

SOUTH WEST LANDLORDS ASSOCIATION NEWSLETTER



'Run for landlords by landlords'

December 2008

The SWLA committee has made a positive decision not to participate in the depression. Our members will continue to receive the care and personal service and support they have always enjoyed. Let's look forward to the next ten years and beyond. A Happy Christmas and a prosperous New Year!

Do you know what your tenants are doing?

With the recent spate of police raids on Plymouth properties revealing cannabis "factories", the Devon and Cornwall police have provided a guide to what to look for on your properties. One important piece of advice from DC Mike Bradley, Drugs Liaison Officer in Exeter is "if you suspect or have found evidence, don't try to sort it out yourself. In one "factory" weapons were found."

The full document is on our website in the members area on the page entitled "Police advice about drugs". An extract follows inside this issue.

For those members who have **empty properties**, the following may be of interest-

A property can be exempt from council tax on the basis that it is unoccupied and unfurnished, the exemption can apply for up to six months from the last occupation date. (The full council tax will then apply at the end of the exemption period or if it becomes reoccupied). If the property is then reoccupied after the exemption period has expired (i.e. it is someone's sole or main residence and is furnished) and that occupation period is for more than six weeks, if it becomes unoccupied and unfurnished again, then a further exemption of up to six months can be claimed.

From an enquiry by SWLA member J Mayer

The Association provides assistance and advice. However, the Association does not hold itself out as providing specialist legal advice and therefore whilst written and oral advice is given in good faith, no responsibility can be accepted by the association, its officers or members for the accuracy of its advice, or shall the association be held liable for the consequences of reliance upon such advice.

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10 years on



Some members, especially those living further away from Plymouth, which is the centre of our activities, may be interested to learn some of the background to our Association. The association, as we know it today, was re-formed after the AGM in 1998. 11 members formed a committee, this new committee had no assets, database, equipment etc., but with hard work, prevailed. Of the original 11, Mike Langfield Chairman, Tony Gigg Treasurer have sadly passed away but 4 others are serving on the present committee. The constitution was re-written and a clause inserted ensuring that, in the event of a winding up of the Association, funds would NOT be distributed but passed to another similar organisation with safeguards to protect funds at least equal to those in our constitution.

The committee later formed a Company 'limited by guarantee' with committee members becoming unpaid Directors, subject to Company Law.

As with any group of people, committee members have not always seen 'eye to eye' but have accepted democratic decisions. After the death of Mike Langfield, Trevor Anderson became chairman, assisted by Katarina Swain as vice-chair.

Our membership stands at over 500 achieved by organic growth, we do not advertise.

We now have substantial assets, partly due to prudent use of funds, and the dedicated work put in by our committee members and our office manager, but mainly from the commission we receive from the Bateman group. The Bateman group, together with members of our committee put together the 'Landlords Direct' policy, which is underwritten by Norwich Union. Many of our members use this unique policy and we would ask other members to consider using this insurance when renewing (Contact Colin Jarvis 0800 731 6689 ext 895) as with this funding we hope to maintain our subscription at just £30 per year.

We are members of the British Property Federation, a national organisation working in support of property owners. One of our committee attends meetings of the Private Landlords section in London. The federation has a voice in local and national government, via a team of lobbyists. We have set up and maintain a dedicated website, where members can obtain specialised stationery and other information. Our office in Plymouth is open generally from 10 a.m. to 3 p.m. Monday to Friday (01752 510913) where Alan will usually be able to sort out your problems immediately.

We hold joint meetings with the Cornwall and Devon Landlords Associations. We are represented on the Private Rented Forum in Plymouth, and have contacts with West Devon and Caradon district councils.

The service we provide is what the committee think you want and we would very much appreciate a feed back from members for suggestions as to what more we can offer.

Any member who may wish to attend a committee meeting would be most welcome (7:30 p.m. Mutley Plain) - please call Alan. We would welcome any member who may be willing to join the committee, nomination papers will accompany the notice of the forthcoming AGM, but if anyone is not sure about making a commitment, please sit in on a meeting and if appropriate a person can be co-opted onto the committee at any time.

Thank you for your support

Bob Usher SWLA Committee

Do you know what your tenants are doing?



Following the spate of police raids on private rented properties which revealed some used as drug factories, in particular cannabis.

