

Briefing Paper 6 Reform of the private rented sector

Introduction

Assured shorthold tenancies and buy to let mortgages led to a growth in private renting in the last thirty years and there are now more properties in the PRS than for social rent. The PRS used to house students, young professionals and movers for employment, but now is also housing poorer families that used to rely on social housing. The PRS is expensive, has poor conditions and insecure tenancies; and Housing Benefits payments in the PRS cost the exchequer £30bn per year.

Realistic and desirable policy objectives

The Renters' Rights Bill (RRB) is before Parliament and will become law this year, with reforms centred on the abolition of 'no fault' evictions and the scrapping of fixed term tenancies. The legislation contains the application of Awaab's Law and the introduction of a Decent Homes Standard in the PRS. Plans to make the PRS more energy efficient; the creation of a landlord/property database for the sector and the introduction of an Ombudsman for both landlords and tenants are designed to promote higher standards. However, there is more that government could do to reform the PRS.

- **Socialisation of the PRS:** the scale of regulatory reform introduced under the RRB is likely to precipitate the sale of a proportion of housing owned by private landlords – particularly landlords with small portfolios. Social landlords should be funded to purchase private rented stock coming onto the market.
- **Tackling affordability issues in the PRS:** The RRB introduces a number of provisions that will impact on the renting framework of the PRS. But more can be done to make the PRS more affordable.
- **Housing benefit and the PRS:** Housing benefit (HB) underpins the ability of low-income tenants to afford accommodation in the PRS. HB payments should only be payable in the PRS where minimum standards are met.
- **Licensing:** From December 2024 councils no longer need ministerial approval to implement a selective licensing scheme under the Housing Act 2004. These provisions should be extended.
- **Partnership working:** Government should facilitate partnership working between councils and private landlords to fulfil their obligations to meet housing need in their areas.

How desired policy objectives can be achieved in present circumstances

Some provision should be available to enable councils to buy PRS stock. The government should create an agency to finance new housebuilding and the acquisition of existing housing. To achieve decent standards there should be state grants and/or loan funding for private landlords meeting the requirements of the new regulatory framework.

To reduce the impact of the RRB on the private rent framework and affordability, advertisements must set out the rent to be charged and annual rent increases must be in 'line with market rents'. While rent level bidding wars between tenants will be prohibited, tenants can challenge the scale of rent increases through referral to the First Tier Tribunal. These provisions fall short of protecting tenants from prohibitive increases in rents. The 2015 Labour manifesto proposed that rent increases in the PRS should be less than inflation over the period of a tenancy agreement. The abolition of fixed term tenancies makes this reform no longer applicable, but for consistency with the rent settlement in social housing, and to encourage private landlords to invest in their stock, it is proposed that private landlords can lift rent each year by CPI plus 1%. This introduces limited rent control but does not impose full control over the rents landlords can charge.

Housing benefit (HB) underpins the ability of low-income tenants to afford private rented housing. **The local housing allowance needs to be pegged to inflation in rent levels to ensure private tenants can afford rents and avoid the risk of eviction.**

Under the new regulatory arrangements, HB payments should only be paid to tenants who rent homes meeting the statutory decent homes standard. Landlords reliant on HB payments to tenants must be signed up to the redress scheme under the RRB; and they and their properties must be registered on the new property/landlord database.

Now councils can set up selective licensing schemes without government approval, they should be allowed to apply licensing to all PRS stock in their areas, irrespective of the criteria set out in the 2004 Act. There could be one licensing scheme, LA wide or confined to certain neighbourhoods, covering HMOs, single family dwellings and other privately rented housing. Local authority funding for services to support landlords to meet all the requirements of the new RRB regulatory framework could be met from fees from licensing schemes.

Government should facilitate partnership working between local authorities and private landlords to meet housing need in their areas.

- **Local authorities should be able to nominate households to the PRS** to ease the pressure on the social housing, especially from homelessness.
- In return, **local authorities should offer rent guarantees and other benefits to private landlords participating in such schemes.**

How successful delivery can help to achieve the Government's key missions

- Increase the supply of affordable housing to rent
- Reduction in HB costs to the public purse
- Improved conditions in the housing stock to meet decent homes standards and zero carbon efficiency
- Improved tenure mix
- Increased mobility for work and economic growth

Roger Jarman

jarmanroger@aol.com