

Rent reform

Making London's private rented sector fit for purpose

June 2013



LET

Subject to Contract

Housing and Regeneration Committee Members 2012/13

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On 18 July 2012 the Committee agreed to undertake a major review of London's private rented housing with the following terms of reference:

- To review London's private rented housing to identify its characteristics relative to other housing sectors – in respect to security of tenure, tenant and landlord rights and responsibilities, housing quality, standards and affordability.
- To identify options that will expand the supply of private rented homes (as part of a drive to increase overall new housing supply in London), improve the sector and make an impact in terms of achieving higher property standards and more secure and affordable tenancies.
- To examine the policy and record of the Mayor, boroughs and government and to make practical recommendations to them aimed at achieving real improvements in London's private rented sector. Recommendations will also be sought with regards to what the London Assembly can do to improve the sector.

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Chair's Foreword



Over the past decade London's private rented sector has changed. Yet, despite the numerous government reviews and third sector campaigns, the policy and regulatory approach to the sector remains stuck in the 1980s.

The case for change could not be stronger.

No longer is private renting the preserve of the poor and young professional. A shortage of social and council housing, mixed with runaway house prices, has made even middle-income Londoners feel the prospect of owning their own home is an ever distant dream.

The result has been an increasing use of London's private rented sector by those who would previously have sought to escape the characteristic insecurity of the sector. As a consequence, 20 per cent of the recent growth in privately renting households has been from families with children, while a 'Generation Rent' has emerged comprised of those who would traditionally have moved into owner occupation but are now forced, unwillingly, to rent.

For many, the sector has become an inescapable destination rather than a destination of choice.

For these people, across all four of the key areas examined by the committee – affordability, physical standards, landlord practices and tenant security – the sector could be accused of, at best, needing to raise its game or, at worst, abjectly failing to meet the housing needs of Londoners. This report highlights that if London's private rented sector is to continue housing a wider range of households it needs to do more to offer those tenants, particularly families, the stability they deserve.

This report categorically outlines the political appetite for change in London. It provides a comprehensive assessment of London's private rented sector in the early 21st century and delivers a number of recommendations – from predictable rent increases to tackling rip-off letting agents and poor landlord practices – that would rebalance the increasing imbalance of power that exists between landlords and tenants.

Not all private landlords are bad landlords. Many try hard to provide decent homes, treat tenants well, do not increase rents excessively just because

they can and try to offer clear tenancy agreements that they honour. Similarly, the small numbers of landlords that have joined the system of voluntary self-regulation promoted by the Mayor are to be applauded.

But in itself the tiny proportion of landlords that have joined the Mayor's favoured system of voluntary self-regulation highlights that more needs to be done to protect the consumer that is the private rented tenant.

There are a large and increasing number complaints about bad landlords who bully tenants and offer poor homes at high rents that are often subsidised by the welfare budget. This can no longer be tolerated.

The private rented sector has always played an important role in housing Londoners. Our committee is very clear that the sector should continue to play such a role and that it should grow in a way that increases the overall supply of new homes.

Many will argue vehemently that the recommendations that empower tenants, bring sense to rent rises and ensure better standards by landlords and letting agents will lead to a catastrophic loss of homes in London; that landlords will simply pack it all in and walk away from the market, taking their homes with them. I and my political colleagues – some from different political parties – do not come to that conclusion. However, increasingly hard-pressed tenants will no doubt question how most other western economies can have a better regulated sector whilst also enjoying much larger, more affordable and better functioning private rented sectors than we do. Why can't we do the same in London?

It seems as if we are currently standing on a precipice. There is hard evidence of the problems within London's private rented sector. Our challenge is to ensure that, in the 21st century, London avoids a return to Dickensian conditions. That is why this report is so timely.

This report shows how Londoners can get the private rented sector they want and deserve. It is now down to the Mayor and the Government to deliver in the interests of tenants.

A handwritten signature in black ink, reading "Len Duvall". The signature is written in a cursive style with a large, prominent 'L' and 'D'.

Len Duvall AM

Chair of the Housing and Regeneration Committee, 2012/13

Executive Summary

London's private rented sector is booming – having grown by 75 per cent in the ten years to 2011. It is already bigger than the social housing sector and, by some estimates, will overtake owner occupation within twelve years to become London's largest housing tenure.

This growth has seen the profile of private renters change. Increasingly the sector is housing low income households for whom there is no room in the social rented sector. It is also the place where 'generation rent' now finds itself living. Generation rent represents those who would in the past have bought property but are now frozen out of the market by high prices and restricted mortgage lending.

Our review examines whether London's private rented sector is 'fit for purpose' as a housing option for these two groups and whether it can offer an attractive and more stable alternative that people will choose to live in. It addresses four key issues: affordability, improving living conditions, security of tenure and rogue landlords.

Stabilising rising rents

Rents are on the rise, dramatically outstripping both inflation and wage increases. This is making the sector increasingly unaffordable for those on low incomes and it is becoming unaffordable for many on average incomes. The cost of increasing rents falls on both the public purse and the individual. It is becoming unsustainable.

Rent stabilisation is a feature of many mature European private rental markets and is also a feature of some housing association properties. A majority of the Committee believe that it is now time to consider how rent increases can be stabilised to make them more manageable particularly for those on modest incomes struggling to pay their rent. As a first step the Mayor should support the expansion of 'social lettings' agencies across the capital as these have been proven to help incentivise landlords to provide stable rents and longer tenancies. But he should do more and a majority of the Committee wants the Mayor to take forward proposals to Government seeking legislation for a pilot scheme in London to test whether rent stabilisation is feasible.

Improving living conditions

In London, housing demand exceeds supply to such an extent that landlords can continue to raise rents without improving standards – there will always be tenants who have to pay for even poor quality housing. London

needs more housing so that the market can work effectively to provide homes that people can afford. The Committee supports moves to attract new investment in the sector from the major financial institutions, and has seen some encouraging examples of this contributing to new supply. Housing associations and local authorities should engage with financial institutions and use their land resources to reduce risk and upfront development costs to deliver high quality private rented accommodation on long term tenancies at reasonable rents.

The sector still offers the worst housing conditions in London and many landlords face financial disincentives to keep their property in good repair. If the Mayor is serious about making the sector an attractive long-term housing option he needs to make it easier for landlords, the majority of whom are small landlords without access to large cash resources, to access improvement funds. The Mayor should negotiate with Government and the banking sector to set up a 'Decent Homes Fund' for landlords in London to access low cost loans to improve the quality of their property. Government should also review the viability of tax incentives with the aim of encouraging private landlords to make physical improvements in their property.

The Mayor can also ensure that minimum energy efficiency standards are achieved in the private rented sector and should identify properties that could benefit from the Government's Green Deal programme and ensure that landlords also have access to ECO funding streams to help ensure tenants' housing costs can be reduced through better energy efficiency.

Security of tenure

A typical private sector tenancy in London now operates for about a year. Legally they can be shorter (six months) and the notice to quit period is shorter still. Families, particularly those 'placed' in the sector by local authorities as an alternative to social housing, need much more stability. The sector's insecurity is compounded by some lenders placing restrictions on buy-to-let landlord mortgages limiting tenancies to 12 months, or prohibiting letting to tenants on benefits.

The Committee believes the financial authorities should encourage lenders to remove these restrictions and that there should be a minimum 24 month tenancy for homeless households 'placed' in the sector (and longer for families with children). Local authorities can incentivise landlords to offer more security by guaranteeing rent or ensuring tenants are educated in their responsibilities.

The Mayor has made a commitment to improve the private rented offer in London through a new London rental standard that landlords are

encouraged to sign up to. But a majority of the Committee believes that this standard does not offer anything new – it reflects current basic legal requirements and existing accreditation schemes. The Mayor should be more ambitious in terms of setting new standards for private rented accommodation and should also incorporate a ‘fit and proper person’ requirement for landlords operating in London. He also needs to work on devising a mechanism so that tenants’ complaints can be better addressed – a single industry wide redress scheme would benefit London renters.

There is growing evidence that letting agents are encouraging landlords to raise rents and to offer short tenancies. Shorter tenancies offer the prospect of more frequent upward rent reviews, encourage ‘churn’ of tenancies and allow charges for registration, credit checks, renewal fees that all increase the already high cost of the sector. It is time these agents were subject to regulation and the Committee would welcome moves by the Government to ensure that the new Enterprise and Regulatory Reform Act is implemented in a way that leads to longer tenancies and reduces the cost of renting.

Tackling rogue landlords

The Committee is determined to tackle ‘rogue landlords’. Our review has heard of criminal behaviour including threats, intimidation, violence and summary eviction, though these cases are thankfully rare. Government needs to review whether the penalties for contravening housing law are acting as a sufficient deterrent – or should be increased – and magistrates must start imposing the maximum penalties available to help stamp out bad practice.

Existing regulations are supposed to protect tenants from illegal eviction and harassment, but these rely on tenants raising the issue of poor standards with landlords, and poor conditions and bad management practices with local authorities to initiate enforcement action. But many tenant concerns, particularly about housing quality, are not reported for fear of retaliatory eviction – where landlords can evict using the ‘no fault’ clause under section 21 of the Housing Act 1988. Too many landlords use this against tenants who may have legitimate complaints.

The majority of the Committee wants to see better protection for tenants against retaliatory eviction. The majority of the Committee believe that legislation needs to be amended to remove a landlord's right to ‘no fault’ eviction. Government should introduce a statutory ‘cool off period’ where the ability to evict a tenant is limited. The majority of the Committee is clear that this recommendation is not intended to support poor tenant behaviour or spurious complaints designed to extend occupation that is not in accordance with tenancy conditions.

Existing regulations, and the recommended improvements in this report, mean nothing if they are not enforced by local authorities. At a time of severe pressure on enforcement budgets local authority action must focus on the worst offenders and employ more innovative activities to engage the significant number of 'well-intentioned but ill informed' landlords in improvement schemes. The Mayor can assist boroughs to crack down on rogue landlords by promoting and sharing legal and technical guidance where this has shown to be effective.

A majority of the Committee believe a simple requirement for a landlord to register to operate in London may offer some control over bad practice. Registration could be a condition for accessing low interest property improvement funds or other landlord incentives – and the threat of striking a landlord from the register may allow authorities to more easily enforce standards.

Overall, for those low income households that cannot find a place in the social rented sector, and for 'generation rent' that is facing a long stay in private rented housing, the sector is not fit for their purposes. It needs reform and it is time to enact those changes.

