

About the Joseph Rowntree Foundation

The Joseph Rowntree Foundation is an independent social change organisation working to solve UK poverty. Through research, policy, collaboration and practical solutions, we aim to inspire action and change that will create a prosperous UK without poverty.

We are working with private, public and voluntary sectors, and people with lived experience of poverty, to build on the recommendations in our comprehensive strategy – [We can solve poverty in the UK](#) - and loosen poverty's grip on people who are struggling to get by. It contains analysis and recommendations aimed at the four UK governments.

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Summary of recommendations

- The Government should limit the amount a landlord can increase the rent within a tenancy, for example by connecting rent rises to inflation (CPI), local earnings growth, or whichever is lower in any period.
- The Government should re-instate the two-year restriction on landlords repossessing their property in order to sell.
- The Government should increase the burden on landlords to prove that they are actually selling the property, moving in themselves, or moving in a family member. The Government should also create a system of redress for tenants where a landlord uses these grounds for possession spuriously, with no intention of selling the property, moving in themselves, or moving in a family member.
- The Government should launch a well-resourced public awareness campaign well in advance of new legislation being implemented. This should be targeted at those most likely to be living in the PRS, such as people of colour and younger people.
- The proposed reforms should either place greater onus on landlords to prove compliance or restrict their ability to be non-compliant, rather than placing the burden on tenants to know and exercise their new rights.

Ensuring that reforms improve the experience of tenants

Responding to the following inquiry questions:

- *Will the Government's White Paper proposals result in a fairer private rented sector (PRS)?*
- *Do the proposals for reforming tenancies, including the abolition of Section 21, strike the right balance between protecting tenants from unfair eviction and allowing landlords to take possession of their properties in reasonable circumstances?*
- *How easily will tenants be able to challenge unfair rent increases under the proposals?*

In his written statement accompanying the publication of the White Paper, Minister for Rough Sleeping Eddie Hughes said 'we will rebalance the law to deliver a radically fairer deal for renters, while making sure that landlords can regain possession of their property when needed.'¹ Proposals such as abolishing Section 21 evictions and moving tenants onto a single system of periodic tenancies, alongside extending the Decent Homes Standard to the private rented sector (PRS) and improving routes for redress, show that the Government is serious about meeting this ambition. We would expect the proposals set out in the White Paper to mark a step change in how the sector is regulated, and lead to substantial benefits in line with the Government's ambitions. However, other proposals in the White Paper would undermine these positive steps. Unless the Government addresses these issues there is a real risk that the one of the White Paper's key goals – increasing security for tenants – will not be achieved.

Loopholes in the proposals need closing to truly improve security

Abolishing Section 21 will make it harder for landlords to evict tenants without good reason. There is a risk that this will lead landlords to look for other methods of evicting tenants without following the new grounds for possession laid out in the White Paper.

One such method is landlords increasing the rent. If a landlord can increase rents to a level they know, or at least suspect, a tenant cannot afford, the tenant would have no option but to leave. Knowing that rent could be hiked to force them out is likely to stop tenants making complaints or requesting improvements from their landlord – continuing rather than improving the power imbalance between landlords and tenants that Section 21 entrenched.

The White Paper acknowledges that 'any attempts to evict tenants through unjustifiable rent increases are unacceptable.' And it includes a proposal to limit rent increases to once a year, accompanied by a clearer route for tenants to challenge any unreasonable rent increase.

¹ Written Statement: Private Rented Sector White Paper (2019). Available at:

<https://hansard.parliament.uk/Commons/2022-06-16/debates/22061649000017/PrivateRentedSectorWhitePaper#contribution-19DE2C76-9065-45D8-8F38-8154CE40FC43> [Accessed 22 August 2022]

It is welcome that the Government recognises the risk that unfair rent increases pose to tenants' security. However, as currently drafted, the proposals in the White Paper are not sufficiently strong to close this loophole.

The aim of improving tenants' ability to challenge excessive rent increases through the First Tier Tribunal also relies on tenants knowing, and then proactively exercising, their rights. Analysis of the recent reforms to the PRS in Scotland found that tenants had very limited awareness of their tenancy rights or how the reforms would affect them.² A far simpler approach would be to place reasonable restrictions on landlords' ability to increase rents to unsustainable levels.

