

RENTERS (REFORM) BILL PUBLIC BILL COMMITTEE
Written evidence submitted by the Large Agents' Representation Group

1.0 About LARG

- 1.1 The Large Agents' Representation Group (LARG) comprises the largest letting and estate agents in London and the South East. Its members are: Chestertons, Hamptons, Kinleigh Folkard and Hayward, Knight Frank LLP, and Savills (UK) Ltd.
- 1.2 Collectively these firms are responsible for a substantial amount of activity in the letting sector, particularly in the largest market in London and the South East, with over 100,000 active tenancies under management between them at any one time, as well as the countless tenancies that they arrange but do not manage.

2.0 Executive Summary

- 2.1 We agree with the Government's core objectives for reform of the private rented sector that tenants should have housing of a decent standard, that they should have greater stability and should feel confident to challenge the practices of the small minority of landlords and agents who bring the sector into disrepute.
- 2.2 Given that there is a severe supply crisis in the private rented sector, with demand for private rented housing massively outstripping supply, it is important that landlords feel that there remains a long-term value in staying within the sector to maintain the desperately needed supply of properties to rent.
- 2.3 A key aspect of the Government's plans is to ban fixed-term tenancies, making all tenancies open-ended. This will have devastating impacts on the student private rented sector, that usually works on a cyclical basis with fixed-term tenancies that coincide with the academic year. Under the new plans, student landlords will be unable to agree new tenancies until they have vacant possession, and incoming student renters will have no certainty that a property will be available to them at the start of each academic year.
- 2.4 The Bill acknowledges and makes exceptions for landlords of purpose-built student accommodation who are signed up to the Unipol or ANUK code. We call on the Government to provide similar exceptions for student landlords in the private rented sector, by allowing fixed term tenancies in the student market. This would complement the Government's plans to allow a specific ground for repossession where properties are needed for incoming students.
- 2.5 The provisions within the Bill to make all tenancies open-ended means that landlords would have no certainty that a new tenant would reside in a property any longer than two months. It risks jeopardising lending in the buy-to-let sector, as many lenders require landlords have a minimum six-month initial fixed period on tenancies.
- 2.6 We are therefore calling for an amendment, in line with that proposed by the Levelling Up, Housing and Communities Committee that ensures "*that tenants be unable to give two months' notice to leave until they have been in a property for at least four months*".
- 2.7 Tenants should also have the ability to opt for a longer fixed-term tenancy of two years or more where that is their expressed preference. This would provide certainty for tenants and landlords alike and allow tenants to put down roots in a community.

- 2.8 Ending section 21 repossessions will lead to more possession cases needing to be considered by a court system which is failing both tenants and landlords. Current possession claims are taking nearly 6 months to be processed through the courts and tenants are struggling to access the legal aid support they need.
- 2.9 We call for an amendment to the Bill that would require the Secretary of State to publish a comprehensive plan outlining how the justice system will be improved sufficiently to cope with the impact of the ending of section 21. We also call for an amendment that would require the Secretary of State to publish an annual report on how long it is taking for possession claims to be processed in the courts, and the numbers of tenants able to access legal aid support where needed.
- 2.10 Finally, the Bill as it stands allows for the development of a new 'Property Portal' that will provide up to date information on all landlords and their properties and demonstrate that they meet all required standards, essentially acting as a national licencing scheme.
- 2.11 As local authorities will be able to access all of the information in the Portal and given the plans for a Decent Homes Standard for the sector, Selective Licencing schemes will be rendered effectively redundant. Local authorities will already have access to all of the information they need to enforce housing standards. We therefore call for Selective Licencing schemes to be scrapped altogether, as they will no longer enhance protections for tenants.

3.0 Rental Reform Needs to Work for All

- 3.1 We agree with the Government's core objectives for reform of the private rented sector that tenants should have housing of a decent standard, that they should have greater stability and should feel confident to challenge the practices of the small minority of landlords and agents who bring the sector into disrepute.
- 3.2 Likewise, we concur with the Government's acknowledgement that landlords need to have adequate rights of re-possession where they have good cause to do so, and we support efforts to improve enforcement of the wide range of powers already available to tackle rogue and criminal landlords.
- 3.3 The Bill is being considered against the backdrop of a severe supply crisis in the private rented sector, with demand for private rented housing massively outstripping supply.
- 3.4 The latest data from Zoopla shows that demand for rented housing is 51% above the five-year average. Meanwhile, the stock of available homes to rent is down by 30% compared to the same five-year period¹.
- 3.5 Furthermore, the average rental property in Great Britain is currently receiving 25 enquiries from prospective tenants, which is more than triple the eight on average being received pre-pandemic 2019².
- 3.6 As a direct result of the imbalance between supply and demand, average advertised rents outside London hit a new record for the 15th consecutive quarter and are now 10% higher than a year ago, at £1,278 per calendar month². All this is doing is choking off choice for renters and harming their purchasing power as a result of there being insufficient competition between landlords for tenants.

