

House of Commons Public Bill Committee – Renters’ Rights Bill

Written Evidence from Propertymark

October 2024

Background

1. Propertymark is the UK’s leading professional body of property agents, with over 18,000 members representing over 12,500 branches. We are member-led with a Board which is made up of practicing agents and we work closely with our members to set professional standards through regulation, accredited and recognised qualifications, an industry-leading training programme and mandatory Continuing Professional Development. Members benefit from guidance, advice, and research as well as a comprehensive programme of workshops, conferences and events and we regulate members’ activity according to a code of conduct and rules, with disciplinary action for instances of non-compliance.

Market context

2. There is unprecedented demand for rented housing in England. Figures from Propertymark members in August 2024 had an average of 112 prospective tenants registering per member branch compared to 88 in July 2024.<sup>1</sup> Furthermore, the average number of new property instructions per month per member branch reduced in August 2024. Overall, demand continues to outstrip supply, with an average of almost 10 new applicants registered for each available property in August 2024. Data from the Office for National Statistics shows rents increasing overall across the country. In July 2024, average UK rents were 8.6% higher than in July 2023 and 0.6% higher than in June 2024. However, despite overall increases, rents continued to fluctuate by both market and region. For instance, rents inflation was highest in London and lowest in the South West and Yorkshire and The Humber, in the 12 months to September 2024.<sup>2</sup> In August 2024, 55% of Propertymark members reported that rents remained static and 5% reported that they had fallen.<sup>3</sup>
3. Letting agents strongly refute the suggestion that landlord greed is responsible for so called ‘bidding wars’. The lack of supply of homes to rent leads tenants, who are desperate for somewhere to live, to offer increased rent. To this end, **landlords and letting agents must be able to take rent in advance to support renters and those on fixed incomes in particular and allow a prospective tenant to offer to pay an amount that exceeds the stated the amount of rent where they want to, but landlords and agents cannot ask or encourage the tenant to do so.**
4. Tax is reducing the investment appetite of new and existing landlords. In recent years, landlords have seen higher rates of stamp duty on buy-to-let properties and the withdrawal of tax relief on mortgage interest costs.<sup>4</sup> **The UK Government must commit to reviewing all**

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<sup>1</sup> <https://www.propertymark.co.uk/news-reports/housing-insight-report.html>

<sup>2</sup> <https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/privaterentandhousepricesuk/october2024>

<sup>3</sup> <https://www.propertymark.co.uk/news-reports/housing-insight-report.html>

<sup>4</sup> <https://www.propertymark.co.uk/resource/impact-of-tax-changes-on-the-private-rented-sector.html>

**costs and taxes impacting private landlords to ensure landlords continue in the market and more landlords can meet the demand for home to rent.** Furthermore, we know that greater flexibility afforded by short term lets and over burdensome regulations on long-term lets are the main reasons why landlords switch to short-term lets<sup>5</sup>. As a result, **the UK Government must enact the registration of short-term rental property requirements as passed in Levelling-up and Regeneration Act 2023 alongside these reforms to level the playing field for landlords and the long-term rental market.**<sup>6</sup>