We recommend that the Government goes further and limits the amount a landlord can increase the rent within a tenancy, for example by connecting rent rises to inflation (CPI), local earnings growth, or whichever is lower in any period.

A landlord would still be able to increase rents between tenancies, but this proposal would ensure that tenants are protected from unreasonable in-tenancy rent increases.

The impact of this on landlords should be limited, with the English Private Landlord Survey 2021 finding that most landlords (64%) already tend to keep the rent at the same level when tenancies are renewed under the current system.³

The economic backdrop to this White Paper is an accelerating cost of living crisis, with asking rents in some parts of the country far outstripping inflation.⁴ It is clear that a mechanism for limiting the amount a landlord can increase the rent within a tenancy would provide private renters in existing tenancies with much-needed protection as asking rents rise significantly.

Insecurity in the private rented sector is not just legal – it's structural

Another area of concern is the extent to which the Government's proposals adequately address the most common reasons why tenancies are currently being ended.

The majority of private landlords are individuals, letting a small number of homes. The English Private Landlord Survey finds that just under half of all landlords own one rental property.⁵ This creates a churn as landlords enter and exit the market. As a consequence, the most common reason tenants report for landlords ending their tenancy is their landlord selling up (English Housing Survey 2019-20).

² Rent Better (2020) Rent Better Research Programme: Wave 1 Baseline Report. Available at [Microsoft Word - Wave 1 Baseline Report published.docx \(indigohousegroup.com\)](#) [Accessed on 22 August 2022]

³ Department of Levelling Up, Housing, and Communities [DLUHC] (2022) English Private Landlord Survey 2021: Main report. Available at: <https://www.gov.uk/government/statistics/english-private-landlord-survey-2021-main-report> [Accessed on 22 August 2022]

⁴ Rightmove Rental Price Tracker, Q2 2022. Available at: <https://www.rightmove.co.uk/news/rental-price-tracker/> [Accessed on 22 August 2022]

⁵ Department of Levelling Up, Housing, and Communities [DLUHC] (2022) English Private Landlord Survey 2021: Main report. Available at: <https://www.gov.uk/government/statistics/english-private-landlord-survey-2021-main-report> [Accessed on 22 August 2022]

Evictions due to the sale of a home have a widespread negative impact. A landlord ending a tenancy in order to sell the home has consistently been the biggest reason for a private renter household being owed a homelessness duty by a local authority in recent years.⁶

The consultation that preceded the White Paper sought to manage this by placing a restriction on landlords using selling the property as a ground for possession for the first two years of a tenancy.⁷ This would essentially introduce an initial fixed term, giving tenants greater security.

This proposal has been significantly watered down in the White Paper. Under the new proposals, landlords would be able to use this ground for possession only six months into a new tenancy. This will give tenants little protection from the most common reason for no-fault eviction, nor will it do anything to limit this route to homelessness and the social and financial costs it creates.

One of the main purposes of the Government's proposed reforms is to improve security for tenants. But the proposed new ground for repossession in order to sell does the opposite and risks undercutting the effectiveness of the entire Bill. In fact, it fails to offer greater security to tenants evicted through this route than the current system.

We recommend that the Government re-instates the two-year restriction on landlords repossessing their property in order to sell in the upcoming Bill.

We also recommend that the Government increases the burden on landlords to prove that they are actually selling the property, moving in themselves, or moving in a family member. The Government should also create a system of redress for tenants where a landlord uses these grounds for possession spuriously, with no intention of selling the property, moving in themselves, or moving in a family member.

These reforms still rely on tenants to know and exercise their rights

In many areas the reforms propose to empower tenants with greater rights to challenge bad practice from landlords. New rules would allow tenants to ask to be able to have a pet or decorate, with landlords unable to refuse reasonable requests.

The plans around rent increases, as discussed, would also allow tenants to challenge an unreasonable hike. And the introduction of the Decent Homes Standard to the private rented sector would improve processes for reporting poor conditions.

