Protecting London’s property guardians

Housing Committee
February 2018
Holding the Mayor to account and investigating issues that matter to Londoners
The Housing Committee scrutinises the Mayor’s role and record in delivering the private, social and affordable homes London needs.

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This report is the first comprehensive look by a city or local government in England at the issue of property guardianship, and its findings echo many of the issues for which we have only had anecdotal evidence.

Housing Committee members have heard public evidence from local authorities, parliamentarians, experts in the law and guardian companies as part of our investigation. We have visited a property occupied by guardians and spoken directly to guardians themselves on our visit and at City Hall.

We have commissioned independent research which has helped to find out more about the characteristics of guardians and the issues they face. This uncovered a different picture from the traditional image of property guardians as carefree, young people, with most working full time on lower than average incomes, and ranging in age up to 60.

We found that, as a way of filling empty homes and securing buildings, there are many advantages for property owners in using temporary guardians. However, legal grey areas and a lack of information and standards means the relationship between property guardians and the companies controlling their homes is currently unbalanced. As this relatively new industry looks set to grow, with more homes and buildings earmarked for regeneration in future years, this balance must be reset.

Our recommendations ask the Mayor and local councils to provide more information and access to advice for property guardians, seek to make sure guardianship is included in new legislation to ban additional fees to private renters and give them access to redress schemes, and ask for help for councils and the London Fire Brigade to enforce good safety standards.

Most importantly, we want the Government to provide more clarity in the law, so that companies managing buildings have a level playing field when competing for business, and so that potential property guardians know what they are getting into and existing guardians know how to exercise their rights.

I’d like to thank all of those who contributed to this investigation.
Summary

Property guardianship is a relatively unknown housing choice in the UK but it is a rapidly growing phenomenon. Property guardianship protects vacant commercial and residential property by occupation, providing additional short term accommodation, normally at sub-market rent levels. There are estimated to be between 5,000 and 7,000 people living as property guardians in the UK, with London having the lion’s share of that figure. On current trends, this has the potential to grow dramatically.

Very little has been published about the implications of property guardianship for those involved, especially the guardians themselves. We commissioned independent research from the University of York to explore this relatively new housing phenomenon in more detail. This work, as far as we are aware, is the largest research project on property guardianship to date. The research included a survey of current property guardians, mapping of advertised property guardian opportunities and a discussion with local authorities to understand their concerns with property guardianship. It is published alongside this report.

The profile of property guardians has changed significantly in recent years. Property guardians are no longer just young creatives looking for cheap live-work space. Today they are often professionals, working full time and ranging in age from early twenties to over 60. The challenge of affordability in London is pushing an increasing number of people into guardianship so they can live in the capital, although some people do seek out these opportunities and enjoy this way of living.

Until now, the relatively unregulated success and the rapid growth of the industry has relied on legislative grey areas and an unbalanced relationship between property guardians, property owners and property guardian companies. This relationship must be rebalanced and legislation reviewed to ensure this sector contributes positively to providing housing for Londoners with more benefits than costs.

There are growing concerns over the expansion of guardianship. Guardianship offers a licence agreement instead of an Assured Shorthold Tenancy agreement (AST) commonly found in the private rented sector. These licence agreements come with very few legal protections compared to ASTs. Those who are unable to afford the private rented sector, or access other accommodation, are penalised by their financial situation and accept limited
legal rights in return for more affordable accommodation in the property guardianship industry.

The lack of legal rights may also have a knock-on effect on the condition of properties occupied by guardians. Guardians commonly complain that properties are not habitable or kept in a good state of repair. According to our survey, 22 per cent of guardians are dissatisfied with repairs and maintenance and 37 per cent of guardians have problems with mould and condensation in their properties. Unfortunately, guardians are often not making their local authority aware of poor living conditions; either because they are not aware they can or they are afraid of losing their licence and being made homeless. Unlike in the private rented sector, there is no ‘safe space’ for guardians to highlight complaints or concerns.

Fire safety in properties is also a concern. Most guardians are required to purchase their own fire safety equipment before they move into a property at an average cost of £50. This can include a fire alarm, fire blanket and fire extinguisher. However, guardians, environmental health officers and the London Fire Brigade are concerned that the packs will not protect guardians adequately if there is a fire, especially if they are living in a commercial property.

Local authority enforcement officers and the London Fire Brigade are struggling to enforce against malpractice in the sector. Current legislation does not reflect this new housing option and has left a grey area which is being exploited by guardian companies and property owners to the detriment of guardians. The Housing Act 2004, the Fire Safety Order 2005 and accompanying guidance must be revisited to ensure they are still relevant and protect guardians effectively. The need for planning permission for temporary change of use must also be clarified.

The industry has recognised the need to improve but requires support from central government and the Mayor to ensure its reputation does not suffer more. Some companies are investigating how self-regulation could benefit the sector. Other companies are working with industry-wide associations to promote best practice. While we welcome these initiatives by the sector, any self-regulation needs to be underpinned by clear guidance from the Ministry for Housing, Communities and Local Government (MHCLG) on minimum health and safety and housing of multiple occupation standards and whether planning permission is required in any property occupied by guardians. Without clear guidance, it will be difficult to raise standards in the industry and penalise those who flout the law.
## Recommendations

### Recommendation 1
MHCLG should review legislation and guidance (for example, the Tenant Fees Bill 2017) to see how licensees can benefit from the improvements made in the private rented sector.

### Recommendation 2
The Mayor and MHCLG should provide guidance about the legal rights of guardians and where guardians can access help.

### Recommendation 3
The Mayor should advise councils (especially those that use property guardians) to ensure the words ‘property guardian’ are included on all local authority publicly promoted resources on raising grievances about property standards, fire safety and environmental health concerns.

### Recommendation 4
MHCLG should require all property guardian companies to register with a recognised property agents redress scheme. This would allow guardians to raise concerns about a company in a ‘safe space’.