The Devon & Cornwall Constabulary have provided a document giving details of what to look for if you suspect drugs are being made on the premises.

There follows an extract from that document -

There is obvious concern about the negative effects that the use, supply and production of illegal drugs can have on our communities.

It is well known that organised crime gangs, particularly those involved in drug production, seek to distance themselves from any illegal activity that could lead to them being arrested.

A convenient way of doing this is involvement in rental premises. There is no simple solution to the problem of illegal drug use, manufacturing or trafficking. We all need to work together to make the community safer.

This guide contains information on some of the indicators that may show that synthetic drugs, such as Amphetamine or Ecstasy, may be being made in clandestine (secret/hidden) laboratories. Cannabis crops may be grown indoors or outdoors. See picture above, it resembles a tomato plant.

Costs of drug activity in rented properties

When drug criminals operate out of rental properties the local neighbourhood suffers, with property managers and landlords paying a high price.

- Reduction in property values, particularly when illegal activity begins affecting the reputation of the neighbourhood
- Adverse profile for the manager/ company and reluctance of property owners to place their properties in the hands of that manager/company
- Loss of rent during eviction and repair periods
- Fear and frustration from dealing with hostile tenants
- Property damage, arising from abuse, retaliation or neglect and increased property insurance premiums
- Penalties, including asset seizure by police, loss of property use and property damage resulting from police raids

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- The police have powers to shut down properties used for drugs for up to 6 months
- Toxic contamination, and/or fire or floods in the property resulting from drug related activities
- Increased resentment, and anger between neighbours and property owners
- Complaints from neighbours which result in regular police attendance.

Understanding the signs of drug activity in properties

Amphetamines (sometimes called 'Speed' or 'Whizz' come in many forms: tablets, capsules, liquids, powders or crystal (sometimes called 'ice').

Rented properties such as houses, garages, factory units and caravans have all been discovered as sites for illegal drug manufacturing and growing operations.

Although some laboratories are large scale, all the equipment necessary for making 'speed' may be assembled on a space no bigger than a kitchen table.

Once a criminal group has employed a 'drug cook', collected the chemicals and set up the equipment, it doesn't take long to establish a clandestine laboratory to make the drug.

Clandestine lab operators favour locations that offer extra privacy. In rural settings, sheds or houses well away from other residencies offer such privacy. In urban settings, labs may be set up in houses with plenty of surrounding trees and shrubs to block views of the interior, or apartment or hotel units that are well away from the view of management.

However while seclusion is preferred, clandestine labs have been found in virtually all types of rented properties. Therefore any location which allows for privacy is suitable for use as an illicit laboratory.

Poor standards of cleanliness and the chemicals used means the amphetamines produced often contain impurities harmful to users.

The following may indicate illegal drug manufacturing in a rented property:

Strong unpleasant odours

The presence of a strong cat urine-like smell or ammonia smell within the rental property. This smell is very similar to cat box odour and is unique to one method of methyl amphetamine production.

Other odd chemical odours

The smell of other chemicals or solvents not typically associated with residential housing may be present.

Strong smell of de-odourisers or air fresheners

Drug producers will try to disguise the smell of their production. They will use commercial type automatic air fresheners, usually near the front entrance, to mask any smells from visitors to the property.

Chemical containers

Chemical drums or other chemical containers with their labels removed or painted over may be present.

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Many empty containers of over-the-counter cold or allergy medicines

The average cold sufferer may leave one or two empty medicine containers in the bin (for example 'Sudafed' tablets). The presence of many such emptied out boxes, bottle or blister packs is a warning sign.

Duracell type battery cases cut up, match striker plates torn off the boxes, excessive amounts of coffee filters with red staining, are all indicators of drug production.

Large amounts of powder

Drug producers use a variety of powders to 'cut' or adulterate their drugs, in order to increase their profits. These powders may be stored in tubs, sacks or boxes. They are usually in multi-kilo amounts.

Any powder can be used, but substances such as - Glucose, Lactose, Caffeine, Lignacaine, Benzocaine or Paracetamol are most common. These substances are either bought from wholesalers, via the internet, or stolen from legitimate suppliers.

The presence of obvious evidence

The presence of syringes, cannabis plants, very small plastic bags - the type in which jewellery or beads are sometimes kept - that are not generally used in large quantities by most people, combined with other factors, should cause suspicion.

