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What should I look for in my lease?

A business lease can be a very big commitment. You need to be aware of exactly what you are committing yourself to before signing. You should take expert advice on the detailed content of the lease, particularly in relation to the following terms:

- **rent**

how much, how often and how to be paid? Also critical is the rent review clause setting out by how much and when the rent could go up. In addition, check for service charges to be paid for things such as heating, lighting and communal services.

- **term**

this is how long the tenancy will last. What length of time do you want to be committed to the premises for? A long term may offer security but it also ties you to the premises. Remember, unless your landlord agrees that you can give up the lease, you will be committed to pay the rent for the whole term. But a short lease offers less security: you don't want to have to look for new premises if the landlord does not renew the lease after a short term.

- **break clause**

does the lease allow you to give up the premises at certain points during the lease period? This can offer a compromise between long term security and the problem of being tied in to paying the rent. But does the landlord have the ability to 'break' the lease as well?

- **transfer**

can you transfer the lease to somebody else? This is another opportunity to quit the lease if you need to (and can find someone else to take on the commitments). It is particularly important if you wish to sell your business as a going concern because the lease will need to be transferred to the purchaser.

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- **repairs**

who is responsible for repairing the premises. Leases can contain widely varying repair obligations but there are typically two basic approaches to the repair obligation on the tenant:

- **full repairing**

you are responsible for repairs to the whole, or any part of, the premises, including the structure. Note that even if the premises are in a poor state of repair at the outset you can be held to be responsible to bring them up to at least a good state of repair at anytime during your tenancy. So, if negotiations dictate that you have to take on full repairing obligations make sure the property is sound. If it is not and you still wish to proceed, take good advice on how to protect yourself.

- **interior repairing**

you maintain only the interior of the premises. Make sure that the lease defines exactly what area you are responsible for (preferably by reference to a plan) and who is to maintain the rest of the premises. Again, make sure that the interior is sound and take advice if it is not.

- **insurance**

you may have to insure the premises yourself or pay the premium if the landlord takes it out. Make sure it is insured!

- **guarantees**

the landlord will ask for a personal financial guarantee in case the business fails to pay the rent or fulfil its other obligations, such as repair.

Personal guarantees, known as authorised guarantee agreements or AGAs, are also invariably requested in a lease to cover the responsibilities of the next tenant. This would mean that if the new tenant failed to pay the rent etc. you would have to pay. You will need to fully explore your options if a landlord requires an AGA.

In either circumstance, if things go badly wrong you may face bankruptcy and could lose your home.

- **right to re-new**

do you have a right to re-new the lease when it comes to an end?

The lease may also contain other details, such as a restriction in operating hours, which could affect how you can run your business on a day to day basis. The details of every lease are different and you need to match your business needs to the proposed lease and negotiate alterations accordingly.

If you would like further information or advice please contact Steven, Tom or Philip who will be happy to assist you or visit www.gardandco.com.

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