

Mackay

ON MONEY

BY AUTHORISED FINANCIAL ADVISER CHRIS MACKAY

Peter Rachman, a landlord in the Notting Hill area of London, became notorious for his exploitation of tenants.

Born in Poland, and like me, son of a dentist – there the similarity ends I must stress – Perec Rachman packed a fair bit into his short life of 43 years. In between changing his name to Peter, he fought with the good guys in the 2nd Polish Corps during WWII, became a British resident after the war and amassed a colossal residential property investment empire in London in the 1950s and early 1960s.

According to Wikipedia, he owned more than 100 mansion blocks and several nightclubs. By various means he kicked out previous tenants who had some preserved statutory protection against high rents, subdivided the large properties into flats and then filled the poxy rooms with recent

immigrants from the West Indies, who had no choice but to accept exorbitant rents. They couldn't get accommodation anywhere else.

Despite a relatively short spell in residential property investment, he made his mark and Peter Rachman and "Rachmanism" have become associated with "extortion or exploitation by a landlord of tenants of dilapidated or slum property".

I'm pretty sure we do not have this issue in N.Z. but there will be properties that are cold and damp with mouldy walls and no insulation, vermin infested and not nice to live in. I'm sure Housing New Zealand has heaps on their books.

I confess I had a brief fling with residential property investment but got out about 20 years ago. Didn't like it I decided. Made some money and lost some too. And wasted a helluva lot of time in administration and hassles.

I think the turning point was doing a routine inspection at a property with my PA. While navigating several bodies sleeping on the floor, we found big holes in the hallway. How did these get here? "Oh, some skinheads crashed a party we had and kicked the walls. But we'll fix them." Yeah right. At the end of the hallway, no bedroom door. Where's the door? "What door?" The door that used to be here. "We don't know anything about that."

Back to the lounge where we note the contents of the grate in the fireplace. Some hinges and a doorknob. Did you turn the door into firewood? "No". How did those things get there? "We don't know. It wasn't us." Yeah of course. Nor were they responsible for the graffiti adorning the fire place. Oh and I forgot to mention the palings on the wooden fence that surrounded the property were also completely gone – no idea where these went!

At least we never had a P lab in a kitchen or a hydroponic garden in an attic. But plenty of tenants doing runners and not paying, and ineffective Tenancy Tribunal meetings.

However it obviously goes both ways. All tenants aren't bad and all landlords aren't good, as I have shown by the history lesson about Perec Rachman.

I came across an interesting case just recently with a client renting a house where the landlord and her property managers are not playing the game. In addition to the landlord's people illegally entering either the property or the house itself on more than one occasion without giving the required 48 hours notice, here's the background on another specific issue.

My client's flatmate falls awkwardly and damages a wardrobe door. They inform the managers immediately and also let their insurance company, AMP General know. A claim form is filled in. AMP then advises both tenant and landlord that under a contract called the Standstill Agreement* which they and Tower (the landlord's insurance company) are signatories to, the procedure is as follows.

The landlord who owns the wardrobe door and has what is known as an "insurable interest" in the door will concurrently put in a claim to their company, Tower. Just like the "Knock for Knock" agreement with two car insurers, each company settles with its own client and does not bother with recovering from the other insurance company even if the other company's client is at fault. They figure it all comes out even in the wash and is preferable to transferring money back and forth and keeping a record of who owes what to whom.

Pretty simple you should think. But no. The landlord (and presumably the management company) will not agree to put in a claim. They say it is the tenant's responsibility despite both insurance companies pointing out the provisions of the Standstill Agreement. They continue to maintain they will be out of pocket despite



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assurances from all and sundry that any excess will not apply.

AMP says under their policy wording, if their client had been the landlord and if the landlord were not at fault, no excess would be charged. This is fair and indicates a good policy. Not so sure what Tower is saying to the landlord. They are possibly telling her an excess would still be charged, which is ludicrous or else the landlord just simply doesn't get it. And if the property managers do understand the way the system works, shouldn't they be convincing the landlord to play it with a straight bat and to follow the process?

In some situations, insurance companies do recover from each other under some other agreement.

We have a bach up the coast. On a very wet day earlier this year, a nice old bloke drove through a give way sign, got hit by another car and ended up completely munting our front fence. I, as the fence's owner, put in a claim to my insurers Vero who paid the builder for the fence to be fixed, less my excess which I paid direct to the builder. Vero went to A.I.G., the driver's insurance company, who refunded them in full. Vero then refunded me the excess I had paid.

It's all straight forward. But in the case of this well known local property management company and the landlord, they did not play by the rules and I maintain were trying to screw the tenant. In fact, they asked the Tenancy Tribunal people to rule on who pays for the damage and to absolve them of any involvement.

It has often been speculated that adjudicators from the Tenancy Tribunal have little or no knowledge of the law and I can understand why these comments are made. The adjudicator in this case has ruled the tenant should get the damage fixed themselves without reference to the landlord's insurance company. In effect, she is attempting to overturn a commercial arrangement in place between two corporates over which she has absolutely no jurisdiction. I wonder if her bosses know what sort of rubbish decisions she is making.

This case dragged on for several months and wasted a ton of time. A less tenacious tenant or one without some representation in the form of a never say die insurance broker (me and Rothburys) would have given up and lost a pile of dough. As it turns out, AMP General came to the party and has been brilliant. But ironically it required the probably unauthorised ruling of the Tenancy Tribunal to allow them to act outside of their treaty agreement. What happens to tenants who don't speak or read English "too good", who are uneducated or who deal directly with an insurance company instead of via a broker?

They wouldn't have a snowball's chance!

For my money then, I would prefer to be neither a residential property landlord nor a tenant.

