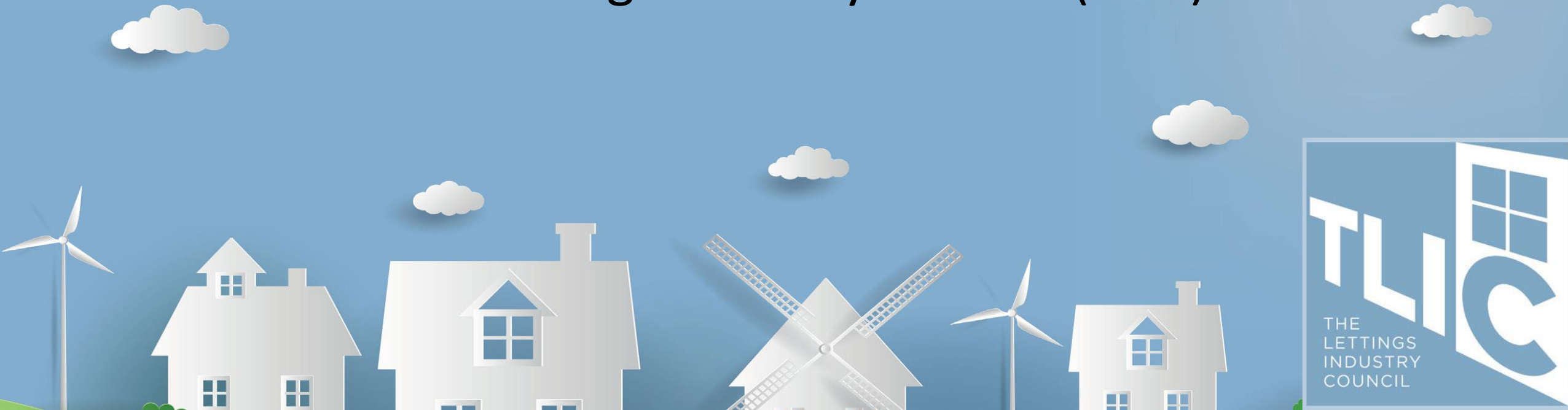


Beyond Section 21

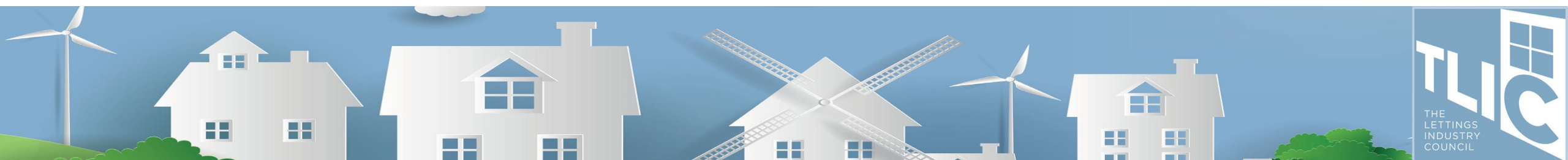
A vision for reform

The Lettings Industry Council (TLIC)



Introduction

- TLIC: an introduction
- Background
- Research and report
- Our alternative proposal
 - Review section 8 grounds
 - Mediation
 - Bailiff reform
 - Court reform
- Impact of Covid-19 Pandemic



The Lettings Industry Council (TLIC)

How did TLIC come about?

Following the dramatic number of changes to letting rules and regulations and the resulting implementation issues in an essentially unregulated market, Theresa Wallace from Savills (UK) Ltd, created and co-founded this group alongside Kate Faulkner, MD of the independent property education site Propertychecklists.co.uk.

Who's involved?

The group comprises lettings experts from across the industry, professional bodies and schemes, service providers for both landlords and tenants, and representatives from both large and small lettings agents. Government advisors also proactively attend their meetings enabling two-way feedback on current issues.

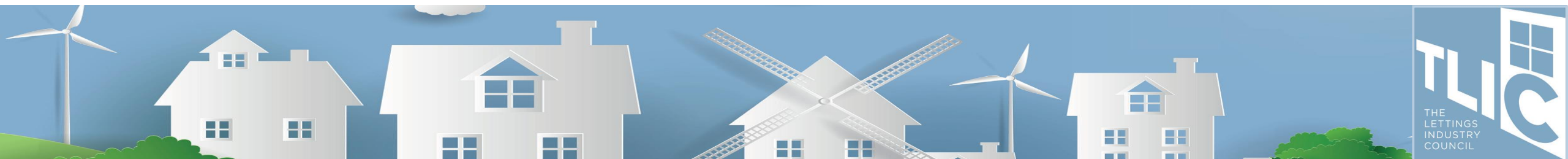
Members are united by their desire to help standards rise across lettings and this wide group* represents the views of all parties in the PRS.