### Recommendation 5
The Valuation Office Agency should provide clear guidance on whether commercial properties that are temporarily occupied by guardians are entitled to a temporary revaluation from business rates to council tax. This would ensure property guardian companies and property owners are aware of the rules around business rates and council tax.
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<td>MHCLG should clarify whether the Housing Act 2004 is enforceable against malpractice in the property guardian sector. MHCLG should revisit the Housing Act 2004 if it is no longer protecting people effectively.</td>
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<td>The Mayor should use the London Boroughs’ Private Rented Sector Partnership to share best practice and lessons learned by local authorities.</td>
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<td>MHCLG should provide statutory guidance for environmental health officers and the London Fire Brigade on how to effectively deal with buildings occupied by property guardians, like guidance provided for bedsits and shared accommodation.</td>
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<td>The Mayor and MHCLG must provide clarity on how local authority planning departments should handle commercial properties occupied by property guardians.</td>
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<td>The Mayor and MHCLG should set out best practice guidance for local authorities when procuring property guardian services. Guidance should include a standardised contract between building owners and guardian companies, which contains a minimum length of tenure, licence fee setting if applicable, and clear guidance on repairs and maintenance responsibilities. This guidance could also form part of the ‘A fairer deal for private renters and leaseholders’ section of the Mayor’s Housing Strategy.</td>
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Recommendation 11

Efforts by guardian companies to introduce common standards are welcome, but it is important all companies follow them if they are to be effective. Therefore, the Mayor and Government, as well as councils who use guardian companies, should look at what can be done to ensure new standards are applied more widely.
1. Background

Key findings

- Property guardianship has grown rapidly in recent years, and is now found across London.

- Property guardians receive licences instead of assured shorthold tenancies (ASTs). These offer considerably less protection than a standard tenancy agreement.

- The relationship between property guardians, property owners and property guardian companies is currently unbalanced.
Background

1.1 Property guardianship is a way of protecting vacant property by occupation. This model of vacant property protection originated in the Netherlands in the early 1990s as an anti-squatting measure. Property guardianship also provides accommodation, normally at submarket rent levels, in residential and commercial buildings.

1.2 Living in a property as a guardian is very different from being a tenant in the private rented sector (PRS). Guardianship offers a licence agreement for accommodation instead of an Assured Shorthold Tenancy agreement (AST) which is common in the PRS. These licences have very few legal protections compared to an AST.

1.3 The concept of property guardianship has been relatively unknown in the UK but it is a growing phenomenon. Property guardian providers estimate that there are between 5,000 and 7,000 guardians in the UK, with London having the lion’s share of that figure. A freedom of information request in 2016 showed that there were over 1,000 guardians protecting local authority property in London alone.\(^1\) Property guardianship has the potential to become a much more mainstream form of housing. In the Netherlands, it is becoming an increasingly popular choice of accommodation, where there are estimated to be 50,000 people living as guardians.\(^2\)

**Figure 1. Twenty-four out of the 33 London local authorities protected at least one property by property guardianship in 2016**

Source: Freedom of Information request, Sian Berry AM, 2016
1.4 It is important to note that property guardianship is not just a London phenomenon. Although there is a large concentration of guardians in the capital, they can be found up and down the country. Urban areas appear to have the greatest concentration, but it seems this way of securing and managing empty buildings is also making its way into smaller towns and rural areas. The committee received evidence to this review from environmental health officers operating in the coastal town of Great Yarmouth, Norfolk.

1.5 Our investigation has found that property guardianship is not always the ‘win-win-win’ scenario it is commonly promoted as. The relationship between property owners, the companies that work for them and the guardians is unbalanced. Property guardians can live a precarious existence. They are not protected by legislation or standard practices in the same way that tenants in the private rented or social rented sector are. This must be reviewed to ensure property guardians are adequately protected.
2. The property guardians

Key findings

- The profile of property guardians is changing, and is no longer dominated by young twenty-somethings.

- People are primarily attracted to becoming a property guardian because of the lower costs when compared to private renting. However, fees charged can vary from £195 to £1000 per month.

- Property guardians live in a wide range of buildings, but most commonly residential or former local authority properties.

- The average length of stay for a guardian is twelve months, but some stay as long as six years.

- The current legal status of guardians is unclear.
Who are London’s property guardians?

2.1 Because little is known about guardianship, we commissioned some independent research to fill the gap. It sets out for the first time who London’s property guardians are and what life as a guardian is like.

2.2 We have found that the profile of property guardians is changing. A wide range of people are now living as guardians and it is no longer just a choice for the twenty-something creative looking for a cheap live-work space. Most guardian companies now require prospective guardians to be in full time employment, with some even stipulating a minimum income level, before someone can be considered for a guardianship. This may have a significant impact on who applies to become a guardian.

The University of York surveyed over 200 property guardians and found that:

- Most guardians work full time or are self-employed.
- The average guardian income is £24,800 - significantly lower than the average income in the PRS.
- Guardians can range in age from early twenties (and younger) to mid to late 60s.
- Guardians spend on average 37 per cent of their income on accommodation.
- Most guardians are British, Irish or from another white background.
- Men are slightly more likely to be guardians than women.
- A very low proportion of guardians have a disability.

2.3 The survey showed that cheaper housing costs, good locations and the perceived ‘temporary’ way of living are a draw for some people. Most companies go through a rigorous application process to make sure the applicant is the right match for the company and understands what it means to be a property guardian. Dot Dot Dot told us they receive so many applications that only four per cent are successful and go on to become guardians.

Is guardianship getting more expensive?

2.4 Guardianship can provide low cost accommodation. Some properties are even advertised at prices comparable to socially-rented accommodation. In London, this can be a third of the cost of housing in the PRS. Companies that attended our roundtable said licence fees (charged to the guardian) were on average £400 a month.
2.5 However, there is a large variation in fees charged and they are, in general, rising. Our survey showed there was a wide range in the cost of licence fees, from £195 per month to £1,000 per month. The average licence fee for a property in London was £475 a month. And rises in fees of as much as 200 per cent have been reported. One source told us their guardianship fees had increased from £240 a month including bills in 2009 to £800 excluding bills in 2017.