5. Furthermore, with the supply of affordable and social housing is not meeting the demand in most areas of the UK, this means that the private rented sector is increasingly becoming the only housing option for choice for vulnerable people who receive benefits or are on a low income. However, the implementation of Universal Credit has met many challenges resulting in some private rented sector tenants building up significant rent arrears, and landlords are becoming reluctant to let to people in receipt of benefits. This is further exasperated by benefits documentation and information being poorly handled and administered by the Department for Work and Pensions. Additionally, the Local Housing Allowance (LHA) freeze has caused severe problems for nearly two million private rented sector tenants. This has meant that the proportion of new private rental properties affordable to people on Universal Credit or housing benefits has decreased significantly and low-income households on benefits increasingly cannot afford private sector rents. **The UK Government can provide more certainty for tenants and landlords by committing to keep the LHA rate pegged to at least the 30th percentile of rents for the duration of the new Parliament and undertaking a thorough assessment of the case for pegging the LHA to the 50th percentile.**
6. There are long-standing concerns about the capacity and capability of the courts, with the time from claim to hearing continuing to rise. The average wait time for a warrant to be issued in a private rented sector possession claim is around 29 weeks, although in London this can sometimes be as high as 40 weeks. An agent in Somerset has said they are experiencing, “dramatically extended periods of time for court hearings from the application of a possession order to the actual hearing date. Pre covid the normal hearing timescale would have been 4-6 weeks in Taunton. This is now 4-6 months on average.” **A commitment by the UK Government to reform the courts before Section 21 is abolished is vital to the success of these proposals and the ability for landlords and tenants to access justice.**
7. Local authority licensing schemes for private rented property are costly and significantly increase the administration burden on agents when property they manage is already legally compliant. **The introduction of the Private Rented Sector Database will fulfil the function of licensing schemes, and the UK Government should commit to the removal of licensing schemes once the Database is up and running.** A database that records all legally required documentation makes it harder for criminal landlords to operate, eliminating the need for selective licensing.

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<sup>5</sup> <https://www.propertymark.co.uk/resource/the-impact-of-short-term-lets.html>

<sup>6</sup> <https://www.legislation.gov.uk/ukpga/2023/55>

Written evidence

**Part 1, Chapter 1 Assured Tenancies: End of certain kinds of assured tenancy – Clause 1 Assured tenancies to be periodic with rent period not exceeding a month**

8. Propertymark fails to understand the need to remove fixed-term tenancies. A fixed term gives landlords and tenants a guarantee as to the length of time the tenancy will last. The landlord knows that rent payments will be made for the whole fixed-term period and the tenant has the security of tenure for the full tenancy period. Tenants should not be limited in having as many options as possible to secure their long-term home.<sup>7</sup> Furthermore, tenants with periodic tenancies would still be at risk of the landlords selling, whereas in consideration of signing a longer-term tenancy by agreement, the landlords would forego one or more of the mandatory Section 8 grounds until the end of the fixed term.
  
9. Landlords will often want rent in advance or a guarantor where tenants have a poor reference or poor credit rating. Keeping the fixed term means that guarantors know how long they are supporting the tenant and rent payment is linked to length of tenancy. Additionally, fixed-term tenancies form the basis of the student market. Without the fixed-term, students may refuse to leave at the end of their academic year, which would prevent future students from having access to private rented accommodation. Furthermore, the new Ground 4A only applies to students in Houses of Multiple Occupation which by definition is three or more renters forming more than one household.<sup>8</sup> Consequently, students renting one bed apartments, or two student sharers would not be able to use this ground. A more practical solution would be to allow students and all private tenants the option to choose between a fixed-term and rolling periodic tenancy. Even if fixed-term tenancies are removed via the Renters' Rights Bill, over 70% of Propertymark members stated that student lets should be exempt from assured tenancies becoming periodic.<sup>9</sup>
  
10. The removal of fixed-term tenancies was the second most concerning element of the reforms, according to our surveyed landlords, with 69% raising that they were concerned about the end of fixed-term tenancies. That is not surprising considering that over 93% agents said that removing fixed-term tenancies will negatively affect agents and landlords. Less than 2% disagreed. Additionally, 63% agents strongly agreed and 17% agreed that removing fixed-term tenancies will impact their tenants negatively. Only 9% disagreed or strongly disagreed.<sup>10</sup>

**RECOMMENDATION: amend Clause 1 to ensure a tenant is able to agree to a fixed term tenancy when requested and it is mutually beneficial for both parties (landlord and tenant). Landlord forgoes the use of Ground 1, Ground 1A and Ground 6.**

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<sup>7</sup> A leading letting agency in London managing 65,000 tenancies observes that fixed term contracts are popular with tenants with many tenants opting for tenancies between one and three years, with the average first term lasting 23 months. At the end of their initial term, 65% of tenants choose to renew. Only 1% of tenancies are ended early by landlords, and 5% are ended by tenants.