Improving standards across the industry

The group are in the best position to offer advice regarding what is feasible and works best for the industry.

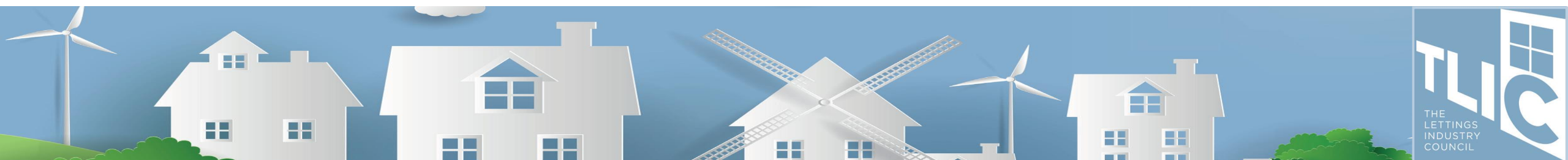
Using their extensive lettings experience and group collaboration they can feed into the Government, MHCLG, tenant bodies and journalists with 'one voice' both knowledgeably and accurately when any new comments, reports or legislation are 'in work' and / or are published. They are the key providers of accurate and up-to-date data and supporting evidence.

They want to share their knowledge to inform and educate the sector ultimately providing benefits to the consumer.



Background

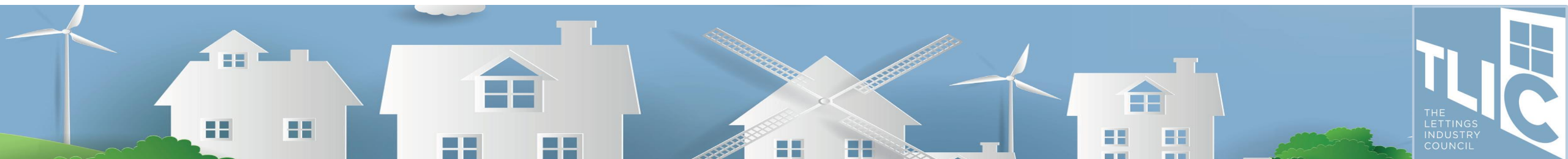
July 2018	MHCLG Consultation, 'Overcoming barriers to longer tenancies'
Nov 2018	MHCLG Call for evidence, 'Considering the case for a housing court'
April 2019	MHCLG announce plans to abolish section 21 (s21) and reform section 8 (s8)
July 2019	MHCLG Consultation 'A New Deal for Renting' on abolition of Assured Shorthold Tenancies and s8 reform
Nov 2019	Conservative manifesto commitment to abolish so-called 'no fault' eviction
Dec 2019	Queen's Speech includes Renters' Reform Bill



Conservative Manifesto 2019



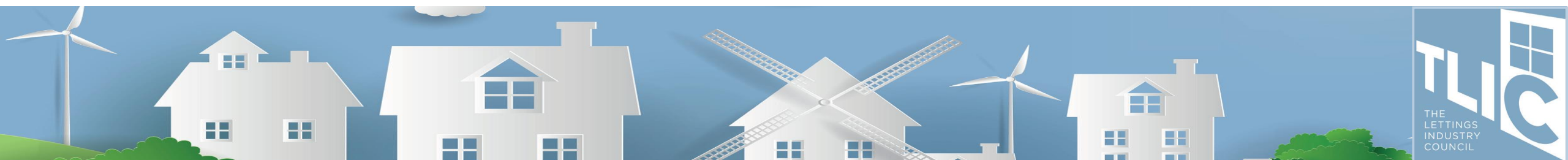
“We will bring in a Better Deal for Renters, including abolishing ‘no fault’ evictions...”