1. Introduction

- 1.1. London is the most expensive place to live in the UK, with notoriously high housing, transport, food and child care costs.¹ Rising prices and falling real incomes are fuelling a cost of living crisis in the city and to compound the squeeze on household budgets a recent survey found that London is also the sixth most expensive city in the world in which to rent a home.²
- 1.2. London has always needed private rented housing. In the past the sector provided a relatively 'niche' housing service for young professionals, students, those who had just arrived in London or for those mobile workers who needed the kind of flexibility it provided.
- 1.3. After years of decline,³ today the sector is booming. More than two million Londoners – one in four - now live in private rented housing. The sector began its revival in the 1990s and by 2010/11 it overtook social housing as the second biggest tenure in London.⁴ There are now more than 819,000 privately rented homes in the capital.⁵
- 1.4. Between 2001 and 2011 London's housing stock grew by ten per cent. The private rented sector however grew by 75 per cent (352,000) - equivalent to the number of homes in a city the size of Bristol. In the same period the number of owner occupied homes actually fell by more than 86,000 and London's social rented stock stayed much the same.⁶
- 1.5. Shelter estimates private renting will grow to 41 per cent of all households by 2025⁷ – becoming bigger than the owner occupied sector in London for the first time since the mid-1960s.⁸
- 1.6. There are various reasons for this resurgence, and the types of renters served by the sector have changed. In the past few years market forces have led to the sector taking on a completely new role in relation to housing different client groups – principally those unable to access finance to buy their own home (now commonly termed "generation rent") and also those for whom the acute shortage of social rented homes means there is simply no other place for them to live.
- 1.7. The growth of the sector has been accompanied by increasing challenges. These challenges are well known:
 - **Affordability:** the sector is increasingly unaffordable with rents significantly outpacing rises in wages and inflation - making disposable

incomes fall – while welfare reforms are further squeezing household budgets for those on the lowest incomes.

- **Poor physical standards:** housing conditions remain the worst in any tenure, and the lower end of the rental market quite often contains significant hazards to tenants' health and safety.⁹
- **Rogue landlords:** despite the availability of a range of enforcement powers and efforts by some local authorities there are still rogue operators that engage in criminal practices including threats and violence toward vulnerable tenants.
- **Insecurity of tenure:** security of tenure is low and tenancies typically last for a year or less with a two month eviction notice legally enforceable in certain circumstances. Short tenancies encourage more frequent rent increases and can allow for "retaliatory eviction" should tenants ask for improvements to their homes.

1.8. The sector is playing an ever increasing role in housing Londoners. Policy makers have responded through a number of reports and initiatives to try to support the sector.¹⁰ Most recently these have included:

- Government plans for *A thriving private rented sector* in the 2011 housing strategy;¹¹
- The Montague review of *The barriers to institutional investment in private rented homes* in 2012;¹²
- The Mayor's third housing covenant *Making the private rented sector work for Londoners* in December 2012.¹³

1.9. All of these reports and initiatives recognise that the sector must improve. But there is growing evidence that it is not raising its game.

1.10. This report particularly focuses on the needs of two groups that have in the past not chosen to live in the private rented sector – those on low incomes, particularly families, and the 'generation rent' – and asks a number of questions to test whether London's private rented sector is 'fit for purpose'. Can it perform the new roles it is being asked to take on? Can it offer an attractive and more stable long-term alternative tenure that people will choose to live in?

- 1.11. The report seeks to identify what gaps are appearing between the demands of the new private renters and the ability or desire of the sector to respond. It reviews the nature and scale of the challenges and proposes radical actions to be taken by the Mayor, Government, boroughs and landlords themselves to make the sector a viable and attractive long-term alternative to both affordable rented and market housing.
- 1.12. The Committee was in agreement on the majority of conclusions and recommendations contained in the report but Members were unable to reach a unanimous view on three of the issues: rent stabilisation, landlord registration and the removal of a landlord's right to 'no fault eviction'. A minority of the Committee (GLA Conservatives) felt unable to support the conclusions and recommendations made by the majority of Members (Labour, Green and Liberal Democrat) on these issues. The GLA Conservatives have produced a minority report which is attached as Appendix 1. Where the minority dissent from the majority view, it is referred to in the text of this report.

2. Support for low income households in the private rented sector

- 2.1. London has failed to build enough new homes over the last twenty years¹⁴. This, added to the combination of the severe shortage of social rented housing¹⁵ and new freedoms for local authorities to house the homeless in private rented housing¹⁶ has led to the private rented sector being increasingly used to house low income households¹⁷. In the UK however, the sector's traditional features of flexibility and short tenancy agreements, are not suitable for many households (especially those with children) without improvements in security of tenure.
- 2.2. Some of the specific issues affecting people now living in London's private rented sector are affordability, rogue landlords, poor housing conditions and security of tenure.

Rising rents

- 2.3. Rents in the private sector are on the rise¹⁸. They are more than double the level of rents in the social rented sector and approach twice that for the rest of the country. Londoners are paying more than £13.1 billion in rents to private sector landlords annually.
- 2.4. In 2012, London median rents increased by around 9 per cent to £1,196 per month¹⁹. This level of rent compares with gross monthly incomes (based on 40 hour working weeks) of £990 at the national minimum wage and £1,368 on the London Living Wage. London rents are therefore more than twice the level of rent compared with the England average and follow an estimated 12 per cent rise in rents the previous year²⁰. Evidence suggests these average rises mask much higher local increases, for example in Newham (39 per cent); Redbridge (28 per cent) and Tower Hamlets (19 per cent) in the last year²¹.

Increasing unaffordability

- 2.5. It is clear that the private rented sector is increasingly unaffordable for those on low incomes and becoming unaffordable for many on average incomes. The cost of privately renting is more than half average wages in two thirds of London boroughs²² and in east London households on average incomes have to spend more than 40 per cent of incomes to rent a three bed property²³. A recent survey suggests that 47 per cent of private renters in London have

£100 or less disposable income after paying for essentials such as rent, fuel bills, food, and council tax each month²⁴.

- 2.6. There are impacts too in relation to key workers, as unaffordable local rents make it more difficult to obtain jobs because they would have to travel further and incur greater child care costs²⁵.
- 2.7. Above inflation rent increases damage London's economy. For every 1 per cent rents increase above inflation it takes more than £130 million out of the pockets of London renters – money that they cannot then spend in local shops and restaurants²⁶.

Affordability – increasing benefit costs

- 2.8. Those with lower incomes require public support through housing benefit – which in the private rented sector is known as the Local Housing Allowance (LHA)²⁷. The impact of rising rents and the increasing use of the private rented sector by local authorities means that the cost of LHA in London rose by more than 36 per cent between 2009/10 and 2011/12 to more than £1.9 billion²⁸.
- 2.9. There is considerable debate whether this public funding represents a subsidy to private landlords. The private sector does not view LHA as a 'subsidy'. The Residential Landlords Association sees it as "financial assistance to tenants towards their housing costs." It believes that the increasing level of public expenditure on LHA is a direct result of "the lack of finance for new social housing [meaning] the private rented sector is increasingly having to house the less well off. It must therefore be expected that there will have to be additional assistance by way of housing benefits to help those tenants meet their rental costs²⁹."
- 2.10. Government is concerned that the cost of providing LHA is escalating out of control³⁰ and is currently introducing welfare changes that reduce the amount of financial support available to those needing help with private sector rents.³¹ The rise in expenditure is planned to stabilise: as an example DWP is forecasting that nationally housing benefit will rise by 11.3 per cent in the next five years from 2011/12 compared with a 31 per cent increase in the previous five years (from 2007/08).³² However, as yet, there is little hard evidence that these reforms are reducing the amount of state subsidy going into London's private rented sector through LHA.
- 2.11. The inadequate supply of cheaper rented accommodation means that competition for places in the sector is driving up rents and boroughs are forced into paying premiums to secure property for homeless people³³.

Some landlords are changing letting agreements that are resulting in higher costs to local authorities as they switch from contracts to provide properties on long leases to charging more expensive 'nightly rate' accommodation in the sector³⁴. Newham experienced a further 25 per cent increase in its costs for LHA in 2012³⁵.

Dwindling availability of property to benefit recipients

- 2.12. A number of submissions to this review raised the concern that the number of affordable privately rented properties available to people within the LHA rates is actually decreasing³⁶. A DWP commissioned report suggested that a third of private landlords are either considering, or planning to cease, letting homes to housing benefit claimants following welfare reforms³⁷. Those properties that remain available are often the poorest quality with higher incidences of health hazards such as problems with damp.
- 2.13. Some boroughs fear that fewer properties are now within the range of rents that qualify for LHA: Barnet estimates only 5 per cent of rental property in the borough falls within LHA rates and Croydon estimates only 20 per cent fall within these limits³⁸.
- 2.14. In June 2012 Hackney Citizens Advice Bureau undertook a mystery shopping exercise of 1,585 Hackney rental properties. It found that instead of around 30 per cent of these properties (476) being within LHA rates, only 142 (9 per cent) had rents within the range. For family sized properties the rate was only 3 per cent³⁹. In Lewisham less than 1 per cent of properties have landlords that are willing to accept housing benefit recipients within the Shared Accommodation Rate⁴⁰.

The need to control costs

- 2.15. Rents are rising faster than incomes or inflation⁴¹. This is resulting in increasingly unaffordable housing that is in danger of breaching Government guidance⁴² that that accommodation should not be regarded as suitable if 'after meeting the cost of the accommodation [...] the applicant is left with a residual income which would be less than the level of income based jobseekers allowance' they are entitled to⁴³.
- 2.16. Government (that funds housing benefit), local authorities (with a duty to house homeless households) and all of the tenants that live in the sector have interests in making the increase in rents more stable and predictable. However, for some, the issue of rent stabilisation is controversial.

Tackling the high cost of private rented housing - can rents be stabilised?

- 2.17. The Rent Act 1977 provided rules for setting Fair Rents and still provides a form of rent control applicable for the limited number private sector rented tenancies started before January 1989⁴⁴. The Housing Act 1988 abolished these controls.
- 2.18. Calls for new mechanisms to hold down rents are met with counter arguments that suggest any intervention will cause landlords to withdraw from the market and would be counter-productive to the aim of increasing housing supply⁴⁵. The private rented landlord sector, backed by the Mayor, is comprehensively against any form of rent control or management⁴⁶.
- 2.19. Others believe that this argument is based on a view of 'first generation' rent controls that limited the rent that could be charged to sub market levels. Those 'old style' rent controls limited the price a landlord could charge a tenant for rent and also regulated the services the landlord must provide. These type of controls still exist, but in increasingly small numbers in England and also, notably, in New York.
- 2.20. Rent stabilisation (what are termed 'second' or 'third' generation rent controls) are used in many other countries including France, Germany, Sweden, Switzerland and the US. There are a number of ways in which rent stabilisation can be implemented, including limits on the frequency and/or size of increases (linked to inflation or interest rates) both within and/or between tenancies⁴⁷.
- 2.21. While there are other factors operating in different countries – such as specific legal, planning and cultural influences⁴⁸ – the relatively high proportion of privately rented property in these Western housing markets suggests that the mechanisms used to stabilise rents have not deterred the development of large and functioning private sectors in these countries.
- 2.22. Measures to limit increases and stabilise rents would appear to be in the interests of Government and tenants but it is unclear what the effect would be on the availability of private rented accommodation in London. Despite warnings from private landlords that they would withdraw from the market, statistics appear to show that the growth in the sector has been at the expense of owner occupation rather than in addition to it⁴⁹. Buy-to-let landlords are finding it much easier to access mortgages than potential first-time buyers⁵⁰.

