

Taking deposits

This information is for private landlords.

You don't have to ask for a tenancy deposit but it can give extra security. If you take a deposit, you must protect it in a deposit protection scheme.

You don't need to protect a deposit if the tenant paid it before April 2013.

Deposit amount

From 1 April 2023, you cannot ask for more than one month's rent as a deposit. If you ask for more than one month's rent, this is an offence and you could get a fine of up to £500.

Asking for a deposit in a form other than money, such as goods or property, is an offence. If you ask your tenant for a non-monetary deposit you could get a fine of up to £500 or be prosecuted.

What the deposit covers

The deposit is the tenant's money. You can only keep it if you can show that you have suffered a financial loss because of the tenants' actions.

Landlords generally take a deposit to cover issues such as:

- unpaid rent or arrears
- damage to the property
- missing or broken furnishings

Your tenancy agreement should have a clear term on what the deposit covers. If it doesn't include this information, you may find that the deposit is returned to the tenant.

Make sure you have [a detailed inventory](#) to prevent deposit disputes later on.

Deposits paid in instalments

Some tenants may find it difficult to pay a months' deposit upfront. You can consider allowing your tenant to pay the deposit in instalments over a period of three or four months.

If you decide to accept a deposit in instalments, make sure to:

- get the agreement in writing
- give tenants a receipt for each payment
- protect the initial deposit and top up with further instalments

Holding deposits

Some landlords or estate agents ask for a holding deposit before a tenancy begins. In return, they agree to stop marketing the property.

A holding deposit is not a tenancy deposit and doesn't need to be protected. If you ask for a holding deposit, you should provide:

- a receipt for the amount paid
- a written description of the fee and what it can be used for
- written terms outlining if and how the deposit can be returned

A holding deposit becomes a tenancy deposit once you agree with the tenant to set up a tenancy. At this stage, you must protect the deposit.

If you decide not to go ahead with the tenancy you should return the holding deposit.

More advice

- [Setting up a tenancy](#)
- [Tenancy paperwork](#)

- [Protecting a deposit](#)

Footnotes