



**June 2023**

**The Lettings Industry Council (TLIC) - Response to the Renters Reform Bill 2023 (RRB)**

TLIC was founded in 2015 to consider the problems caused by existing, new, and proposed letting rules and regulations, and where possible, provide solutions. Within this, it also looks at misrepresentation of lettings statistics and aims to provide clarity.

TLIC represents a cross section of the letting industry, including industry bodies, agents, tenant groups and government departments who attend meetings to discuss the sector's most important challenges. All members have joined voluntarily and are united in their objective to see standards continue to rise across the lettings sector. They want to Inform, Educate, and Improve the sector.

For more information about TLIC, visit: <https://www.thelettingsindustryCouncil.co.uk/>

The demand for rental property continues to grow rapidly whilst landlords continue to leave the sector for a variety of reasons, the main one's being – losing s21, the lengthy court times and process, more legislation, increased mortgage rates and MEES. Click here to read more about 4 portfolio Landlords who are selling up:

[https://www.thelettingsindustryCouncil.co.uk/files/ugd/231fc4\\_00e29cba42684267bf1468f95bfa383c.pdf](https://www.thelettingsindustryCouncil.co.uk/files/ugd/231fc4_00e29cba42684267bf1468f95bfa383c.pdf)

The Renter Reform Bill is making many landlords consider their position. Landlords are continuing to sell, as they feel the Bill will not work for them and letting may not be financially viable with periodic tenancies and no commitment to improve the court process. Without regulation and proper enforcement, the sector desperately needs to work much closer together to ensure properties are let legally and safely to tenants. Landlords and letting agents who work to the highest standards need to be allowed to thrive, while rogues and those operating illegally need to be weeded out of the sector as soon as possible.

Click here to read a report by the Intermediary Mortgage Lenders Association – the Executive summary on page 2 and the Conclusion on page 16, cover the impact of rate rises and the threat of more draconian regulation to landlords.

[https://www.thelettingsindustryCouncil.co.uk/files/ugd/231fc4\\_38ffc145f07343bc8c2110d3c0534e60.pdf](https://www.thelettingsindustryCouncil.co.uk/files/ugd/231fc4_38ffc145f07343bc8c2110d3c0534e60.pdf)

The companies who have contributed towards this response are detailed at the end of this document.

In order to avoid losing more landlords from the sector and for the RRB to work in practice the following changes and clarification are required:

**Periodic Tenancies**

Tenants currently have the comfort of knowing a fixed term tenancy cannot be ended, without a mutually agreed break clause. Many tenants seek long-term tenancies for schools, work etc. and this will no longer be guaranteed under a periodic tenancy.

Just one tenant can bring a periodic tenancy to an end, on behalf of all joint tenants. This will be an issue for sharers, when only one tenant wants to leave. This goes against Government objectives, whereas within a fixed-term tenancy all tenants must agree to serve notice or find a replacement sharer, guaranteeing security for those who do not wish to move out.



Under the new regime, landlords will be able to sell or move back into a property at any time after the initial six months whereas, with a fixed term tenancy, notice cannot be served unless there is breach of contract or a break clause.

Abolishing fixed term tenancies will impact landlord confidence, unable to forecast how long a tenancy is likely to last. Landlord costs will also increase where tenancies change frequently: tenancy contract, deposit registration, check in/check out, compliance certificates, HMO licence updates, letting fees. These costs will inevitably be added to the asking rent and will result in more landlords leaving the sector. TLIC propose a minimum term of four months for every tenancy whereby a tenant can then serve two months' notice to terminate any time after the initial four months. If the property is not fit for purpose, then the tenant can terminate within the fixed term. This will give landlords confidence that a tenancy is financially viable and will also give lenders confidence. For those tenants who want to secure a tenancy for a longer period TLIC propose that the Tenant should be able to do so, however, to give them flexibility they can still serve two months' notice to terminate from month four. This gives the tenant the security that a landlord cannot sell or move back into his property during the fixed term. In the event a landlord's circumstance change they can discuss an earlier termination if the tenant is agreeable – this is no different to what happens now, and it hasn't been an issue.

TLIC supports the new ground for mandatory possession, where a tenant is in two months or more rent arrears at least three times within a three-year period. We recognise this will prevent exploitation of the existing ground, where a tenant may pay just enough rent to remain under the two-month threshold at the point court proceedings commence, to avoid eviction.