- 2.23. Some argue⁵¹ that it is time to challenge landlords' assertions that they would withdraw from the rental market arguing that if they did this would result in more property for sale to first time buyers and so overall housing supply would not reduce. Both Government and the Mayor are opposed to rent control, and from this perspective it is unlikely that new regulation to control rents will be implemented.
- 2.24. However, the majority of the Committee believes that at a time of rapidly escalating private sector rents it is now appropriate to consider what can be done to stabilise them, to make them more predictable and manageable for those struggling to pay the rent. It is time to protect the consumer while allowing landlords to make a living.
- 2.25. The majority of the Committee is also of the view that the private rented sector is now large enough and mature enough to mean that sensible and fair controls – providing acceptable returns on property but at rents more in line with rises in prices and earnings – would not lead to a mass exodus of landlords from the sector. The minority of the Committee have however reached a different conclusion, and the reasons for this dissenting view are set out in Appendix 1 (paragraphs A.2 – A.5).

Procurement and social lettings

- 2.26. Some might argue that a more pragmatic approach is to look at ways to incentivise landlords to stabilise rent increases in return for participating in schemes that can reduce their costs and assist in the management of both tenants and property. For many small landlords this trade-off would prove acceptable.
- 2.27. The British Property Federation suggests that as Government is spending more than £2 billion annually on private rents in London “it is right to ask as such a large procurer of rented accommodation, whether it should be applying some conditions to such spend⁵².”
- 2.28. A number of local authorities have attempted to use their position as procurers of private rented sector accommodation to secure properties under improved conditions. Some London boroughs – for example Havering, Lewisham and Southwark⁵³, now operate some kind of ‘social lettings’ schemes where the local authority acquires homes in the private sector on a direct lease with landlords and offers the properties to those at risk of homelessness⁵⁴.
- 2.29. The London Borough of Harrow uses a package of private sector policies to encourage higher standards in the private rented sector. Amongst these are:

a landlord 'kitemark' or 'good landlord' scheme, which is branded and promoted locally; a register of landlords; a tenant and landlord charter, setting out rights and responsibilities; and developing the 'arbitration' role of the council in bringing together tenants and landlords and identifying solutions.

2.30. The borough also runs a lettings agency called Help2Let that matches local tenants and landlords. It offers landlords that have agreed to provide agreed standards of property a selection of prospective tenants, prompt payment of the rent, a two month rent guarantee bond and a fast track lettings process maximising continuity of rental income.

2.31. Boroughs need to adopt and expand such approaches. Offering incentives to reduce the costs of voids (by guaranteeing tenants and a fast track letting process), minimising non-payment of rent (by providing bonds) and giving access to local authority specialist advice or repairs that may be procured at a lower cost than individual landlords might be able to negotiate⁵⁵. If landlords can be encouraged to sign up to schemes that reduce their costs they may be incentivised to reduce the rate of rent increases.

2.32. A scheme on a London-wide scale may achieve better landlord 'buy in' and reduce the risk that consumer confidence might be damaged if each borough adopts its own kitemark, complaints procedure or enforcement strategy.

Time for stronger action

2.33. The Mayor has asserted that the way forward should be through these individual borough initiatives and voluntary standards. He believes these will drive improvements, but as yet, has not presented compelling evidence that voluntary measures have had any impact. Indeed, in the time he has pushed for more supply and accreditation, rents have rocketed. The majority of the Committee does not see any evidence that he is doing anything new and that this will change the current situation.

2.34. The majority of the Committee is concerned by the current rate of rent inflation in London, which without intervention of some form, threatens the economic prosperity of the capital. This majority of the Committee believes stabilising rents is now a necessity and that the experience of other Western economies shows that such mechanisms can foster larger and better functioning sectors than we currently enjoy in London. The minority of the Committee have however reached a different conclusion, and the reasons for this dissenting view are set out in Appendix 1 (paragraphs A.6 – A.7).

Recommendation 1

The majority of the Committee believes that the Mayor must bring forward an effective mechanism through which private sector rents can be stabilised. To this end the Committee believes the Mayor should take forward proposals to government, seeking legislation to allow for the introduction of a rent stabilisation scheme pilot. The parameters of this should be agreed between the Mayor and the London Assembly.

Recommendation 2

The Department for Communities and Local Government should review whether increasing levels of private sector rents in London are forcing local authorities to breach guidelines set out in the Homelessness Code of Conduct in relation to the amount of disposable income available after rent has been paid.

Recommendation 3

The Mayor should support the expansion of 'social lettings' agencies across London. All boroughs should work in partnership with landlords to agree arrangements that incentivise landlords to provide stable rents and longer tenancies in return for access to measures that can lower their costs, such as reducing voids, guaranteeing rent payment and giving access to repairs services at advantageous rates. In addition, the Committee recommends the Mayor funds research to establish the feasibility and impact of establishing a London-wide lettings agency.

Tackling rogue landlords and criminal practice

- 2.35. There has been a significant rise in the number of complaints registered by both landlords and tenants. For example, Shelter reports a 47 per cent increase in private sector tenant complaints in London in the last five years (to 18,700). Citizen Advice records that in the year to April 2012 its London bureaux dealt with 18,539 enquiries about the 'private rented sector'⁵⁶ – issues such as disrepair; possession actions; security of tenure; harassment; problems with letting agents; and deposits⁵⁷.
- 2.36. Headlines in the media describing criminal behaviour – including threats, intimidation, summary eviction and violence towards tenants – of 'rogue' landlords are well known but thankfully rare. London local authorities suggest they have had to take action against only one hundred or so such landlords in the past year⁵⁸.

- 2.37. Penalties for contravening regulations are not proving effective deterrents to discourage bad or criminal practice. Shelter reports that (nationally) there were only 175 recorded instances of landlords receiving a fine higher than £5,000 in the last five years, while more than a quarter of landlords found guilty received a fine under £1,000: “one local authority officer told us of a landlord grinning as he left the magistrates’ court, having received a £350 fine for illegally evicting a tenant⁵⁹.”

Recommendation 4

Given that local authorities believe the penalties for landlords that breach existing regulations governing private rented housing are not a sufficient deterrent and are too time consuming to issue, the Committee believes that the Department for Communities and Local Government needs to review these penalties with a particular focus on increasing the size of penalties and making the process of issuing penalties easier.

Recommendation 5

The Department for Communities and Local Government should ensure that, for private sector landlords, there should be a general statutory obligation to respond to tenant complaints, enquiries and requests for repairs.

Recommendation 6

The Department for Communities and Local Government should review whether guidelines to magistrates on the level of fines for criminal landlord practices are proving sufficient to help stamp out bad practice.

Landlord registration

- 2.38. Standards in the sector need to improve and the worst landlords driven out of the sector if it is to offer a decent and attractive alternative to other tenures. Many commentators believe that the fact that the demand for private rented housing in London exceeds supply means “private landlords are very much in the driving seat, and there is little pressure on them to operate professionally and ensure that they have a good reputation, which in turn can cause problems for tenants and lead to dissatisfaction⁶⁰.”
- 2.39. The Housing Act 2004 allowed local authorities to introduce ‘selective licensing’ of landlords. All rented property within a selective licensing area has to be licensed. This provides a more powerful instrument in taking forward the desire to improve the private rented sector especially where an “area is experiencing significant and persistent problems caused by anti-

social behaviour and that some or all private landlords in that area are not taking appropriate action to tackle this⁶¹.”

- 2.40. To date only Newham in London is operating such a scheme and they report significant progress in dealing with the problem of rogue landlords⁶². Other boroughs are reluctant to introduce such a scheme citing costs and the existence of existing regulation which is seen as sufficient⁶³.
- 2.41. Given that the nature of the private rented sector varies across London, there may be equally as effective alternatives to selective licensing for different boroughs. The London Borough of Hounslow and Royal Borough of Kensington and Chelsea for example⁶⁴ suggest that landlords might be subject to compulsory registration and this need only be a simple and cheap process to allow local authorities to more easily enforce standards.
- 2.42. This approach lies somewhere between voluntary registration⁶⁵ and compulsory licensing: in order to operate in the private rented market landlords would need to apply for a ‘landlord number’ - it would be both an offence and a great practical difficulty to operate without one. It could be required to create or terminate a tenancy and access a local authority scheme. Landlords that committed offences would gain ‘points’ and eventually be disqualified from operating. The scheme would be low cost for the landlord with few hurdles to jump but would make it very difficult for rogue landlords to operate.
- 2.43. The majority of the Committee sees merit in this suggestion as it may offer a greater degree of control over rogue practice but would be relatively cheap for boroughs to operate, minimally bureaucratic for landlords and could be offered as part of the incentives to access local authority services⁶⁶.
- 2.44. The Mayor could provide further incentives by making registration a condition for accessing low interest funds that he could establish for the purpose of improving standards in private rented property [see Recommendations 8 and 9 below]. The minority of the Committee have however reached a different conclusion, and the reasons for this dissenting view are set out in Appendix 1 (paragraphs A.6 – A.7).

Recommendation 7

The majority of the Committee believes that, as part of a simple and inexpensive procedure, landlords should have to register in order to operate in London. This should allow local authorities to more easily enforce standards.

Making privately rented homes better quality

- 2.45. Despite the high, and increasing, cost of renting privately it is clear that many in the sector are displeased with the condition of the accommodation they are living in.
- 2.46. Private rented housing is in a worse condition than other tenures and about a third of the sector in London (more than 250,000 homes) fails to meet the Decent Homes standard used in the social rented sector. Under existing legislation local authorities can regulate conditions in the sector in terms of hazards (under the Housing Health and Safety Rating System) however the standards required are relatively low and many believe these should be improved upon.
- 2.47. Landlords, particularly those with small property portfolios, face a number of financial disincentives to keep property in good repair. There are a number of theories that explain why there is continuing poor physical conditions in many private rented homes. These include:⁶⁷
- Some landlords, especially those in the housing benefit market, claim their profit margins are too small for them to afford to make repairs on their properties.
 - Some landlords often simply seek to cover their mortgage costs and so do not have financial reserves to pay for repairs.
 - Some landlords use rental income for on-going maintenance and repairs, but may not have access to larger sums for substantial improvements, such as damp-proofing or the installation of central heating.
- 2.48. If the Mayor is serious about making the sector an attractive long-term housing option he needs to make it easier for landlords, the majority of whom are small landlords without access to large cash resources, to access improvement funds. Additionally, the Mayor needs to undertake more work to create a settlement that works for both tenants and landlords in relation to investment in property improvements.

Recommendation 8

The Mayor should negotiate with Government and the banking sector to set up a 'Decent Homes Fund' for the private rented sector in London designed specifically for landlords to access low cost loans to improve the quality of their property. Government should also review the viability of tax incentives with the aim of encouraging

private landlords to make physical improvements in their property.

Recommendation 9

The Mayor needs to ensure that minimum energy efficiency standards are achieved in the private rented sector by 2018, in accordance with the Energy Act (2011), and that sufficient standards are achieved by 2025 to meet the targets for domestic carbon dioxide emissions set out in the Mayor's Climate Change Mitigation and Energy Strategy. To do this the Mayor should identify properties in the private rented sector that could benefit from the Government's Green Deal energy efficiency programme and inform landlords once formal offers become available. The Mayor should also ensure that landlords also have access to ECO funding streams to help ensure their property is energy efficient so tenants' housing costs can be reduced.