<sup>8</sup> <https://www.gov.uk/private-renting/houses-in-multiple-occupation>

<sup>9</sup> <https://www.propertymark.co.uk/resource/reforming-the-prs-letting-agent-views-of-the-renters-reform-bill.html>

<sup>10</sup> <https://www.propertymark.co.uk/resource/reforming-the-prs-landlord-views-of-the-renters-reform-bill.html>

**Part 1 Tenancy Reform, Chapter 1 Grounds for possession – Clause 4 Changes to grounds for possession.**

11. In addition to a lack of confidence within the court system, agents and landlords are concerned that the existing grounds for possession do not go far enough to protect landlords. Due to the discretionary nature of many serious grounds for eviction, including rent arrears and anti-social behaviour many landlords risk going through the lengthy and costly eviction procedures with no guarantee that they will regain access to their property. 71% of landlords we surveyed are concerned about the removal of Section 21 notices, which was the aspect of the Bill our surveyed landlords were most concerned about. The Bill will restrict students to choosing a group of at least three or more other people to live with (to class as an HMO), if they want to secure a property and won't be able to live with one other person or on their own, it must be a minimum of two others. With the Bills focus on improving standards, landlords must have more protection against breach of tenancy and deterioration of the property. Propertymark member agents have seen a huge increase in tenancy fraud with Homepl, a customer risk and fraud prevention provider, report that between January 2022 and January 2023 there has been a 120% increase in tenancy fraud. Fake documents were identified in the majority of fraud cases (91%) including fake payslips, utility bill evidence and identification documents.<sup>11</sup>

**RECOMMENDATION:**

- **Ground 4A - extend to one or more student sharers.**
- **Ground 12 - Breach of tenancy change to mandatory.**
- **Ground 13 – Deterioration of property change to mandatory.**
- **Ground 14 – Anti-social behaviour – change to mandatory and include principles that judges must consider when making their decision and cases will be prioritised in Possession Lists in the courts.**
- **Ground 17 - Acquiring a tenancy by using False Statement change to mandatory and amend from two weeks to immediate.**
- **New Ground 8A – Persistent rent arrears – tenant has not paid rent for three consecutive months on two or more occasions in a 12 month period to be a mandatory ground with immediate effect.**

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<sup>11</sup> <https://www.homepl.com/>

**Part 1, Tenancy Reform, Chapter 1 Rent and other terms – Clause 10 - Right to request permission to keep a pet and Clause 11 – Pet insurance**

12. While some landlords fear having pets can cause damage, we recognise that it can make their property more desirable and encourage their tenants to rent for longer and tackle issues such as loneliness. However, some landlords will have had bad experiences and even the best-behaved pet can cause damage. For instance, it can be hard to demonstrate bad smells from a cat urinating on the carpet. Propertymark welcomes requirements for tenant to either have pet insurance or to pay the landlord for it to be allowed as a requirement for a tenancy where relevant. However, further detail is needed on available insurance providers, and it is unclear how this will work in practice. For instance, will it be like car insurance, with insurance premiums increasing with previous claims? Why would a landlord take out pet insurance if a claim on one property would put premiums up on other properties? There is often more of a risk of damage to a property where there is a pet. The UK Government should enable the level at which deposits are set to be more flexible to reflect this greater risk. Under the Tenant Fees Act, landlords and letting agents are no longer able to take a higher Security Deposit for tenants with pets – since 1 June 2019, deposits on new tenancies are capped at an equivalent five weeks’ rent, where the total annual rent is less than £50,000-, or six-weeks’ rent, where the total annual rent is £50,000 or more.<sup>12</sup> In February 2021, we asked Propertymark letting agents how many ‘pet friendly’ properties do they have in their portfolio - 81% said ‘some of their properties are pet friendly.’ However, research conducted in July 2022, showed that 85% of landlords and letting agents have incurred damage to their properties by pets but significantly 57% of landlords and agents were unable to recoup the costs of pet damage.<sup>13</sup>