¹ Zoopla, *Rental Market Report: September 2023*, September 2023. Available at: <https://www.zoopla.co.uk/discover/property-news/rental-market-report/>

² Rightmove, *Rental Price Tracker, October 2023*. Available at: <https://www.rightmove.co.uk/news/rental-price-tracker/>

- 3.7 Given this, it is more important than ever that reforms to the rental sector ensure that responsible landlords feel there remains long-term value in staying within the sector to maintain the desperately needed supply of properties to rent.
- 3.8 To ensure the confidence of responsible landlords, the regulatory changes envisaged in the Bill need to be workable, fair to all, proportionate and introduced in such a way that the sector has sufficient time to prepare and adjust for them.
- 3.9 Whilst we welcome the Government's commitment to supporting responsible landlords, and its efforts to ensure landlords can regain possession of their properties effectively where they have good cause, a number of further changes are needed to the Bill, and associated policy decisions, to ensure the entire reform package works.

4.0 Protecting the Student Housing Market

- 4.1 According to the Higher Education Statistics Agency, 27% of students lived in privately rented properties that were not purpose built in 2021/22. This rises to 35% when first-year students, who typically live in purpose-built student halls of residence, are discounted – making it the most popular tenure for those in the second year of study and beyond³.
- 4.2 Given the nature of the academic year and the student housing market, private tenancies are typically agreed months in advance of the start of a new year of study before the current tenants have moved out.
- 4.3 As currently drafted, the Bill will mean landlords will be unable to agree new tenancies until they have vacant possession. It will mean incoming student renters will have no certainty that a property will be available to them at the start of each academic year. This will make it almost impossible for students to plan ahead and organise where and with whom they will live.
- 4.4 In its response to the Levelling Up, Housing and Communities Select Committee report on the private rented sector, the Government has pledged to introduce a ground for re-possession in the Bill to facilitate the yearly cycle of short-term student tenancies⁴. We welcome this step, however, it does not go far enough in providing the protection the student housing market needs.
- 4.5 The Bill will allow providers of purpose-built student accommodation to continue to operate on fixed-term tenancies which private landlords renting to students will not be permitted to provide. This fails to pass the test of reasonableness for responsible landlords in the student market given that at any point a student could opt to leave with two months' notice. Where this happens, it would mean that a landlord would need to:
- Let a room in a shared house to another student (which would be difficult midway through an academic year when students are generally already in their accommodation).
 - Let a room to a non-student which would mean a property losing its status as being exempt from council tax as a result of being occupied solely by students. In this instance, assuming a House of Multiple Occupation is a shared house on one

³ Higher Education Statistics Agency, *Where do HE students study? Student accommodation*, January 2023, available at: <https://www.hesa.ac.uk/data-and-analysis/students/where-study#accommodation>

⁴ LUHC Select Committee, *Reforming the Private Rented Sector: Government's response to the Committee's Fifth Report of Session 2022-23*, October 2020, available at: <https://committees.parliament.uk/publications/41806/documents/207184/default/>.

agreement, the tenants would become liable for 75% of the full council tax on the property.

4.6 In the, albeit unlikely, event that all the students in a shared house were to leave the property, the landlord would have the following three options to re-let it, none of which are appealing:

- Rent to a completely new group of students which is likely to be difficult mid-way through an academic year.
- Rent the property to a family – in this situation, if an Article 4 Direction were in place, the landlord would then be required to seek, without any assurance of securing it, planning approval to convert the property back for student use.
- Rent to a group of unrelated sharers who were not students. The time taken to do this would inevitably mean a void for some weeks or months.

4.7 In all of the above scenarios, as a result of the Government's plans for all tenancies not to be periodic, the landlord would still have no assurances that a property would be available to rent out again to students at the start of the new academic year. Given this, the only viable option for a landlord would be to keep the property empty, whilst losing rent, or to stop letting to students in the future.

4.8 Universities UK has raised concerns that abolishing fixed-term tenancies for student housing could undermine the stability of the sector and reduce the amount of accommodation available⁵. The Higher Education Policy Institute has warned that abolishing fixed-term tenancies in the student housing market *"could make letting to students considerably less attractive to private landlords, as the student market mirrors the academic year and benefits greatly from 12-month fixed tenancies"*⁶. It continues: *"We agree with the evidence that not exempting the student PRS could push up rents or reduce the availability of student rental properties, at a time when the market in many university towns and cities is already very tight."* Similar concerns have been expressed by the Levelling Up, Housing and Communities Select Committee⁷.