Marcel had a very positive experience of guardianship. He lived in an ex-office block in the centre of London with 32 other people. He had heard about guardian schemes from friends and was attracted by the low price. He found it a great way to meet new people, having just moved to London. He signed a licence agreement that was comprehensive and well written, and felt confident in the professionalism of the company. The main ‘duty’ he had as a guardian was double locking the door – failure to do so would result in expulsion from the building. He lived in the property for nine months, before having to move out because the property was ready to be used for another purpose.

2.6 Financial pressures are pushing more Londoners to turn to insecure accommodation like guardianships. Our survey found that the cost of accommodation was the main reason for becoming a property guardian. Despite increasing licence fees being charged by guardian companies, the growing cost of accommodation in the capital is clearly pushing more people to become guardians out of necessity, not necessarily out of choice.

Figure 3: The cost of accommodation is the primary reason why people become property guardians

![Figure 3: The cost of accommodation is the primary reason why people become property guardians](image)

Source: University of York, Property Guardianship in London

2.7 Our survey results show that the most common type of opportunities are in residential and former local authority buildings. However, some guardian opportunities are in large commercial spaces in prime locations that would normally be inaccessible in the PRS. These places can provide valuable live-work space for creatives who may need large spaces to create and store work.
Although large spaces can be a positive aspect of living in commercial properties, guardians who responded to this investigation highlighted they sometimes must pay business rates for utilities, telephone and internet access if they are living in an office or shop space. These can be considerably higher than the cost in a residential building.

2.8 The length of time someone spends as a guardian is also much longer than the presumed ‘temporary’ living ethos would suggest. Our survey found that guardians were spending on average 12 months in one property, with the longest duration six years.9

Simon10 has been a guardian for many years, having used several companies. He enjoyed the flexibility and cheap price when he started as a guardian, but says the price has increased significantly in the past few years and the rent is now almost equivalent to market rates. He has had a positive experience with properties during his time, most of which have been in good condition. He is currently living in an estate that is being regenerated by the local council. He has made a concerted effort to get involved in the community in his current building, helping tenants with problems where he can. However, he has personally experienced some resentment from residents who are unhappy about the regeneration of the building. In addition, the guardians in the building are not allowed access to all the same services as residents, such as the concierge, which can cause issues for them.

The hidden costs of being a guardian

2.9 Guardian opportunities do not come with a standard AST that you would commonly find in the PRS. Instead, guardians are issued with licence agreements which provide very few legal protections. During our committee meetings, stakeholders have acknowledged that licences do not provide the same protections as a tenancy and are balanced in favour of the property owner.11

2.10 The use of licences mean that guardians are not protected in the same way as regular tenants: for example, deposits paid to secure a licence are not protected by deposit protection legislation.12 Our research found that a significant proportion of guardians highlighted delays in getting deposits returned after leaving a property.13 Guardians must also continue to pay substantial fees for administration costs such as referencing, fire safety packs and criminal reference checks, which can be very expensive – according to our survey the average cost of these additional fees was £148.
2.11 As licensees, guardians are not entitled to exclusive possession of their accommodation. This means that day to day, the guardian company can access a guardian’s room or accommodation at any point. This also means that guardian companies can increase the number of guardians in a property without notice or permission from the current residents. Survey responses and written submissions to the investigation highlighted that the implications of not having exclusive possession of a property meant that guardians felt distressed when inspections took place without warning.

2.12 Property guardians are protected by the Protection from Eviction Act 1977. This means that guardian companies are legally required to give a guardian 28 days’ notice as a minimum before they have to leave a property. All guardian companies that attended the roundtable discussion confirmed that guardians must be given at least 28 days’ notice and this was echoed in the written evidence. However, nearly 10 per cent of guardians that responded to our survey highlighted several occasions where guardian companies were not adhering to the legal minimum of 28 days’ notice.

Harry heard about a guardian property becoming available through a friend, who had been told it was ready for people to move in. He moved into the property without signing a licence agreement but was told that they would be offered something to sign shortly. Harry said that when he moved in it was clear that “the squatters had moved out the day before”. A few weeks later, Harry came home to find that the electricity in the building wasn’t working. He went to inspect the basement and found that the electric system was on fire. Harry called the fire brigade and was forced to leave the property. Harry’s contact at the guardian company told him he would be re-housed in a different property which would be a “big upgrade” rent free, if they kept quiet about what had happened. Harry and his friends lived in the new property for four months’ rent free before the company suddenly asked for the backdated rent payments which they had been promised would be free. They left the property and have stopped contact with the company.

A licence or tenancy?

2.13 Legislation around the status of guardians and their licence agreements was recently called into question, highlighting the unclear legal status of guardians. The Camelot vs Roynon 2017 case, heard in Bristol County Court, showed that a guardian can be a tenant despite being given a licence. This case rested on a previous case, Street vs Mountford 1985, which ruled that a licence could constitute a tenancy if the licensee met three conditions. According the Street vs Mountford 1985 case, “to constitute a tenancy the
occupier must be granted exclusive possession for a fixed or periodic term certain in consideration of a premium or periodical payments.’ The 2017 case found that the guardian had met all three conditions of a tenancy and was entitled to the same rights given to a tenant.

2.14 Tenancies are protected by a wider range of legislation which provides greater protection for tenants. For example, a tenant must be given at least two months’ notice before being asked to leave a property. Any deposit paid to a landlord must be protected in an approved tenancy deposit scheme. A tenant has the right to exclusive possession of a property. A tenancy also imposes repairing obligations on the landlord (this could be the property owner or guardian company). If the landlord does not carry out the repairs a tenant can get an injunction against the landlord to carry out the repairs and may be entitled to damages. These measures would more than likely cost the property owner and the guardian company more and could potentially make the guardianship sector less flexible.