Improving conditions – more effective enforcement

- 2.49. While most local authorities and landlord organisations believe existing regulation is sufficient⁶⁸ they, and many other stakeholders, point out that effective enforcement of them is key⁶⁹. Budget restrictions however are making enforcement action against landlords renting sub-standard property more problematic. In 2011, the Camden Federation of Private Tenants told an Assembly Committee that “agents and landlords are already aware that [the Council's enforcement] service has been reduced by 25 per cent as a result of the cuts to local authority funding⁷⁰.”
- 2.50. It is imperative that, if local authorities want the private rented sector to play an increasing role in housing low income households in place of the social rented sector, it must provide housing conditions that meet the minimum standards required by law. This is especially important for those who are being housed in the sector, not by choice, who do not have the benefit of housing that is provided by registered providers that are required to demonstrate such standards.
- 2.51. Local authority enforcement action must target the worst offenders and employ more innovative activities to engage the significant number of ‘well-intentioned but ill informed’ private landlords in improvement schemes. The London Fire Brigade's work on reminding landlords of their responsibilities, encouraging tenants to ensure landlords are maintaining their property safely and the technical advice provided to the Government's national taskforce on ‘beds in sheds’ has shown how cross agency working can help tackle the worst abuses in the sector.

Recommendation 10

The Mayor should assist boroughs in using the full range of enforcement powers at their disposal to crack down on rogue landlords operating in the private rented sector. He might do this by promoting examples of best practice across London and sharing detailed technical and legal guidance where this has been shown to reduce illegal landlord behaviour.

Longer tenancies

- 2.52. Most people who rent privately have an Assured Shorthold Tenancy that lasts for six months or one year. Landlords offering this type of tenancy only need to give two months' notice to evict the tenant, and can give notice at any time after the first four months without needing to provide a reason. There are fears that these short tenancies give the opportunity for landlords to raise rents more frequently and can allow for 'retaliatory eviction' should tenants ask for improvements to their homes⁷¹.
- 2.53. Both the Chartered Institute of Environmental Health and the housing rights group 'Housing for the 99 per cent' have pointed out that many tenant concerns, particularly about housing quality, are not reported for fear of retaliatory eviction. The London Borough of Hounslow confirms in its submission that "enforcement officers in Hounslow see this with alarming frequency".
- 2.54. Submissions to the Committee suggest that the average tenancy in London is now set at one year and with very little evidence that longer tenancies are routinely offered⁷². Families need the security of long tenancies as this is vital for bringing up children, for example in terms of planning for schools. Even where tenancies are annually renewed the psychological assurance of having a longer tenancy agreement at the outset would be beneficial to those for whom stability is an important requirement⁷³.
- 2.55. Some east London local authorities have been able to negotiate longer tenancies with private landlords instead of the statutory minimum six months, and it has also been shown that these tenancies are very often renewed, and can last much longer provided the tenancy functions well⁷⁴.
- 2.56. Most lenders place restrictions on their buy-to-let mortgages that limit the length of tenancies landlords are allowed to offer to around 12 months. From the lender's point of view this will protect them should the borrower default and repossession is required but a sitting tenant is present⁷⁵. Similarly, many lenders will not allow landlords taking out mortgages or re-

mortgages with them to let their properties to tenants who are on housing benefit and there is also the suggestion that this applies to lenders with property in areas of selective landlord licensing⁷⁶.

2.57. However, simply by stipulating a mortgage condition that regular rent reviews are in line with market rents or inflation lenders would be protected. And so three year tenancies could be offered at no financial risk.

2.58. The Committee is strongly of the view that if Government and local authorities are asking low income households who previously would have been housed in the social sector, to accept homes in the private sector as an alternative, then longer tenancies are an urgent pre-condition⁷⁷.

Recommendation 11

Local authorities should work with the private sector to ensure that homeless households placed in the sector have at least 24 month tenancies (with relevant break clauses for termination of agreements and allowing termination for breaches of agreements) – and longer if they have children. They can do this through a variety of incentives – such as guaranteeing rent and ensuring tenants are educated in their responsibilities.

Recommendation 12

The Bank of England, Financial Conduct Authority and the British Banking Association should encourage lenders to remove the mortgage restrictions applied by lenders that prevent landlords from offering long tenancies, renting to tenants on benefits or operating in areas where selective landlord licensing exists. Government should back this up with regulation if these restrictions are not lifted. All of these restrictions run counter to the objectives of ensuring the private rented sector can offer appropriate accommodation of a decent type for low income households and families with children.

3. Support for ‘Generation Rent’

- 3.1. The issues and potential solutions described above as particularly relevant for low income households living in the private rented sector would also benefit those now termed ‘generation rent’. The following challenges, will have more of an impact on this type of new renter.

The roots of generation rent

- 3.2. When property prices rise faster than incomes, banks become more cautious in their lending for mortgages and also demand higher deposits. Those who would have traditionally moved into owner occupation are now forced, unwillingly, to rent. This group has recently been termed ‘generation rent’.
- 3.3. In December 2012 London’s Evening Standard reported “since 2001 the proportion of [London] households owning a home with the help of a bank or building society has dropped by 18 per cent while the percentage renting from private landlords is up by 62 per cent⁷⁸.” It blamed “soaring prices, competition from wealthy foreign investors⁷⁹, a shortage of mortgage finance and “decades of under-investment” for the bleak outlook for ‘generation rent’.
- 3.4. The cost of home ownership in London, and restrictions on access to mortgages, means it is ever more difficult for first time buyers to get onto the housing ladder. First-time London deposits are averaging 25 per cent (around £112,000) — a sum that could have bought the average home in the capital outright as recently as 1997. First-time buyers who have no financial assistance from their parents will have to rent longer in the capital⁸⁰. Increased rents are also reducing the ability to save for mortgage deposits resulting in longer stays in the sector for those who want to enter the owner occupation market⁸¹.

Boosting housing supply

- 3.5. London has the most unaffordable housing in the country as a consequence of the shortage of homes across all tenures. Until this is addressed the unaffordability of the private sector will continue to reflect the general shortage of homes. As a consequence of the mismatch between demand for, and supply of, private rented housing in London private sector rents have risen, but with no commensurate improvement in standards. Demand exceeds supply to such an extent that landlords can continue to raise rents without improving standards since there will always be tenants prepared to pay for housing⁸².

- 3.6. Almost all commentators are in agreement that market-driven private sector rents reflect increasing demand relative to the supply of new housing. Most experts agree that one potential long-term solution is to increase overall new housing supply across all tenures to match demand⁸³.
- 3.7. Without a massive boost in the supply of new homes or less onerous mortgage deposit requirements, long-term renting will become far more common – in line with mainland European practice (the sector represents 58 per cent of households in Switzerland, 49 per cent in Germany and 21 per cent in France)⁸⁴. If this is the case, cultural attitudes in this country need to change alongside improvements in the sector to make it a more acceptable long-term housing alternative – as it is in many other Western economies.
- 3.8. Institutions, such as pension funds, have been identified as potential contributors to the funding of new supply. The Mayor has described the attraction of institutional investment as “the holy grail”⁸⁵. Institutional investors, and other professional landlords that have an interest in providing good quality property for long-term rent, need to be encouraged – and this could be done through a variety of measures ranging from Government tax breaks for investment to partnership arrangements with local authorities and housing associations that reduce investment risk.
- 3.9. Despite a few high profile examples – such as the former Olympic Village⁸⁶ – the prospect for further investment remains limited. Paradoxically, high rents in London are still not enough to attract investment in the sector because correspondingly high property values reduce the ‘yield’ below returns from other sources of investment. Additionally, investors are reluctant to fund the development phase to get rental schemes up and running. This is a relatively risky proposition for investors and one for which it is particularly hard to make a case when they do not have any track record in the sector. Their preference is to buy rental units at scale once they have been built and let and are generating an income stream. The higher that rent levels can be set, the greater the yields from the property. Therefore it is always likely for the higher end of the private rented market to be more attractive to institutional investment.
- 3.10. The fact that the Mayor has had limited interest in large GLA owned sites that have been marketed to the institutions⁸⁷ suggests that the “holy grail” is as far away as ever from discovery.

The role of local authorities and housing associations

- 3.11. A much more promising source of increased new supply of private rented homes lies with local authorities and housing associations.

- 3.12. The Government commissioned Montague report noted: "Among the larger [housing] associations, there is starting to be considerable interest in market rent developments as a natural complement to their existing activities in affordable housing. The associations have the potential to become key players in the development of bespoke private rented schemes."
- 3.13. In March 2013, the 15 largest housing associations operating in London reported that they were going to build 4,000 homes for private rent. Housing association experience in managing and maintaining property would go a long way to improving conditions in the sector. And while the expected yields in private rent are insufficient to do much more than cover the running costs, homes built for private rent can also be turned into affordable housing or shared ownership properties by housing associations, or sold for profit according to changing business plans⁸⁸.
- 3.14. For housing associations relatively low yields on private rented property are not such a barrier to investment as it appears to be for institutions. London and Quadrant told the Committee: "Our current portfolio generates a yield of around 5.5 per cent. That is the rent expressed as a proportion of the market value of the property. However, once you take out the management costs the yield that you generate is around 4 per cent and that compares to a yield on commercial property of perhaps around 6 per cent to 7 per cent so it does not compare particularly favourably. It is our view that if we can move from a net yield of around 4 per cent to a net yield of closer to 5 per cent and offer the prospect of inflationary growth on top of that 5 per cent then it starts to become more attractive⁸⁹."
- 3.15. London boroughs too have been instrumental in attracting institutional investment by overcoming the issues that private renting does not offer investors a favourable enough return. The public sector and in particular local authorities may be able to tip the balance on some schemes, either by investing their own assets, such as land, or by working with partners on section 106 contributions.
- 3.16. The London Borough of Barking and Dagenham has embarked upon an innovative scheme which sees £64 million of private equity and a land contribution by the borough (at nil cost) deliver nearly 500 new homes for rent at a mixture of sub-market rents, including 50 per cent of market rate, 65 per cent and 80 per cent⁹⁰.

Recommendation 13

Housing associations and local authorities should work with financial institutions in partnership to offer high quality private rented accommodation on long term tenancies at reasonable rents to boost the supply of new homes that match local need by using their land resources to reduce risk and upfront development costs. This investment should be seen as a supplement to, not a replacement of, the associations' core business.

Tackling letting agents

- 3.17. Letting agencies are not subject to statutory regulation governing their prices or service quality. Anyone can set themselves up as a letting agency, without any expertise, qualification or accreditation.
- 3.18. There is growing evidence that letting agents are encouraging landlords to raise rents and to offer short tenancies. Shorter tenancies offer the prospect of more frequent upward rent reviews, encourage 'churn' of tenancies and allow charging of a range of fees for registration, credit checks, renewal fees that all increase the already high cost of the sector⁹¹.
- 3.19. The National Union of Students believes that these are not only a financial obstacle to access to the private rented sector, but give disproportionate levels of power to the landlord and letting agent.
- 3.20. Brent Private Tenants' Group suggests that landlords who let through agents are "usually encouraged to let on short term lets with a high turnover. This is almost certainly driven by the agents' wish to maximise their profits from the initial letting fees to both parties." The written submission by 'Housing for the 99%' states that "only 4 per cent of landlords said they had increased rents because of increased mortgage costs. By contrast, one in five had put up rents because their letting agent had encouraged them to."
- 3.21. The Committee believes that it is time for lettings agents to be regulated to improve standards of practice that will lead to longer tenancies and reduce the cost of renting⁹². The Committee is pleased that the Government now accepts the argument that lettings agents need regulation and are subject to measures contained in the new Enterprise and Regulatory Reform Act.

