

The Renters' Reform Bill

*How can the upcoming Bill best deliver for tenants
and landlords?*



Summary report of an Onward and Shelter partnership

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About Onward

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About Shelter

Shelter helps millions of people every year struggling with bad housing or homelessness through our advice, support and legal services. And we campaign to make sure that, one day, no one will have to turn to us for help. We're here so no one has to fight bad housing or homelessness on their own.

About this report

This is a summary report of a major Onward and Shelter roundtable partnership held in March 2021. The virtual roundtable event brought together leading parliamentarians and charitable experts to explore how policymakers and politicians can ensure that the

upcoming Renters' Reform Bill can best deliver for renters and landlords.

This event was held under the Chatham House Rule, so all comments below are anonymised and the discussion summarised.

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Foreword from Will Tanner, Director of Onward

Coronavirus has exposed and exacerbated something that we have long known: that the private rented sector as it currently exists in the UK lets down tenants, landlords and policymakers alike.



Too many people still live in substandard accommodation. Too many tenancies are fundamentally insecure, either as a result of unaffordable rents or from unscrupulous landlords. And too many landlords struggle to evict tenants that fall into arrears, damage the property, or refuse repossession through the established channels. Reform is long overdue. The pandemic has further proved that.

This is why the Government's Renters' Reform Bill is so important to get right. The private rented sector has doubled in size in the last thirty years. It now accommodates over 11 million people, including 24% of families with children.¹ Renters pay on average 40% of their take home pay in rent, compared to 19% for those with a mortgage, and yet have far less security in return.²

The pandemic has created further hardship for many, with large numbers of tenants falling into arrears that they will never repay. When the evictions ban is lifted and the market finally reopens, many will face an uncertain future. Meanwhile, landlords face foregoing unpaid rent and falling rental prices, especially in city centres. This will soon become an urgent political issue, just at the moment the country hopes to get back on its feet.

This roundtable demonstrated the breadth of support from the Government's backbenches to take serious action on renters' reform. There is near universal support for abolishing Section 21 and for clarifying the grounds for eviction under Section 8. But policymakers are clear that we must also improve the courts and establish a clearer market for landlords. This is about making the system better for everyone.

I hope this report proves useful as the Bill makes its way through the House and that renters' reform forms a large part of the Government's plans to build back better.

Foreword from Polly Neate, Chief Executive of Shelter



In the 2019 Manifesto the Conservative Party promised a “Better Deal for Renters”, abolishing ‘no fault’ evictions and introducing other measures to create a fairer rental market. It was a positive and ambitious commitment which we at Shelter wholeheartedly welcomed, just as we did when the detail of the Renters’ Reform Bill appeared in Boris Johnson’s first Queen’s Speech.

However, we are now facing a new Queen’s Speech and the Bill is yet to appear. Government has been stretched during the pandemic, it is true, but the past year has proved beyond doubt that the private rented sector is unfit for purpose, with so many renters unable to stay home and stay safe.

At Shelter, we hear through our services every day from renters suffering in an unfair and broken market. People face eviction through no fault of their own, and have limited means to make their home safe if their landlord is uncooperative. The rental market in our country is characterised by instability, lack of consumer protection

and bad practice. We need the Renters' Reform Bill, and we need it to match the ambition set out in the manifesto.

Based on the roundtable organised by Onward, I am optimistic it can be done. From the conversation we had, it is clear Conservative MPs know their constituents need the scales to be tilted in favour of the 8 million adults and 3 million children in this country who live in privately rented homes. However, to ensure the Bill is effective, several critical measures need to be in place.

First of all, Section 21 'no fault' evictions must become a thing of the past. Fifteen years ago, only 11% of families with children rented privately, whereas now it's close to 1 in 4 (24%). The market has changed beyond recognition – and legislation has not kept up. The threat of a 'no fault' eviction means a total lack of security for the 11 million people who rent privately.

And just as important will be ensuring the Bill doesn't reintroduce 'no fault' eviction through the back door. The rationale for abolishing Section 21 must be kept in mind when reworking the legitimate grounds for repossession. Bringing the security of a stable home to all those living in the PRS must be the outcome of this Bill.