2.15 The Camelot vs Roynon ruling has shone a light on this legislative grey area but may have negative implications for other guardians. After the ruling, Bristol City Council decided to take back control of its vacant property protected by property guardians and is set to demolish all ten buildings. The ruling was important to many guardian companies and local authorities who engaged with this investigation. Many guardian companies and property owners have now sought further legal advice to ensure they do not inadvertently grant a guardian a tenancy (with more legal rights) instead of a licence.

Recommendation 1

MHCLG should review legislation and guidance (for example, the Tenant Fees Bill 2017) to see how licensees can benefit from the improvements made in the private rented sector.
Does lower cost accommodation mean low property standards?

2.16 Our research and the comments we received from guardians giving evidence to our committee found that guardian properties are sometimes not habitable or kept in a good state of repair despite regular property inspections. The committee heard from several guardians how repairs were often completed to a poor standard, if followed up at all.

“Our roof has leaked in heavy rain since we moved in. The guardian company and the [property owner] know this, and have never fully resolved the matter. Currently we have a serious problem with rats getting into the property, via broken sewerage, and broken doors/walls. [The property guardian company] are being extremely slow and reluctant to resolve this. We’ve done work ourselves to try to prevent the rats getting in, including boarding and cementing some holes. These buildings are large and virtually impossible to keep clean.”

The University of York survey found that:

- 22 per cent of guardians were dissatisfied with the repairs and maintenance of their property, which is similar to dissatisfaction levels in the PRS.
- 37 per cent of guardians had problems with incidences of mould and condensation. This is much higher than properties in the PRS (ten per cent).
- 62 per cent of guardians could keep their bedroom warm but only 45 per cent of guardians could keep their living areas warm.
- 47 per cent of guardians had bought some form of portable heater to keep warm.
- 96 per cent of guardians had access to a smoke alarm.
- Issues with waste collection and vermin were also highlighted in the survey.

2.17 Guardians are not coming forward to raise concerns about the condition of properties. Some licence agreements contain clauses that explicitly state that guardians are not allowed to speak to the property owner or the local authority about their experiences. Some licence agreements go further, implying that guardians have no rights to speak out about concerns either with the company or the property. Others contain gagging clauses which prevent guardians talking to the media about their experiences. This means guardians do not know whether they can speak out, or choose not to speak out in fear of losing their licence and being made homeless. The committee
heard that these clauses may not be legally enforceable. According to Caroline Hunter “there is a case that could be made that it is not a reasonable clause”\(^{23}\) to be included within a licence agreement.

2.18 Empowering guardians would help them to raise concerns about the property they are living in, or about the actions of the company. Providing information on a guardian’s rights, much like the information available to tenants in the PRS, would allow them to challenge actions and accommodation that is not appropriate or suitable, or in some cases unsafe or illegal. Lord Kennedy of Southwark highlights the need for guardians to know their rights to ensure that these rights are enforced:

> “The legislation may well be there and the guidance is there, but people often do not know what their rights are. It is ensuring that through various means people understand what their rights are and what their protections are and they know where to go to get those enforced.”\(^ {24}\)

Cherry\(^ {25} \) has been living in a centrally located guardian property for four months. She became a guardian because it allowed her to live in a space large enough for her to carry out her work at cheaper prices than the private rented sector. The building was occupied by ten live-in guardians while the owner waited for planning permission for a new development. Cherry described the building as “very old”, in bad condition, and unoccupied for two years. There is a large sign at the entrance to the building (and in her contract) that says, ‘do not contact the council’ about any issues they have with the property and do not speak to the press. Cherry enjoyed the space for the first week before severe plumbing leaks started happening, with water pouring through the ceiling into Cherry’s flat, near to electrical wires. When the toilet in Cherry’s flat broke she contacted the guardian company and was told to “use your neighbours’ toilet”. There are now only a few people left in the building – most have left because of the poor conditions.

2.19 Unlike the PRS, there is no ‘safe space’ for guardians to highlight complaints or concerns. There is no redress scheme for this sector, unlike the PRS where all agents must join an authorised consumer redress scheme.\(^ {26} \) Expanding the reach of services such as the Housing Ombudsman to property guardians would provide a space for guardians to raise concerns about a guardian company.

**Recommendation 2**

The Mayor and MHCLG should provide guidance about the legal rights of guardians and where guardians can access help.
Recommendation 3

The Mayor should advise councils (especially those that use property guardians) to ensure the words ‘property guardian’ are included on all local authority publicly promoted resources on raising grievances about property standards, fire safety and environmental health concerns.

Recommendation 4

MHCLG should require all property guardian companies to register with a recognised property agents redress scheme. This would allow guardians to raise concerns about a company in a ‘safe space’.
3. The property owners

Key findings

▪ Property guardians protect a range of buildings, including those owned by local authorities, investment funds and charities.

▪ Owners use guardians to physically protect the building and to generate financial savings.

▪ It can save on a number of costs for property owners, including business rates.
Using guardians to protect property

3.1 Property guardians protect residential and commercial buildings owned by a wide range of property owners, including local authorities, developers, investment funds and charities.27 Research commissioned for this report shows that guardian opportunities are growing and can be found across London, not only in central locations. In the space of two weeks, over 370 new advertisements for guardianships were listed across London.28

3.2 Property owners use guardians to physically protect a given property and to generate financial savings. Property guardianship can provide better protection from anti-social behaviour (ASB), squatting, property fraud and metal theft than other forms of vacant property security such as metal shutters, CCTV and staffing properties with guards. London Borough (LB) of Tower Hamlets welcomed this method of property protection as it provides a financial saving and is more effective at preventing ASB.29

3.3 Property guardians ensure that the fabric of the building is maintained. Repairs and concerns are reported far earlier than under other methods of property protection.30 Guardians can also maintain gardens which can become overgrown and run down on long-term regeneration sites.31

3.4 Guardianship can provide an income for property owners. Some property owners, including local authorities, receive a proportion of the licence fees paid by guardians. For example, LB Camden receives a proportion of the licence fee from the provider, with estimated income of around £250,000 per annum.32 This kind of arrangement may be why the cost of licence fees has increased in recent years compared with when companies charged a fee to the property owner or provided security at no cost.