Recommendation 14

Government should ensure that the new Enterprise and Regulatory Reform Act is implemented in a way that ensures letting agents are subject to regulation that will lead to longer tenancies and reduce the cost of renting.

Improving the quality of landlord practice

- 3.22. Standards within the sector need to be improved substantially above the legal minimum if the tenure is to be seen as an acceptable alternative to home ownership.
- 3.23. Professionalism in terms of management also needs improvement. The private rented sector is still very much a 'cottage industry' with the sector dominated by individual landlords renting one or two properties (up from 61 per cent in 1994⁹³ to 89 per cent in 2010)⁹⁴. This largely reflects the impact of the buy-to-let phenomenon. The Department for Communities and Local Government found that in 2011 only 8 per cent of landlords in the private rented sector were professional landlords with the remainder part-time landlords.
- 3.24. A recent Government commissioned study of the sector found that "one of the more frequent criticisms of the private rented sector relates to the quality of landlord management practice. It has been argued that the popularity of Buy-to-Let mortgages has brought a mass of 'amateur' landlords into private renting, who are unacquainted with the law and poorly skilled in the business of letting property⁹⁵."
- 3.25. Ben Reeve-Lewis⁹⁶ identifies one of the biggest problems with the private rented sector as "the rise in the buy-to-let amateur and so called 'reluctant landlord' where people who can't sell their home turn their hand to renting it out without a clue about what they are getting themselves into." He adds "the more I deal with disputes between landlords and tenants, mediating and negotiating on a daily basis, the more I am convinced that one of the single biggest causes of rogue behaviour is simple ignorance of the laws, rules and procedures that govern a private letting⁹⁷."
- 3.26. "A trained and knowledgeable landlord community would bring... complaints down to a manageable level, leaving the majority of offenders in the smaller group of repeat, known offenders exposed in the spotlight where we can pick them off... The real work needs to be in raising awareness and knowledge levels."

Landlord accreditation and the London Rental Standard

- 3.27. Throughout the course of this investigation the Committee has heard that although the Mayor has accurately identified many of the challenges posed by the private rented sector, his focus on voluntary landlord accreditation, or self-regulation, has yet to deliver the step change he wants to see⁹⁸.
- 3.28. Growing attention has been paid to the potential of accreditation frameworks as a means of recognising good practice, so that landlords reaching prescribed standards can advertise accordingly and so gain market advantage.
- 3.29. The Mayor has made a commitment to improve the private rented offer in London through a new London standard. Currently, 15,000 landlords out of an estimated 250,000 are accredited with different bodies. The Mayor hopes to encourage 100,000 more to sign up to accreditation schemes by the end of 2016, and for them all to adopt his new London Rental Standard. His proposals were published in December 2012⁹⁹.
- 3.30. The Mayor's new rental standard however, does not offer anything new – it reflects existing basic legal requirements and existing accreditation schemes.
- 3.31. The Committee is concerned that the Mayor has resisted calls to make his London Rental Standard include a single badge of accreditation that would enhance the plethora of schemes operating in London that would make it easier for prospective tenants to understand – nor does it propose any improvement in the resolution of tenant complaints in the sector.
- 3.32. There is a danger that, in the drive to sign up 100,000 landlords to this voluntary scheme, the standard is lower than is required to address real improvements. A higher standard is required to satisfy 'generation rent' and the Committee wants to see all 250,000 landlords committing themselves to a scheme that will deliver a better private rented sector.
- 3.33. The majority of the Committee would wish to see a number of additions in the Mayor's final London Rental Standard – these include the standard being mandatory for a landlord offering property for private rent in London and for landlord registration to be compulsory. The Mayor should also consider whether the requirements the Government has made for deeming a property suitable for rent in the recent Suitability of Accommodation for the Homelessness regulations¹⁰⁰ should also be applied to the wider private rented sector. As well as complying with certain property conditions the landlord must be a 'fit and proper person' that has not contravened any provision of the law relating to housing, landlord or tenant law (and various

other conditions as set out in section 3 a-j of the regulations). The minority of the Committee have however reached a different conclusion, and the reasons for this dissenting view are set out in Appendix 1 (paragraphs A.8 – A.10).

- 3.34. The Committee agrees with the view put forward by the Royal Institution of Chartered Surveyors (RICS) that if a suitable complaints mechanism for tenants and landlords were in place, many areas of conflict would be avoided. There is both the need and support to establish a single industry-wide independent redress scheme for the whole sector supported by the Mayor, based on standards, qualifications and regulation that are widely recognised and well regarded by tenants and landlords. The Mayor also needs to ensure that all landlords signing up to his Rental Standard agree to adopt a common procedure for dealing with complaints. The Leasehold Valuation Tribunal provides, as a starting point, a working model for resolving disputes and a similar independent body may assist in dealing with complaints in the private rented sector.
- 3.35. The Committee does however support the Mayor’s proposal that the standard will be overseen by a panel that will monitor landlord compliance and review the need for updates of the standard.

Recommendation 15

The majority of the Committee believes the Mayor’s Rental Standard should be more ambitious in terms of setting new standards for long-term private rented accommodation in the capital and should also incorporate a ‘fit and proper person’ requirement for landlords operating in London.

Recommendation 16

The Mayor should ensure that his proposed London Rental Panel reviews the effectiveness of mechanisms for tenant complaints in the private rented sector and seek to create a single industry wide redress scheme that would benefit London renters.

Tenant rights

- 3.37. Existing regulations (principally the Housing Acts of 1988 and 2004 but also the Energy Act 2011 and the various Acts preventing illegal eviction and harassment) rely on tenants raising the issue of poor standards with the landlord, and poor conditions and bad management practices with local authorities in terms of initiating enforcement action.

- 3.38. This can be problematic as many tenants are unaware of their statutory rights. The British Property Federation highlights limited budgets for publicising rights and responsibilities. It quotes the £200 million communications budget for Digital Switchover, which equates to £8 per household in the UK compared with the budget DCLG has to promote private rented sector rights that equates to less than 3p per household in the private rented sector. It believes private tenants that are aware of their rights are “probably the most effective enforcement agents”.
- 3.39. The Committee sees there is a need for a London-wide programme of advertising and education, especially targeted at those renting in the lower end of the market. This would make tenants more aware of their rights and responsibilities and of the responsibilities of their landlord. This will ensure that tenants become more empowered to ask questions and make good decisions about their housing.

Recommendation 17

In collaboration with third sector partners, the Mayor should establish a ‘know your rights’ website aimed at private sector tenants and promote this widely using his unique access to the advertising space available through Transport for London.

Recommendation 18

Government should bring forward proposals aimed at reducing the scope for retaliatory eviction for those tenants who complain about poor conditions or bad landlord practices in the sector. This should include new statutory ‘cooling off periods’ during which a landlord’s ability to evict their tenant is limited. The Committee hopes the Mayor would support this measure.

- 3.42. However, even where a tenant is aware of their rights, the lack of statutory security of tenure may discourage tenants from seeking to enforce them (such as being able to ask for improvements in their home) because of fear of eviction.
- 3.43. The majority of the Committee would wish to see better protection for tenants against any retaliatory eviction following complaints by tenants. Legislation needs to be amended to remove a landlord's right to ‘no fault eviction’ that many use against tenants who may have legitimate complaints. The majority of the Committee is clear that this recommendation is not intended to support poor tenant behaviour or spurious complaints designed to extend occupation that is not in accordance with tenancy conditions. The

minority of the Committee have however reached a different conclusion, and the reasons for this dissenting view are set out in Appendix 1 (paragraphs A.11 – A.12).

Recommendation 19

The Committee calls on the Mayor to undertake, as a matter of urgency, work with the sector, housing rights and tenant groups and legal organisations to review how the issue of retaliatory eviction might be addressed in London.

Recommendation 20

The majority of the Committee recommends that in order to reduce a landlord's scope for retaliatory eviction, the Government should bring forward reforms to Section 21 of the Housing Act 1988 to remove a landlord's right to 'no fault' eviction.

4. Conclusions

- 4.1. Over the past decade, London's private rented sector has changed and no longer fulfils the 'niche' role that tenants once desired. Yet the regulatory framework governing the sector has remained relatively unaltered and the majority of the Committee believes that it now fails to reflect the challenges this new role entails.
- 4.2. The current lack of social rented homes and the inability of would-be first time buyers to afford property in London have led to unprecedented growth in the private rented sector. But the sector is not providing housing conditions that are required by low income households and generation rent – it is not fit for the purpose it is now asked to perform.
- 4.3. The current financial situation has enabled the sector to benefit at the expense of the owner occupied sector in London – the Government's 'Funding for Lending' scheme has benefited buy-to-let landlords' access to cheap mortgages – as they are more able to find deposits than prospective first-time buyers.
- 4.4. Imbalances between supply and demand has not driven up standards and the low levels of regulation and control have not delivered the improvements needed for it to make it an attractive tenure of choice for many of those who now live in it. Rents are rising above inflation and wage increases – driving down disposable incomes. The majority of the Committee believes it is now time to implement some kind of sensible but fair mechanism to stabilise rocketing rents in the capital. The majority believes this approach will not damage the sector given the level of fair returns that will still be made by landlords.
- 4.5. Without Government appetite for regulation local authorities need to deliver creative schemes that will incentivise private landlords to offer better conditions, longer tenancies and more stable rent regimes. The most effective incentives are likely to offer the smaller landlords ways of reducing their management and maintenance costs. Boroughs should develop 'social lettings' schemes that engage with the private sector to offer these incentives.
- 4.6. Boroughs must use their existing legal powers to focus on ridding the sector of rogue operators – and they need to be assisted by Government in ensuring penalties for malpractice are far higher to act as a deterrent.

- 4.7. The majority of the Committee believes that some form of compulsion is probably necessary – all landlords should be required to register to operate in London – and the ‘licence to operate’ should be withdrawn for serious breaches of housing, landlord and tenant law. It is time to subject all lettings agents to regulation to stop the abuses that make renting even more unaffordable. There is growing support for these more ‘interventionist’ measures from local authorities across the political spectrum and some sections of the industry itself.
- 4.8. Without further innovations in the use of publicly owned land institutions are unlikely to add much new property to London’s private rented stock in the medium term – local authorities and housing associations offer much greater prospects using their own resources and management expertise to deliver new homes at affordable private rents.
- 4.9. The Mayor can play a much more pro-active and influential role. His rental standard needs to reflect his desire for the sector to offer attractive and secure conditions for all those who live in it – and so it needs to be more ambitious and offer the incentives needed for all landlords in London to be part of it. Until further improvements can be implemented the Mayor should aim to increase the visibility of accreditation schemes and his London Rental Standard. Lastly, he needs to keep the sector under constant review, protect the rights of tenants and drive up standards as part of his strategic housing priorities.

Summary of recommendations

Tackling the high cost of renting

1. The majority of the Committee believes that the Mayor must bring forward an effective mechanism through which private sector rents can be stabilised. To this end the Committee believes the Mayor should take forward proposals to government, seeking legislation to allow for the introduction of a rent stabilisation scheme pilot. The parameters of this should be agreed between the Mayor and the London Assembly.