⁶ Department for Levelling Up, Housing, and Communities [DLUHC] (2022) Live Tables on Homelessness. Available at: <https://www.gov.uk/government/statistical-data-sets/live-tables-on-homelessness> [Accessed on 22 August 2022]

⁷ Ministry of Housing, Communities & Local Government [MHCLG] (2019) A New Deal for Renting. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/819270/A_New_Deal_for_Renting_Resetting_the_Balance_of_Rights_and_Responsibilities_between_Landlords_and_Tenants.pdf [Accessed on 22 August 2022]

These are significant improvements on the current situation, but they still require tenants to know their rights and then take action. Research with tenants in Scotland shortly after similar reforms were introduced found that tenants and landlords were often unaware of the changes which had been made.⁸

Plans for a communications campaign to promote awareness of the reforms is welcome, but current plans focus principally on landlords and letting agents. In addition, there is a need for a similar focus on tenants and this must adequately resourced and launched well in advance of reforms being introduced.

We recommend that the Government launches a well-resourced public awareness campaign well in advance of new legislation being implemented. This should be targeted at those most likely to be living in the PRS, such as people of colour and younger people.

But in all of these cases the same reforms could be delivered via an approach that, rather than placing the burden on tenants, places the burden on landlords to either prove they are compliant or restricts their ability to be non-compliant.

For example, the White Paper proposes that the Government will ‘legislate to ensure landlords do not unreasonably withhold consent when a tenant requests to have a pet in their home, with the tenant able to challenge a decision’ and will “encourage landlords to allow reasonable requests by tenants to redecorate, hang pictures or change appliances - provided they return the property to its original state when they leave.’

In a tight housing market, requiring prospective tenants to make requests for pets and to redecorate risks them being passed over for a property in preference for an applicant not making such requests. Decision-making power ultimately remains with the landlord – thereby failing to re-balance the balance of power between tenants and landlords as the Bill intends.

In these situations, it would be preferable for the Government to legislate to ensure that tenants have a default right to have a pet or to redecorate without making a request. Instead, the onus should be on landlords to prove that tenants’ actions would meet clearly set-out exceptions.

We therefore recommend that the proposed reforms either place greater onus on landlords to prove compliance or restrict their ability to be non-compliant, rather than placing the burden on tenants to know and exercise their new rights.

⁸ D. Baxter & L. Murphy (2018) The Case for Reforming Private Renting. Available at: https://www.ippr.org/files/2018-12/1543853003_prs-interim-december18.pdf [Accessed on 22 August 2022]

Managing the impact of the proposed reforms on the court system

Responding to the following inquiry question:

- *Will the proposals result in more disputes ending up in the courts? If so, will the proposals for speeding up the courts service suffice?*

The reforms proposed in the White Paper will inevitably increase the demand on courts. Removing Section 21 will mean that any tenancy that is ended will involve some interaction with the courts system, alongside additional routes for redress such as challenging rent increases and non-decency.

On the former point, the 2019-2020 English Housing Survey found that around 73,000 renters moved in the previous year as their landlord ended their tenancy.⁹ This is notably higher than the around 42,000 possession claims heard in the county courts relating to private and assured shorthold tenancies over the same period.¹⁰ If these rates are maintained at similar levels, this could mean around a 74% increase in cases for the county courts to deal with.

A number of proposals have been made as to how the court system should change in response to the proposed reforms, such as whether there is a need for a new housing court. Regardless of the form this takes, it is clear that addressing this increased demand will require an increase in resource within the court system if the Government is to meet its aim of reducing the long delays in the court service which landlords have reported as a concern.

Situating reform to renting in a broader plan for the housing market

Responding to the following inquiry questions:

- *What do the proposals in the White Paper and other recent reforms indicate about the role the Government envisages the PRS playing in providing housing nationally?*
- *Have the Government's announcements already led to any changes in behaviour in the PRS?*
- *What impact, if any, will the reforms have on the supply of homes in the PRS?*

⁹ Ministry of Housing, Communities, and Local Government [MHCLG] (2021) English Housing Survey 2019-20: Final Report. Available at: [EHS_19-20_PRS_report_FINAL.pdf \(publishing.service.gov.uk\)](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/823860/Mortgage_and_Landlord_Possession_Tables_2019_Q2.xlsx) [Accessed: 22 August 2022]

¹⁰ This figure is calculated by combined possession claims from private landlords (23,711) with those from accelerated possession hearings (18,469), of which the significant majority will relate to private tenancies. Source:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/823860/Mortgage_and_Landlord_Possession_Tables_2019_Q2.xlsx

There is reason to believe that the reforms proposed in the White Paper will lead to a reduction in the size of the PRS, with landlords exiting the sector at a higher rate than new landlords enter. This is particularly the case as the proposed reforms come after a number of other changes which have impacted, or are likely to impact in the near future, the profitability of the PRS to amateur landlords.