It must also help renters to improve the conditions in which they live. MPs will know only too well from their constituents that properties within the PRS can be some of the worst available. The English Housing Survey in 2019 reported that nearly 1 in 4 properties in the PRS are classed as 'non-decent'. This Bill needs to change that and level up housing conditions across the market. A national register of all landlords and property agents, operating alongside the rogue landlord database, would instantly improve accountability in the sector.

Finally, as the roundtable discussion picked up, it was acknowledged that our housing system will remain broken beyond the Bill until the Government rolls up its sleeves and tackles the chronic lack of social housing in this country. Last year saw a net loss of a staggering 22,000 social homes.

Overall, the Renters' Reform Bill presents a genuine opportunity to improve the lives of millions of people – and make a huge, unfair market fit for purpose.

Summary

How can the upcoming Bill best deliver for tenants and landlords?

2nd March 2021

The private rented sector (PRS) has grown significantly over the last two decades, with over 11 million people currently living in privately rented accommodation in England.³ Figures show that this has increased by 95% in the last ten years and 9% in the last year alone.⁴ It is not surprising that in recent years, there have been growing calls for reform, to provide greater clarity on the rights and responsibilities of tenants and landlords, and ensure that everyone has a secure place to live and landlords can invest in housing with confidence.

The question for policymakers and politicians has been how to best reflect fairer conditions for both landlords and renters. In the 2019 Conservative Manifesto, the Government pledged to introduce a “Better Deal for Renters”. This led to the Renters’ Reform Bill being introduced in the most recent Queen’s Speech, which included opportunities to improve court processes, reforms to Section 21 and clearer conditions for possession under Section 8.

This roundtable discussion explored how the upcoming Renters' Reform Bill could help shape and reform the sector. Participants focused on how to develop a clear and balanced relationship between renters and landlords. While participants have mixed views on many of the issues discussed, there was universal agreement that the Government should seek to offer greater security for the "middle tier" of residents, Section 21 should be abolished, and that improving the court process could help to address problems for landlords and renters alike.

Key points of the discussion

This summary gives an overview of the discussion at the roundtable, and the key points raised by attendees. As it was held under the Chatham House Rule, none of the comments are attributable.

1. Section 21 should be abolished to provide renters with the stability and certainty of no fault evictions

- There was universal agreement that reform in the sector was needed, and in particular the abolition of Section 21, introduced in the 1988 Housing Act. Section 21 possession notices allow landlords to recover possession of a property quickly without having to use more established channels. It was seen as creating risks around retaliatory evictions, for example if renters raise questions about conditions or rent rises.
- At the moment, evictions are banned due to the pandemic, but a number of participants voiced concerns that once the ban is lifted, there will be considerable sorting within the market that may leave many tenants without a place to live. One participant noted that 430,000 people have fallen behind on rent or received an eviction notice in

the last month alone. Participants stressed that without enhanced protections the issue of rent arrears is set to worsen, given the projected growth in unemployment over the next year.

- Attendees pointed to Scotland as an example of successful reform. In 2017, Section 21 notices were abolished, without any noticeable negative effects on the system as whole. The group agreed that the removal of Section 21 was a necessary baseline, but suggested that additional measures could be provided to further support renters. For example, it was proposed that changes could be made to the assured shorthold tenancy system to allow renters to dictate the length of their tenancies. Other examples include, the introduction of unlimited tenancies with a two-month notice period and a smoothly operated deposit scheme.

2. Reform should seek to create greater stability for landlords too

- There was a debate about increasing protections for landlords. One participant spoke of the importance of having a clear mandate for

landlords to regain possession of their properties when tenants are at fault. This would encourage further investment in the PRS and allow owners to access their properties when needed. It was stressed that the balance of rights must not fall too far in favour of tenants, or there would be too few incentives for landlords to buy and rent properties.

- However, a number of participants highlighted that such measures must not provide a route for no-fault evictions through the backdoor. The group agreed that the best way to do this would be through clearer grounds for Section 8 eviction notices. The Scottish example was once again cited, where legislation sets out a large number of explicit reasons for eviction and repossession.
- The matter of lifetime deposits was also addressed. Attendees spoke of the potentially transformative potential of lifetime deposits, but raised concerns that there must be certainty for landlords in the event that they need to make deductions for damages. It was argued that this may deter responsible landlords from being part

of the housing market if the Government does not get the technology or the process right.

