

## Tenancy Deposit Schemes

This business briefing explains what a tenancy deposit scheme (TDS) is and what a landlord's obligations are under a TDS.

### **What is a tenancy deposit scheme?**

A landlord under an assured shorthold tenancy (AST) **must** protect a tenant's deposit by using an authorised tenancy deposit scheme (TDS) operated by an approved scheme administrator. A TDS has two main objectives:

- To ensure that, when a tenant pays a deposit, it will be protected and returned to the tenant at the end of the AST, except when the landlord has a legitimate claim on it.
- To resolve disputes between landlords and tenants using dispute resolution rather than via the courts.

There are two types of TDS:

- A **custodial TDS** requires a landlord to pay its tenant's deposit to a scheme administrator, who holds the deposit until the tenancy ends.
- An **insurance TDS** where the landlord retains possession of the deposit, but secures it by paying a fee and insurance premiums to the scheme administrator.

### **What are a landlord's obligations under a TDS?**

Within 30 days of receipt of the deposit a landlord must:

- Comply with the "initial requirements" of the TDS.
- Give the tenant certain prescribed information. This information should be provided directly to the tenant. It is not sufficient to merely identify the TDS and let the tenant make their own investigations.

### **What sanctions are available if a landlord fails to fulfil their obligations under a TDS?**

- If a landlord fails to comply with the TDS, a tenant can apply to

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*This newsletter outlines the law as it stands at the date of writing in February 2015.*

court even if the tenancy has ended.

- The penalty for failing to comply with the TDS will be between one and three times the deposit.

