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Three Common Tenancy Deposit Mistakes and How to Avoid Them

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The National Residential Landlords Association (NRLA) has highlighted three critical errors landlords often make with tenancy deposits, urging property owners to take note to avoid costly penalties and disputes. These mistakes, though avoidable, can lead to significant financial and legal consequences if not addressed properly. Below, we outline the

NRLA's guidance on how to steer clear of these pitfalls, ensuring compliance and smoother tenancies.

Failing to safeguard a tenant's deposit is a serious misstep. The NRLA warns that landlords who neglect to protect a deposit within a government-approved scheme or fail to provide the required paperwork within 30 calendar days risk fines of up to three times the deposit amount. Additionally, this error can invalidate a Section 21 notice, complicating efforts to regain possession of a property.

Place the deposit in a government-approved tenancy deposit protection scheme within 30 days of receipt.

Provide tenants with the prescribed information, including the scheme's template, rules, and deposit protection certificate, within the same timeframe.

The NRLA emphasises that diligence in meeting these requirements is non-negotiable to avoid legal repercussions.

Returning a tenant's deposit promptly and accurately is another area where landlords can falter. The NRLA advises that delays or unjustified deductions often spark disputes, souring landlord-tenant relations. To prevent this, landlords should follow a clear process at the end of a tenancy.

The recommended steps include:

Conducting a thorough check-out inspection, comparing the property's condition against the original inventory.

Proposing deductions for any identified issues, such as damage beyond normal wear and tear.

Returning undisputed funds as swiftly as possible, ideally within 10 days, though this is not a legal requirement.

The NRLA stresses that transparency and efficiency in this process can significantly reduce the likelihood of disputes.

Since the introduction of the Tenant Fees Act in 2019, landlords in England must adhere to strict deposit caps. For properties with an annual rent below £50,000, deposits are limited to five weeks' rent. For properties with an annual rent of £50,000 or more, the cap rises to six weeks' rent. This applies to assured shorthold tenancies (ASTs), student accommodation, and licences.

The NRLA clarifies that for tenancies predating 2019, where deposits may exceed these caps, landlords are not required to refund the excess during an ongoing tenancy. However, at the tenancy's end, the deposit must be returned in full, following standard procedures. Landlords must remain vigilant to ensure compliance with these regulations to avoid penalties.

The NRLA's guidance underscores the importance of meticulous deposit management, particularly as the rental sector faces increasing scrutiny. With the current Labour government pushing for reforms that could further complicate the responsibilities of landlords, staying informed and proactive is essential. By protecting deposits correctly, handling returns efficiently, and adhering to deposit caps, landlords can avoid costly mistakes and maintain professional, dispute-free tenancies.