3.5 The use of guardians can also provide a financial saving compared to other physical property protection measures. In some cases, guardianship can save up to £2,000 per week compared with using professional guards, or up to £400 compared with using physical steel protection and alarms.33 Guardianship can also reduce a commercial building’s insurance premium by up to 50 per cent.34 Some boroughs are therefore saving thousands of pounds a month by using property guardians to protect their vacant property.35 LB Lambeth agreed, “from a council perspective the primary driver is cost, using property guardians is significantly less expensive than any other security method.”36

3.6 Property guardians can also relieve the burden of council tax for empty residential buildings for property owners. The cost of council tax usually falls to the guardian or the guardian company, providing significant financial savings for the property owner. According to Metropolitan Housing Association, this is especially important in a regeneration site where there are a substantial proportion of vacant buildings which are being charged
expensive vacant council tax rates. Local authorities also continue to receive an income through council tax payments for occupied residential buildings.

3.7 Guardianship can also provide savings on empty business rates for commercial property. In theory, when a vacant commercial building is occupied by property guardians the property’s use changes to residential. According to the Valuation Office Agency (VOA) a ‘property is domestic if it is used as living accommodation, so there is no reason why such a scheme should not succeed in reducing tax liability’. This means that the property should be revalued as residential (and so pay council tax) instead of commercial (when it paid business rates). Council tax is much cheaper than business rates and is normally paid for by the guardian or the guardian company. A property owner can save up to 90 per cent of their business rates bill this way.

3.8 The publicised benefits (the change from business rates to council tax) may not, however, always come to fruition for property owners. There are concerns over the transfer from business rates to council tax as the VOA takes a long time to revalue a property even if it is only being used for a brief period. According to LB Lambeth, the delays are so severe that they are currently paying business rates on properties that have been occupied by guardians for many months. LB Lambeth are awaiting a decision from the High Court in 2018 which will be the benchmark for the VOAs view on temporary change of use. Depending on the verdict, it may affect the financial incentives for using guardians to live-in vacant properties.

3.9 It is important to note that vacant local authority residential buildings can also be used for much needed temporary accommodation for people at risk of, or suffering from, homelessness. Local authorities such as LB Lambeth and LB Camden strive to do this where possible. However, since properties let out for temporary accommodation must meet higher ‘Decent Homes’ standards it is sometimes financially prohibitive. For example, a pilot scheme in Camden showed that it would cost on average £22,000 to bring regeneration flats being used for guardian accommodation up to an appropriate standard for tenancy-based letting.

Recommendation 5
The Valuation Office Agency should provide clear guidance on whether commercial properties that are temporarily occupied by guardians are entitled to a temporary revaluation from business rates to council tax. This would ensure property guardian companies and property owners are aware of the rules around business rates and council tax.
4. The property guardian companies

Key findings

- Property guardianship companies say that their model is a solution to buildings lying empty.
- There are various business models currently in use across London, including requiring voluntary work as part of guardianship.
- The property guardianship industry is growing rapidly.
- Maintenance and property standards vary across the sector.
The property guardian companies

4.1 Property guardian companies broker relationships between property owners and prospective guardians. Companies provide a range of vacant property protection services, for example professional guards and steel shutters, or increasingly just property guardianship. According to Dot Dot Dot, ‘the core role of a property guardian is to secure the building they live in.’\(^{44}\) This was echoed by all property guardian companies that engaged with our investigation.

4.2 Many guardian companies argue that property guardianship makes efficient use of London’s vacant property but some recognise guardianship is insecure and not an ideal way to provide accommodation. According to Interim Spaces, ‘property guardianship is not a solution to the housing crisis, but is a sensible solution to empty buildings – particularly, in our view – residential buildings.’\(^{45}\)

Figure 4. Property guardianship companies act as intermediaries between property owners and prospective guardians

![Diagram showing the relationship between property owner/manager, property guardianship company, property guardian, authorisation agreement, and temporary occupation licence.]

Source: Ferreri et. al (2017) Living precariously: property guardianship and the flexible city

4.3 Property guardian companies have different business models. Some guardian companies receive a fee from the property owner and a licence fee from the guardian. Others provide the service free of charge for the property owner and only receive the licence fee from the guardian. A third category pay a fee to the property owner and receive the licence fee from the guardian.

4.4 Some guardian companies build in charity and volunteering initiatives to their operations. Volunteering is mandatory for Dot Dot Dot, which requires guardians to volunteer in the local area for 16 hours per month.\(^{46}\) According to LB Croydon, Dot Dot Dot’s focus on volunteering gives the borough peace of mind that the guardians will look after the building they occupy.\(^{47}\) Bow Arts\(^{48}\) also encourages its guardians to volunteer in the community (although this is not mandatory). Bow Arts has established an ‘Arts Chest’\(^{49}\) that provides an independent source of funding for community creative activity.\(^{50}\) Bow Arts estimates that for every pound invested, a further three pounds in
funding and community value is generated. For example Mohila Creations, a Community Interest Company set up for and by Bangladeshi mothers, has delivered creative activity supported by Bow Arts for six years, and other projects have given media skills training to local young people.

Guardianship is a growing industry

4.5 The property guardianship sector is growing rapidly. Twenty-one out of the 31 companies offering property guardian services have formed since 2009, and most only operate in London. Low levels of regulation provide few barriers to entering the sector for prospective companies.

4.6 Demand from both property owners and prospective guardians is high and growing. For one guardian company, demand from building owners for property guardian services had increased by 15 per cent since 2011 and demand from guardians seeking places to live had increased by 20 per cent over the same period. For another, demand had increased four-fold since 2011, which they attribute to the increased cost of business rates on empty buildings in many local authorities.