As a country, I believe we want more home ownership. In the 1986 census, 74 per cent of Aucklanders owned their own home. In 2011, it was down to 58.7 per cent.

Nationally we know the percentage of home ownership is down also. Houses are increasingly unaffordable for first home buyers. Too many investors out there are some of the reasons. Although as cash returns look sketchier when one does the analysis, investors may not be pushing up prices the way they were in the early 2000s.

Owning one's own house is good for the country and its communities. It creates pride in neighbourhoods. Property owners mow their lawns, paint their houses, upgrade their kitchens and bathrooms, keep cars and couches off the front yard, plant trees, weed the garden, desist from burning the fences and generally look after their own homes.

Some of our ancestors left the UK and Europe to get away from the class system. They were largely landless tradesmen, factory workers and tenant farmers used to doffing their cap or tugging their forelock to the "lord of the land", the landlord. Bigger that they might have thought. Here's a country where we can put all that crap behind us. And buying one's own house is a step in the right direction. Jack's as good as

his master in God's own. Home ownership encourages egalitarianism which is what our fair country is all about.

Author, Professor Niall Ferguson, hypothesised in a fascinating History Channel documentary that property ownership by new immigrants in the new colonies of North America generated freedom, created a new class of voters and was the catalyst that made the USA the great economic powerhouse that it became.

And I firmly believe it is best for people moving into retirement to own a house debt free too. Another article maybe.

Rob Stock in the *Sunday Star Times* of March 17 last had a great idea. He suggested tax deductibility for cash expenses on residential investment properties be removed for houses bought after some future date, and that deductibility only be available for investors building and owning brand new homes for rental purposes. It has a certain merit.

It will encourage new building and get the property market going again. At the same time, as award winning Hutt Valley builder, Rudy van Baarle is promoting, the Government should remove GST on new sections and on new house building costs for owner occupiers. I reckon that the GST not charged could be added as a suspensory loan, to be written off after say 10 years if the owners are still there. If the house sells within 10 years, the vendor ends up paying the GST.

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TALKING WATER

BY PRUE LAMASON

I recently attended Greater Wellington Regional Council's public opening of the Wainuiomata Lower Dam. The picturesque dam, finished in 1884 and part of Wellington's water supply infrastructure until the 1950s, is now open for everyone to enjoy. Hours of restoration work have gone into the area and it's a beautiful, serene place to picnic or go for a walk – plus it's buggy friendly.

When in use, the historic dam held 122 million litres of water. That sounds an awful lot, but it would be lucky to last us one day if we compared it to Wellington's water use these days. The amazing increase in the scale of these things, and the recent drought and water conservation push, got me thinking about water – more specifically, the history of water supply in the region, and where we might go to next.

THEN AND NOW

Since the earliest days of European settlement the development of water supplies has greatly influenced the Wellington area. There have always been abundant water sources available, but the development of these sources has often proved difficult due to their remote location, or difficult terrain, and the region's earthquake and flood hazards.

The first piped water supply to Wellington – in 1874 – was expected to provide up to 8,000 people with 135 litres each per day. Today our system is designed to provide each person in Upper and Lower Hutt, Porirua and Wellington with about 450 litres per day, on average.

Water provided to residents of the four cities today comes from many sources. It is taken from the Hutt, Wainuiomata and Orongorongo rivers, the Hutt aquifer, and the storage lakes at Te Marua, then treated, before being provided in bulk to the region's four city councils.

What was once done by hand, for example, checking river flows and treating water, is now done by computer. In fact the Regional Council recently won an engineering excellence award for its state of the art software which uses advanced technology and software to calculate the exact amount of chemicals necessary to remove impurities – pretty amazing stuff!



THE FUTURE

Despite all the advances in engineering since the early days of providing water to the region, many themes are still the same. Greater Wellington Regional Council is tasked with providing a growing population with water to meet its needs. Water is essential to our lives and we need to make sure it's available – it's a role the regional council takes very seriously.

The recent water shortage has shown even Wellington is susceptible to long periods without rain, and we need to be prepared for these events.

Looking into future options for water is incredibly important, but equally important is ensuring our demand does not get away from us. Continuing with some of the habits we have developed over the past few weeks to conserve water will stand the region in good stead looking forward.

Can I also just say a huge thank you to the people of the Lower Hutt for the enthusiasm with which they got into water conservation – I hope some of your recent water saving ways become a way of life.

Prue Lamason represents the Lower Hutt constituency on the Greater Wellington Regional Council. She also chairs the regional council's Hutt Valley Flood Management Subcommittee and is Chair of GWRC Holdings Company. Contact Prue.Lamason@gw.govt.nz

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Back to the 1960s. So what did happen to Peter Rachman? Some of you may remember the Profumo Affair of 1963. It almost brought down Harold McMillan's Tory Government. Sex and spies and hookers. All very sordid. John Profumo, Secretary of State for War resigned after lying in the House. He denied he had been fooling around with good time girl Christine Keeler who was also sharing her not insubstantial affections with some Russian James Bond type, Yevgeny Ivanov. Turns out that the busy Miss Keeler had a mate called Mandy Rice-Davies, and both had been Rachman's mistresses too. Despite Mandy still taking up quite a bit of his "down time", Peter made an honest woman out of yet another girlfriend at age 40 but snuffed it soon after at 43.

So was it the new missus or some previous and possibly diseased wild women or the continuing exhausting involvement with Mandy or was it the guilty conscience of all those years exploiting his tenants? Karmic intervention? What do you think?

**The Insurance Council of New Zealand (ICNZ) administers a contract called the Standstill Agreement of which AMP and Tower Insurance are signatories. This agreement between selected insurance companies is intended to eliminate disputes in respect of domestic property claims involving landlords and tenants. It specifically applies to damage caused by tenants to their landlord's property and damage caused by landlords to tenants' property.*

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