The need for research

- No major reform of the private rented sector (PRS) for over 30 years
- PRS critical to housing supply – has doubled over 20 years to 4.5m households
- Understand the impact and risks of abolishing s21
- Identify and evaluate options

The Lettings Industry Council (TLIC) commissioned MBA students from ESCP Business school to conduct a [company consulting project](#) alongside wider research to address these issues.



Why s21?

Certainty

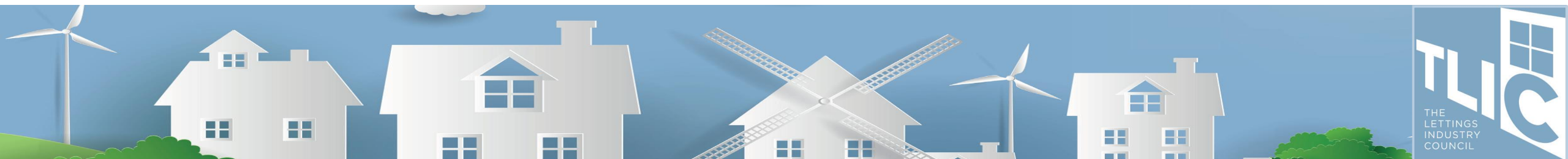
- Mandatory possession - no judicial discretion
- Limited scope for challenge

Speed

- No hearing required if paperwork correct and not challenged by tenant
- Simple and set time-based process to follow

Cost

- Relatively low cost
- Saving tenants money



Is it 'no fault'?

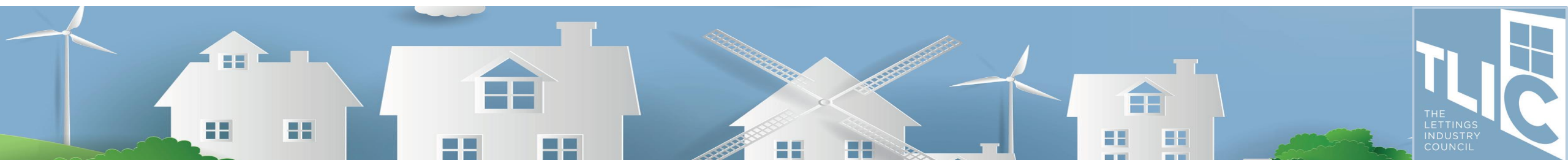
TLIC research showed that out of 90,780 tenancies, just 6% of those resulted in the service of a s21 notice, in the 12 months prior to July 2019.*

Of those:

- 32% Landlord wants to sell
- 22% Rent arrears
- 16% Landlord wants to move back into property
- 6% Tenant not looking after property
- 5% Landlord/tenant relationship breakdown
- 16% Other

Abolition of s21 will not prevent evictions, just change the route

*TLIC agents research survey July 2019



Why does it matter...

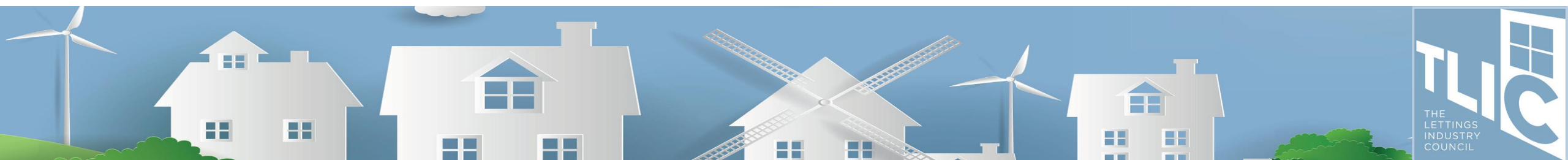
...if most landlords already have a reason for serving a s21 notice?

Landlords lack confidence in the s8 process:

- Limited availability of mandatory grounds
- Too much judicial discretion
- Always requires a hearing
- Delays, adjournments and suspended orders
- Long wait for county court bailiffs to enforce court orders made
- Increased costs in legal fees, lost rental income and property damage

80% of PRS landlords use the s21 possession claim process instead of s8*

*Possession reform in the private rented sector: ensuring landlord confidence, RLA research 2019