**RECOMMENDATION: Amend Clause 11 to also allow for an additional pet deposit to be taken to cover the risks to the property of renting with pets.**

**Part 1, Chapter 1 Tenancy Reform, Duties of landlords etc – Clause 12 Duty of landlord and contractor to give statement of terms etc**

13. Despite it being common practice there is no legal requirement for a written tenancy agreement in England. A written tenancy agreement protects the landlord’s property and ensures that landlords and tenants understand their rights and responsibilities. The agreement can be used to stipulate the periodic inspection schedule ensuring that the tenant has written notification and is given appropriate notice. This will help to maintain the condition of the property throughout the tenancy and help to reduce disputes and costs for tenants at the end of the tenancy that will allow them to retain more money and move quickly.
14. Notwithstanding aspirations from the UK Government to make moving between tenancies for renters quicker and easier there are no mandatory requirements for an inventory or check in and check out reports. An inventory is a listing of all the contents of a property and a record of the condition of each item as well as the condition of the property itself. If the tenant has agreed the inventory, this reduces the potential for a dispute to arise at the end of the tenancy

<sup>12</sup> <https://www.legislation.gov.uk/ukpga/2019/4/contents>

<sup>13</sup> <https://www.propertymark.co.uk/resource/renting-with-pets-survey.html>

speeding up the end of tenancy process. In a deposit passporting scenario this would help to ensure that the end of tenancy process is quicker and straight forward to resolve.

15. The Renters' Rights Bill introduces requirements for a written statement of terms and information to be provided to tenants before a tenancy is entered into, but this will duplicate a lot of the information in a tenancy agreement. The Bill should be amended to create an enhanced tenancy agreement which includes all the relevant information, what is required as a minimum and the primary contact details of the person who is managing the tenancy for the tenant. According to the Tenancy Deposit Scheme (TDS) Group Statistical Briefing 2022/23, the number of adjudications issued by the three tenancy deposit schemes in England and Wales increased by 6,912 from the previous year. Disputes in 2022/23 were largely around cleaning and damage. Disputes relating to rent arrears have been declining since 2017/18. Furthermore, 76% of disputes are raised by the tenant.<sup>14</sup> By amending Clause 12 to include an inventory and check-in and check-out at the start and end of tenancy to speed up the return of deposits and prevent disputes.

**RECOMMENDATION: amend Clause 12 to include a written tenancy agreement and compulsory inventory and check in and check our report to provide tenants with greater consumer protections.**

**Part 1, Chapter 1 Landlords etc: financial penalties and offences Clause 15 Landlords etc: financial penalties and offences and Clause 16 Financial penalties: procedure, appeals and enforcement.**

16. Propertymark welcomes the provisions in the Bill that enable local authorities to keep the proceeds of financial penalties to reinvest in enforcement activity. However, this funding alone will likely be insufficient to cover the full cost of undertaking enforcement work in the private rented sector that is required to achieve the ambitions of the Bill, particularly as it will be councils' intention to issue financial penalties or undertake criminal proceedings as a last resort. Councils are facing severe budgetary constraints. However, many local enforcement teams do not currently have the resources and capacity to proactively tackle poor standards in the private rented sector.

**RECOMMENDATION: Amend Clause 15 and Clause 16 to include an assessment of the resources councils need to regulate the private rented sector effectively with new burdens funding then being allocated accordingly.**

**Part 2, Chapter 2 Landlord Redress Schemes Clause 62 Landlord redress schemes and Clause 63 Approval and designation of landlord redress schemes.**

17. It is not clear to consumers who they should raise a complaint with. The consumer is unaware that they must complain to the agent before the redress schemes can act, it must be made clear if this is going to be the same for landlords. Under the legal requirement for agents to belong to one of the two government-approved redress schemes there is an assumption that all agents have a complaints procedure in place and will deal with matters in the same way

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<sup>14</sup> <https://dontsettle.tenancydepositscheme.com/statistical-briefing-from-tds-group/>

and to the same timescales. A quick search of agent websites will show the difference in complaints handling procedures and a difference in how the information is presented. There are gaps in redress – redress schemes are not operating to the same criteria and adjudicating against members in the same way. For instance, out of the two government-approved redress schemes (The Property Ombudsman and Property Redress Scheme) only The Property Ombudsman has a Code of Practice that members of the scheme must comply with.<sup>15</sup> This creates inconsistencies in standards for consumers.