A minority of the Committee are opposed to any attempt to control rents in the belief that this will deter landlord investment and so damage future supply of much needed housing in the capital.

2. The Department for Communities and Local Government should review whether increasing levels of private sector rents in London are forcing local authorities to breach guidelines set out in the Homelessness Code of Conduct in relation to the amount of disposable income available after rent has been paid.
3. The Mayor should support the expansion of 'social lettings' agencies across London. All boroughs should work in partnership with landlords to agree arrangements that incentivise landlords to provide stable rents and longer tenancies in return for access to measures that can lower their costs, such as reducing voids, guaranteeing rent payment and giving access to repairs services at advantageous rates. In addition, the Committee recommends the Mayor funds research to establish the feasibility and impact of establishing a London-wide lettings agency.

Rogue landlords and criminal practices

4. Given that local authorities believe the penalties for landlords that breach existing regulations governing private rented housing are not a sufficient deterrent and are too time consuming to issue, the Committee believes that the Department for Communities and Local Government needs to review these penalties with a particular focus on increasing the size of penalties and making the process of issuing penalties easier.

5. The Department for Communities and Local Government should ensure that, for private sector landlords, there should be a general statutory obligation to respond to tenant complaints, enquiries and requests for repairs.
6. The Department for Communities and Local Government should review whether guidelines to magistrates on the level of fines for criminal landlord practices are proving sufficient to help stamp out bad practice.

Landlord registration

7. The majority of the Committee believes that, as part of a simple and inexpensive procedure, landlords should have to register in order to operate in London. This should allow local authorities to more easily enforce standards.

A minority of the Committee however believes that any move to introduce further regulatory requirements for landlords to comply with would jeopardise the future supply of private rented property in London.

Improving housing conditions in the private rented sector

8. The Mayor should negotiate with Government and the banking sector to set up a 'Decent Homes Fund' for the private rented sector in London designed specifically for landlords to access low cost loans to improve the quality of their property. Government should also review the viability of tax incentives with the aim of encouraging private landlords to make physical improvements in their property.
9. The Mayor needs to ensure that minimum energy efficiency standards are achieved in the private rented sector by 2018, in accordance with the Energy Act (2011). To do this the Mayor should identify properties in the private rented sector that could benefit from the Government's Green Deal energy efficiency programme and inform landlords once formal offers become available. The Mayor should also ensure that landlords also have access to ECO funding streams to help ensure their property is energy efficient so tenants' housing costs can be reduced.

More effective enforcement

10. The Mayor should assist boroughs in using the full range of enforcement powers at their disposal to crack down on rogue landlords operating in the private rented sector. He might do

this by promoting examples of best practice across London and sharing detailed technical and legal guidance where this has been shown to reduce illegal landlord behaviour.

Longer tenancies in the private rented sector

11. Local authorities should work with the private sector to ensure that homeless households placed in the sector have at least 24 month tenancies (with relevant break clauses for termination of agreements and allowing termination for breaches of agreements) – and longer if they have children. They can do this through a variety of incentives – such as guaranteeing rent and ensuring tenants are educated in their responsibilities.
12. The Bank of England, Financial Conduct Authority and the British Banking Association should encourage lenders to remove the mortgage restrictions applied by lenders that prevent landlords from offering long tenancies, renting to tenants on benefits or operating in areas where selective landlord licensing exists. Government should back this up with regulation if these restrictions are not lifted. All of these restrictions run counter to the objectives of ensuring the private rented sector can offer appropriate accommodation of a decent type for low income households and families with children.
13. Housing associations and local authorities should work with financial institutions in partnership to offer high quality private rented accommodation on long term tenancies at reasonable rents to boost the supply of new homes that match local need by using their land resources to reduce risk and upfront development costs. This investment should be seen as a supplement to, not a replacement of, the associations' core business.

Tackling letting agents

14. Government should ensure that the new Enterprise and Regulatory Reform Act is implemented in a way that ensures letting agents are subject to regulation that will lead to longer tenancies and reduce the cost of renting.

The Mayor's London Rental Standard

15. The Mayor's Rental Standard should be more ambitious in terms of setting new standards for long-term private rented accommodation in the capital and should also incorporate a 'fit

and proper person' requirement for landlords operating in London.

A minority of the Committee however believes the scheme is still being implemented and so it is too early to judge whether or not the scheme has delivered a 'step change' and needs to be made more ambitious.

16. The Mayor should ensure that his proposed London Rental Panel reviews the effectiveness of mechanisms for tenant complaints in the private rented sector and seek to create a single industry wide redress scheme that would benefit London renters.

Strengthening tenant rights

17. In collaboration with third sector partners, the Mayor should establish a 'know your rights' website aimed at private sector tenants and promote this widely using his unique access to the advertising space available through Transport for London.
18. Government should bring forward proposals aimed at reducing the scope for retaliatory eviction for those tenants who complain about poor conditions or bad landlord practices in the sector. This should include new statutory 'cooling off periods' during which a landlord's ability to evict their tenant is limited. The Committee hopes the Mayor would support this measure.
19. The Committee calls on the Mayor to undertake, as a matter of urgency, work with the sector, housing rights and tenant groups and legal organisations to review how the issue of retaliatory eviction might be addressed in London.
20. The majority of the Committee recommends that in order to reduce a landlord's scope for retaliatory eviction, the Government should bring forward reforms to Section 21 of the Housing Act 1988 to remove a landlord's right to 'no fault' eviction.

A minority of the Committee however is of the view that problems in defining or establishing the existence of a 'legitimate complaint' make this recommendation unworkable in practice and as such would deter landlords from terminating tenancies that are unfair to the property owner.

Appendix 1 – The minority report of the GLA Conservatives

- A.1 The GLA Conservative Members agree with much of what has been written in this report. However, there are several key issues where we disagree with the majority of the Committee. These are: rent control, compulsory registration of landlords, the Mayor’s London Rental Standard and retaliatory eviction.

Rent Control

- A.2 In our view any artificial controls on rent in the private sector, either through traditional rent control or ‘rent stabilisation’ measures, would be an unwise and counter-productive policy that would ultimately lead to failure. High rents are a symptom of a lack of supply, so the best way to stabilise rents in the long term would be to encourage investment in new housing in London.
- A.3 Artificial rent controls would deter this new investment in housing supply, including the institutional investment that we would all wish to see. This view was backed up by a wide variety of expert opinion that the Committee heard during its investigation, including from council officers, academics, industry specialists and developers¹⁰¹. It was also pointed out that tenants already have the ability to challenge unfair rent increases at tribunals¹⁰².
- A.4 Rent control would also reduce the amount of money available to landlords to improve their properties and would therefore be likely to lead to reduced standards in rented properties.
- A.5 Ultimately, whilst we understand why people would want to see artificial controls on rent, we believe that this would be a quick fix that would ultimately harm London’s housing market and reduce the supply of new homes.

Compulsory Landlord Registration

- A.6 We would not support not support a compulsory blanket registration of landlords in London, as suggested by the other Committee Members. We believe that such a scheme would be impractical as it would focus resources on targeting good landlords rather than dealing with rogue landlords.
- A.7 Rather than being a ‘simple and cheap’ solution, it may actually require significant resources to enforce and implement the scheme, and it is unclear whether the Mayor or local authorities would be responsible for this. It

would be much better for local authorities to focus on rigorously enforcing the existing regulations that they already have.

London Rental Standard

- A.8 We support the Mayor's London Rental Standard as an important initiative and strongly feel that it should be given the chance to succeed. As the scheme is still being implemented, it is too early to judge whether or not the scheme has delivered a 'step change'. Clearly the Mayor will want to keep the scheme under review to see if further measures are needed, but we are not yet at that point.
- A.9 A key concept of the London Rental Standard is to encourage landlords to voluntarily sign up and improve their standards. The priority should be to maximise the number of landlords voluntarily signing up, resulting in more landlords adopting agreed standards and practices. Therefore, if at this point the standard is set so high as to put it out of the reach of many landlords, this will clearly be counter-productive to that aim. Furthermore, we do not believe it is appropriate for the London Rental Standard to become mandatory and we would point out that the Mayor would not have the power to do this anyway.
- A.10 We are also not persuaded of the merits of a single badge of accreditation. We are concerned that it would undermine the different accreditation schemes that exist in London at the very time that they need to be strengthened.

Retaliatory Eviction

- A.11 We do not believe it is appropriate or helpful to call for the removal of "Section 21" eviction powers for landlords. There is a delicate balance to be struck between the rights of landlords and tenants, but we believe that landlords should ultimately have the right to reclaim the use of their own property. The problems in defining or establishing the existence of a "legitimate complaint" make this recommendation unworkable in practice and as such would deter landlords from terminating tenancies that are unfair to the property owner.
- A.12 However, we would be happy to see a review of housing legislation to see if sensible safeguards can be introduced for tenants, whilst ensuring that landlords are not unfairly exposed to poor tenant behaviour or spurious complaints designed to extend occupation that is not in accordance with tenancy conditions.

Appendix 2 – London tenure change 2001 – 2011

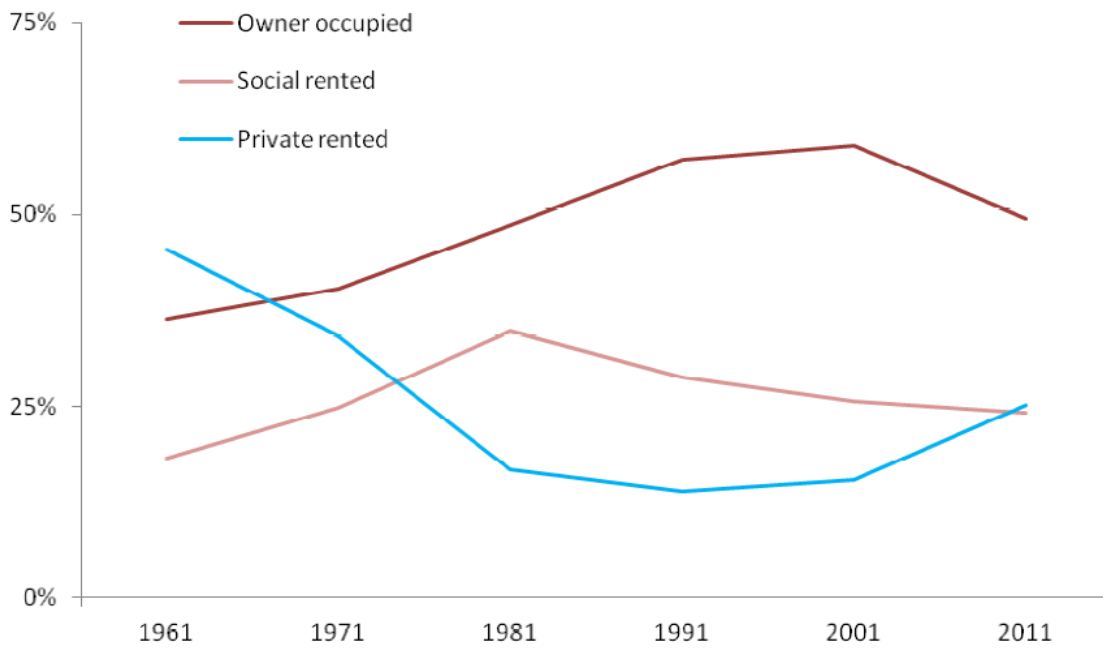
Changes in London's housing tenure 2001 – 2011

