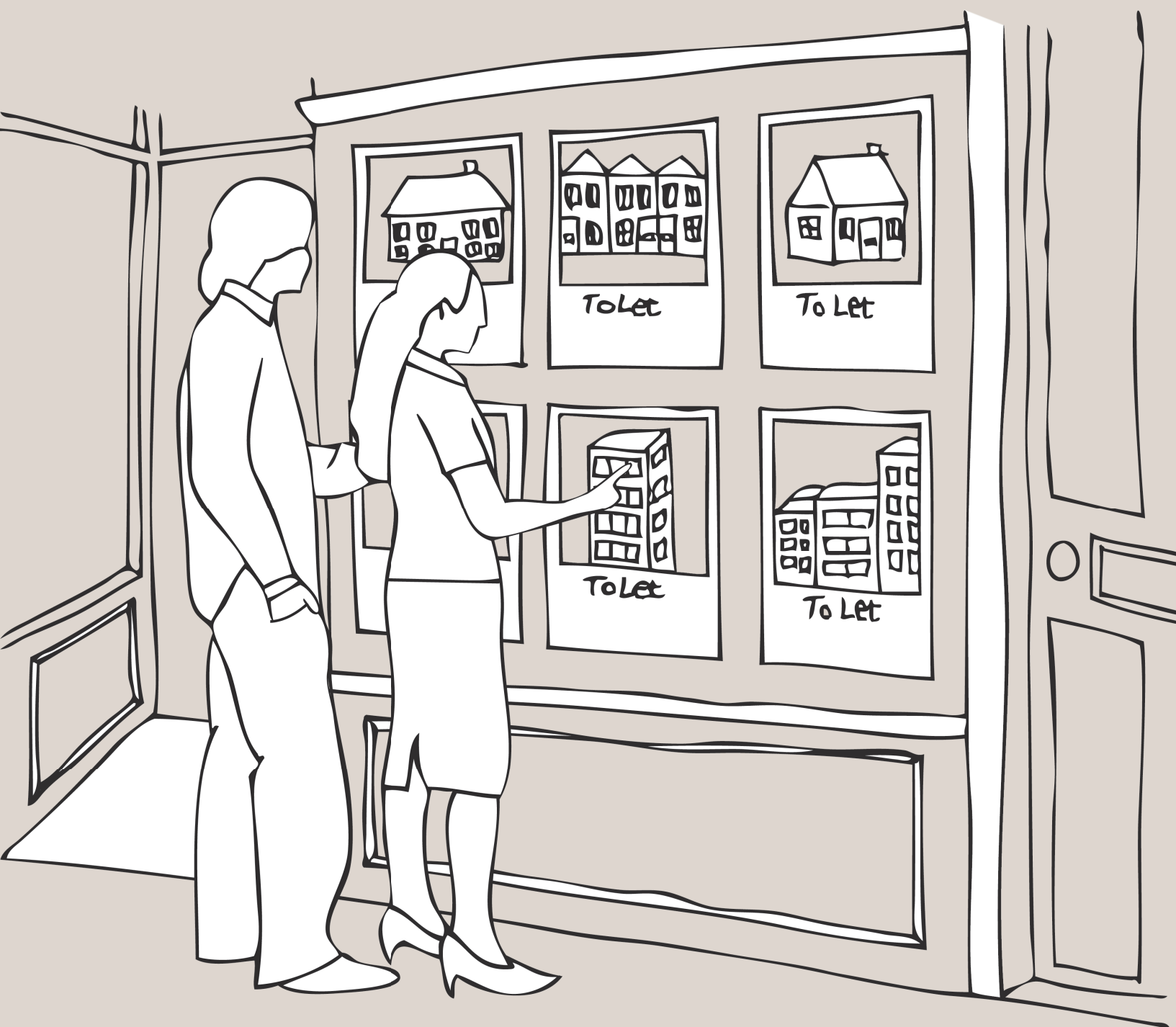


Policy: discussion paper

Fit for purpose?

Options for the future of the private rented sector



Shelter

Foreword

Eddie MacDonald



There has never been a better time to work together to secure a fit for purpose private rented sector. The squeeze on social housing and the cost of owner occupation means that today's private rented sector has become the only accommodation option for an increasing number of households. We owe it to all those who live in the sector to make sure that they have access not just to a roof over their heads, but to a home for themselves and their families.