Ensuring properties are fit for human habitation

4.7 Property guardians can occupy a range of buildings in differing states of repair. According to one company, ‘as long as the property is water and airtight and has electricity and hot water, there is no reason for us not to put guardians in it.’ Guardian companies and/or property owners take steps to ensure a property is fit for human habitation and is ‘safe, warm and dry’. These steps include: fire risk assessments, electrical and gas safety tests and legionella tests.

4.8 Despite this, guardians continue to complain about the poor standard of properties. According to our survey one in five guardians was dissatisfied with the repairs and maintenance of their property. And one in three guardians had problems with mould and condensation in their properties.

4.9 Companies attempt to handle this by carrying out regular weekly and monthly inspections to ensure that minimum standards are maintained throughout the life of guardian occupation. These visits also ensure that companies do not inadvertently allow a guardian to have exclusive possession of a property. These inspections can be done by an external company, for example, Essential Safety Products carries out inspections on behalf of Global Guardians, or by the company themselves, for example Dot Dot Dot. Ad Hoc even have a 24-hour call centre for out of hours issues.

4.10 Some guardian companies also use ‘head guardians’ to ensure minimum standards are maintained in a property. The ‘head guardian’ can act as a first port of call for the guardian company and other guardians. They may also
have additional accountabilities such as ensuring guardians are aware of the health and safety and fire safety procedures in return for a reduced licence fee.

4.11 The condition of homes offered by guardian companies is often not acceptable to guardians, and falls below the level expected of the private rented sector. The reputation of the industry may suffer if more is not done to increase standards.
5. Can change to existing legislation re-balance the relationship?

Key findings

- Property guardians can lose out from grey areas in current legislation.

- Clarifying legislation would redress the imbalance between guardians, owners and property guardian companies.

- Property guardians are often required to purchase additional fire safety packs, at extra cost to them. However, there are still concerns about fire safety in guardian protected properties, particularly commercial units.
Guardianship under the existing legislation

5.1 Our investigation has found that the success and rise of the property guardianship sector has been possible because of legislative grey areas and an unbalanced relationship between property guardians, property guardian companies and property owners. In many cases, this relationship does not create a ‘win-win-win’, with the property guardians themselves generally being the party which loses out.

5.2 It is unclear whether legislation such as the Housing Act 2004 can protect property guardians effectively. The welfare of guardians and the sustainability of the sector will be adversely affected if legislation is not able to protect guardians or is not being enforced effectively by local authorities and the London Fire Brigade. Clarifying the legislation would improve how local authority environmental health officers and the London Fire Brigade enforce against malpractice in the sector, rebalancing the relationship between property owner, guardian company and guardian.

Is the Housing Act 2004 fit for this changing market?

5.3 The Housing Act 2004 sets out minimum property standards for all residential accommodation in England and Wales. All properties (residential or commercial) must pass housing health and safety rating system inspections and be free of category one hazards. Properties occupied as a house in multiple occupation (HMO) should be licenced and meet the minimum washing and cooking facilities stipulated in the Act.

5.4 Some guardian companies are not aware, or do not think, they should meet these standards, especially in commercial properties. According to one company, this is because there is no mention of property guardians in any legislation, including the Housing Act, meaning that standards are not being applied by all providers. Another guardian company agreed, stating that ‘with no current barriers to enter the marketplace, there is no legislation to ensure the safety and protection of live-in guardians.’

5.5 Some local authorities are holding guardian companies to account. Different methods of enforcement of the Act by local authorities add to the confusion. There appears to be no common enforcement procedure used by local authorities so it is not clear what, if any, standards guardian companies must meet. This creates confusion for property guardian companies about what the minimum property standards are, especially if the company is operating in several different boroughs. According to the Chartered Institute of Environmental Health, guardian companies’ response to enforcement tends to be to reduce the number of people in the building so it no longer falls under a HMO designation, or simply to board up the building. Enforcing can be difficult in local authority owned commercial and residential property if it is in the officer’s borough, as an officer from that borough may be unable to
enforce against themselves.\textsuperscript{68} We heard about the difficulties for local councils in being made aware when a guardian company is protecting a property. There is no requirement that local authorities are told about this so enforcement currently is reactive and no checks take place before occupation by guardians.

5.6 Some guardian companies have called for a recognised minimum standard for properties occupied by guardians to be introduced.\textsuperscript{69} These companies recognise that some in the industry do not meet the minimum standards set out in the Act for the reasons above. This has been echoed by local authorities, such as LB Camden, who have called for standard guidelines and minimum standards for properties.\textsuperscript{70}

5.7 All properties occupied by guardians should be covered under the Act, even though the words ‘property guardian’ do not feature explicitly in it. The Housing Act 2004 must be revisited as it is not immediately clear that it is enforceable on properties that are occupied by guardians, especially for environmental health measures. An amendment to the Housing Act 2004 may be needed to ensure that it is enforceable.

**Recommendation 6**
MHCLG should clarify whether the Housing Act 2004 is enforceable against malpractice in the property guardian sector. MHCLG should revisit the Housing Act 2004 if it is no longer protecting people effectively.

**Recommendation 7**
The Mayor should use the London Boroughs’ Private Rented Sector Partnership to share best practice and lessons learned by local authorities.

**Fire safety issues in guardian properties**

5.8 The London Fire Brigade has concerns about guardian-occupied property.\textsuperscript{71} Its main concerns relate to inadequate fire alarm provision and fire exits, despite companies being legally required to carry out fire risk assessments.\textsuperscript{72} MHCLG has published guidance about completing fire safety risk assessments for people responsible for sleeping accommodation; however, clarity is needed on what guidance should be used for different properties – especially commercial buildings.