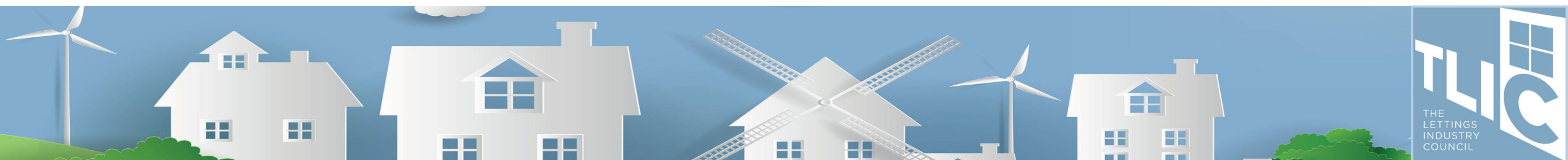
Consequences of abolishing s21

Impact on tenants

- Tougher tenant screening and reduction in housing available to benefit claimants, lower income families and those in unsecure employment
- Fall in supply of rental homes
- Upward pressure in rents

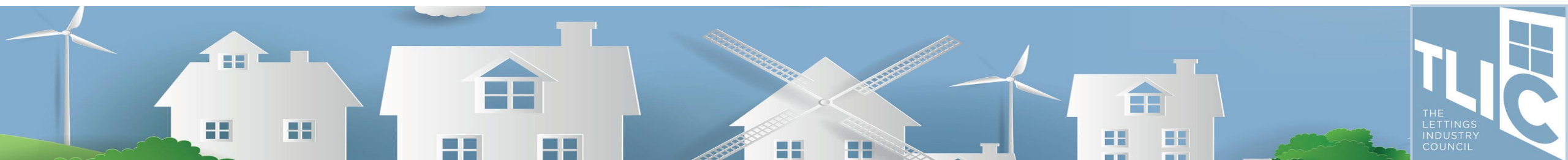
Pressure on justice system

- Rise in possession hearings
- Further delays to possession proceedings
- Severe challenge to court capacity

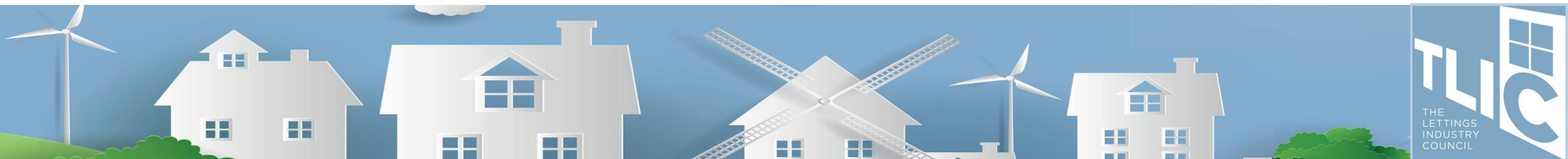
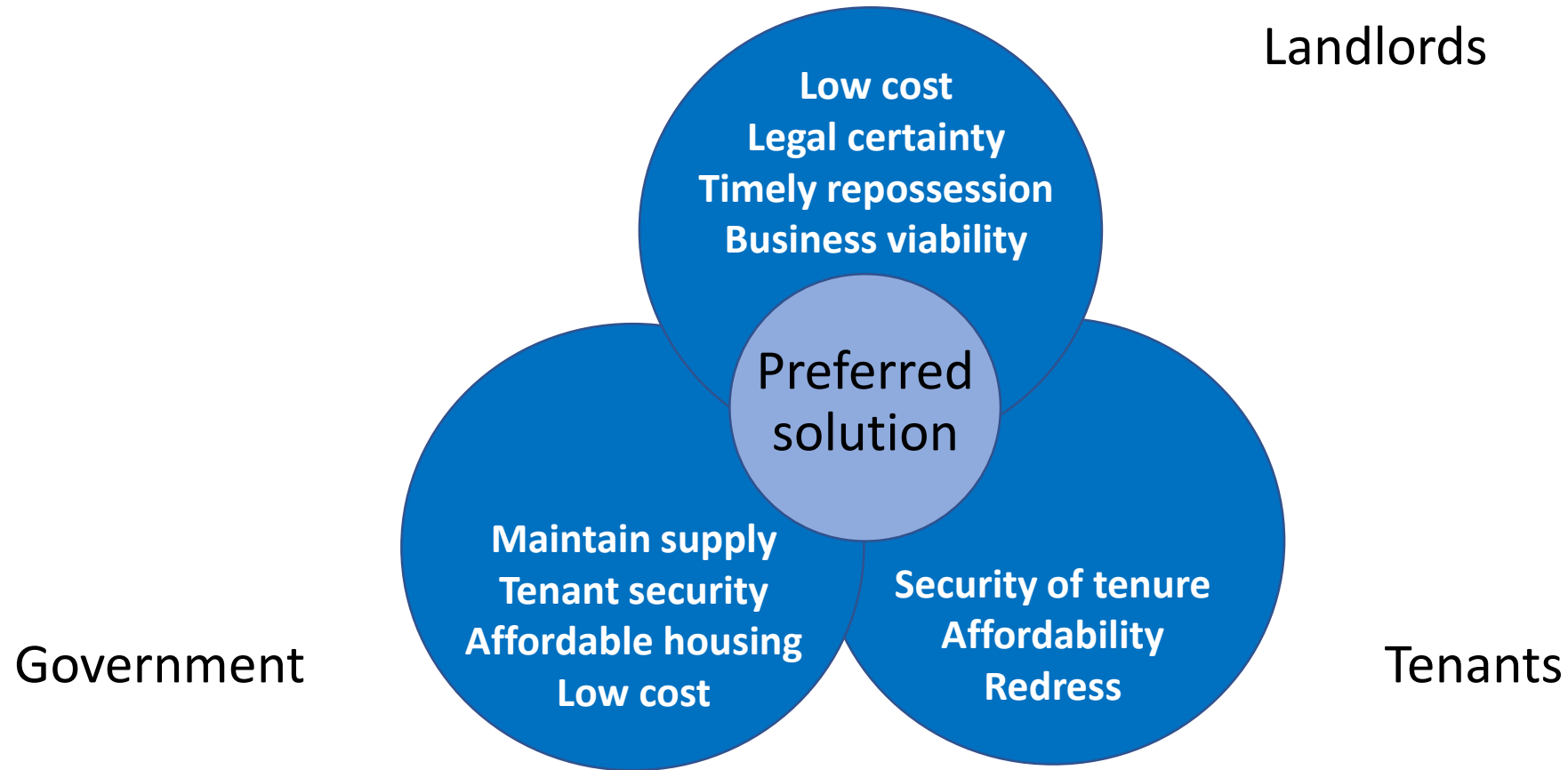