Households London

Tenure	2001		2011		Change 2001 -2011	
	Households	Per cent	Households	Per cent	Increase	Per cent
Owned	1,704,737	56.5	1,618,315	48.9	-86,422	-5.1
Social Rent	790,347	26.2	785,993	23.8	-4,354	-0.6
Private Rent	467,194	15.5	819,085	24.8	351,891	75.3
Shared	N/A	N/A	42,108	1.3	42,108	
Rent Free	53,840	1.8	42,780	1.3	-11,060	-20.5
Total London	3,016,118		3,308,281		292,163	9.7

Source: <http://data.london.gov.uk/census/secondrelease>

Appendix 3 – Tenure change in London since 1961



Source: 2011 Census, Office for National Statistics and London Datastore
<http://data.london.gov.uk/datastorefiles/documents/2011-census-snapshot-housing.pdf>

Appendix 4 – Contributors to the review

Housing and Regeneration Committee, 18 July 2012

- Rachael Orr, London Campaign Manager, Shelter
- Robbie de Santos, Private Rented Sector Policy Lead, Shelter
- Chris Norris, Head of Policy, National Association of Landlords
- Andy Hull, Institute of Public Policy Research
- Karen Shaw, Housing Needs Manager, London Borough of Lewisham
- Neil Wightman, Chair, Association of Housing Advice Services

<http://www.london.gov.uk/moderngov/documents/b6968/Minutes%20Appendix%201%20Transcript%20Wednesday%2018-Jul-2012%2010.00%20Housing%20and%20Regeneration%20Committee.pdf?T=9>

Housing and Regeneration Committee, 20 September 2012

- Cllr Karen Alcock, London Borough of Hackney /Chair of the East London Housing Partnership
- Colin Cormack, Service Head Housing Options, London Borough of Tower Hamlets
- Ian Potter, Managing Director, Association of Residential Lettings Agents
- Jacky Peacock, Brent Private Tenants' Rights Group
- Kathleen Scanlon, Research Fellow, London School of Economics

<http://www.london.gov.uk/moderngov/documents/b6984/Appendix%201%20-%20Minutes%20-%20Transcript%20Thursday%2020-Sep-2012%2014.00%20Housing%20and%20Regeneration%20Committee.pdf?T=9>

Housing and Regeneration Committee, 7 November 2012

- Stuart Corbyn, Chairman, Qatari Diar Delancey East Village Operations
- David Montague, Chief Executive L&Q
- Ken Jones, Director of Housing Strategy, London Borough of Barking and Dagenham
- Richard Blakeway, Deputy Mayor for Housing, Land and Property, GLA
- David Lunts, Executive Director of Housing and Land, GLA

<http://www.london.gov.uk/moderngov/documents/b7178/Minutes%20-%20Transcript%20-%20Appendix%201%20Wednesday%2007-Nov-2012%2014.00%20Housing%20and%20Regeneration%20Committee.pdf?T=9>

Housing and Regeneration Committee, 18 December 2012

- Jon Dalton, Head of Housing Needs, London Borough of Harrow
- Geoff Fimister, Social Policy Officer, Citizens Advice
- Heather Kennedy, Digs – Hackney Renters Group
- David Lawrenson, Letting Focus
- Ben Reeve-Lewis, Tenancy Relations Officer

<http://www.london.gov.uk/moderngov/documents/b7311/Minutes%20-%20Appendix%201%20-%20Draft%20Transcript%20Tuesday%2018-Dec-2012%2010.00%20Housing%20and%20Regeneration%20Committ.pdf?T=9>

Written submissions

Reference	Organisation / Individual
PR007	Brent Private Tenants' Rights Group
PRE001	Brian Hughes
PR004	British Property Federation
PR019	Chartered Institute of Environmental Health
PR024	Citizens' Advice
PR025	City of Westminster

PR013	Council of Mortgage Lenders
PR026	Crisis
PR027	East London Housing Partnership
PR036	Electrical Safety Council
PR015	Four in Ten Trust
PR005	Hackney Citizens' Advice Bureau
PR012	Hackney Housing Action Group
PR018	Housing for the 99%
PR040	HTA
PR009	Inclusion London
PR008	London Borough of Barnet
PR023	London Borough of Croydon
PR028	London Borough of Enfield
PR001	London Borough of Harrow
PR022	London Borough of Hounslow
PR029	London Borough of Merton
PR011	London Borough of Newham
PR010	London Borough of Redbridge
PR006	London Borough of Sutton
PRE018	London People Before Profit
PR030	London Student Group
PRE004	Member of the public
PRE006	Member of the public
PRE016	Member of the public
PRE015	Mr Christopher Nolan
PR041	Mr Derek Jones
PRE013	Mr John Moss
PRE011	Mr John Pilcher
PRE010	Mr Ken Barnett
PRE019	Mr Marc Lane
PRE014	Ms Alice Hall
PRE020	Ms Hannah Asprey
PRE008	Ms Josephine Bacon
PRE005	Ms Katerina Iats
PRE017	Ms Meg Flight
PRE003	Ms Nicky St Clair
PR020	Ms Rosie Walker
PR002	Muse Developments

PR003	National Landlords Association
PR031	National Union of Students
PR032	Quaker Social Action
PRE012	Rachel Carlill
PR021	Residential Landlords Association
PR038	Residential Property Tribunal Service
PR033	Royal Institute of Chartered Surveyors
PRE007	Safe and Healthy Homes Ltd
PRE009	Sarah Cole
PR016	Save the Children
PR017	Shelter
PR034	Stonewall
PR035	University of London Union
PR014	Zacchaeus 2000 Trust

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Punjabi

ਜੇ ਤੁਸੀਂ ਇਸ ਦਸਤਾਵੇਜ਼ ਦਾ ਸੰਖੇਪ ਆਪਣੀ ਭਾਸ਼ਾ ਵਿਚ ਲੈਣਾ ਚਾਹੋ, ਤਾਂ ਕਿਰਪਾ ਕਰਕੇ ਇਸ ਨੰਬਰ 'ਤੇ ਫ਼ੋਨ ਕਰੋ ਜਾਂ ਉਪਰ ਦਿੱਤੇ ਡਾਕ ਜਾਂ ਈਮੇਲ ਪਤੇ 'ਤੇ ਸਾਨੂੰ ਸੰਪਰਕ ਕਰੋ।

Hindi

यदि आपको इस दस्तावेज का सारांश अपनी भाषा में चाहिए तो उपर दिये हुए नंबर पर फोन करें या उपर दिये गये डाक पते या ई मेल पते पर हम से संपर्क करें।

Bengali

আপনি যদি এই দলিলের একটি সারাংশ নিজের ভাষায় পেতে চান, তাহলে দয়া করে ফো করবেন অথবা উল্লেখিত ডাক ঠিকানায় বা ই-মেইল ঠিকানায় আমাদের সাথে যোগাযোগ করবেন।

Urdu

اگر آپ کو اس دستاویز کا خلاصہ اپنی زبان میں درکار ہو تو، براہ کرم نمبر پر فون کریں یا مذکورہ بالا ڈاک کے پتے یا ای میل پتے پر ہم سے رابطہ کریں۔

Arabic

ال حصول على ملخص لهذا المستند بل غتاك، فارجاء الاتصال بترقيم الهاتف أو الاتصال على عنوان البريدي أو عنوان البريدي الإلكتروني أعلاه.

Gujarati

જો તમારે આ દસ્તાવેજનો સાર તમારી ભાષામાં જોઈતો હોય તો ઉપર આપેલ નંબર પર ફોન કરો અથવા ઉપર આપેલ ટપાલ અથવા ઈ-મેઇલ સરનામા પર અમારો સંપર્ક કરો.

Endnotes

¹ The London Living Wage is 15 per cent higher than the rest of the country - <http://www.livingwage.org.uk/>

² Only Moscow is more expensive than London in Europe - <http://www.rettie.co.uk/blog/london-named-the-sixth-most-expensive-city-for-property-rental/>

³ From being London's largest housing tenure, as recently as the mid-1960s, its importance declined in the second half of the last century as home ownership grew and social housing was built to provide affordable homes, often with much better conditions for those who had in the past rented privately

⁴

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/12050/FA1121__S135b__Tenure_by_Region.xls

⁵ 2011 Census Table KS402EW - Tenure - London

⁶ Appendix 2 sets out the changes by tenure between 2001 and 2011

⁷ Shelter written submission

⁸ Appendix 3 shows tenure change in London since 1961

⁹ For example, written submissions from Save the Children, Brent Private Tenants' Rights Group and LB Harrow

¹⁰ Official studies have been complemented by numerous reports from lobbying organisations and think tanks – Shelter http://england.shelter.org.uk/campaigns/why_we_campaign/improving_private_renting, Joseph Rowntree Foundation <http://www.jrf.org.uk/sites/files/jrf/rented-accommodation-private-sector-full.pdf>, Institute of Public Policy Research http://www.ippr.org/images/media/files/publication/2012/06/together-at-home-new-strategy-housing_June2012_9279.pdf

¹¹ <https://www.gov.uk/government/policies/improving-the-rented-housing-sector--2>

¹² <https://www.gov.uk/government/news/montague-plan-offers-boost-to-private-rented-sector>

¹³ <http://www.london.gov.uk/sites/default/files/Housing-Covenant-Making-the-PRS-work-for-Londoners.pdf>

¹⁴ Sheet 1005c:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/10809/2001284.xls.

¹⁵ Between 2002 and 2012 the number of households on London local authority waiting lists rose from 227,000 to 380,000 – a 68 per cent increase. By comparison there were

7,100 affordable rented homes completed in 2011/12 CLG housing statistics Table 600 <https://www.gov.uk/government/statistical-data-sets/live-tables-on-rents-lettings-and-tenancies> Table 253 <https://www.gov.uk/government/statistical-data-sets/live-tables-on-house-building>

¹⁶ Section 148, Localism Act 2011

¹⁷ In 2012 more than 78 per cent of households accepted as homeless by London boroughs were housed in the private rented sector
www.communities.gov.uk/documents/statistics/xls/2102102.xls

¹⁸ CLG data shows that London private sector rents rose by 111 per cent between 1994 and 2007 compared with a 95 per cent increase in housing association rents.

¹⁹

http://www.voa.gov.uk/corporate/statisticalReleases/130328_PrivateRentalMarket.html

²⁰ In October 2011, Shelter confirmed, "London boroughs are the most expensive in England, with the average rent for a two bedroom home in the capital (£1,360) almost two and a half times the average in the rest of the country (£568)

²¹ East London Partnership written submission

²² Shelter written submission suggests that this is the case in 23 of London's 32 boroughs

²³ East London Partnership written submission

²⁴ Figure 8 – The rent trap and the fading dream of owning a home. Shelter, January 2013

http://england.shelter.org.uk/_data/assets/pdf_file/0007/624391/Rent_trap_v4.pdf

²⁵ Residential Landlord Association written submission

²⁶ Average rent is £1,329 monthly (£15,948 annually) and there are 819,000 properties = £13.1 billion in rent annually. An 11 per cent rent rise would increase rents by £1.4 billion, but a rise linked to CPI at 3 per cent would increase rents by £392 million – allowing an additional £1.04 billion to be spent in London's economy.