For too long the sector has failed to live up to its responsibility to provide universally high quality, safe and appropriate homes for all those who live within it. Problems with disrepair, insecurity, and affordability have left many tenants feeling that their house is not a home. If the private rented sector is to provide the sort of housing we can be proud of in the twenty-first century, then we all have a lot of work to do.

Shelter has developed this paper to stimulate debate around how this work might be taken forward. The paper identifies the key barriers to a fit for purpose private rented sector and sets out possible policy solutions to these problems. We believe that this paper will provide an opportunity for all those involved in the private rented sector to think again about what we need to be doing now, and in the future, to ensure that the sector meets the needs and aspirations of all those who live within it.

If the private rented sector is to provide homes for our population, let's make them safe, high quality, affordable homes.



Adam Sampson
Chief Executive, Shelter

Policy: discussion paper

Fit for purpose?

Elaine Jones

Cover illustration by Anh Duong

October 2007

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Summary

As house prices in the owner-occupied sector continue to rise, and social housing remains in short supply, the private rented sector (PRS) plays an increasingly important role in meeting housing needs. While for some people the PRS offers a convenient housing option, for others the sector struggles to meet their needs and aspirations. Shelter believes that the primary purpose of the PRS is to provide a home for all those who live in the sector. This purpose should unify the sector and inform steps to improve how it functions on a day-to-day basis.

Creating an accessible PRS

PRS housing is not uniformly accessible to all who wish to secure accommodation in the sector. Some potential tenants may find it difficult to initiate a tenancy, perhaps because they are claiming, or intend to claim Housing Benefit (HB). For those who can access the sector, renting may not be as expensive as owner occupation but this does not necessarily mean that it is affordable. The cost of paying a deposit, fees, and the rent itself can make a PRS tenancy difficult to set up and maintain. Some tenants are supported by HB, but this does not necessarily cover all the cost of their rent and may leave them with a shortfall.

Accessibility of the PRS needs to improve. Changes to the HB system could increase affordability, such as abolition of the single room rent, a new approach to tapers, and changes to the proposed roll out of Local Housing Allowance (LHA). Other changes to consider include amending the tax system to provide incentives for fairer rents, extending the rent deposit model, and ending 'hidden' rental costs involved in initiating and renewing tenancies. There is also a need to end practices that unfairly discriminate against HB claimants in terms of choice of lettings in the PRS.

Enhancing security of tenure

Not all tenants in the PRS wish to have a secure tenure. However, for many tenants the short-term nature of an assured shorthold tenancy (AST) leaves them feeling insecure and powerless about their home. Tenants may fear that attempts to enforce rights over housing conditions will leave them facing a retaliatory eviction action. The lack of security can have a particularly negative impact on children, because moving at short notice is extremely disruptive to family

life. In addition, private tenants with ASTs are less likely to be engaged with their local community.

There are viable, better alternatives to the existing AST model. Longer-term tenancy models, such as the assured tenancy model or an intermediate tenancy model, offer improved security for tenants and can reduce vacant periods for landlords. Other models that offer some improvement include extending the fixed period of the AST, or bringing in a sliding scale of notice to lengthen notice periods for tenants as the tenancy extends.

Providing safe and appropriate housing conditions

Dwellings in the PRS are, on average, in worse condition than in other tenures. Poor housing conditions can have a detrimental impact on health, safety, education and life chances.

Every tenant in the PRS should have the right to accommodation that protects their health and well-being. One way to achieve this is to adopt a single code of professional standards across the sector, combined with national registration of all landlords and a central regulator to oversee complaints procedures. An alternative method would be to introduce new measures to bring more homes in the PRS up to the Decent Homes Standard. Options to support this work includes compulsory registration of all properties, tax benefits, and improved services for PRS landlords.

Improving landlord-tenant relations

Many landlords and tenants are unaware of their legal rights and responsibilities with regard to setting up, sustaining and terminating a tenancy in the PRS. This can cause problems for both landlords and tenants, and may cause the relationship to break down.

There is a need for a re-balancing of the landlord-tenant relationship to empower tenants and to increase the professionalism of landlords in the sector. This process could be facilitated by education, improved information sharing, access to advice and additional support for tenants with a history of antisocial behaviour (ASB).

Introduction

The PRS has had a turbulent century. In 1918, the PRS accounted for 76 per cent of all housing; just under a century later, in 2006, this figure stood at 12 per cent.¹

Over the last century the PRS has been shaped and re-shaped as the policy framework within which it operates has evolved. The sector has moved through various stages of the regulation–deregulation spectrum, from the introduction of rent control in 1915, via a succession of Housing Acts, to the deregulated sector, which has now been in operation since the 1980s. The purpose of the PRS has also evolved in terms of its function and place within the overall housing market. Today, with three-quarters of housing provided through owner occupation, the dynamics of the PRS have changed for both landlords and tenants.