In figures...

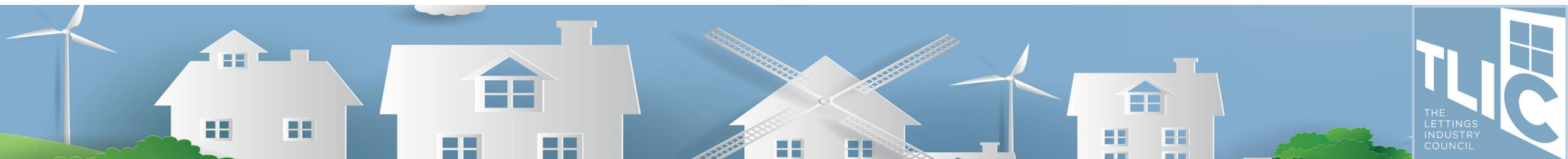
- 20% reduction in overall supply of private rented homes
- 600,000 tenants facing rent increases
- 770,000 fewer homes available to tenants receiving housing support payments
- 45,000 additional possession hearings, annually



Stakeholder expectations

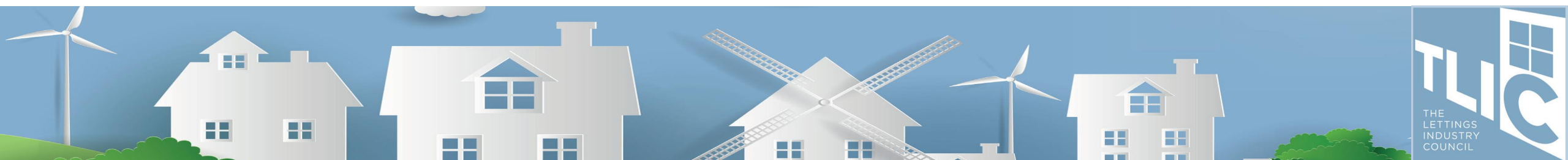


A four-pronged approach



Strengthen Section 8 grounds

- Strengthen rent arrears grounds
- Simplify the use of nuisance and anti-social behaviour grounds
- Simplify the use of the breach of contract ground
- New grounds, including sale of property
- Allow an accelerated process
- Retain fallback 'no fault' provision with extended notice period