5.9 Most guardians are required to purchase their own fire safety equipment before they move into a property. This can include a fire alarm, fire blanket and fire extinguisher. Guardian companies charge in the region of £50 for a pack. However, guardians, environmental health officers and the London Fire
Brigade are concerned that the packs will not protect guardians adequately if there is a fire, especially if they are living in a commercial property.

**Figure 5. Most guardians have a smoke alarm and fire extinguisher.**

![Diagram showing the percentage of guardians having various fire safety equipment.]

Source: University of York, Property Guardianship in London

5.10 The London Fire Brigade can enforce against a property occupied by property guardians if it deems the property to be unsafe, using the Fire Safety Order 2005. It can issue a prohibition order which can take immediate effect if the risk to life is so serious it is not safe to be in the building. However, it is much harder to force improvements in a property as the London Fire Brigade must give the property owner 28 days’ notice, and by that time the company may have removed the guardians.

**Case study: Making sure properties occupied by guardians are fire safe**

The London Fire Brigade inspected a commercial office building for fire safety. The building covered seven floors (basement, ground and five floors). The inspecting officer found that the building’s automatic fire detection system was not working and access routes were blocked with furniture, storage and some appliances. The officer also found there was no evidence of any maintenance, electrical wiring or appliance testing, nor instruction to residents on how to use appliances. The London Fire Brigade served a prohibition notice on the property.\(^{73}\)

The London Fire Brigade inspected a former pub for fire safety. The accommodation covered four floors and was home to 12 property guardians. The inspecting officer found no working fire alarm in the accommodation, damaged fire doors and poorly maintained electrical appliances. An enforcement notice was issued to the property guardian company who then went on to fix the fire alarm and carry out essential maintenance within two hours.\(^{74}\)
Confusion over planning rules

5.11 Local authorities, property owners and guardian companies need clarity on whether a planning application is needed for a temporary change of use for commercial properties occupied by guardians. Knowing whether you need planning permission for a temporary change of use is confusing. According to the National Planning Policy Framework, you need planning permission to change from one use class to another – i.e. from commercial to residential – class A, B or D must receive permission before being changed to class C. For example, if a school was to change its use to residential it must get planning permission to do so.

5.12 In some cases, you do not need planning permission to change use from commercial to residential. The extension of permitted development rights in 2015 mean that the use of offices can be changed without planning permission. However, some boroughs introduced Article 4 directions which mean that planning permission must still be gained before an office can go through a change of use. Temporary Exemption Notices can also be given if planning applications had already been made for a period of up to two years.

5.13 The Chartered Institute of Environmental Health stated that planning applications for a change of use would be necessary in most commercial buildings. However, guardian companies said that planning applications were unnecessary as they were just used for short term.

Recommendation 8
MHCLG should provide statutory guidance for environmental health officers and the London Fire Brigade on how to effectively deal with buildings occupied by property guardians, like guidance provided for bedsits and shared accommodation.

Recommendation 9
The Mayor and MHCLG must provide clarity on how local authority planning departments should handle commercial properties occupied by property guardians.
6. Improving standards within existing legislation

Key findings

- Local authorities and registered social landlords can improve the situation for property guardians through better contracting with property guardian companies.

- Self-regulation can also play a part, and there are industry standards beginning to emerge.
Improving standards

6.1 Legislative change can take a long time to come to fruition; however, there are several more immediate steps property owners and guardian companies can take to bring about improvements in the sector.

Raising standards through contract management

6.2 Local authorities and Registered Social Landlords (RSLs) make up a substantial proportion of guardian companies’ business so they are in a good place to raise standards in the sector. According to one commentator ‘clients, local authorities and public institutions have the opportunity to hold the sector accountable and promote more secure and appropriate forms of temporary housing.’

6.3 Setting up the right contract between the property owner and the guardian company can ensure good practice is maintained and guardians are protected. According to LB Sutton, ‘the best and worst practice relates to management arrangements for the property and communication with the landlord.’ This is especially important when the owner is the local authority.

6.4 There are already examples of how local authorities and RSLs are already using contracts to improve standards in the sector:

- Metropolitan Housing Association holds regular meetings with its guardian company to ensure minimum standards are maintained.

- LB Camden used a range of guardian providers but standards were not consistent across its property portfolio so they procured a contract with a single provider. This contract includes clauses on rent setting and overcrowding. The local authority also carries out assessments of privately owned properties before guardians move in.

- LB Lambeth insists on gas, electric and legionella certificates being obtained by companies before buildings are occupied. The guardian company then undertakes regular inspections and can access a fund for a payment of up to £500 for emergency repairs if needed.
Raising standard through self-regulation

6.5 During our investigation we heard guardians, companies and property owners alike call for better regulation in the sector. All parties hope that regulation would prevent less reputable companies from taking advantage of legislative grey areas. Some guardian companies are now beginning to recognise this need and taking steps to self-regulate to improve conditions.

6.6 Improving conditions in the sector has become a priority for some companies. Some companies (for example, Ad Hoc and Dot Dot Dot) have launched their own guardian charters to increase transparency and help guardians hold them to account.

6.7 Seven guardian companies have recently formed an informal working group they hope to turn into a self-regulated Guardian Association. Parts of the industry are also considering the use of good practice guidance. The British Security Industry Association has developed a British Standard Vacant Property Protection Code of Practice. This code of practice outlines minimum maintenance, contract management, statutory compliance and inspections.

Improving the Netherlands’ property guardianship sector

The Netherlands’ property guardian sector has formed the Keurmerk Leegstandbeheer (KLB), an independent property guardian regulator. KLB sets standards, issues approval marks, manages the registry of companies and monitors whether companies comply with stipulated standards. These checks are carried out by an external party. KLB also has a central complaints board for owners, guardians and companies. Companies pay a one-off fee to join KLB and then an annual fee thereafter. However, KLB membership is not mandatory.

6.8 When increasing regulation, it will be important to keep in mind the benefits the sector offers, including keeping empty properties in use and offering flexible ways to live, while making sure it is safe and fit for purpose. Any
legislation or regulation must not squeeze companies entirely out of the sector and leave properties empty that could provide homes for Londoners.