In this context, this paper sets out to examine the role of today's PRS and the extent to which the

sector is fit for purpose. It takes as its starting point the diversity that exists within the sector, recognising that the PRS provides a home for a wide range of tenants in a variety of circumstances. For some of those residents the PRS works well and provides the sort of flexible accommodation option that they require, for others the PRS may not have been their tenure of choice or may not meet their particular needs or circumstances effectively. Whatever the particular circumstances of those resident in the sector, it is clear that the PRS fulfils an important housing function for a wide range of people and that there are opportunities to improve the way that it operates both now and into the future.

¹ Communities and Local Government (CLG), *Survey of English housing, live table S101: trends in tenure*, <http://tinyurl.com/yrqeq3>

The private rented sector today

It is not appropriate to talk about a single private rented sector. ‘The PRS is much more diverse than the social or owner-occupied sectors. Tenants range from well-paid professionals to previously homeless people. Landlords can be large companies with thousands of properties or individuals renting a house they have unexpectedly inherited.’²

The public policy framework

The history of government policy in respect of the PRS has been covered comprehensively elsewhere. However, it is salient to note a few key elements of government policy which have been particularly significant for the sector in recent years. These key factors may be summarised as follows:

- the Housing Act 1980, which introduced the assured tenancy regime and reduced the scope of rent control and regulation
- the Housing Act 1988, which provided for continuing protection of existing tenants but allowed landlords to let all new tenancies at market rents and on ASTs if they wished
- the Housing Act 1996, which saw ASTs become the default tenancy format for the PRS
- the Housing Act 2004, which saw the introduction of new regulations for the sector including the tenancy deposit scheme (TDS), licensing of houses of multiple occupation (HMOs) and the Housing Health and Safety Rating System (HHSRS).

Overall, since the 1980s, the PRS has moved substantively across the regulation–deregulation spectrum. While the implementation of the 2004 Housing Act may be considered to represent an exception to this deregulatory trend, recent governments have generally retained the tenets

of deregulation. Today, the Government regards the PRS as offering advantages over owner occupation for many people, due to its flexibility and speed of access, and believes it to be a particularly important resource for younger households and for job market mobility. Overall, the current watchwords of government policy for the PRS are ‘choice’, ‘mobility’, and ‘flexibility’³ – all of which reflect the deregulated approach to the sector.

Profiling the private rented sector

It is not just the operational framework of the PRS which has changed over the course of the last century; its size and shape has also altered significantly. The PRS underwent a long-term decline from 76 per cent of housing in 1918, to just nine per cent in 1988, growing slowly again in the past two decades to its current level of 12 per cent of housing in 2006.⁴ The downward trajectory of the PRS over these seven decades, between 1918 and 1988, was accompanied by a corresponding surge in home ownership, which had already reached 66 per cent of housing by 1988 and has continued to rise to its current level of 70 per cent. In terms of stock, the number of PRS dwellings has increased from an all time low of 1.8 million in 1988 to 2.6 million in 2006.⁵ Factors in the renewed growth of the PRS are complex. It is a common view that the growth in the sector is a direct result of deregulation.⁶

2 Shelter and Joseph Rowntree Foundation (JRF), *Private renting: a new settlement*, 2002, <http://tinyurl.com/35azhc>

3 CLG, <http://tinyurl.com/2d4svj>

4 CLG, *Survey of English housing, live table S101: trends in tenure*, <http://tinyurl.com/yrqeq3>

5 CLG, *Live tables 104: dwelling stock: by tenure, England (historical series)*, <http://tinyurl.com/283v5g>

6 For example, memorandum by the Council of Mortgage Lenders (CML) to the House of Commons Communities and Local Government Committee states that, since the 1988 Housing Act introduced the assured shorthold tenancy (AST), the long-term decline in the size of the private rented sector (PRS) has been reversed, <http://tinyurl.com/2erozc>

However, this is one of a number of variables over the corresponding period, including the rising cost of home ownership⁷; the increase in student numbers, without an equivalent investment in university-owned accommodation⁸; and the establishment of new forms of finance for the sector, such as buy-to-let (BTL) mortgages.⁹

Behind the statistics, the PRS reveals itself as a sector characterised by diversity. It is this diversity which represents the greatest challenge in any unified assessment of the sector. In view of this, it is perhaps useful to attempt to describe the PRS by profiling both its customers, ie tenants, and its suppliers, ie landlords.