3. Reform of the courts is also needed

- Participants agreed unanimously that in order for no-fault evictions to be removed, repossession cases must be able to progress efficiently through an adequately resourced court system.
- The group pointed to the issues that are associated with the current system, for example, responsible landlords often turn to Section 21 notices to expedite matters when cases are held up. This may be exacerbated by a backlog of cases in the court system following Covid. This needs to be addressed to enable landlords to resolve issues in a timely manner and through mediation settlements, instead of contested settlements.
- Scotland was again pointed to as a positive example of this. Since 2017, its Housing and Property Chamber has had jurisdiction over civil cases relating to the PRS and provided a flexible process for resolving issues between landlords

and tenants. It was remarked that court reform of this kind provides a level of stability to the system that both sides could welcome.

4. The people in the 'middle-tier' of the housing market need more support

- The group agreed that more affordable housing options need to be provided for people in what was referred to as the middle-tier of housing. This means those working people who cannot afford to buy, but who do not qualify for social housing. There were a number of participants who called for this to be put into practice in some of the most deprived areas of the country, where issues with the allocation of social housing funding had raised demand. Several participants argued that innovative methods for funding inexpensive rented housing could be used, such as transferring local authority housing stock to the housing association sector.
- A number of attendees spoke of substandard housing conditions. It was highlighted that currently one-third of private rented properties fall short of the decent homes standard.

There was consensus that such conditions would not be permitted in social housing and that renters must be empowered to take action on substandard housing. Some participants called for regulation to ensure that landlords maintain proper housing conditions. Examples that were pointed to include the introduction of a property MOT scheme or a formal landlords' register, both of which gained support around the table.

5. We need to build more homes and this will be crucial to levelling up

- There was consensus that adequate and affordable housing has the power to fundamentally improve people's lives and the life chances of children. The participants argued that housing should be placed at the centre of the economy as the UK builds back better after the pandemic.
- Attendees argued that politically there was a big opportunity to secure better accommodation and tenancies through the levelling up agenda. Building more houses was suggested as a way of taking the pressure off renters, landlords,

developers and stabilising the market. This was noted as being particularly important in areas such as left-behind coastal towns and post-industrial cities. The sheer volume of low-quality accommodation in such areas was considered to be overwhelming local councils, holding back living standards and perpetuating deprivation.

- The group put forward the idea of area-specific frameworks to address local needs. It was suggested that this could be done by establishing ‘housing action areas’ with distinct regulations aimed at ensuring that adequate housing conditions are maintained. Although attendees highlighted the high costs associated with such an approach, it would provide a sustainable way forward to enhancing the security of renters and those that find themselves in the middle tier. Another approach that was suggested was that of creating a renters’ bond using funds from rental deposits, through which higher-quality affordable housing could be financed.

6. The scale and complexity of the issue demands appropriate scrutiny and regulation

- The Government should consider pre-legislative scrutiny of the Renters' Reform Bill. There was universal agreement that select committee scrutiny of the Bill could be a necessary measure to help ensure that the right balance is struck between protecting renters and landlords.
- Politically, it was recognised that this was a cross-party issue. The cross-party political efforts would be needed to secure a Bill that provides stability and certainty for all stakeholders, while considering its implications for the housing market more broadly. In addition, it was argued that a national body should be introduced to regulate the PRS. This would follow what is already in place for other markets, for example energy. This would ensure that regulation and enforcement were coordinated, while enabling both renters and landlords to fully understand their rights and responsibilities.

Conclusions

This roundtable discussion presented an opportunity to bring together key stakeholders from the charitable housing sector and policymakers, including representatives from the Government.

There was a strong degree of consensus around the table that meaningful reform to the PRS was long overdue, and that it was time to fix the imbalance that has plagued the sector. Current arrangements do not provide adequate support to both renters and landlords. The former need to be protected against no-fault evictions and substandard housing conditions, while the latter should be afforded stability through a clear process for repossession.

It is clear that this issue is not exclusive to one party, but rather a cross-party agenda. In light of the political emphasis on levelling-up the regions, left-behind places and support for the red-wall seats, the upcoming Renters' Reform Bill can help do this.

This discussion has exposed a number of key areas for policymakers and practitioners to focus their energies on for the upcoming Renters' Reform Bill.

1. Security

First, it is clear that greater security must be provided for both renters and landlords. Government must take seriously the need to reform the sector and seize the opportunities that the Bill presents. For tenants, this means having protection from no-fault evictions. For landlords, this means certainty and stability in repossession claims. These changes should come through abolishing Section 21 and reforms to Section 8 notices.

