are caught in these fraudulent transactions not only face losing substantial amount of money, but also are likely to find themselves homeless when they arrive.

If a student is unable to provide a guarantor, or pay six month's rent in advance, they risk being excluded from the private rented sector altogether, leaving few accommodation options.

Often students without guarantors have to become a lodgers with a 'host family', which offers them very few legal protections from eviction. The alternative is to find a room in university owned purpose built student accommodation, which can be far more expensive than renting a room in shared house in the private sector. Students that are excluded from the private rented sector often cannot live with their friends, which can leave them feeling isolated and alone.

Commercial guarantor schemes

There are a number of private companies that offer to act as a guarantor for a fixed fee. Private guarantor companies require students to pay the fee up-front, and in many cases the charge is up to 95% of one month's rent, on average around £290. Additionally many of these schemes require a UK-based 'co-signer' before they will approve an application, and in the terms and conditions of these schemes it is apparent that the 'co-signer' is liable to repay any debt owed to the company as a result of non-payment of rent. These schemes are expensive, and usually unsuitable for international students who cannot find a UK 'co-signer' to endorse their application.

What is a University Guarantor Scheme and how can they operate?

In response to the challenges faced by students who are unable to secure a guarantor some universities have introduced their own rent guarantor policies- where they institution will act as a guarantor for their students looking to rent a property in the private sector.

In any case where the student renter defaults on their rent payment to the landlord, the university will make the payment and chase the debt owed to them by the student separately.

Based on research with universities that offer guarantor schemes, we've outlined the basic principles of how a scheme could operate below. It important to bear in mind that each institution is different, and any policy that is introduced will have to fit in with the culture and values of each organisation.

Step 1: define which students are eligible for the scheme. Some institutions reserve the scheme for international students only, some only with dependent children, and some schemes are not open to students in their first year of studying at the university. Most universities that operate guarantor schemes

charge a small administration fee of £30-£50 per student.

Step 2: define which properties are eligible for the scheme. In order to minimise exposure to fraud, as well as rogue landlords, it is advisable to create (and make available to students) a register of properties that would qualify for the guarantor scheme. At University College London, only landlords that are registered as part of their Housing Service can take part in the scheme.

Step 3: define the rent level the scheme will cover. SOAS, for example, have capped the amount of rent they would be liable for at £720 per month. It would be sensible to cap the amount of rent the scheme could cover to ensure that it is only being used for legitimate housing requests, however this should be reviewed frequently to ensure that the level of cover provided to student renters is reasonable.

Step 4: ensure robust verification procedures are in place. It is advisable to make a copy of the tenancy agreement and verify the terms and conditions for any student accessing the scheme. Some institutions also ask for financial details from students, such as a proof of income or bank statement, to check that the student is able to afford the rent payments, and that the student has set up an automatic payment (such as a Direct Debit or standing order) to the landlord to avoid late payment. At the University of York, applicants have to have their tenancy approved before they can sign up, and are also required to provide bank statements and proof of income before they are allowed to join the scheme

Step 5: establish a clear policy and procedure to chase the debt owed for non-payment of rent. This could include verifying the students' home address and household details. Queen Mary University London includes a declaration in the application form to join the scheme that lays out the steps that will be taken to recover

any debt owed to the university which students are required to sign.

Winning the Argument: How to encourage your institution to set up a guarantor scheme

University-backed guarantor schemes are a low-cost and low-risk option for universities that want to support their students to live independently.

It might be useful to **consult** with students who have lived in the private sector or who have struggled to find a guarantor and the impact it has had on them. It could also be a good idea to speak to landlords in your local area and find out what proportion of them require guarantors and how they work with students that cannot provide one.

One way to convince your institution to run a guarantor scheme is to help to set up a **pilot** project, to test out how the scheme could work with a small number of students. Pilot schemes are useful for collect lessons about how to run a project on a wider scale and can help to demonstrate the benefits of the scheme in a low-risk environment.

Look at some **case-studies** from other institutions that have set up similar schemes.

Good examples of guarantor schemes include:

- [University College London](#)ⁱ
- [SOAS](#)ⁱⁱ
- [University of Edinburgh](#)ⁱⁱⁱ
- [University of York](#)^{iv}
- [London School of Economics](#)^v
- [Queen Mary University of London](#)^{vi}

What are the benefits?

Supporting students to access housing which is affordable, where they are awarded full legal rights as tenants, and are able to live in a household of their choosing, will undoubtedly have a positive impact on the lives of students, and equally on their rates of attendance and attainment.

Similarly offering a scheme that directly benefits international students who may be concerned about renting in the UK is likely to act an incentive for students to choose to study at your institution.

Providing a guarantor scheme that specifically helps students that are estranged, leaving care, from low income households as well as international students makes a strong statement about the values and ethos of the institution for both current and prospective students. Removing barriers, such as the prohibitive cost of renting without a guarantor, which prevent students from working class backgrounds from attending university would also support the institution's widening participation objectives.

What are the challenges?

The most obvious challenge associated with operating a guarantor scheme is managing the financial risk of the liability for paying the rent.

The risk that students taking part in the scheme will default on their rent can be managed with robust verification process prior to the start of the tenancy. Similarly ensuring that procedures are in place so that any debt is raised with the student as soon as a rent payment is missed will minimise the risk of more substantial debt being accrued.

Open dialogue between student renters and the institution will help to proactively engage with individuals that may be experiencing financial difficulties, facilitating advice or intervention to support the student.

Evidence from one of the longest-running guarantor schemes, operated by UCL, has shown that the number of cases where students default on their rent is negligible.

Universities can mitigate the risks of incurring any debt by employing appropriate debt recovery strategies, as they would with any other debt owed by a student.

Further Information

You can find more information about guarantors on the [Citizens Advice website](https://www.citizensadvice.org.uk/housing/renting-a-home/student-housing/students-in-private-rented-accommodation/student-housing-using-a-guarantor/): <https://www.citizensadvice.org.uk/housing/renting-a-home/student-housing/students-in-private-rented-accommodation/student-housing-using-a-guarantor/> which has separate information pages relevant to England, Wales, Scotland and Northern Ireland.

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ⁱ <http://www.ucl.ac.uk/new-students/accommodation>

ⁱⁱ <http://soasunion.org/housing/guarantors/>

ⁱⁱⁱ <http://www.ed.ac.uk/student-funding/current-students/guarantor>

^{iv} <https://www.york.ac.uk/students/housing-and-money/accom-help/guarantee-scheme/>
^v <http://www.lse.ac.uk/lifeAtLSE/accommodation/privateHousing/LSERentGuarantorScheme.aspx>

^{vi} <http://www.arcs.qmul.ac.uk/students/finances/bursaries-grants-scholarships/international-rent-guarantor-scheme/index.html>