²⁷ In November 2012, 230,050 households in the sector were receiving this benefit (up 22 per cent / 41,510 households since November 2010)

http://83.244.183.193/hb_la/#view=hblaview7&selectedWafers=8&selectedColumns=0

²⁸ Brent, Enfield and Westminster spend more than one hundred million pounds a year on such support for those living in the private rented sector.

²⁹ Residential Landlord Association written submission

³⁰ While the cost of housing benefit remained broadly stable as a proportion of GDP from 2000 to 2008, since the recession costs have risen both in absolute and proportionate terms - Child Poverty Action Group, London Assembly Plenary, 13 March 2013

³¹ <http://www.dwp.gov.uk/newsroom/ministers-speeches/2011/22-06-11.shtml>

³² http://statistics.dwp.gov.uk/asd/asd4/expenditure_tables_Budget_2013.xls

³³ London borough of Enfield written submissions

³⁴ London borough of Hounslow written submissions

³⁵ London borough of Newham written submission

³⁶ Hackney Citizens Advice Bureau written submission

³⁷ Inside Housing 15 June 2012, <http://www.insidehousing.co.uk/tenancies/private-landlords-turning-backs-on-benefits-tenants/6522369.article>

³⁸ London boroughs of Barnet and Croydon written submissions

³⁹ Many submissions have indicated that the shortage of cheaper rented properties are leading to migration, overcrowding and the acceptance of sub-standard accommodation – for example Residential Landlord Association, LB Hounslow, Haringey Housing Action Group, Inclusion London, 4 in 10 and Save the Children

⁴⁰ Since January 2012 people under 35 can only single people aged under 35 can only claim the cost of renting a single room in a shared house (Shared Accommodation Rate), rather than the rate for a self-contained one bedroom property. “No room available: study of the availability of shared accommodation” Crisis, December 2012, <http://www.crisis.org.uk/data/files/publications/1212%20No%20room%20available.pdf>

⁴¹ Shelter estimates that in London rent inflation was 4.8 per cent in 2012 compared with a 4.9 per cent fall in wages
http://england.shelter.org.uk/_data/assets/pdf_file/0007/624391/Rent_trap_v4.pdf

⁴² CLG, Homelessness Code of Guidance for Local Authorities (2006)

⁴³ Crisis written submission

⁴⁴ These regulations limited the amount of rent that could be charged by linking increases to inflation. The controls were abolished by the Housing Act 1988 [check].

⁴⁵ Association of Residential Lettings Agents, Housing and Regeneration Committee, September 2102

⁴⁶ Section 1.2 - Making the private rented sector work for Londoners, December 2012
<http://www.london.gov.uk/sites/default/files/Housing-Covenan-Making-the-PRS-work-for-Londoners.pdf>

⁴⁷ <http://www.cchpr.landecon.cam.ac.uk/outputs/detail.asp?OutputID=284>

⁴⁸ Kath Scanlon, London School of Economics, Housing and Regeneration Committee, 20 September 2012

⁴⁹ Between 2001 and 2011 the number of households in London increased by 292,163 – the private rented sector by 352,000 but the owner occupied sector shrank by more than 86,000 – suggesting that thousands of owner occupied homes were converted to the private sector.

⁵⁰ “Buy-to-let lending bounces back as landlords cash in on rising rents”

<http://www.guardian.co.uk/money/2013/feb/14/buy-to-let-bounces-back-landlords-rising-rents>

⁵¹ For example, Ben Reeve-Lewis and Heather Kennedy, Housing and Regeneration Committee, 18 December 2012

⁵² British Property Federation written submission

⁵³ LB Havering www.havering.gov.uk/Pages/Services/Social-letting-agency.aspx, Southwark www.southwark.gov.uk/info/10084/private_home_owners_and_landlords/945/earn_money_from_your_property/5 Lewisham www.lewisham.gov.uk/myservices/housing/landlords/Documents/How%20to%20maximise%20your%20income%20through%20Lewisham's%20Lettings%20Schemes%20-%20Morna%20London.pdf

⁵⁴ The authority takes on full housing management functions including repairs, voids and rent collection. The costs of management of the schemes are usually funded by the margin between the rents charged to the tenant and rents paid to the landlord.

⁵⁵ For example LB Enfield, LB Harrow and City of Westminster written submissions

⁵⁶ Shelter and Citizen Advice written submissions

⁵⁷ Relative to the size of the sector, these figures are small and suggest that only around 2 per cent of tenants are reporting problems or seeking advice. Consumer Focus, however, found that in 2009, of those who had recent experience of renting privately, more than one in four had cause to complain in the previous two years.

⁵⁸ Shelter, supplementary written submission 24 September 2012

⁵⁹ Shelter written submission

⁶⁰ Consumer Focus written submission to Planning and Housing Committee June 2011

⁶¹ Selective Licensing of Privately Rented Housing, House of Commons Standard Note: SN/SP/4634, 16 June 2010

⁶² Newham’s pilot scheme licensed all 257 private sector properties and led to 30 prosecutions for failure to licence. The scheme achieved a 75 per cent drop in reported anti-social behaviour, recovered nearly £23,000 in housing benefit paid to non-compliant landlords alongside a number of rent repayment orders, and 99 per cent of properties now have no waste in their front gardens. The supply of private rented sector property in the area also rose by more than 6 per cent.

⁶³ For example LB Enfield written submission

⁶⁴ London borough of Hounslow written submission – similar recommendations have been made by the Royal Borough of Kensington and Chelsea <http://www.publications.parliament.uk/pa/cm201213/cmselect/cmcomloc/writev/953/prs157.htm>

⁶⁵ Compulsory registration exists in Scotland and the Republic of Ireland and is being considered in Wales links

⁶⁶ Examples of such schemes are set out in paragraph 2.31

⁶⁷ These reasons are explained in more detail in the Assembly's 2011 report <http://www.london.gov.uk/sites/default/files/Bleak-Houses-Final-Report.pdf>

⁶⁸ For example LB Enfield and National Landlord Association written submissions

⁶⁹ For example, Chartered Institute of Housing, Crisis, LB Enfield, LB Hounslow written submissions

⁷⁰ <http://www.london.gov.uk/sites/default/files/Bleak-Houses-Final-Report.pdf>

⁷¹ Chartered Institute of Housing, Brent Private Tenants' Rights Group, Chartered Institute of Environmental Health, Housing for the 99%, LB Hounslow written submissions

⁷² See discussions at Housing and Regeneration Committee meetings 18 July and 18 December 2011

⁷³ Housing and Regeneration Committee, 20 September 2012

⁷⁴ East London Housing Partnership, written submission

⁷⁵ David Lawrenson, LettingFocus, Housing and Regeneration Committee 18 December 2012

⁷⁶ Housing and Regeneration Committee 18 December 2012

⁷⁷ Most council tenancies are "lifetime" tenancies while most housing association tenancies are "assured" tenancies that have strong rights and tenancies can only be ended in certain circumstances

⁷⁸ The report was based on results of the 2011 Census: Owner occupation in freefall as young people struggle to buy homes <http://www.standard.co.uk/news/london/owner-occupation-in-freefall-as-young-people-struggle-to-buy-homes-8406005.html>

⁷⁹ On 13 March the London Assembly passed a motion that called on the Mayor to research the impact that overseas investment was having on London's housing market

⁸⁰ See footnote to paragraph 2.6

⁸¹ Recent analysis by Findaproperty.com, shows that first-time buyers who have no financial assistance from their parents would have to rent in the capital for an average of 31 years before saving enough for a deposit to buy their own home, spending £308,558 on rent.

⁸² For example Residential Landlord Association and Royal Institute of Chartered Surveyors written submissions

⁸³ For example National Landlords Association, Zacchaeus 2000 Trust and 4 in 10 written submissions

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- ⁸⁴ Table 3, “ The Private Rented Sector in the New Century: a Comparative Approach”, September 2012
http://www.cchpr.landecon.cam.ac.uk/Downloads/The%20Private%20Rented%20Sector_WEB.pdf
- ⁸⁵ www.guardian.co.uk/housing-network/2012/apr/24/boris-johnson-mayor-homes-for-london
- ⁸⁶ Delancey and Qatari Diar acquired 1,439 homes which will become private rented housing, along with six adjacent future development plots with the potential for a further 2,000 new homes. The majority of the 1,439 private homes in the Village are to be let on a rental basis, instead of being sold, with the ownership remaining with the Delancey and Qatari Diar joint venture. This will create the first UK private sector residential fund of over 1,000 homes to be owned and directly managed as an investment.
- ⁸⁷ Source – David Lunts / Ric Blakeway (Deputy Mayor for Housing) Housing and Regeneration Committee November 2012
- ⁸⁸ <http://www.guardian.co.uk/society/2013/mar/03/london-housing-associations-private-property-rent>
- ⁸⁹ David Montague, Chief Executive, L&Q, Housing and Regeneration Committee November 2012
- ⁹⁰ www.lbbd.gov.uk/Regeneration/BarkingTownCentre/Pages/WilliamStreetQuarter.aspx
www.lbbd.gov.uk/News/PressReleases/Pages/NewHomesThamesView.aspx
- ⁹¹ For example, it is common for agents to charge £150 for tenancy renewals and £200 - £300 for tenant credit checks that are available for £6.99 on the internet. However, some “no frills” agents now charge flat fees of only £20 to landlords and tenants for arranging tenancies. Housing and Regeneration Committee 18 December 2012
- ⁹² This call is backed by the Association of Residential Lettings Agents themselves - Ian Potter, ARLA, Housing and Regeneration Committee, September 2012
- ⁹³ The private rented sector: its contribution and potential, Centre for Housing Policy, University of York, 2008
- ⁹⁴ Private Landlords Survey 2010, CLG October 2011
- ⁹⁵ The private rented sector: its contribution and potential, Centre for Housing Policy, University of York, 2008
- ⁹⁶ Housing and Regeneration Committee December 2012
- ⁹⁷ <http://www.guardian.co.uk/housing-network/2012/oct/11/private-renting-rogue-landlords-need-education>
- ⁹⁸ Housing and Regeneration Committee December 2012
- ⁹⁹ On 13 December 2012, the Mayor published for consultation his “Third Housing Covenant Programme”. This focuses on the private rented sector and highlights the

importance of private renting to London's economy and housing market, while recognising that the sector is growing and that more consistent standards are required.

¹⁰⁰ The Homelessness (Suitability of Accommodation) (England) Order 2012
http://www.legislation.gov.uk/uksi/2012/2601/pdfs/uksi_20122601_en.pdf

¹⁰¹ Many experts at the Housing and Regeneration Committee hearings in October, November and December 2012 commented that rent controls would reduce the supply of housing in that sector, and would particularly deter institutional investors. This included comments from LSE, Tower Hamlets, the Association of Residential Letting Agents (ARLA) and Qatari Diar.

¹⁰² Housing and Regeneration Committee, 20 September 2012

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