2. Clarity

Second, greater clarity is needed in the system. This involves modernising how the sector is regulated and the court processes associated with civil private rented disputes. This could involve challenging evictions in different ways, such as mediation settlements, rather than contested settlements. Pre-legislative scrutiny of the Bill is crucial for ensuring these options are debated properly as the legislation approaches the House.

3. Strengthen

Third, the so-called 'middle-tier' of housing must be strengthened. At the moment, the housing market remains insecure for a sizable number of families. Previously, social housing would have delivered greater security to these tenants, but this is often no longer available. More affordable and better-quality housing should be encouraged as part of the levelling up agenda, particularly in left-behind areas. This is the most sustainable way of rebalancing the housing market and local economy. There must also be a clear springboard for homeownership too.

There is no doubt that The Renters' Reform Bill is the right direction to start to reform the sector. There are clear opportunities to provide the long overdue security and a more balanced relationship between both renters and landlords want and need.

Jo Gideon: The insecurity of housing for people in red wall seats

Jo Gideon MP, Member of Parliament for Stoke-on-Trent Central



Britain's renting crisis has long posed a challenge for politicians. Poor living standards, little to no safety and regulatory problems are an all too common reality for many renters who seek a secure and stable home for themselves and their families.

Take my constituency, Stoke-on-Trent Central, for example. The average house price in my constituency is £114,000. This is 140% cheaper than the average in England and 88% lower than the West Midlands average.

The most expensive neighbourhood of Baddeley, Milton and Norton has average house prices of £155,000. This is in stark contrast to the cheapest ward in my constituency, Northwood, which has house prices of £74,000. These are all favourable conditions for those seeking to be homeowners, but in reality people are not getting a foot on the ladder.

Stoke-on-Trent Central suffers from a number of housing issues, including absentee landlords and poor living conditions. Over 90,000 of the housing stock in Stoke-on-Trent is privately rented accommodation, meaning there is 62% more private rented housing than local authority housing and 70% more than housing association stock. This means that far more people in my constituency rely on landlords for the place they call home.

The problem is that some of those landlords do not provide housing that is decent or fit for purpose. Much is old or in poor condition, and problems are often not dealt with quickly, leaving renters out on a limb. The upcoming Renters' Reform Bill provides an opportunity to make a series of fundamental changes to fix these problems - and give my constituents a secure place to live.

First, we must ensure that adequate housing standards and living conditions are applied to the private rented accommodation, in the same way they currently apply to social housing. This could take the form of a housing MOT, for example, that regularly assured the quality of accommodation and stopped poor landlords from shirking their responsibilities.

Second, landlords should be required to join a local accreditation scheme. Currently, around 500 landlords in Stoke-on-Trent are part of the local accreditation scheme, but this represents a small proportion of the overall sector. The scheme needs teeth to encourage better management, quality and supply of housing in the sector.

Third, when it comes to renting in general, there is a serious power imbalance between renters and landlords. On the one hand, many renters do not complain of poor living conditions out of fear of eviction. On the other hand, landlords need the power to acquire their property in the event of a bad tenant. The upcoming bill must get the balance right for both renters and landlords and not tip too far in favour of one or the other.

There is no better time for a Conservative Government to intervene to help support renters and landlords alike. For post-industrial cities like Stoke-in-Trent Central, we need to do significant work to our housing stock to provide the safety and security that people need. If we are to deliver on the Government's promise of building back better and levelling up the country, we need more adequate houses, better living conditions for people and a balanced relationship between tenants and landlords.

Andrew Lewer: The upcoming Renters' Reform Bill must get the balance right for both renters and landlords

Andrew Lewer MBE MP, Member of Parliament for Northampton South



The private rented sector is a central component of the housing market, yet the current system has failed to provide sufficient security for both renters and landlords. For the former, it involves appalling living conditions and unfair treatment by bad landlords. For the latter, it involves challenges in regaining possession of their property from bad tenants. In many respects, the vast majority of those on both sides are suffering from the dissolute behaviour of a minority on the other; we should be doing more to create a positive relationship between the two.

The upcoming Renters' Reform Bill can provide crucial structural change to deliver fairer outcomes for both parties, with a greater degree of certainty. This would involve clearer grounds for repossession by landlords. The National Residential Landlords Association have long voiced this as a key concern faced by landlords.

