

GUIDANCE NOTES

Farm Business Tenancies

Letting agreements should be made in writing no matter how familiar a tenant is with his landlord.

A 'gentleman's agreement' may count for nothing in a court of law.

This advice is equally pertinent to farmers entering into any letting arrangement including a new Farm Business Tenancy (FBT). It is advisable to have everything confirmed in writing and have any agreement checked over by a professional agent before signing.

FBT's for 2 years or less will expire on the term date (unless allowed to continue on a periodical basis). Tenancies for in excess of 2 years will formally require to be terminated by a notice of greater than 12 months.



Tenants should also be careful over obligations, for instance in respect of repairs which can be very onerous. In addition, the merits of having a detailed record of condition agreed prior to entering into the letting arrangement (particularly for long term Tenancies) should be seriously considered to try and avoid confusion arising at a later date.

It is important also, when one enters an agreement, to consider the rent review clauses. On some occasions the rent is fixed for a specific period while in other FBTs there could be a review facility, normally on a triennial basis.

In addition, one should closely examine clauses on tenant's improvements and fixtures in respect of investments proposed to be undertaken. For "routine improvements", such as liming of land or residual manorial values, there is provision in the 1995 Agricultural Tenancies Act for compensation (but such an arrangement needs to be agreed in writing). Also, one should carefully consider any restrictions regarding the ability to apply & benefit from funding for Environmental / Natural Capital enhancements.

On the issue of Public liability, it is not uncommon to see agreements that require a tenant to take out indemnity for £10 million. Furthermore, it is important to be mindful of provisions regarding Entitlements (Quotas or similar), as appropriate.

Moreover the Tenant shall be responsible for submitting the Stamp Duty Land (or in Wales the Land Transaction) Tax return and for the payment of any associated Tax payable (if applicable) in respect of the tenancy.

When approaching a new Letting arrangement the potential occupier should consider what their responsibilities will be during the tenancy, think matters through carefully and take advice, prior to entering into any commitment, so they go into the contractual arrangement with their eyes open.

For further information, please contact Davis Meade Property Consultants on 01691 659658 (Oswestry Office) or 01492 510360 (Colwyn Bay Office).

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