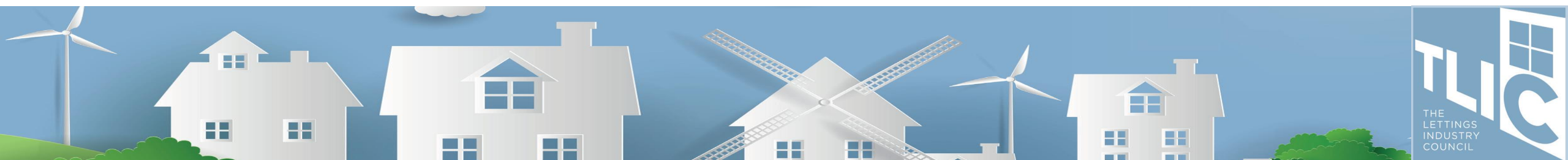


Mediation

Whilst mediation is possible in theory, in practice parties rarely meet during the notice period before court proceedings are started.

Voluntary mediation, with a qualified mediator, could:

- Reduce the number of disputes resulting in court proceedings being commenced
- Allow a fast-track possession process in the event of failed mediation or if agreement broken
- Provide supporting evidence to assist the court with a decision
- Save both parties substantial legal costs



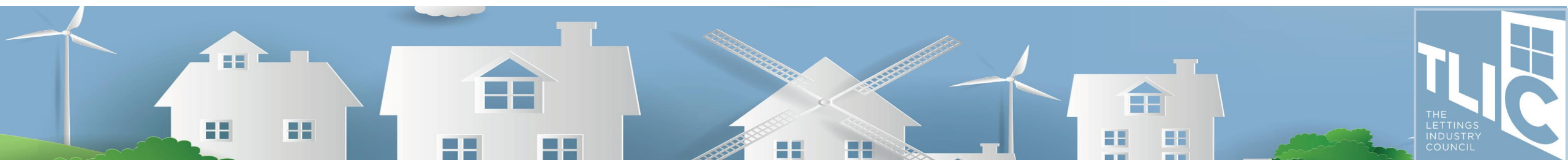
Bailiff reform

Securing the services of county court bailiffs is one of the longest delays for landlords, following the grant of a warrant for possession.

Timescales could be shortened by

- Investment in public bailiff service – currently generating £7million in government revenue
- Option to use High Court Enforcement Officers (HCEO) as standard
- Extend remit and licences of existing HCEOs to County Court

Potential saving of 12.6 weeks lost rental income for landlords through quicker possession process



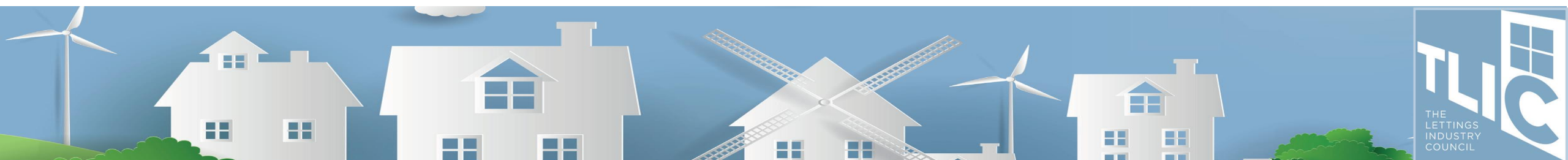
Court reform

60,000 potential additional hearings

If s21 was abolished leaving only the s8 process

Even with a base case scenario hearing volumes will triple:

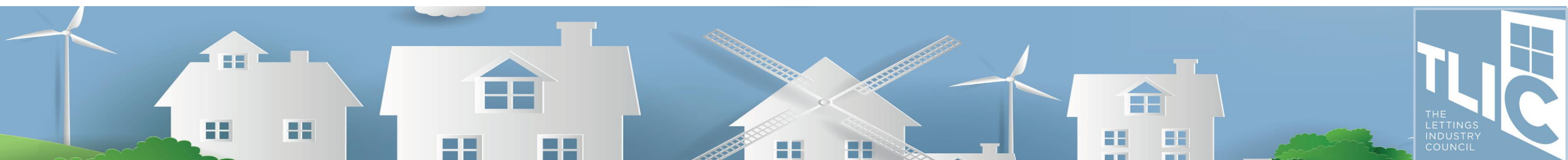
- Insufficient infrastructure, following estate rationalisation
- Lack of judicial capacity
- Lack of administrative capacity
- Further delays and lost rental income for landlords