Tenants

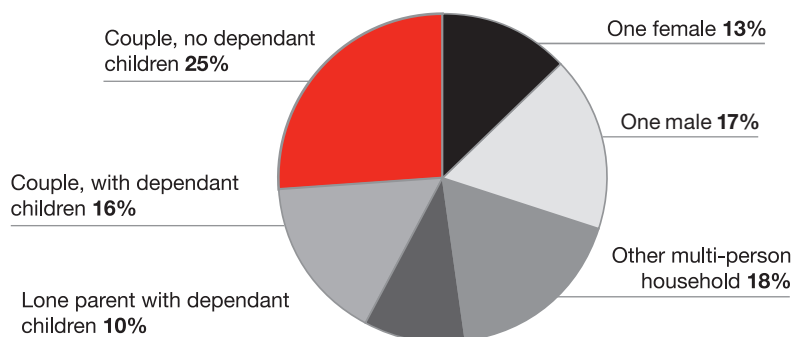
Information from Communities and Local Government (CLG) indicates that there is considerable diversity in the types of household who rent within the PRS. However, it is possible to define the following key groups who are particularly strongly represented.

- **Young people** Nearly 50 per cent of the sector's household reference persons¹⁰ fall within the 16 to 34 age band, compared with just 13 per cent of the owner-occupier sector and 20 per cent of the social rented sector.¹¹

- **Black and minority ethnic communities** While only 11 per cent of white household reference persons rent privately, 23 per cent of those from black and minority ethnic communities are housed in the sector.¹²
- **Single person households** Chart 1 shows that 30 per cent of all households in the PRS fall within this group.
- **Households claiming HB** Combining Department for Work and Pensions (DWP) data on numbers of HB recipients in the PRS together with the *Survey of English housing* (SEH) figures for the total numbers of private renters, shows that, in 2004, up to 32 per cent of PRS households were supported wholly or in part by HB.
- **Economically active households** Between 1981 and 2006, the proportion of private renters in employment rose from 58 to 69 per cent, while for the same period the proportion of owner-occupiers in employment has fallen from 70 to 68 per cent¹³ as more have moved into retirement.

Given the diversity of tenants represented in the PRS, it is difficult to generalise about how private renters experience and use the sector. However, the following findings assist in clarifying the situation.

Chart 1: Household types in the private rented sector



Source: CLG, *Survey of English housing, live table S108: household type by tenure*.

7 Nationwide Building Society's quarterly report, published on 14 July 2007, found that prices in Q2 2007 reached an average of £181,810, up from the £175,554 average house price recorded in Q1 2007. Annually, house prices grew by an average of 10.2 per cent.

8 JRF, *Students and the private rented market*, 2000, <http://tinyurl.com/2vj2zp>

9 There is some disagreement as to the extent to which buy-to-let (BTL) mortgages represent 'new' investment in the sector as opposed to re-investment in a different financing vehicle. However, buy-to-let mortgages now represent over nine per cent of the value of all outstanding mortgage balances, up from just one per cent in 1999.

10 Official information on those living in the sector is normally collected in terms of 'household reference persons' – this is the member of the household in whose name the accommodation is rented, or who is otherwise responsible for the accommodation.

11 CLG, *Survey of English housing, live tables S106: age of household reference person by tenure*, <http://tinyurl.com/2vo323>

12 CLG, *Survey of English housing, live tables S116: tenure by ethnic group of household reference person*, <http://tinyurl.com/2ong6q>

13 Hills, J, *Ends and means: the future roles of social housing in England*, Centre for Analysis of Social Exclusion (CASE), 2007, <http://tinyurl.com/24ms5b>

- ASTs account for 65 per cent of all PRS tenancies, compared to only 11 per cent of assured tenancies and four per cent of regulated tenancies.¹⁴
- Thirty-five per cent of all tenancies in the PRS, among members of the Association of Residential Letting Agents (ARLA) surveyed, lasted for 12 months or less, with eight per cent lasting nine months or less. The average length of a tenant's continuous stay in a property was 18.2 months.¹⁵
- The highest rate of turnover in the PRS is among those who are getting married (only 21 per cent stay in the sector) or have children (37 per cent stay in the sector). In the former case, three-quarters move into the owner-occupier sector; in the latter case, a significant minority (almost 20 per cent) move into the social rented sector.¹⁶
- The top three specifically cited reasons for moving among assured shorthold tenants were personal reasons (including marriage and divorce), wanting to move to larger/smaller accommodation, and change of job. Nine per cent of moves took place because the accommodation was no longer available.¹⁷
- While 49 per cent of all assured and assured shorthold private renters felt their rent level was 'about right', 22 per cent felt it was 'slightly high' and 14 per cent 'very high'.¹⁸
- Satisfaction with their landlord increased with age among private tenants, with only six per cent of the over 75s saying they were dissatisfied with their landlord, compared with 14 per cent of 16 to 24 year olds.¹⁹

