

Tenant Farmers and Rent Reviews

This article looks at the issues around serving rent review notices for both tenants and landlords under Farm Business Tenancies (FBT).

The 25th March marks "Lady Day", the first of our traditional quarter days, and as such, rent review is in the minds of most landlords and tenants.

It has been the landlords (often via their land agents) who are the most proactive in serving notices to begin the rent review process rather than the tenants but this need not be the case.

Serving a notice as a tenant

Serving a notice can be a double-edged sword for a tenant. This is because when rent reductions are justified, it is inevitably because the agricultural sector is not doing particularly well. In reality, rents should move up and down more readily. From the tenant's perspective, it is important that they do not buy in to the landlord's attitude that there should be a rent increase every three years, rather than a review.

Rent under certain FBT's has reached substantial levels in some areas. However, these are starting to level out and there are reports that the rents are starting to be reduced. Therefore, in the circumstances it is often the tenant that would be looking to serve the notice, and not the landlord or their agent.

Unless a notice is served, the rent will not be able to change either way. Therefore, tenants must consider whether it is something that would be in their interest to do.

Time frame of serving a notice

The rent review notice under the statutory provisions for both Agricultural Holding Act and FBT tenancies should be served at least twelve months in advance of the review date. This is the next anniversary of the tenancy and at least three years since the rent was last changed. Some FBT's may have a rent review clause which differs from the statute. Therefore, it is always prudent to check the Agreement.

Potential implications

Either the landlord or tenant can serve the notice on the other. If the landlord has served a notice, it may well be from the tenant's perspective that they could use this time to pursue a decrease when the review takes place. Equally from the tenant's perspective, once the notice is served the landlord might seek to increase the rent.

In all cases, it is important to take practical advice on the benefits of serving a notice, and legal advice on how to service a notice to ensure that that it is enforceable, whether as a landlord or a tenant.


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