

## How the Commercial Rent Arrears Recovery scheme (CRAR) can help you recover rent arrears



A commercial tenant who fails to pay quickly moves from an inconvenience to a risk to your business. You need to recover what is due to you quickly, cheaply and with the minimum of interruption to your own business. CRAR can offer a fast, easy out-of-court solution, although it is not without limitations.

### When can CRAR be used?

CRAR does not apply to leases of mixed residential/commercial properties – any permitted use of the property for residential purposes will prevent the exercise of CRAR.

An already agreed lease is excluded. The lease must be, at least, “evidenced in writing”.

A key limitation is that CRAR may only be used to recover “pure rent” and interest and VAT thereon. It cannot be used to pursue arrears of service charge, insurance, maintenance et cetera even if these sums are described as being “reserved as rent” under the lease.

Finally, at least seven days’ rent must be owing both at the date notice of enforcement is given and at the date goods are seized.

### How is CRAR exercised?

Once we are instructed, we will prepare and submit an application to a certified enforcement agent to exercise CRAR on your behalf. An initial notice of enforcement is then served on your tenant.



If your tenant fails to pay following receipt of the notice, an enforcement agent will attend at the property and may seize goods belonging to the tenant to recover the rent arrears. These items may then be sold at auction to raise funds to pay both the arrears and the Enforcement Agent's costs.

## How effective is CRAR?

The key disadvantage of CRAR is that it lacks the element of surprise (the notice of enforcement gives the tenant at least seven days' warning that an Enforcement Agent will be visiting its property).

However, in our experience, the vast majority of tenants faced with CRAR either make payment in full or agree a repayment plan with their landlord before their goods are actually taken away. Many tenants will be deeply concerned about the adverse effect on their business of an enforcement agent turning up and will be keen to avoid their staff and customers finding out that they are behind on their rent.

Whilst CRAR has its limitations, we consider that this often unknown remedy does offer commercial landlords a quick and easy out-of-court route to recover rental arrears.



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