

## CLOSING OUT THE GREY AREAS IN LETTING APPOINTMENTS

Your letting appointment with owners must clearly set out in detail all fees and charges you propose to make to your owner. This document forms the core basis of your relationship with owners in your letting pool.

We often see managers who want to keep their appointments short and uncomplicated. Whilst this sounds good in theory, very often these short and sharp legal documents rarely cover all situations that you may encounter and can often lead to unfortunate outcomes when your fees and charges may be challenged.

The common grey area we see in letting appointments include the following:

- Owner use of their lots.
- Owners selling their lots.
- Dealing with forward bookings when the letting appointment is terminated.
- Deciding what is appropriate advertising and how much should be spent on advertising.
- Notifying and recording any increases in fees charged.
- Charging, sharing, or keeping a fee for cancelled bookings.
- Payment of rates, levies and other owner expenses on behalf of the owner.
- Identifying consumables provided to guests during each stay and the owner's expenses associated with the provision of these consumables.
- Identifying any other letting agent services packaged with a guest's stay and the amounts charged to guests for these services.
- Identifying any extra amounts to be charged when arranging maintenance and replacements.

It is only a matter of time before managers will encounter one or more of the above situations and will find themselves looking at their letting appointment and crossing their fingers, hoping it will be covered off in the appointment. Often letting appointments will touch upon an issue and provide a general guide to what should occur, but won't dig deeper into a problem.

For example, many letting appointments for short-term lettings will state that owners can use their lot for a limited period, e.g. 14 days, but won't state what happens if the owner just decides to stay longer. Technically this is a breach of the letting appointment by the owner, but without a clear consequence of this breach stated in the letting appointment, it isn't going to be helpful when the manager just wants the lot back in the letting pool. Most managers are not going to initiate a costly damages claim for a breach of contract against the owner, and spend far more money than they could win back, plus burn numerous bridges with the owner at the same time.

This situation could be avoided if the letting appointment states up-front what will occur when an owner stays in their lot longer than their allowed period. Solutions might include commission increases for an equivalent period or a daily fee, or some other outside the box solution that suits your circumstances. The goal is to have a clear consequence stated in the letting appointment when there is a breach, so that there is no ambiguity about what your rights and options are.

No one wants their letting appointments to look like the latest version of “War and Peace” or a “Lord of the Rings” trilogy, but if you want to be proactive and avoid some common problems it is well worth adding an extra clause or two to your letting appointment to cover all situations that may arise. It is really the lesser of two evils.

I recommend all managers look at their letting appointments and consider the grey areas they have lurking there. Replacing the vague, grey areas with clear wording outcomes will make your life less stressful in the future.

Managers should contact their management rights specialist lawyer to help them with this process.

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