Landlords

Overall, the supplier side of the PRS sector also demonstrates a high degree of diversity. However, landlords are often categorised along broad lines as follows.

- **Business landlords** Professional landlords who get most of their income from private letting and view their property as an investment.

- **Sideline investor landlords** Non-resident landlords who let property as a part-time activity. The majority of sideline investor landlords own a small number of rental properties.
- **Sideline non-investor landlords** Many of these landlords have fallen into renting through a change in circumstances, for example, through property inheritance.
- **Institutional landlords** These are large-scale landlords, usually corporate organisations, who own and rent property as part of their business.

The breakdown of the PRS in terms of these groups is illustrated in Table 1, below. Further analysis of the sector as a whole indicates the following general tendencies within today's PRS.

- **Dominance of small-scale landlords** Thirty-two per cent of PRS landlords own only one property and 65 per cent own fewer than 10 properties. Overall, two-thirds of private rented dwellings are owned by private individuals with the remaining one-third split between companies and organisations.²⁰
- **Relative newness of many landlords to the PRS** Sixteen per cent of all landlords have been in the sector for two years or less, compared

Table 1: Breakdown of PRS landlords by type of involvement in the sector

Types of landlord	(per cent)
Business Landlords	15
Sideline investor Landlords	45
Sideline non-investor Landlords	18
Institutional Landlords	22
Total	100

Source: ODPM, *English house condition survey 2001: private landlords survey*, 2003, quoted in the Law Commission's consultation paper *Encouraging responsible letting*, 2007.

14 CLG, *Summary 026: Survey of English housing provisional results 2005/06, 2006*, <http://tinyurl.com/23czo6>

15 Carey Jones, O M, *ARLA Survey of residential investment landlords*, Association of Residential letting Agents (ARLA), 2007, <http://tinyurl.com/2ak7qx>

16 Sefton, T, *Using the British household panel survey to explore changes in housing tenure in England*, CASE, 2007, <http://tinyurl.com/263rl6>

17 CLG, *Survey of English housing, live table S543: main reason for moving by type of letting*, <http://tinyurl.com/39x8ve>

18 CLG, *Survey of English housing, live table S561: opinion about rent level by type of letting*, <http://tinyurl.com/2lx9zf>

19 CLG, *Survey of English housing, live table S823: overall satisfaction with landlord by household characteristics: private sector tenants*, <http://tinyurl.com/3y8vou>

20 Office of the Deputy Prime Minister (ODPM), *English house condition survey 2003: private landlords survey*, 2006, <http://tinyurl.com/yvup82>

to only 11 per cent in 2001. Approximately one in five dwellings in the PRS have been acquired by their landlord in or after 2000, and nearly half of all dwellings have belonged to their landlord for 10 years or less. Coupled with the newness of many landlords to the sector, 64 per cent of all landlords have no related qualifications or experience.²¹ However, new landlords tend to bring into the sector more modern properties in better condition. Private individual landlords and new landlords are most likely to own property built post-1964.

- **Changing profile of PRS landlords** Eighty-eight per cent of new landlords are private individuals, compared to 61 per cent of long-standing landlords. New landlords are less likely than long-standing landlords to rely on rent to derive more than a quarter of their income – 20 per cent of the former as opposed to 47 per cent of the latter.

A review of attitudes of landlords towards their role in the PRS indicates the following two factors.

- A strong investment-led motivation – some 60 per cent of all landlords see the property as an investment or pension with income being the most common form (45 per cent) of return sought from the property.²² Over 70 per cent of private individual landlords and nearly 60 per cent of companies held investment/pension to be the strongest rationale for renting.
- A nuanced picture with regards to long-term intentions – while 82 per cent of companies and 85 per cent of other organisations intend to re-let, only 75 per cent of individuals have similar plans. In two years time, 22 per cent of new landlords plan to withdraw from the rental market completely, compared to only 11 per cent of landlords overall.