A Housing Court

A specialist court for all housing related hearings:

- Physical Infrastructure
 - Utilise government and local government estate for hearings
- Virtual Infrastructure
 - Digitised administration, reducing need for paper-based processes
 - Use of new technology for virtual hearings, where possible
- Human Resources
 - Investment in additional judicial and administrative staff



Costs and benefits

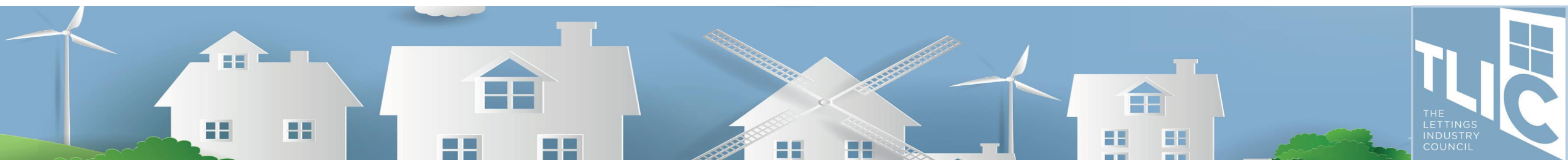
Extrapolated operational costs of housing cases

Current	Additional caseload cost from abolishing s21	Projected total	Projected total with new housing court
£140m	£41 m	£181m	£167m

One-off CAPEX of £77 million on 9 new or extended court facilities not included

Specialist housing court requirements:

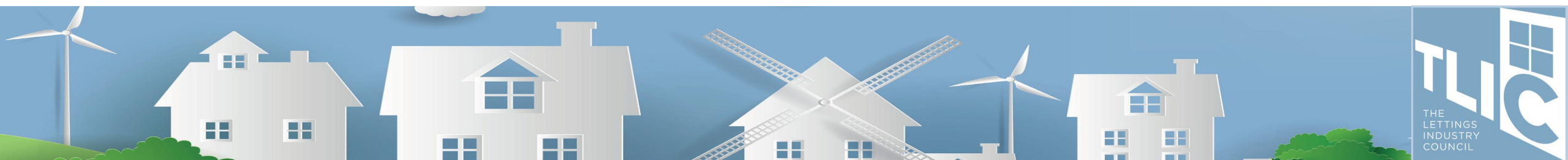
- 114 additional judicial staff
- 200 additional administrative staff
- 9 new or extended court facilities



Stakeholder benefits

The authors of the research, with additional analysis provided by TLIC members, indicate the following benefits:

Government	Tenants	Landlords
Focussed and efficient housing justice system	Fair settlement of disputes	Quicker repossession process and less arrears
Maintains supply of PRS homes	More local access to justice	More local access to justice
Delivers manifesto commitment	Security of tenure	Confidence to maintain investment

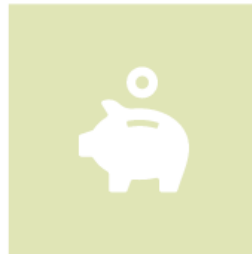


What it means on the ground

The authors of the research, with additional analysis provided by TLIC members, indicate the following benefits:



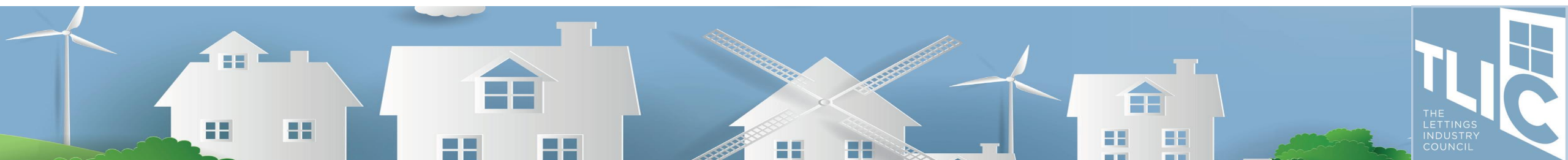
Landlords and tenants to save over **£1,200** in legal fees through mediation



