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## Taking a licence

If your business is very young or a complete start-up, there might be advantages in occupying your premises under a licence rather than a lease. Property owners sometimes find it convenient to grant a licence, partly because the occupier will not qualify for 'security of tenure'. Licences are usually for much shorter periods than a lease and do not require the same level of financial commitment.

Licences need to be drawn up very carefully. Otherwise they might be interpreted in law as a lease. It is vital to take advice from a solicitor and a chartered surveyor before signing a licence, either as occupier or licensor.



## What is a licence?

In this context a licence is technically a 'licence to occupy'. The 'licensee' – the business that occupies space under a licence – does not have a tenancy and cannot therefore be described as a tenant. Nor does the occupier pay rent. Technically, the payment it makes for the use of the space is a 'licence fee'. A licence needs to be drafted carefully so that it does not fall within the definition of a lease and therefore come under the Landlord and Tenant Act 1954. Typically a licence is likely to be for a period of less than six months and the space may be shared.

## What are typical terms for a licence?

The terms vary greatly with the circumstances. The licence fee (the equivalent of rent) might be payable monthly in advance or even weekly. The 'licensor' (the equivalent of the landlord) might be able to require the occupier to leave after one month's notice and the occupier might also be able to give one month's notice of intention to quit. Various services may be provided as part of the licence arrangement.

## What are the advantages of a licence?

A young business without much financial backing may find it easier to obtain a licence than a lease. Typically, you might be required to pay at the outset a deposit equivalent to one month's licence fee plus one month's licence fee in advance. If you take a licence you will also find it much simpler and cheaper to extricate yourself if your business plans do not work out and you need to make savings.

## What are the drawbacks of licences?

As occupier you have no security of tenure and might lose your premises at quite short notice. It can therefore be risky to invest in decorating or furnishing the premises to your requirements. You are at the mercy of the licensor should he or she later decide that you may continue to use the space only if you are prepared to sign a full lease. You may also find that the licensor has access to the premises you occupy at any time.

A licence appears simpler than a lease and may be a temptation to ignore the usual precautions. Do not grant or accept a licence without consulting your solicitor and chartered surveyor.

## What sort of properties are available under licence?

It varies a great deal. Old multi-storey warehouse buildings are sometimes refurbished as small office units or even as individual rooms which might be available for occupation under a licence. Older industrial buildings – 'sheds' – are sometimes occupied under licence by a number of manufacturing businesses. Seasonal shops are often available under licence.

Businesses that own or lease the premises they occupy and find themselves with surplus space might make sections of the building or individual rooms available under licence.



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