The picture of the PRS that emerges both for landlords and for tenants is one characterised primarily by diversity, with a range of different aspirations and needs inherent in the range of the individuals and organisations represented by the sector.

²¹ Ibid.

²² Ibid.

Is the private rented sector fit for purpose?

The diversity of the PRS is reflected in the multiple, and not always complementary, purposes assigned to the sector by its stakeholders. However, for Shelter the primary purpose of the PRS is the provision of a home for those who, by choice or otherwise, find themselves living in the sector.

Perspectives on the purpose of the PRS

The diverse nature of the PRS is reflected in the varying aims and objectives of its key stakeholders. From the Government's view, the purpose of the PRS may be summed up in the terms outlined on the CLG website, namely, that the PRS is designed to offer a flexible form of tenure that widens choice, through the provision of an alternative to social housing/owner occupation, and meets a broad range of housing needs, including of those in receipt of HB.²³

Landlords vary in their understanding of the purpose of the PRS, although there is a strong tendency towards regarding its purpose as an investment vehicle. Among landlord organisations, the provision of employee housing is also an important motivation (over 40 per cent viewed their letting in these terms), while it is of relatively limited importance to private individuals. At the other end of the spectrum, the provision of housing to people in need accounts for only around four per cent of all landlords' view of their reason for letting.²⁴

Like landlords, the purposes assigned to the PRS among tenants are often varied. For some, entering the sector is a positive choice linked to employment or studying, therefore flexible, short-term accommodation is ideally suited to their needs. For others, entering the sector is not a personal choice but a result of housing need that was not

being adequately met elsewhere. Overall, however, the primary purpose of the PRS, from the tenant's perspective, is the provision of a home – whether for a few months or for many years.

With all these competing views on the purpose of the PRS it is hardly surprising that the PRS sometimes struggles to align the interests of its various stakeholders. It is instructive, therefore, to consider who is, and conversely who is not, faring well in the current configuration of the PRS – and why this may be the case.

Who is the PRS serving most effectively and why?

Today, the PRS is a largely deregulated sector. Instead of the Government imposing regulation from above, the market is largely left to regulate itself on the understanding that this will lead to a raised level of competitiveness, therefore encouraging higher productivity, more efficiency and lower prices.

Generally, the move to deregulation, nearly two decades ago, is understood to have favoured those who are able to operate most effectively in a market place environment. In PRS terms, this means that landlords have generally found the deregulated marketplace a more comfortable environment in which to do business. In particular, landlords are less likely to face the problem of sitting tenants (which can

²³ <http://tinyurl.com/2d4svj>

²⁴ CLG, *English house condition survey 2003: private landlords survey*, 2006, <http://tinyurl.com/yvup82>

reduce the resale price on possession), have been able to set rents at market levels, and have greater control over their 'assets' than their predecessors in the market. Evidence from landlord/investor groups to the House of Commons Communities and Local Government Committee highlights their broad support for the deregulated approach to the sector, affirms their perception of the importance of the end of rent controls²⁵ and the right to repossess property²⁶, and specifically highlights their concern about any moves to increase the regulation of the sector.²⁷

Deregulation has seen the growth of a new approach to the PRS, namely buy to let (BTL), which has provided new opportunities for landlords. The term 'buy to let' was first coined in 1995 as a marketing badge for a finance initiative launched by the Association of Residential Letting Agents. Subsequently, the BTL initiative was launched and expanded rapidly to the current situation in which a range of BTL products are available from numerous lenders.²⁸ Today, the BTL market represents over nine per cent of the value of all outstanding mortgage balances – a massive increase from one per cent in 1999.²⁹ BTL has been welcomed by some landlords as an opportunity to take advantage of rising property prices over a number of years, while having the cost of owning the property covered in full, or in part, by tenants' rent.

Some groups of tenants have also benefited from the deregulated regime and have found their needs being served effectively by the PRS. This is particularly true for those tenants whose interests are closely aligned with those identified in government policy – namely those for whom 'choice', 'flexibility' and 'mobility' are important factors in their housing selection. Research undertaken for the Scottish Executive found that students were happy, on the whole, with the PRS as a tenure, rating it at 8.6 on a satisfaction scale of one to ten.³⁰ However, this could be expected given that many students move on a year-by-year basis during their course, thereby making use of the flexibility

offered by the sector. The same research found that tenants who had made a positive choice to live in the PRS – as opposed to those who had ended up in the sector through a lack of other choices – also reported a high level of satisfaction with the sector. Qualitative research carried out by the Joseph Rowntree Foundation in England has also highlighted the role of the changing job market as a factor in the increased appeal of private renting for some people. For those for whom employment mobility is important, the private rented sector can offer a low-commitment accommodation option that permits relocation as necessary for employment.³¹

Who is the PRS serving least effectively and why?

