

Landlords shouldn't rely on govt database

By Greg Ninness - Sunday Star Times | Tuesday, 30 January 2007



Tenant info may be too little, too late, says tenancy debt collection agency.

Landlords are being warned not to rely too heavily on a new government database to identify bad tenants when letting properties.

The new database, which will list details of all new Tenancy Tribunal decisions, may provide information that is too little, too late, says the head of the country's largest tenancy debt collection agency.

Geoff Knight, managing director of Chase Investigative Agencies, which specialises in recovering debts from tenants, said that by the time information from a Tenancy Tribunal ruling appeared on the database, the tenant had probably already quit the property and become another landlord's problem. Knight said the usual process used when a tenant fell well behind with their rent was to issue a notice giving them 10 days to remedy the situation.

If things were not set right within that period, the landlord could apply for a Tenancy Tribunal hearing which could result in an order being made against the tenant to pay what they owed and/or the tenancy being terminated.

Details of that decision would then be posted on the website, operated by the Department of Building and Housing.

However, a habitually bad tenant might already be several weeks behind with their rent by the time they received the 10-day notice and once they were issued with that, they would simply move to another property, possibly giving the name of a friend as a false reference.

It could then take several weeks before the Tenancy Tribunal heard the matter and made a decision - too late for the new landlord.

However, the new database would hold decisions for three years, so serial offenders would eventually be caught out.

Chase was usually called in by landlords once that process was complete and they tried to locate missing tenants and recover the money owed.

While publicity has surrounded the pending launch of the Tenancy Tribunal database, and another bad tenant website set up by the Real Estate Institute a year ago, Knight's company has been operating a tracking database since 1998.

Tenancy Information NZ contains detailed histories of more than 31,000 tenants - the good, the bad and the ugly.

It operates as a subscriber-based system, like the databases run by major credit reporting agencies such as Baycorp.

It can be accessed by private landlords and professional property managers (usually real estate companies) who manage investment properties on landlords' behalf.

Members pay an annual access fee of between \$40 and \$160, and it costs between \$4.50 and \$15 to search a tenant's history.

Subscribers also enter their own tenants' details into the system, which means the database continues to grow.

Knight said the advantage of Tenancy Information NZ was the comprehensive nature of the information it collected. Members entered information about how promptly tenants paid their rent, whether they were considerate neighbours, how well they looked after a property and what sort of state they left it in when they moved on.

As a result, it identified the good tenants as well as the bad. More importantly, because landlords or property managers immediately entered the details of 10-day notices for back rent they issued, that information was immediately available to other landlords who accessed the system, even though a Tenancy Tribunal hearing could be weeks away.

But when things go wrong, it is the debt recovery side of the business which is left to pick up the pieces.

Knight estimated that about 8% of the tenancies on professional property managers' books were so far in arrears they should be terminated - for private landlords it would be closer to 12%.

His company handles about \$5 million in unpaid rent, which it is either managing or pursuing on behalf of landlords, and the average amount owed was \$2100.

About 80% of the tenants his company had to deal with were beneficiaries and 90% were women, an indication perhaps of a trend towards single-parent households and the financial problems they face. Although his company operated nationwide, the areas where problem tenants were mostly encountered were the South Auckland suburbs of Clendon, Weymouth and Manurewa.

An increasing amount of Chase Investigative Agencies' came from what Knight called "property finder companies".

These typically sold packaged residential properties to investors with a tenant in place and then continued to manage the property on the investor's behalf for a fee.

TENANCY DATABASES * Tenancy Tribunal decisions: access will be free to anyone. Expected to be launched by Department of Building & Housing within six weeks. www.dbh.govt.nz

* Tenancy Information NZ: available to subscribers on a user pays basis. www.tinz.net.nz

* REINZ tenant database: access restricted to REINZ members only.