

A guide to deposit alternative products for tenants and landlords

Deposit alternative products, also known as deposit replacement products, are becoming increasingly popular among landlords and tenants alike.

In light of the cost of living crisis, the products can provide significantly superior protection for landlords against loss of arrears and damages, completely free of charge. At the same time, the products offer a viable option for renters who would rather pay one week's rent* as a non-refundable fee instead of having to lock away a lump sum of up to five weeks rent.

Deposit alternative products were highlighted in the government's ['How to Rent'](#) guide as an option for tenants which are fully compliant with the Tenant Fees Act, provided the tenant is offered the choice of a cash deposit or a deposit alternative. The guide advises to check the product's terms and conditions to make sure it is regulated by the Financial Conduct Authority. At **(INSERT COMPANY NAME)**, our chosen provider is [Reposit](#). We chose Reposit because it offers the most reliable cover for landlords and the best value for money for tenants. It is independently authorised by the FCA, which ensures it is aligned with the advice outlined within the How to Rent Guide.

(INSERT COMPANY NAME) is committed to ensuring a best in class service for our valued tenants and landlord customers across **(name city, town, village etc)**. To help end any confusion or uncertainty around deposit alternative products, we have put together this easy-to-understand guide to explain how the products work.

What is a deposit alternative product?

Cash deposits usually insist tenants provide up to five weeks rent but deposit alternative products require a much smaller one-off fee, usually equivalent to one week's rent.

(INSERT COMPANY NAME) deposit alternative provider [Reposit](#) requires tenants to pay one week's worth of rent as a non-refundable fee, up front at the start of their tenancy – instead of paying a cash deposit. We believe offering our tenants a choice between this and a traditional cash deposit gives them the flexibility to best manage their money and ensure they are in a sound financial position when they move into a property. Reposit also offers its "Switch" product which allows eligible tenants to get their cash deposit back during a tenancy and take a Reposit out in its place.

Deposit alternative products should not be mistaken for tenant insurance because the tenant remains fully liable at the end of their tenancy for any valid charges such as damage or rent arrears.

What are the benefits for landlords?

Landlords receive more protection by opting into a deposit alternative product. Reposit provides

eight weeks worth of cover, which is three weeks on top of the usual five, and is completely free of charge. As a result, Reposit's data shows that over 80% of landlords are interested to offer the product on their properties.

Reposit requires that tenants are subjected to quality referencing and affordability checks while its insurance-backed structure means landlords are guaranteed payment in the event of a tenant defaulting on any charges normally covered by a cash deposit. Reposit is independently authorised and is currently one of only two deposit alternatives in the UK to have achieved FCA regulated status, meaning it is required by law and regulation to honour the protection offered to landlords.

Reposit's own data found that across almost 20,000 tenancies, cash deposits of five weeks rent did not provide landlords with enough protection in 14% of cases. During the same period, more than half (56%) of the tenancies ended without any amounts owed by the tenant at the end of tenancy. Therefore, the benefit of Reposit is that it removes the burden on every tenant to find an extra 5 weeks' worth of rent at the start of their tenancy, whilst ensuring landlords are more fully covered when things don't go to plan.

What are the benefits for tenants?

The smaller outlay of one week's rent means tenants can avoid borrowing money to fund their cash deposit, save and invest it, or simply spend it on something they need. Saving and investing allows tenants to benefit from a better return compared to locking their money away in a cash deposit scheme which does not pay interest. Many tenants would rather put their money to better use right now, especially given inflation has reached in excess of 10%.

There's a common misconception that tenants who can't afford a deposit of five weeks rent, can't afford to take on a tenancy. However, a tenant's capability to produce a lump sum of five weeks rent is not a reliable indicator of their financial stability, or whether they can afford their monthly rent on an ongoing basis. **A survey commissioned by Reposit in early May 2023 found 30% of renters relied on overdrafts, credit cards, loans or borrowed from family and friends to pay their deposits.** A tenant's financial capacity to pay the monthly rental cost in full is best assessed by quality referencing and affordability checks carried out by specialist providers.

By using a deposit alternative product, tenants avoid having to turn to lenders such as credit card companies - [which charge an average of 23% APR](#) - or personal loans to fund a deposit of five weeks rent and are therefore in a better financial position when moving into the property – reducing the risk of rent arrears.

What happens if there is a dispute?

With a deposit alternative product, as with cash, the tenant remains fully liable at the end of their tenancy for any valid charges such as damage or rent arrears. Also, like cash deposits, tenants have the option to accept or dispute them.

In the case of a dispute, the case will undergo Alternative Dispute Resolution (ADR) conducted by an independent, third part adjudicator. To raise a dispute, the tenant will be required to pay a £60 dispute fee, which is refunded if the charges are reduced by the adjudicator. Another advantage of Reposit is that all formal disputes will receive a final verdict from the adjudicator within just 14 days.

Visit [Reposit](#) for further information.

***Subject to a minimum fee of £150**

Disclaimer: This article is not financial advice. It is solely to provide insight into why [INSERT COMPANY NAME] decided to offer a deposit alternative to our landlords and tenants. Independent and professional advice should be taken before renting a property or buying financial products.