Since April 2020 landlords have been unable to offset their mortgage interest payments against their taxes, with this allowance being replaced by a lower 20% tax credit.¹¹ This was introduced alongside an additional rate of stamp duty on second homes (ibid.).

Proposed reforms floated by the Government would also mean that private rented sector homes will need to reach energy Performance Certificate (EPC) C standard by 2030. This proposal would require a significant capital investment in these homes, though is not yet law.¹²

The totality of these reforms already appears to be impacting the desire of landlords to remain in the market. Recent data from the English Private Landlord Survey suggests that three in ten dwellings are owned by landlords who are planning on decreasing the size of their private rented portfolio, with a majority citing regulatory changes as their motivation for potential divestment.¹³ Of course, this does not tell us about the motivation of potential landlords who may plan to enter the market but do not currently own rental properties. Nor is it clear whether existing landlords will follow through on their divestment plans.

Qualitative research in Scotland, which is further along with similar reforms and subject to the same tax changes as England, found landlords were motivated to divest from the sector, citing the regulatory changes as a driver. This was paired with some quantitative data which appears to demonstrate a contraction in the size of the sector in Scotland.¹⁴

This in turn has led to speculation about the impact on renters, for example through a reduction in supply leading to higher rents. However, private landlords do not, except at the margins, increase the supply of new homes, and homes removed from the private rental market do not disappear. Instead, these homes can be bought and utilised by new owners. Research from Generation Rent, which examined past events that led to changes in the size of the private rented sector, has found no evidence that a reduction in the size of the private rented sector will increase rents.¹⁵

¹¹ UK Government (2022) Renting out your property. Available at: <https://www.gov.uk/renting-out-a-property/paying-tax> [Accessed on 22 August 2022]

¹² Department for Business, Energy, and Industrial Strategy (BEIS) (2020) Improving the energy performance of privately rented homes. Available at: <https://www.gov.uk/government/consultations/improving-the-energy-performance-of-privately-rented-homes> [Accessed on 22 August 2022]

¹³ Department of Levelling Up, Housing, and Communities [DLUHC] (2022) English Private Landlord Survey 2021: Main report. Available at: <https://www.gov.uk/government/statistics/english-private-landlord-survey-2021-main-report> [Accessed on 22 August 2022]

¹⁴ Rent Better (2022) Rent Better Research Programme: Wave 2 Final Report. Available at: <http://rentbetter.indigohousegroup.com/wp-content/uploads/sites/3/2022/05/Wave-2-Final-Report-AE030522-for-publication.pdf> [Accessed on 22 August 2022]

¹⁵ D. Wilson-Craw (2018) Do measures that discourage Buy to Let investment increase rents? Available at:

The research focused on the expansion of demand for private rented homes as restrictions to mortgage lending increased following the Global Financial Crisis, and on the contraction of the PRS after the Government introduced tax changes for landlords in 2016. Both events had an impact on the balance of supply and demand in the sector, but Generation Rent found that rather than rising, rents actually fell in real terms (Ibid).

This transition needs to be carefully managed, particularly in the current context of growing rents and rental demand, with appropriate support offered to renters, particularly those on lower incomes. But we believe that this decline in the size of the PRS should be embraced and placed within a wider strategy for increasing the proportion of households in social housing and who own their own homes. This should include a much greater focus on how homes currently owned by landlords can be bought by those intending to live in them or turned into social or community owned housing.

This could be achieved with a focus on re-balancing lending away from landlords and back towards first time buyers. This would mean exploring regulatory and fiscal changes which de-risk lending towards first-time buyers, and away from landlords. This could be accompanied by fiscal changes which limit profits from speculating on property, such as reforms to stamp duty, capital gains, and council tax.

At the same time, a sell-off of homes by private landlords can be managed by:

- Funding local authorities, housing providers and community groups to intervene directly in the secondary market to buy homes, re-fitting them to a high level of decency and environmental standard, and then letting them out at more affordable rents.
- Supporting renters to buy their homes from their landlord, potentially through a form of Right to Buy for private tenants with similarities to the scheme currently in operation for council housing.
- Creating routes for landlords to socialise their homes by leasing them to intermediaries, such as local authorities or housing providers, retaining ownership but accepting a lower rental yield and offering greater security.

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