Chemistry equipment

The presence of flasks, beakers and rubber tubing, like those used in high school chemistry classes, in rental units or refuse. Few people practice chemistry as a hobby - if you see such articles, take it seriously.

Bottles or jugs used extensively for secondary purposes.

For example, milk jugs and soft drink bottles or screw-top bottles full of unusual liquids.

Unusually sophisticated weighing scales or industrial type mixers

The scales typically used by drug dealers, distributors and manufacturers are noticeably more sophisticated and accurate than household scales. Of course, there are legitimate reasons to have such scales so don't consider such a scale, by itself, an indication of illegal activity. This also applies to mixers.

Tinfoil or baking soda or a large number of electrical extension cords

Tinfoil is used in growing operations and methyamphetamine production. Baking soda (Bicarbonate) is used in methyamphetamine production and in other drug processes such as conversion of cocaine into 'crack'. Electrical extension cords are used in methyamphetamine labs and growing operations.

Unusual fortification by a tenant of individual rooms

For example, tenants putting deadbolts or alarms on interior doors.

A willingness to install expensive exterior fortifications.

If your tenant wants to install window bars or fit extra locks to doors they may be interested in more than preventing a burglary. Sometimes heavy metal bars or pieces of wood may be used to block entry through front and rear doors. The presence of such items should set alarm bells ringing. Damage to walls, paint or wallpaper behind doors is a sign that such temporary

reinforcements are being used.

Smoke breaks

If other suspicious signs are present, individuals leaving the premises to smoke a cigarette may be an indicator because chemicals are highly explosive. 'Drug cooks' must leave the lab before lighting up.

Infrequent occupation

Neighbours may notice that the tenants of a property are not living there full-time, and are only visiting for a short time each day, or visiting every couple of days.

Cannabis cultivation

Cannabis (marijuana/grass/weed/pot/skunk etc) growing operations are hard to identify from the street. These operations are more likely to be found in houses rather than apartment as more space is needed to grow cannabis crops. In addition to the general signs of excessive fortifications or overly paranoid behaviour, some other signs are listed below.

Electrical wiring has been tampered with

For example, evidence of residents tampering with wiring and hooking directly into main power supply.

Powerful lights on all day and night in the attic, roof space, basement or other rooms

Growers use powerful (600 watt) lights to speed up the development of the cannabis plants.

Windows backed out

The use of black plastic or heavy fabric on windows (usually hidden by nets, curtains or blinds so as not to look suspicious from the street) may be an indicator

A sudden jump or fall in electricity bills

As mentioned above, growing operations require special lighting, which will increase electricity costs. Some growers will often divert the electricity or tamper with the meter to reduce their costs.

High humidity in a unit

Growing operations require a lot of moisture. In addition to feeling the humidity, landlords may observe peeling paint, mildewed wallboard or carpet. Heavy condensation at the windows may also be seen.

Large ducting tubes

These look like domestic 'tumble drier' outlet tubes, but are usually larger and silver coloured. They are used to either take out the hot air out of a property or bring fresh air in. They may be seen protruding from a window.

Gas cylinders

Carbon dioxide (CO₂) is used to enrich the atmosphere in cultivation rooms.

Rewiring efforts or bypassed circuitry

Again, growing operations require a lot of electricity. The extra circuitry for growing operations generally exceeds the power rating for the rental property and can burn out the wiring, resulting in fires or the need to rewire the property before you can rent it out again.

Other obvious signs

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Other indicators include basements or cavities filled with plants, lights and reflective material (e.g. tinfoil) used to speed growing. You may also notice 'spares' (bulbs, lights) or bags of soil peat, coco shells or fertilizers being stored.

Other drug cultivation indicators

People in expensive cars visiting the tenants who appear less solvent may be significant. Blacked-out windows, the internal taping down of curtains, window bars, extra deadbolts and expensive alarm systems may be significant. Note that growing operators and 'drug cooks', in particular, often add fortifications - extra locks, bars on windows.

Deterring drug activity

Be aware of the following:

An applicant's willingness to pay rent months in advance, particularly cash.

