

Proposed Fair Rents (Scotland) Bill

Shelter Scotland
consultation
response

August 2019

SUMMARY

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

Shelter Scotland welcomes the opportunity to respond to the consultation on the proposed Fair Rents (Scotland) Bill. Through our campaigns Make Renting Right and Rethink Renting, Shelter Scotland has campaigned for a stable, secure, flexible private rented sector in Scotland where landlords and tenants know their rights and responsibilities and there is choice in the market.

Shelter Scotland supports the shift toward the new Private Rented Tenancy as a means of protecting renters. Urgent action is required to stabilise rent rises in the PRS. Shelter Scotland support a broader range of interventions including reforms to landlord registration and the gathering and use of relevant information to understand rising rents.

The failure to build social housing over the last two generations is a driving factor in creating the current climate of unaffordable housing across tenures. We do not believe that there is a strong enough evidence base to demonstrate that the proposed bill's rent control mechanism will deliver the market change we need. In our view, the information collection proposed in this bill will help us to understand more about high private rents. But the only way to bring rents down in the long term is through a sustained programme of affordable home building, with a particular focus on social housing.

ADDRESSING AFFORDABILITY IN THE PRIVATE RENTED SECTOR

Shelter Scotland welcomes Scottish Labour's focus on this area. 36% of the clients that Shelter Scotland supported last year came from the private rented sector.¹ This is cause for concern given that the private rented sector (PRS) houses 15% of Scotland's households² – the disproportionate figure indicates that there are problems in Scotland's private housing system.

Affordability of housing costs is a key concern for clients across all housing tenures, Shelter Scotland sees daily evidence of the pressure that high housing costs put on householders' budgets across Scotland from our housing advice and support services. Of the 21,290 people helped by Shelter Scotland's housing advice and support services in 2017/18, the main reason people cited in doing so was "struggling to pay or afford housing costs".

Despite a whole range of reforms on private renting over the last twenty years, measures to address rents directly have been very limited. Shelter Scotland supports the proposal's intention to make rent more affordable, but allowing rents to rise at CPI+1% still leaves significant affordability problems. Particularly for the 34% of households living in poverty in the PRS.³ Research from Citizens Advice Scotland found that 36% of private rented sector tenants said they were finding it difficult to manage financially.⁴

Rents persistently rising well above incomes are a powerful argument that measures are necessary to maintain affordability for households, but the introduction of a control/cap is only one of a number of methods of ensuring that rents are affordable. Fundamentally, rents are too high because housing values are too high. That means effective action on supply of housing, both new build and existing (empty homes); alternatives in social housing and not-for-profit mid-market renting; and fiscal measures to reduce land and property costs⁵.

Rent controls can be used in addition to those strategic measures, especially in the short to medium term or in specific locations, but the history of rent controls both historically and in other countries is mixed at best. If poorly-designed, they are ineffective or, at worst, counter-productive (for example, leading to asset transfer into holiday letting markets or declining standards). Much consideration must be taken in designing and evaluating policy; with effective implementation and enforcement that is underpinned by good quality data to inform policy.

¹ Shelter Scotland (2018) [Impact Report 2017/18](#)

² Scottish Government (2018) [Scottish Household Survey 2017](#)

³ Scottish Government (2019) [Poverty and income inequality in Scotland: 2015-2018](#)

⁴ Citizens Advice Scotland (2018) [Rent arrears: causes and consequences for CAB clients](#)

⁵ See, for example, <https://www.resolutionfoundation.org/app/uploads/2019/07/Taking-stock-report.pdf>

CURRENT RENT PROTECTION IN SCOTLAND

The current protection in place to protect tenants from unreasonable and unpredictable rent increases is undermined. In the case of Rent Pressure Zones (RPZs) it has proven extremely difficult to implement due to a lack of data on private rent levels. Collecting the required individual household data will be technically challenging and time consuming, thus a potentially expensive exercise – they represent much work for little gain.⁶

Shelter Scotland has also highlighted that RPZs would not reduce rents but will only act as a cap on the upper increases in the specific areas in which it is applied. RPZs still present risks in terms of pricing tenants paying lower rents out of the market, and the potential of a black market, as seen in some European cities.⁷ In summary, mechanisms of rent control are only effective if they are as part a programme of action to increase the supply of housing, alternatives in social housing and not-for-profit mid-market renting; and fiscal measures to reduce land and property costs.

