

**Renters (Reform) Bill – Second Reading (House of Commons) on Monday 23 October 2023**

**Briefing from Propertymark**

**Background**

The Renters (Reform) Bill is a significant piece of legislation that will impact millions of tenants and landlords as well as thousands of property agents across the country. The legislation will bring reform in three main areas:

1. Changing the tenancy agreements to more open-ended tenancies.
2. Reforming possession process removing the use of Section 21 notices for eviction.
3. Improving quality and standards of private rented property and those owning and managing rented property.

**Overview**

Demand for private rented property is the most pressing issue affecting letting agents and there is concern that increased pressure from legislative change is shifting landlord opinion on investing in the private rented sector.

- Consequently, plans to abolish Section 21 will take away many of the protections which have allowed the private rented sector to grow since the late 1980s and dissuade landlords from reinvesting or deterring new entrants into the market.

**Letting agents**

The Bill needs a great deal of further thought to avoid unintended consequences including ensuring the vital role of property agents is reflected fairly. Without enhancing the role of letting agents through regulation, it is unlikely that tenants will see improved standards and many landlords will be left to navigate the more complex legal environment they will be operating in.

**Key recommendations to strengthen the Bill**

To improve the UK Government's proposals and make the private rented sector fairer, further legislative reform is needed in the following areas:

- **Fixed term** - a tenant should be able to agree to a fixed term tenancy where it is mutually beneficial for both parties. 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. This particularly important for student lettings.
- **More mandatory grounds** – to ensure landlords have the protections they need, there must be more mandatory grounds under the plans to reform possession proceedings - breach of contract, persistent late payment of rent, acquiring a tenancy by using false identification, damage over the amount of the deposit and a tenant refusing access to property should all be mandatory grounds under the plans to abolish Section 21 and reform Section 8.
- **Court reform** - more details and clarity are needed on how the UK Government plan to digitise the court system and improve access to justice. This should include plans for a dedicated housing court or tribunal and court reform must take place before the changes to the possession process are introduced.
- **Qualification and regulation of property agents** - through introducing minimum standards to work in the sector and statutory rules to ensure letting agents are suitably qualified, this will ensure parity with property managers in the social rented sector, drive up standards including helping to deliver the Decent Homes Standard and a fairer private rented sector for tenants and landlords.<sup>1</sup>

<sup>1</sup> <https://www.gov.uk/government/news/social-housing-managers-must-be-qualified-under-new-laws-to-protect-residents>

**Further issues that should be addressed in the Bill, otherwise it will be a missed opportunity**

**A new Ombudsman covering all private landlords** - membership of the Ombudsman should be a requirement for landlords who are self-managing property only. There are three reasons for this:

1. **Landlords who do not fully manage property often have other jobs and are not renting out their property full time.** They are unlikely to have either a complaints procedure in place or the infrastructure comparable to a letting agent, or a landlord who is managing property on a full-time basis, when dealing with grievances.
2. **The requirement should be limited only to those landlords who do not use an agent to let and manage their property.** This is because the letting agent is already required to register with a redress scheme and therefore the consumer has access to redress.
3. **To avoid confusion for consumers and allow them to engage with the redress process the UK Government must create a single ombudsman portal for housing-related complaints.** This entry point should have the capacity to redirect the consumer to their agent (or landlord) to exhaust the agent's formal complaint proceedings or direct the issue to the relevant ombudsman.

**More needs to be done to recognise the impact of pet damage for landlords** - under the proposal to give tenants the right to request a pet, three things must happen to make this workable:

1. **Pet insurance** - landlords must be able to take out pet insurance and charge the amount back to tenants to remove the risk of the tenant taking out the policy at the start of the tenancy and cancelling the cover in a few months' time.
2. **Underwrite non-payment of insurance** - alternatively, the insurance company must underwrite the non-payment if the tenant cancels the policy.
3. **Remove the deposit cap** - otherwise, the UK Government must remove the deposit cap or allow for an additional fee to be taken to cover the risks to the property of renting with pets.

**Written tenancy agreement and a compulsory property inventory** – it should be a legal requirement to have a written tenancy agreement in England and this should include an inventory.

1. 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.
2. A professionally compiled, clear and concise inventory, coupled with interim inspections and check out reports, can help protect the property and ensure that any deposit deductions are made in a fair way.

**Private Rented Sector**

Increased pressure from legislative change, such as landlords' inability to offset finance costs against tax liabilities, is altering landlord opinion on investing in the private rented sector. A lack of property stock is the root cause of rent increases and rising figures on social housing lists.

- Propertymark's Housing Insight Report for August 2023 showed that the number of new prospective tenants registering per member branch was 197, which is almost 32 per cent higher than August 2022.<sup>2</sup>

**Propertymark**

Propertymark is the UK's leading professional body of property agents, with over 17,500 members. For further information and to arrange a meeting please contact Timothy Douglas, Head of Policy & Campaigns via [timothydouglas@propertymark.co.uk](mailto:timothydouglas@propertymark.co.uk) or telephone 07920 588936.

<sup>2</sup> <https://www.propertymark.co.uk/resource/housing-insight-report-august-2023.html>