4.9 To avoid major disruption to academic institutions and student tenants, we support the Government's objective to *"ensure that the student market, which operates differently from other aspects of the private rented sector, is regulated in a different way"*⁸.

4.10 **Therefore, alongside the planned ground for repossession for student housing, we are calling for an amendment to the Bill to allow for fixed-term tenancies in this section of the market. This could be achieved with the following amendment:**

On page 1, line 11, insert as next line:

⁵ BBC News, *Renters Reform Bill: Warning changes could 'decimate' student market*, May 2023, available at: <https://www.bbc.co.uk/news/uk-politics-65681015>.

⁶ Higher Education Policy Institute, *Renters (Reform) Bill and the impact on higher education*, 24th May 2023, available at: <https://www.hepi.ac.uk/2023/05/24/renters-reform-bill-and-the-impact-on-higher-education/>.

⁷ LUHC Committee, *Reforming the Private Rented Sector, Fifth Report of Session 2022-23*, March 2023. Available at: <https://committees.parliament.uk/publications/33924/documents/185831/default/>

⁸ Hansard, *Renters (Reform) Bill debated Monday 23rd October*, October 2023. Available at: [https://hansard.parliament.uk/commons/2023-10-23/debates/E9FEB6DF-B896-4579-918F-8E99F7A35AAD/Renters\(Reform\)Bill](https://hansard.parliament.uk/commons/2023-10-23/debates/E9FEB6DF-B896-4579-918F-8E99F7A35AAD/Renters(Reform)Bill)

“(a) but nothing in this sub-section prevents a landlord granting a fixed term tenancy to a tenant or joint tenants where the tenant or, as the case may be, all of the joint tenants is a student in full time education at the start of the tenancy and the fixed term being offered is not less than eight months.”

Drafting Notes

The government is removing the right of PRS landlords to have fixed term tenancies. These are a mainstay of the student sector. PBSA landlords are being permitted to keep these fixed terms. This amendment restores the ability of PRS landlords to offer fixed terms provided all of the students in a property are in full time education. There is also a minimum term of eight months to provide those students with the assurance of knowing that they will have an entire academic year in their property.

5.0 Impact of Open-Ended Tenancies

- 5.1 The Bill will ban fixed-term tenancies in the PRS, making them all periodic. Whilst we understand the rationale for such reform, namely a tenancy should only ever be ended where there is good cause, it would mean that no landlord could be sure that a new tenant would reside in a property for longer than 2 months.
- 5.2 When entering into a new tenancy agreement landlords incur costs of approximately £500 for referencing, cleaning, and inventory fees. This does not include agency fees, costs associated with advertising the property, costs associated with preparing relevant safety certification for a property, and the costs associated with completing specific requests made by a tenant during the process of offering a property. Landlords need some assurance that tenants will be in situ for a certain amount of time to defray these costs. Without this, there could be an increased upward pressure on rents as costs to landlords increase alongside risk.
- 5.3 In addition to this, without any certainty regarding how long the landlord can guarantee that tenants will be present, there is a very real risk that it will jeopardise lending in the sector. UK Finance has previously noted *“Most lenders tend to avoid short-term tenancies and often require that their landlord customers impose a minimum six-month initial fixed period on the tenancy. This helps to reduce the risk of missed mortgage payments which are more likely to occur where a landlord offers short tenancies”*⁹.
- 5.4 **We are calling for an amendment, in line with that proposed by the Levelling Up, Housing and Communities Committee that ensures “that tenants be unable to give two months’ notice to leave until they have been in a property for at least four months”**¹⁰. The Committee notes that *“this will give landlords the legal certainty of at least six months’ rent at the start of a tenancy”*. This would mirror the protections being afforded to tenants in the Bill that will limit landlords’ use of the planned repossession ground to sell a property until at least six months into a tenancy agreement.
- 5.5 **After an initial six-month period the tenancy agreement could continue on a periodic basis. We accept, however, that tenants should still have the ability to**

⁹ UK Finance, *A New Deal for Renting - UK Finance Response to MHCLG Consultation*, October 2019. Available at: <https://www.ukfinance.org.uk/system/files/UK%20Finance%20Response%20to%20MHCLG%20Consultation%20-%20A%20New%20Deal%20for%20Renting.pdf>.

¹⁰ LUHC Committee, *Reforming the Private Rented Sector, Fifth Report of Session 2022-23*, March 2023. Available at: <https://committees.parliament.uk/publications/33924/documents/185831/default/>

bring a tenancy to an end within the first six months, in the event of a breach of the tenancy agreement.