If an applicant offers you 6 months' rent in advance, resist the urge to accept, and make sure the person goes through the application process. By accepting cash without checking the applicant's background, you might have more money in the short run, but your rental unit may suffer damage and you may also damage the neighbourhood and the value of your long-term investment. Some honest people simply don't like writing cheques. If they possess large amounts of cash with no apparent source of income, be suspicious.

Any request from the tenant for you not to visit the premises

Often they will give seemingly plausible explanations for this request. This may also be combined with a request to meet you to pay the rent, rather than you visiting the address.

- Use a form of photo identification of potential applicants
- Ensure identification has not been altered or is not fake
- Watch for telephone accounts in different names
- Check for water, gas and electricity accounts in different names
- Require more than one type of identification for joint applicants
- Check the prospective tenant's current address
- Check the prospective tenant's rental history (if there is one)

Be aware that many drug criminals use a 'front couple'. These people will appear to be a genuine average couple seeking to rent a property for their own use. After they have been shown around the property by the landlord and take possession, they will then disappear without trace. They will be replaced by members of the drug gang who will then convert the property for drug production or cultivation. Consider re-visiting the property a few weeks later to ensure that the person you rented to is in fact the occupier.

Exchange telephone numbers with neighbours so that you may be made aware of any suspicious activity before they write to the council to complain or the police arrive to serve a search warrant. Contact the police for advice or anonymously through Crimestoppers at 0800 555 111

The non-emergency number for Devon & Cornwall Constabulary is 08452 777444

The non-emergency number for Somerset & Avon Constabulary is 0845 456 7000

Don't forget that the police maintain a key holders list. You should consider placing your property details on this list so that the police can contact you before they break into the property.

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From Trevor Anderson, SWLA Committee member



IS IT TIME TO BUY AGAIN?

Now that we've seen prices falling by around 15-20% or so is it time to start buying? (Although some prices have fallen much further, new builds and especially off-plan flats in city centre locations all over the country have suffered disproportionately with price falls often in excess of 50%)

Let's look at some of the factors, which may influence any decision to buy:

It looks like being a long hard recession (let's hope NOT a slump!) and it's probably going to get a lot worse before it gets better. We are probably still going into rather than climbing out of any economic downturn.

Unemployment is rising very rapidly with a corresponding increase of properties for sale (**Not** quite repossessions, but certainly a large number from distressed or forced sellers).

Repossessions also are rising rapidly and it's very unlikely that the recently introduced Government repossessions protocol will have any great effect.

Rents are beginning to soften a little (and will probably soften more still) now that a lot of new accommodation has been built and quite a few migrants are heading for home (without impacting on the published unemployment figures. These would probably be much worse if they were included).

There are a whole lot more properties on the market to rent as those who have to move decide not to sell at the current prices and estate/letting agents convince them to try renting to cover at least some of their mortgage outgoings. This figure will almost certainly go up rapidly as house prices continue to weaken and sales fall further

Although rates have come down and mortgages are affordable they are MUCH harder to come by (and likely to stay that way throughout the next year) unless you have a very large deposit. Buy to let lenders are almost an endangered species! - A minimum deposit of 20% is now required on a buy to let (often 25%) unless you have dedicated bank funding on an existing basket of properties. Even then, they will insist that your total borrowing stays well below the 75% level.

Loan rate margins (and especially the setup fees) have shot up with my advice to everyone with a mortgage to check out their existing lender deals before even thinking about re-mortgaging with all the various costs involved. It usually better to simply stay put on the lenders variable rate until the mortgage market stabilizes.

I'm reading a lot in the financial trade press about many "Buy To Let" owners who are really struggling – usually those with only one (or maybe two) properties purchased in the last few years and with little or no cash reserves. When they get a void or lose their job it can tip them over the edge.
IF you DO decide to buy then let's look to the fundamentals of Buying to Let!

Personally, I don't worry about working out "Return on Capital" etc etc – Nor do I invest for future Capital Growth. I just want to know:- Does it pay for itself? and can I make a decent profit for all the work I put into running it?

Every landlord (hopefully) has a few basic rules he/she operates by when they look to buy a rental property.

Personally, I try keep it very easy and ask a few very simple questions -

Question 1 – Can I make a decent profit on it from DAY 1 with at the very least 25% of rental income over and above the interest on any borrowings/mortgage taken??- If I can't, then I'll wait patiently until prices fall to a position where I can!