Like renters, landlords need the security of regaining possession of their properties when tenants are at fault. Revising grounds for Section 8 eviction notices is a start.

Scotland is a good example of where this has worked overall. Landlords have 18 legitimate grounds on which landlords can regain possession - ten of which are mandatory grounds that guarantee the granting of eviction notices if proven, and eight discretionary grounds that are considered by a tribunal before being granted. This first step would deliver certainty for landlords in repossession proceedings, while providing security for tenants by preventing no-fault evictions.

Renters would also benefit from the security of a lifetime deposit system. This would allow tenants the security and financial freedom to move between properties. But the introduction of such a system must also include guarantees for landlords that ensure damages to their properties are paid for in full. Without these measures, there would be few incentives for responsible landlords to invest in the sector and participate in the market.

For the balance between renters and landlords to be achieved, and not to be tilted too far in favour of one or the other, the court system for resolving issues needs

greater clarity and efficiency. A dedicated space for raising an action of eviction, rent arrears or living conditions would help provide clarity and stability for both sides in dealing with disputes. This already exists in practice. In 2017, Scotland established The Housing and Property Chamber to exercise jurisdiction over civil cases in relation to the sector. This framework provides opportunities for both renters and landlords to experience a straightforward process of conciliation in the first instance to resolve such disputes.

This is undoubtedly a cross-party issue that affects people's livelihoods, and any new regulation that makes any changes to the sector should be subject to pre-legislative scrutiny by the House via the Housing, Communities and Local Government Select Committee. Given their scale and complexity, all these changes should be given the opportunity to be scrutinised by my colleagues from across the House and by the voices of local government, who are on the front line of enforcing so many regulations relating to the rental sector.

The upcoming Renters' Reform Bill presents a prime opportunity for Parliament to resolve the long-standing strained relations and challenges that both tenants and landlords face. While issues around no-fault evictions

need to be addressed to protect tenants, the strength of the housing market depends on landlords being afforded equal securities to incentivise further investment in the sector. This can only be done by establishing greater clarity over Section 8 and lifetime deposits. Regulation must also be appropriately scrutinised and informed through Parliament and an adaptable court process.

Nickie Aiken: The realities of insecure living in the private rented sector

Nickie Aiken MP, Member of Parliament for Cities of London and Westminster



The coronavirus pandemic has made the housing situation of millions all the more vulnerable. Despite evictions being banned, the risk of insecurity has increased as people have lost their jobs, fallen into arrears, and businesses have closed. But this insecurity faced by renters in the private rented sector was present well before the pandemic.

I know this from personal experience. I have immediate family who have moved from the security of homeownership to the private rented sector. Like many families in similar situations, the precarious nature of the sector is striking. Even the best tenants have little protection from being ousted from the place that they call home. It is unsettling that eviction can happen to virtually anyone through the powers of Section 21 notices.

It is time to secure the private rented sector. I welcome the Government's intentions to strengthen renters' rights through its upcoming Renters' Reform Bill. This means two priorities: removing the arbitrariness of evictions and creating a system less skewed in favour of landlords. The best way to do this is by abolishing Section 21. It is important to recognise that this should not take away from a landlord's right to regain possession of their property when tenants are at fault. A bad tenant must still be held accountable for poor behaviour. Having spoken to Ministers, I am reassured that their intention is to help good tenants put down permanent roots in the place that they have chosen to call home.

Obviously building more homes will also help provide both tenants and prospective homeowners with security. I think we all recognise that we are not building enough homes and haven't done so for a while. I am therefore proud that the Government is tackling the issue of housing supply head on. We build too little housing – social, affordable and private - to keep up with the demands of local populations. With the right support from the Government and partnerships with developers, local authorities and housing providers we can build more homes.

It is clear that tenants need greater protection and security. The Renters' Reform Bill can provide the foundations of secure and safe housing for millions of renters. The abolition of Section 21 is the start. We need to do more to support our renters and also potential owners to give people a stake in the property market and assure them with long-term security. As we emerge from lockdown, this will become even more important than ever.

Endnotes

1. Shelter England. (2020). *Households living in overcrowded private rentals double in 10 years*. [online] Available at: https://england.shelter.org.uk/media/press_release/households_living_in_overcrowded_private_rentals_double_in_10_years
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