6.9 According to Ad Hoc, the key foundation of the industry is the flexibility that it offers. This could be damaged or reduced if local authorities and central government simply applied the same legislation and regulation that exists for the traditional PRS market.\(^8_4\) This was echoed by LB Sutton which said, ‘flexibility is one of the key benefits of the model and to lose it would be a significant disadvantage to landlords who might need to turn away from the industry.’\(^8_5\)

**Improving France’s property guardianship sector**

France has trialled new legislation, ‘Protection and Preservation of Empty Spaces by Occupation of Temporary Residents’, which runs until 31 December 2018. It sets out mandatory contractual agreements between the property owner and company, a maximum length of contract between guardian and company and maximum licence fee.

6.10 Self-regulation has the potential to improve a range of issues that property guardians and property owners have highlighted. While we welcome these initiatives by the sector, any self-regulation needs to be underpinned by clear guidance from MHCLG on minimum health and safety and HMO standards and whether planning permission is required in any property occupied by guardians. The recommendations in this report seek to do just that.

**Recommendation 11**

Efforts by guardian companies to introduce common standards are welcome, but it is important all companies follow them if they are to be effective. Therefore, the Mayor and Government, as well as councils who use guardian companies, should look at what can be done to ensure new standards are applied more widely.
Our approach

The Housing Committee agreed the following terms of reference for this investigation:

- To identify the extent of property guardianship in London, highlight good and bad practice and emerging self-regulation in the sector
- To examine the impact of property guardianship on Londoners, including local authorities, communities, businesses and property security companies
- To consider the effectiveness of current legislation and whether it protects property guardians adequately

The committee commissioned research from the University of York, carried out by Professor Caroline Hunter and Jed Meers. This research is published in full alongside this report.

At its public evidence sessions, the committee took oral evidence from the following guests:

- Professor Caroline Hunter and Jed Meers, York Law School, University of York
- Lord Kennedy of Southwark, Shadow Spokesperson (Communities and Local Government, Housing and Home Affairs) and Opposition Whip (Lords)
- Rubina Nisar, Valuation and Strategic Assets, London Borough of Lambeth
- Jon Castine, Environmental Health Officer, Westminster City Council
- Stuart Woolgar, Representative of the BSIA Vacant Property Protection section, and Director of Global Guardians

The committee also met informally with several current and former property guardians, and property guardianship companies.

During the investigation, the committee also received written submissions from the following organisations (or representatives of):

- Ad Hoc
The committee would like to thank Charlotte Harrison for her work on this project.
References

1 Sian Berry, Freedom of Information Request, 2016


3 Dot Dot Dot are a property guardian company operating in London and the South East.

4 Private roundtable, July 2017

5 The name has been changed.


7 Ibid

8 Anonymous property guardian submission


10 The name has been changed.

11 Written submission from Professor Mark Jayne, Cardiff University

12 Caroline Hunter, Housing Committee meeting, 5 September 2017


14 Caroline Hunter, Housing Committee meeting, 5 September 2017

15 Multiple guardian companies


17 The name has been changed.

18 Bristol County Court, 2017, Judgement of Claim Number C01BS354
19 **Bristol County Court, 2017, Judgement of Claim Number C01BS354**

20 Giles Peaker and Andrew Arden, November 2017, The law on property guardianship: A white paper setting out the health, safety and legal status of security through occupation.

21 **Bristol Post, 2017, Will the council ending the Property Guardian scheme make 150 people homeless?**

22 Hunter, C and Meers, J. (2017) *Property Guardianship in London*

23 Caroline Hunter, Housing Committee meeting, 5 September 2017

24 Lord Kennedy of Southwark, Housing Committee meeting, 5 September 2017

25 The name has been changed.

26 Lord Kennedy of Southwark, Housing Committee meeting, 5 September 2017

27 Written submission from Lowe Guardians


29 Written submission from London Borough of Tower Hamlets

30 Written submission from London Borough of Tower Hamlets

31 Written submission from Metropolitan Housing Association

32 London Borough of Camden, 2016, Scrutiny Update – Temporary Property Guardians

33 Written submission from VPS

34 Written submission from VPS

35 Written submission from London Borough of Tower Hamlets

36 Written submission from London Borough of Lambeth
Written submission from Metropolitan Housing Association


Rubina Nisar, London Borough of Lambeth, Housing Committee meeting, 5 September 2017

Written submission from London Borough of Lambeth


London Borough of Camden, 2016, Scrutiny Update – Temporary Property Guardians

Ibid

Written submission from Dot Dot Dot

Written submission from Interim spaces

Written submission from Dot Dot Dot

Discussion during site visit to a disused school owned by the London Borough of Croydon and managed by Dot Dot Dot.

Bow Arts is a social enterprise that aims to create sustainable creative communities, including guardianship opportunities.

Written submission from Bow Arts

Ibid


Written submission from Global Guardians
A house in multiple occupation is a property rented out by at least 3 people who are not from one ‘household’ (e.g. a family) but share facilities like the bathroom and kitchen. It’s sometimes called a ‘house share’.

Jon Castine, Westminster City Council, Housing Committee meeting, 5 September 2017

Meeting with Nicholas Coombe, London Fire Brigade, September 2017
An Article 4 direction is a special planning regulation adopted by a Local Planning Authority in all or part of their borough. It operates by removing permitted development rights from whatever is specified in the Article 4 direction.

Other formats and languages

If you, or someone you know, needs a copy of this report in large print or braille, or a copy of the summary and main findings in another language, then please call us on: 020 7983 4100 or email: assembly.translations@london.gov.uk.

Chinese
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Nếu ông (bà) muốn nhận bản viết tắt bằng cách sang tiếng Việt, xin vui lòng liên hệ với chúng tôi bằng điện thoại, thư hoặc thư điện tử theo địa chỉ ở trên.

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