Unfortunately, the picture of the PRS as a well-functioning marketplace is not uniform across the sector. It is interesting to note that this applies to landlords as well as to tenants, although often for very different reasons.

Literature produced by landlord organisations indicates that landlords do not always feel well served by existing policy on the PRS. The British Property Foundation (BPF), among others, has raised the issue of the effect of stamp duty on larger-scale PRS landlords. Under the existing regulations, stamp duty must be paid on the aggregate value of a transaction, rather than on the basis of a charge related to the housing unit value. This means that, in most transactions, the larger-scale landlord will pay the top rate of stamp duty³² and thus lose money on her/his investment. The BPF also considers that the existing policy framework does not always encourage the upkeep of PRS properties and more could be done to support maintenance. It believes there is a need for government intervention to reduce the rate of VAT on refurbishment costs – which are not currently recoverable on residential rented property.³³

25 Memorandum by the Paragon Group of Companies plc to the House of Commons Communities and Local Government Committee, <http://tinyurl.com/2gb6uw>

26 Memorandum by the CML to the House of Commons Communities and Local Government Committee, <http://tinyurl.com/2erozc>

27 Memorandum by the Residential Landlords Association (RLA) to the House of Commons Communities and Local Government Committee, <http://tinyurl.com/2hx338>

28 Ibid.

29 CML, *Statistics table MM6: buy-to-let mortgages, market summary*, <http://tinyurl.com/29ct3a>

30 Houston, D, Barr, K, and Dean, J, *Research on the private rented sector in Scotland*, Department of Urban Studies, University of Glasgow, 2002, <http://tinyurl.com/2fbdyn>

31 JRF, *City-centre apartments for single people at affordable rents: the requirements and preferences of potential occupiers*, York Publishing Services, 1997.

32 British Property Foundation (BPF), *Letting in the future*, 2006, <http://tinyurl.com/2d39t9>

33 Ibid.

Groups such as the Residential Landlords Association (RLA) also highlight the need for improved management standards and a move towards treating tenants as consumers.³⁴ Related to this is the ongoing sense of frustration among some landlords that efforts to provide safe and well-maintained accommodation for their tenants often go unrecognised. Indeed, there is a perception that 'good' landlords tend to bear the brunt of efforts to impose legislation on the sector, while 'bad' landlords escape unnoticed, either by not declaring themselves or by avoiding regulation by re-configuring their portfolio, for instance, by moving out of areas of selective licensing or by re-designing their property to avoid HMO licensing³⁵ in response to the Housing Act 2004.

However, it is not just landlords and their organisations who feel that the sector is not always serving their interests appropriately. While some tenants find that the PRS matches their particular needs, this is not the case for all those living in the sector. Only 46 per cent of private renters agreed that their current tenure is a good type of housing tenure, compared to 95 per cent of owner-occupiers.³⁶ Often the particular circumstances through which a tenant enters the PRS will have an important influence on how well it meets their needs. For those private renters who enter the PRS because no alternative option is available to them, the transition to the PRS can be particularly difficult. Aspiring owner-occupiers, for example, may be unwilling PRS tenants due to unaffordable house prices. Ongoing sociological research by the University of Aberdeen and Loughborough University has found that for people who find themselves on the wrong side of the current housing divide, the experience is one of extended student-style house sharing or living with parents, together with postponed independence, relationship formation and parenting.³⁷

Homeless households may also find themselves in the PRS less out of choice than due to a lack of alternative options. With the council housing waiting list standing at 1.6 million³⁸, the Government has increasingly sought solutions to homelessness in the PRS as part of the 'housing options' approach. Unfortunately, the PRS is not always able to provide a viable solution to housing need. Statistics gathered from Shelter's work with clients found that, from approximately 50,000 issues relating to the PRS logged for the year ending 31 March 2006, the most common problem for tenants from the sector was homelessness (due to eviction), with a total of 9,559 incidences. The other principal issues listed were landlord possession (6,786), landlord/tenant (other) (6,396), damp/disrepair (3,208), rent arrears (2,977) and HB (2,615).³⁹