5.6 We therefore propose the following amendment:

Clause 14, page 22, line 21, insert before “But in relation to landlords...”

“In all cases a tenant cannot be give a notice to quit in the first four months after a tenant first occupies the premises the notice is given in respect of other than with the agreement of the landlord.”

Member’s explanatory statement:

Landlords incur costs and expenses when entering into a tenancy. They need some certainty of a minimum period of rental to defray those costs otherwise there is a danger of there being a further upward pressure on rents. Many buy-to-let mortgage lenders also require a minimum six-month tenancy agreement in order to lend to residential landlords. This amendment would achieve this by ensuing tenants could not provide two months’ notice to leave the property until they had resided in it for a minimum of four months. This is in line with a recommendation by the Levelling Up, Housing and Communities Committee.

5.7 In addition, for many tenants and landlords, longer fixed-term tenancy agreements would provide both with the certainty they need. As such, we are calling for this to remain an option where tenants would prefer this.

5.8 Longer tenancies would be more predictable for tenants, especially those wanting to put down roots in a community longer term, such as families with children wanting to stay in local schools. Under LARG’s plan landlords could not seek to repossess a property for the duration of the longer tenancy unless the tenant is in breach of the tenancy agreement, for example not paying rent, committing anti-social behaviour or failing to take care of a property.

5.9 For landlords, there would be the certainty of a tenant being in situ for at least the fixed period, knowing that the tenant could not leave the agreement unless the landlord was found to be in breach of the tenancy agreement, such as failing to ensure a property is up to required standards.

5.10 We therefore propose an amendment which would allow landlords and tenants, where they so wish, to agree fixed-term tenancies of at least two years. This would be achieved by

On page 1, line 11 insert after that line

“(a) But nothing in this sub-section prevents a fixed term being granted by a landlord to a tenant provided that the fixed term is for not less than two years, contains no break clause that can be activated any sooner than two years from commencement of that tenancy, and is granted at the tenant’s request”

On page 2, line 27, replace with

“(b) In section 19A add at the end of sub-section (b) “and” and insert a new sub-section reading (c) the tenancy is one which accords with the requirements of s4A(1)(a).”

Drafting notes

Many tenants want the certainty of a long fixed term to allow for schooling. This is not provided by the Reform Bill and tenants face the risk of being asked to leave after six months due to a property sale. This amendment allows for a fixed term to be granted if it is at the request of the tenant and is for a period of not less than two years giving tenants the certainty many of them crave.

- 5.11 In respect of rent increases within a longer-term tenancy these would be limited to once a year and would need to be notified to tenants using a section 13 notice. Tenants would be able to challenge proposed increases higher than local market rates at tribunal. To support this, LARG proposes guidance for tribunals to outline clearly what to consider when determining if a rent increase is beyond local market rates. This guidance should be made public, making it easier for tenants to understand if a rent increase is beyond the market rate or not, and therefore if it is suitable for them to challenge a rent change at tribunal.

6.0 The Property Portal and Selective Licensing

- 6.1 The Bill will give the Secretary of State the power to develop a new “Property Portal” that will provide up to date information on all landlords and their properties and demonstrate that they meet all required standards. As landlords will only be able to rent property out when they are registered on the Portal, it effectively becomes a national licensing scheme.
- 6.2 Given that local authorities will have the ability to access and edit information in the Portal regarding all the landlords and private rented properties in their area, and given the plans for a Decent Homes Standard for the sector, Selective Licencing schemes will be rendered effectively redundant. Local authorities will already have access to all of the information they need to enforce housing standards.
- 6.3 **We are therefore calling for Selective Licencing schemes to be scrapped altogether, as they will no longer enhance protections for tenants. At the very least, in areas where local authorities still feel a Selective Licencing scheme is necessary, the Government should reduce the proportion of a council area a proposed licensing scheme would need to cover before it requires approval by the Secretary of State. This could be achieved with the following amendment:**

Page 40, line 33. After sub-section 3 insert:

(4) Part 3, Housing Act 2004 is repealed.

Drafting notes:

The RRB introduces both landlord redress schemes and the PRS Database, both of which landlords must pay to join. Many landlords will also be paying indirectly for their agent to be a member of a redress scheme. If there is a selective licensing scheme in the same area this is yet another fee for little additional benefit. Selective licensing is primarily used by local authorities to obtain information about who in their area is a landlord. The PRS Database provides the same information and so the additional benefit of a selective licensing scheme is minimal and disproportionate the additional regulatory burden and cost it brings.

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