Question 2 – Does it need any work before I can let it out? If it does, then think very very carefully about whether it's worth it or not. (The biggest mistake I ever made on one flat years ago in 1999 was to spend £5,000 on a flat refurb but only achieved an increased rental of £60 per month afterward. A totally rubbish payback, and one which took me the next 5 years to get a return on.) I could have, (and should have!) let the flat in its existing condition, but charged a slightly reduced rent. When I sold that flat early in April last year the new kitchen, carpets etc I'd fitted made absolutely no difference at all to the sale price.

Question 3.-Is it easy to let? - Is it the right type of property and is it in the right area for my target market etc – If I cannot let it initially within at most, two/three weeks, then I'm not interested. If it's a very good property you can often let it out on the day you complete!

SO – Is it time to buy again?

No - I don't think it is, not just yet! - Although you may find the odd really good bargain out there from a very distressed seller.

Prices are going to come down further.

More repossessed properties are going to come onto the market

The rental returns available compared to the purchase prices being asked are still not yet good enough to make it worthwhile. So far, sale prices have only fallen a little compared to the huge price rises gained over the last 8 years.

There is a huge overhang of unsold properties waiting to be sold - many being let out (often at a reduced rental) in the interim to help cover costs.

A friend (A very, very experienced landlord), once told me that in his experience, one in ten tenants is a proverbial pain! And one in fifty is an absolute nightmare. In this economic climate it's very likely those tenants will multiply! Most experienced landlords build this likelihood into their business plan and hold reserves to cope.

Most tenants are good, but when just a few of those bad tenants (And every experienced landlord has had them) start to affect the Part-Time letting market then we will most likely see a whole lot more distressed sale properties on the market. This will have a knock-on effect on prices.

I believe the market feels more and more as if we are heading for a rerun of the property downturn of the nineties 1991-1999 when prices fell, fell some more and then stayed down! Hopefully, this one will be shorter by a few years.

My forecast is that landlords will be finding lots of bargains around the end of 2009 with the market picking up again in 2010.

So, if you're in the market for another property to let out – consider taking your time over your purchase, – the grass most probably will be greener (and far better value) in late 2009 / early 2010.

Trevor Anderson Cert PFS, CeMAP
Principal
Anderson Financial Planning
(Independent Financial Advisers)

Client Anecdote of the week - *“Things have got to be bad – the Builder returned my call the same day!”*

From the British Property Federation (BPF)

Treat Private Rented Sector landlords fairly:

In comments made to the Financial Times this week, Kitty Usher, Parliamentary Under-Secretary at DWP, reassured social landlords (SLs are local authorities and housing associations) with guarantees that the government did not intend to pay housing benefit directly to social housing tenants in a similar vein to the current local housing allowance system for private rented sector landlords.

The reason for this position is the 'lack of credit in the wholesale markets', with the Government keen to ensure that those who lend to SLs should not have their income streams jeopardised through the added risk of social tenants failing to pay their rent.

Though no-one is disputing the financial difficulties facing SLs in the current crisis, the inability to raise debt is not a condition confined to the social housing sector but one being felt right across the property world; pertinently by private rented sector landlords.

From the latest Government figures, private rented sector landlords provide accommodation to just under 1 million housing benefit claimants. Like SLs many of these landlords borrowed finance from the capital markets to fund their investment properties, which were then let to tenants receiving housing benefit payments. Similar to SLs, these landlords require a stable income stream to repay the finance secured against their investment properties.

Though some of these landlords welcomed the introduction of Local Housing Allowance in April this year, many now share deep seated concerns that Local Housing Allowance does not go far enough to hold tenants accountable for paying their rent. As a common problem, housing benefit landlords experience difficulties gaining payment of rent from their tenants and suffer from poor communication with the relevant benefit office. Landlords can apply to have payment direct if the tenant is classified as vulnerable or is in 8 weeks' arrears, but there are some tenants who simply build up arrears which they have no intention of paying off.

Private landlords letting to those receiving housing benefit also share drastically reduced powers to recoup overdue rental payments from their tenants who have failed to uphold their commitment to pay rent. In these circumstances, private landlords can only recoup the arrears at a rate of £3.05 per week, with the debt being cancelled once the offending tenant simply moves out. This compares to a debt which is 'attachable' and payable in full, for tenants in work who build up rent arrears in similar accommodation.

