

Letters of Guarantee

A letter of guarantee is normally asked of a tenant who can offer no evidence of their own financial standing. (Often a tenant who is a student or self-employed).

Under a letter of guarantee, the guarantor guarantees to meet the financial obligations the tenant is about to enter into.

For a guarantee to be valid, it has to be in writing and signed by the guarantor. It is also essential that the document of guarantee is signed by the guarantor before a tenancy is granted to the prospective tenant. If it is not, the guarantor has not received any benefit, and will not be bound by his promise to pay if the tenant defaults. It is a good idea to suggest the guarantor seeks legal advice, as there is a possibility, if the guarantor signed the agreement without being given the opportunity to understand it, it would not be enforceable.

Draft Letter Of Guarantee

An acceptable letter of guarantee would be as follows:

[Address of guarantor]

Date

Dear [name of landlord],

In consideration of your granting a tenancy of [address of property] to [tenant's name], I hereby agree to indemnify you against any default in payment of rent, mesne profits, damages for use and occupation, damages for disrepair, other damages or costs you may incur as a result of the said tenancy, or any further occupation of the property after the expiry of the tenancy whether under a statutory continuation thereof or not.

Signed

Witnessed

Address of Witness

.....

.....

Draft Letter from Landlord to Guarantor

The draft letter of guarantee should be sent to the prospective guarantor for completion, with a suitable covering letter as follows:

[Address of guarantor]

Date

Dear Mr/Mrs [Name]

I understand from [name of tenant] that you are willing to stand as guarantor if I grant him/her a tenancy of [address of property]. I enclose a blank letter of agreement for you to sign, your signature should be witnessed. Could I point out that this does potentially entail a substantial liability if [tenant's name] should default and you might think it appropriate to seek the advice of a solicitor before signing it.

Yours sincerely,

[Name of Landlord]

Creditworthiness of Guarantor

You need to satisfy yourself of the creditworthiness of the prospective guarantor, just as you would of a tenant.

Note: A letter of guarantee is sometimes referred to as a surety agreement, and the person who signs it is sometimes called the surety.

Mesne profits are monies that may be demanded from an occupier who remains in the property after a tenancy has ended. They compensate the landlord for loss of rental income but are not rent, so do not create a fresh tenancy. In Scotland they are called violent profits.

The advice given in this NLA Information Sheet is given in good faith, but no responsibility whatsoever is accepted by the Association or its Officers for the accuracy of its advice, nor shall the Association be held liable for the consequence of reliance upon such advice.

Dear _____

In consideration of your granting a tenancy of: _____

to: _____

I hereby agree to indemnify you against any default in payment of rent, mesne profits, damages for use and occupation, damages for disrepair, other damages or costs you may incur as a result of the said tenancy, or any further occupation of the property after the expiry of the tenancy whether under a statutory continuation thereof or not.

Signed: _____

Witnessed: _____

Address of Witness: _____

Dear _____

I understand from: _____

that you are willing to stand as guarantor if I grant him/her a tenancy of

I enclose a blank letter of agreement for you to sign; your signature should be witnessed.
Could I point out that this does potentially entail a substantial liability if

Should default and you might think it appropriate to seek the advice of a solicitor before signing it.

Yours sincerely,