**RECOMMENDATIONS: Amend Clause 62 and Clause 63 to include the introduction of mandatory codes of practice for the property sector.**

**Part 2, Chapter 3 The Private Rented Sector Database – Clause 80 Restrictions on marketing, advertising and letting dwellings**

18. There is a clear focus in the Bill on improving standards amongst landlords without complimenting the role of letting agents. The UK Government said in February that all property managers in the social rented sector must be qualified, therefore these requirements should be extended to the private rented sector, so tenants have the same parity in service and standards regardless of tenure they rent. Currently, anyone can operate as an estate, letting or managing agent, regardless of qualifications or experience. There are no minimum standards to work in the sector and there are no statutory rules to ensure property agents are suitably qualified. Additionally, agents who are not members of a professional body do not have to meet minimum competency standards. This can result in variable service levels for tenants, landlords, leaseholders, homebuyers and sellers including general bad practice, lack of financial protection and no effective way to resolve complaints.<sup>16</sup>
19. Considering the new reforms for the private rented sector, including the proposed Decent Homes Standard, letting agents will have a significant role to play in delivering the reforms and ensuring they and landlords are compliant. Improving standards through qualifications and officially regulating agents would be the best way to ensure this compliance. Additionally, on 23 February 2023, it was announced by the UK Government that property managers in the social rented sector must gain professional qualifications under new rules to protect residents and raise standards in the sector.<sup>17</sup> Given that the Decent Homes Standard and Awaab’s Law is being introduced to the private rented sector, bringing it to parity with the social rented sector, there is no reason why private renters should expect an inferior service than those in the social rented sector.

**RECOMMENDATION: Amend Clause 75 and Clause 82 to include information on the Private Rented Sector Database where ownership or management of the property includes – letting agent name,**

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<sup>15</sup> <https://www.gov.uk/redress-scheme-estate-agencies>

<sup>16</sup> In 2014, legislation was passed making provisions for the regulation of letting agents in Scotland. A report published in January 2023, entitled ‘Review of letting agent qualifications and CPD’ highlights the importance that professional qualifications is playing in driving up standards across the private rented sector in Scotland: 87% of letting agents who had completed a qualification said it had a positive impact on their professional capabilities. 51% of landlords said that requirement for letting agent qualification had been a positive thing for the private rented sector overall.

<sup>17</sup> <https://www.gov.uk/government/news/social-housing-managers-must-be-qualified-under-new-laws-to-protect-residents>

redress scheme membership, Client Money Protection provider and letting agent qualification which creates a letting registration number.

**Part 4, Chapter 3, Enforcement Authorities - Clause 104 Enforcement by local housing authorities: general duty and Clause 106 Enforcement by local housing authorities: duty to notify**

20. A Local Government Association work force survey in May 2022 showed that 45% of councils were having difficulties recruiting environmental health officers and 25% were having difficulties retaining housing officers.<sup>18</sup> Effective enforcement of regulations is reliant on an adequate number of qualified and trained staff. The UK Government should urgently work with sector experts to develop a skills and capacity building strategy to ensure that local authorities can support effective implementation of the reforms. Effective enforcement is reliant on having the right number of trained and qualified staff, which councils are facing significant challenges in recruiting.

**RECOMMENDATION: Amend Clause 104 and Clause 106 to ensure every local authority has a strategy on skills and capacity to support the effective implementation of the reforms.**

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<sup>18</sup> <https://www.local.gov.uk/publications/2022-local-government-workforce-survey>