Given the tightening of the current downturn, the time is right to 'level the playing field' and provide landlords letting to housing benefit claimants the same ability to reclaim rent arrears from their tenants as landlords letting property in the open market. Though this move is unlikely to solve all of the problems in the private rented sector at the current time, it will act as a deterrent to repeat defrauders and at least offer a little protection to housing benefit landlords that their revenue streams are protected.

The only alternative is likely to be disinvestment in the sector due to landlords refusing to let their properties to tenants on housing benefit. If this were to happen, there really would be a crisis.

Another SWLA member's brush with attachment of benefit (or not)

(editor—tenant should be on Form 77!)

Tenant had rent arrears promised to pay £1800 from tax rebate which never happened. Then she started bringing cash weekly for a few weeks then I had to start chasing her for it. Went to 2 weeks then 3 weeks etc... Her father phoned me and asked me to deal with him (based in Lincoln as I was harassing his daughter). He was a nice man and did try to sort things out.

Decided to give her notice as she tried to claim another tenant's rent paid into my account as hers.

She was working at the start of tenancy but got pregnant and gave up so I was having the rent from the council paid direct to me. She did not pay the top up of £27.00pcm. Contacted landlord association to issue notices, Section 21 and Section 8, and obviously she did not go so then I had to start court proceedings. She was now getting free legal aid. She maintained she had given me lots of cash and was only in arrears for about £500. Solicitor at court told me to secure section 21 with a view to restore section 8 at a later date. (wanted her out and because she was disputing the rent arrears) but couldn't guarantee I would get her out with both Section 8 and section 21.

When I went back to court for arrears her solicitor was on holiday and she asked for adjournment, judge adjourned because my solicitors had not filed and served rent arrears. Solicitor said it was unusual date reset. We filed and served but she never turned up for court hearing where I was awarded £2254 rent arrears and costs totalling an amount of £2900.

Judge asked whether she was working I said no and he replied "You won't see the money then".

I will be back in court as damage to property totals £2700.

She was rehoused via the local council to another private landlord. What they really wanted was to avoid the Section 8 notice : easily done as it appears all they have to do is dispute it.

Spoke with debt collection agencies but little chance of seeing any money unless she gets a job. Spoke with Income Support who confirmed only non profit organisations can do attachment to benefits.

Costs to go to court to get my property back were about £900 you can only get back £276. This does not include any of my time sorting out paperwork.

From a member of SWLA

From the Association

Possession claims on-line (Section 8)

Don't forget that possession claims for rent arrears (Section 8) can be submitted over the internet and costs £100 instead of £150 for the paper-based claim. It is still a requirement that you attend a court hearing in your local crown court.

The internet address is www.possessionclaim.gov.uk/pcol

It has come to light that claims for **possession** only (Section 21) **cannot** be lodged through the on-line claim system.

SWLA stationery

Please don't forget that SWLA stationery may change without notice so before using a document, make sure that you use the latest one on the SWLA website, by checking the issue date or check with the SWLA office at the email address or telephone number shown.

Form 77 input

Don't forget that when you finally decide to rid yourself of the trouble tenant, first put their details on Form 77 before they leave the property so that another member doesn't inherit them.

The SWLA pursue a policy of not advertising our association. Our membership growth is 'organic' i.e. by word of mouth from existing members. If you have a friend or neighbour who might benefit from membership, please give them a tri-fold or contact our office on 01752 510913.

MyDeposits protection fee

Those members who use the insurance-based scheme MyDeposits should be aware that the fee for protecting a deposit now has two levels. For deposits up to £300 the fee is £17.50, and deposits over £300 remain at £30.

And finally.....Problems in the financial sector

Following the problems in the financial sector in the UK, we hear that uncertainty has now hit Japan. In the last seven days **Origami** bank has folded. **Sumo** Bank has gone belly up and **Bonsai** Bank announced plans to cut some of its branches.

Yesterday it was announced that **Karaoke** Bank is up for sale and likely to go for a song, while shares in **Kamikaze** were suspended after they nose-dived.

Samurai Bank is soldiering on following sharp cutbacks. **Ninja** Bank has also taken a hit, but they remain in the black.

500 staff at **Karate** Bank got the chop and analysts report there is something fishy going on at **Sushi** Bank where it's feared that staff may get a raw deal.