Shelter Scotland believes that the current landlord register is not extensive enough in terms of the data it has the potential to collect. Upgrades here would allow more effective analysis of rent and allow for the proposal of effective solutions. The current register is a missed opportunity for wider data collection and Shelter Scotland supports the intention of this proposal to address that. To effectively regulate the PRS and collect sufficient data as this proposed bill intends, the landlord register needs to be further updated. Sufficient investment will be needed, further to the planned upgrades to the IT infrastructure, to enable further data collection and easy access.

Consideration will need to be given to the way in which the inputted rent levels will be policed and enforced as part of this proposal. Despite responsibility resting on the landlord to enter the initial rent and subsequent changes, some enforcement and policing of the new system will be necessary. Currently, local authorities manage the landlord register and this responsibility would fall on them unless another provision was made nationally. The members' bill team should ensure that extensive consultation takes place with all local authorities to assess how workable this proposal is in practice, and grapple with the issue of who enforces non-compliance or violation.

⁶ Shelter Scotland (2018) [An evaluation of rent regulation measures within Scotland's Private Rented Sector](#)

⁷ Shelter Scotland (2018) [An evaluation of rent regulation measures within Scotland's Private Rented Sector](#)

MAKING RENTS AFFORDABLE IN THE LONG TERM

Shelter Scotland commends the consultation for raising the profile of the need for private renting rent reform and we support the need for that reform. But, as they stand, the proposals are modest and may not have the impact which is sought. Further, there are significant practical questions around data, and capacity to implement which need thoroughly explored.

The proposals would benefit from being framed within measures to tackle high housing costs in the housing system more generally and on improving the supply of below-market housing choices.

Finally, we believe that the consultation might best be seen as the start of a welcome opportunity to explore more impactful measures to tackle high rents: looking at the desired aims, the tools available, the evidence needed to inform policy and the capacity needed to turn policy into real change.

Shelter Scotland supports this initiative to make rent more predictable for tenants. However, ultimately, the only measure that will bring down rents in the long term for tenants in Scotland is ensuring there is a sustained programme of work to increase housing supply in Scotland – both building affordable homes and bringing empty homes back into use.

While demand continues to outstrip supply, capping or controlling rent is not a long-term solution for affordability. Scotland does not have enough homes to meet the demand – particularly in terms of affordable and social housing. As affordable options decrease, there is a growth in other tenures such as the PRS. The PRS now caters for more households in lower incomes than previously, and as such, greater forms of rent control are essential in safeguarding these tenants and preventing homelessness and housing difficulty.

Shelter Scotland called for 12,000 dwellings to be built per annum over five years in order to address the housing shortage in 2016,⁸ and welcomed the Scottish Government's commitment to build 50,000 homes over the course of this parliament.⁹ But this is just the foundation. Scotland has seen decades of underinvestment in the supply of affordable housing, it will take more significant commitments like this to address the chronic housing shortage which is ultimately pushing rents up. Without a long-term, cross-party, cross-parliamentary term commitment to affordable housing supply these issues in the housing system, manifesting in high rents in the PRS, will not be meaningfully addressed.

⁸ Shelter Scotland (2015) [Affordable Housing Need in Scotland – Summary Report](#)

⁹ Shelter Scotland (2018) [Review of Strategic Investment Plans for Affordable Housing](#)

The proposed bill seeks to ensure that rents are predictable and fair for tenants. Shelter Scotland supports the intention of this, but without addressing the chronic lack of housing in Scotland this will not be effective or long term in terms of tackling rising rents and their impact on tenants.

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We're here so no one has to fight bad housing or homelessness on their own.

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