Landlords to typically save **£2,500** in lost rental income



Expedited resolution process with landlords able to take possession within **10 weeks** of claim submission



Phasing the reforms

1 Bailiff reform

Simple, low cost reform that can deliver quick wins and build momentum

2 Court reform & mediation

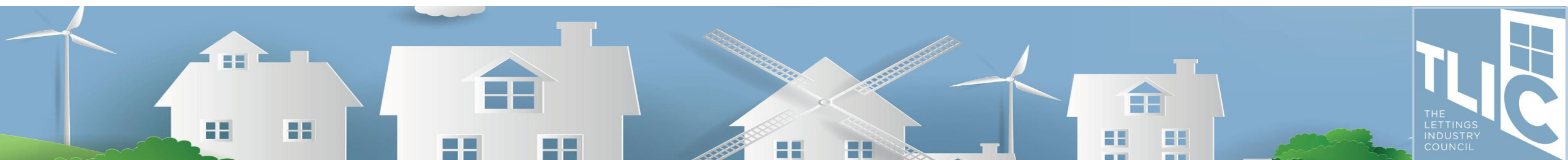
Complementary reforms that require planning and investment

3 Section 8 reform

Delivered before abolishing s21 to ensure landlord confidence in reforms

4 Abolish Section 21

Final phase enacted only when other reforms implemented and established



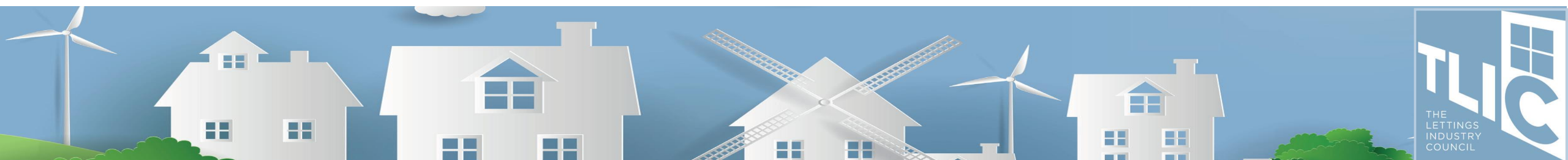
Impact of Covid-19 pandemic on Housing

Now

- Rising rate of rent arrears
- Increase in housing support costs
- Increase in temporary accommodation costs (already over £1bn annually).

Future

- Reversal of recent uplift of home ownership, followed by prolonged decline
- Due to insufficient social housing Local Authorities will need the support of the PRS to provide people with homes
- The need for Universal Credit to be increased to at least 50% of average rents in their area to make a meaningful impact on supporting tenants. Overpayment due to fraudulent claims to be clawed back from the claimant, not from the agent or landlord
- Increase in tenants dependent on housing related benefits after further redundancies
- The need for rules to be relaxed for back dated benefit claims.



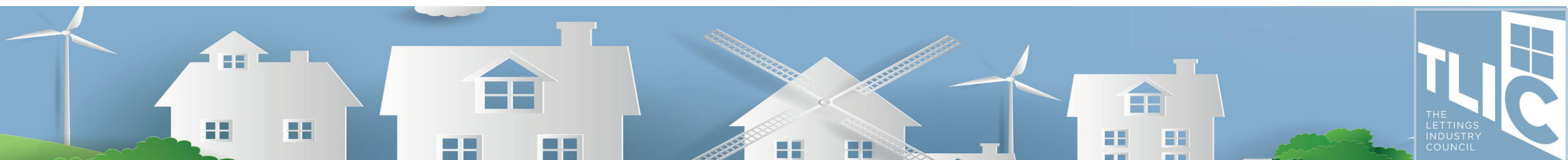
Impact of Covid-19 pandemic on Courts

Now

- Estimated 25,000 pre-Covid-19 related possession cases stuck in the system
- Backlogs of cases increasing day by day during the suspension period due to end on 25th June
- Personnel issues due to illness and social distancing requirements.

Future

- Increased case management duties for Judges due to upcoming introduction of the Pre-Action Protocol to the PRS
- Increased number of landlord possession cases due to rent arrears
- Increased number of mortgage possession cases due to landlords being unable to cover costs due to arrears.



Impact of Covid-19 pandemic

This is not the time to rush major reforms to the possession process that will restrict the supply of quality rented homes.

This will exacerbate the plight of increasing numbers of vulnerable tenants.