However, the legislation and supporting guidance must be very clear in terms of what constitutes a 'new event' of two months arrears, to deal with the circumstance where a tenant is persistently in arrears and pays late, but then continues to then pay just enough to reduce the rent below the threshold. It must be clear that the arrears will be assessed as calculated specifically on the rent due date as stipulated in the tenancy agreement, regardless if the tenant then reduces the arrears below the threshold again at some point during the same rent period. This will prevent manipulation of this ground.

### **Rent in Advance and Guarantors**

Tenants with CCJs/IVAs, overseas students and lower income applicants' risk being excluded from the market as, with the prospect of long court procedures, landlords will want to protect their position by accepting only the best applicants. Tenants will no longer be able to negotiate longer-term tenancies or offer advance payments to make their offer more attractive. This will impact overseas applicants in particular, who typically are not able to offer a UK-based guarantor.

For tenants who require a guarantor to secure a tenancy, the bill must provide for guarantors to be committed to the entire length of the tenancy to avoid those tenants being excluded from the market. Can Local Authorities also provide guarantees to support this tenant group?

### **Student Housing**

Source of figures University and Colleges Admissions Service (UCAS) has said that by 2030 there could be a million higher education applicants in a single year - a quarter of a million higher than today. Therefore, sufficient homes in the PRS must be available and encourage the Landlord to remain/invest in this sector.



Tenants secure their accommodation many months prior to a tenancy starting. To avoid major disruption to academic institutions the Government must put appropriate provisions in the Bill and provide similar treatment to landlords of purpose-built student accommodation. It is suggested those landlords who are signed up to the Unipol or ANUK code will be able to offer fixed term tenancies and regain possession as required. We need the same for student landlords renting individual shared housing. We propose a change whereby student accommodation can be let for either a 9- or 12-month fixed term agreed between the landlord and tenant. The term offered must be included in all marketing. If this change is not agreed, then we will lose more landlords from the student market. For further information supporting this suggestion click here:

[https://www.thelettingsindustryCouncil.co.uk/files/ugd/231fc4\\_aebd958427ce4700804c2610d9ff011f.pdf](https://www.thelettingsindustryCouncil.co.uk/files/ugd/231fc4_aebd958427ce4700804c2610d9ff011f.pdf)

### **Section 8**

If Landlords do not have clear guidelines for the likely burden of proof and outcome of their cases, they are much more likely to exit the market based on the removal of s21. It must be clear that where there are issues tenants can be removed, they are far more likely to a) stay in the PRS and b) have more latitude on the tenants they take which will help those at the edge of the referencing criteria.

1 and 1A – clarification is required around what constitutes grounds for re-occupation

Section 10 - the minimum period applied for the property to be re-let is currently 3 months. In the event a property doesn't sell, or a landlord's circumstances change they will lose 3 months rental income before they can remarket their property to let. We don't believe landlords will abuse this ground as it won't be financially viable. The PRS needs more stock which is why we feel the 3-month period is the correct period.

22a - we propose this includes a standard superior Landlord in the PRS to not disadvantage the rent-to-rent market

Ground 8 - further clarity required regarding identification of arrears pertaining to universal credit. Timeframe and evidence requests need to be provided, e.g., how long would a tenant have to provide proof that arrears are a result of non-payment of universal credit and what constitutes "proof"?

General - the legislative change lengthens how quickly arrears can be dealt with, this adds further mental and financial pressure on tenants (and landlords) and potentially supports increasing personal debt which may make it harder for a tenant to find a new property

Ground 14 - Anti social behaviour- thresholds have been lowered to two weeks and the wording has been reduced to "capable of causing", we need (under this lower standard) guidance on what evidence is required. Having this too vague will clog up the courts for no good outcome.

### **Section 13 Notice**

Relying on a S13 process only for rent increases removes the ability for tenants to budget and plan, compared to fixed-term tenancies with built-in increases mutually negotiated at the start of the tenancy.

This also negates any option for parties to reach informal mutual agreement and the opportunity for landlord and tenant negotiation / compromise. A tenant's leverage to ask for property improvements as part of rent



increase negotiations is also eroded. TLIC propose if both parties agree to a reasonable increase, then there is no need to use a s13 Notice. If, however they cannot agree then the landlord can serve a S13 Notice and follow the process.

### **Written Statements**

The contributors to this response have hands on experience of the different methods used by the 3 nations who have bought in iterations of prescribed documentation of private residential tenancies, occupation contracts, and Irish prescribed essential information so we urge the following:

The easiest route for tenants to understand is the detailed set prescribed form that requires set essential terms to be put into a form and served on the tenant before the tenancy starts. This allows different tenancy agreements to be used but ensures the same level of protection is given to tenants in an extremely easy to read document and format highlighting the key terms set by the government. If this is to be retrospective Landlords and agents can then easily serve the same prescribed document on the current tenants if they are given a reasonable period to do so. The suggested 12 months is appropriate. For further information supporting this suggestion click here:

[https://www.thelettingsindustryCouncil.co.uk/files/ugd/231fc4\\_9432a751b0aa4387be6bb14f772e2897.pdf](https://www.thelettingsindustryCouncil.co.uk/files/ugd/231fc4_9432a751b0aa4387be6bb14f772e2897.pdf)

### **The Court Process and First Tier Tribunal (FTT)**

All section 21 possessions will now be covered by Section 8 with no accelerated process for breach of contract. Approx 50% or more of all possession claims are made using accelerated possession. With all cases going through the courts, which are already not fit for purpose, and waiting times of up to 8 months, losing the accelerated process option means even greater pressure will be placed on the court system. In addition the Bailiff system is in crisis with delays getting longer. There must be a solution put in place before S21's are abolished to give landlords confidence and avoid more exiting.

The 5th Committee meeting suggested that nothing should be put in place until the court system has been revised and there is a plan to cope with the expected volume. Is there a plan to increase the number of judges and thus reduce the time to hearing? Alternatively invest in a property court or a digitised process for accelerated possession where it can be absolutely proven there is a breach.

Shortening the notice periods does little if the courts have months of delays. If all challenges to a tenancy or possession are made through the Courts, the number of hearings will increase, and the time taken to gain possession will likewise increase. This places a huge financial burden on landlords waiting to gain possession and will likely result in many landlords exiting the market, thus reducing available stock. We note mediation is recommended as one solution, however, what level of challenge can realistically be diverted to mediation? If a disagreement is over a point of law, a binding decision can only be made by the courts. Could there be an accelerated system with a panel of solicitors allocating set time a month to make straight forward evidentiary decisions?

The Bill further suggests that tenants can (and should) challenge any Section 13 notice received. Such a challenge will be made through the FTT. The FTT is already under pressure and with physical inspections generally required the wait time could be huge, this will lead to mounting tenant debt, which a pre-planned and mutually agreed rent increase would avoid.



In summary the rest of the Bill only works in practice when you have in place a working mediation /accelerated pathway to a legal resolution to leave the more complex cases for court time, there is no reason why this cannot be in place, piloted and up and running before the other measures are brought in and indeed this must be the case to avoid further PRS supply issues.

### **Notices**

We recommend that legal notices contain the property portal registration number which we hope will be the Unique Property Reference Number (UPRN), to ensure a landlord is registered.

### **Property Portal and the Decent Homes Standard**

TLIC supports the proposal of a property portal but strongly urges that the focus of the portal is on property condition (a property MOT) and facilitates simplified enforcement.

The portal must be digitalised, including all information fed to it: property UPRN, gas certificates, electrical safety records and EPCs. Without automation that rejects out of date safety documents, the portal will be open to human error and abuse, such as forgeries. Improved enforcement won't work if records are manually uploaded and require manual checks. Without automation there would need to be a checking and rectification process which there is no resource for.

The portal should include details of the individual/agency appointed to manage the property if this differs from the landlord.

Furthermore, the portal should replace selective licensing. If licensing is to remain, this means duplication and additional costs for landlords. Consistency is paramount, to avoid the confusion that is currently created by the varying selective licensing schemes. LAs are concerned about losing licensing income but this can be replaced by easier and better enforcement and fines through the portal.

In terms of the Decent Homes Standard, this should be incorporated into the portal. The DHS needs to take the HHSRS into account and both standards brought together to form one overarching standard, to make it less confusing for all. Landlords and tenants will find multiple sets of standards harder to measure their properties against. In addition to various safety certificates, landlords should also have a property condition/inspection 'MOT' report (in place of licensing).

There needs to be consideration for landlords who don't use an agent. The portal must be easy to use and understand and used as an education and communication tool.

### **Self-Invested Pension Scheme's (SIPP's)**

The PRS houses over 1 million people who qualify for social housing. If a change was made to SIPP rules allowing investment into residential property, let to Housing Associations and tenants in receipt of benefits, let under the market rent, this would increase the supply. Criteria could include minimum 10/15 year holding otherwise financial penalties are incurred if sold sooner.



For further information or to arrange a virtual or face to face meeting to discuss the content of this response further, please contact Theresa Wallace [twallace@savills.com](mailto:twallace@savills.com) or call 07967 555469.

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