Those seeking stability may find that the PRS is not particularly well suited to their needs, not least because ASTs provide few guarantees with regards to their right to stay in their home. This can have a significant differential impact on social capital. A small-scale survey (with 185 respondents, of which 57 held ASTs and 128 other tenancies) by the Camden Federation of Private Tenants found that only 32 per cent of those with an AST voted in the 2001 general election, compared with 57 per cent in other tenancies. The survey also indicated that 70 per cent of respondents with an AST agreed with the statement 'the length of tenancy affects my sense of community' compared with 62 per cent in other tenancies.⁴⁰ The prospect of having to move at short notice can have a particularly detrimental impact on families with children, which make up 26 per cent of households in the sector. For example, government statistics highlight the significant gap in attainment at key stage 4 (age 16) between mobile and non-mobile pupils⁴¹, with those who are non-mobile faring better. Research for the Scottish

34 Memorandum by the RLA to the House of Commons Communities and Local Government Committee, <http://tinyurl.com/2hx338>

35 Chartered Institute of Housing (CIH), *Ways and means: local authorities' work with the private rented sector*, 2006, <http://tinyurl.com/ywmdxt>

36 CLG, *Survey of English housing, live table S187: attitudes to housing tenure by current tenure*, <http://tinyurl.com/33qsy4>

37 Universities of Aberdeen & Loughborough, *On the treadmill – an exploration of the life chances and well-being of young adults in contemporary Britain* (ongoing research), <http://tinyurl.com/2h6xpf>

38 CLG, *Housing strategy statistical appendix data*, 2006

39 Shelter's advisers complete a casework record for every client's case taken on, including information on the nature of the presenting problem. It should be noted that up to four 'issues' may be logged against each case record, depending on the nature of the problem presented.

40 Reynolds, L, *Safe and secure? The private rented sector and security of tenure*, Shelter, 2005.

41 The term 'mobile' in this context generally refers to frequent movers. 'Mobile' pupils are considered to be those who joined after the standard year 7 entry, during key stage 3 or after the beginning of key stage 4. DCLG, *Moving on: reconnecting frequent movers*, 2006, <http://tinyurl.com/23wl25>

Executive⁴² also found that tenants in the PRS expressed dissatisfaction with the fact that their accommodation did not constitute a home.

Landlord and tenant interests

The fact that the purposes assigned to the PRS by its suppliers and its customers are not always complementary has been recognised in recent efforts to reform the sector through the Housing Act 2004. The decision to legislate, implicitly recognises that a reliance on market forces alone has not brought about the anticipated alignment of customer and supplier interests, and that a re-balancing of the relationship is required. The Housing Act 2004 introduced measures to improve the condition of PRS properties (through HMO licensing, selective licensing and the HHSRS), as well as provisions to ensure that tenants retained better control of their investment in the sector (through the TDS).

Unfortunately, these efforts to balance the interests of landlords and tenants through intervention in the marketplace remain controversial. This has been particularly evident during the implementation of the TDS in 2007. Under the TDS, all deposits on private rented property are protected for tenants, and must be secured in one of three government-approved schemes, with the tenant being informed within 14 days about the scheme being used and the tenancy. This measure was actively campaigned for by Shelter, to prevent landlords unreasonably withholding some or all of a tenant's deposit, and to help resolve

disputes. Generally, the TDS was not well received by landlords, who regarded it as an extra layer of bureaucracy in the rental process. One landlord organisation has responded to the scheme with a list of 'tenancy deposit scheme avoidance tactics'.⁴³ A recent ARLA survey asked members their views on the TDS and, while awareness was high at just over 90 per cent, only 24 per cent of them regarded the scheme in positive terms.⁴⁴

It is evident, therefore, that the uneasy relationship between the conflicting purposes assigned to the PRS remains problematic. There is a tension between the interests of the various parties, but there is also recognition of the need to work to improve the sector. The National Landlords Association, in evidence to the House of Commons Communities and Local Government Committee, stated that it believes that: 'property investment is a long term proposition which must be managed properly and that private landlords must make themselves aware of the regulatory and commercial environment in which they operate'.⁴⁵ Similarly, the RLA's submission underlined the need for training for landlords to create a more professional and responsible system.⁴⁶ Others, such as the Law Commission, have highlighted the need to encourage a new approach to letting that sees improved management standards and enhanced conditions in the sector.⁴⁷ Clearly, while there may not be common agreement around how or what change needs to be implemented in the PRS, there is common acknowledgment of the fact that the PRS could do better.

42 Houston, D, Barr, K, and Dean, J, *Research on the private rented sector in Scotland*, Department of Urban Studies, University of Glasgow, 2002, <http://tinyurl.com/2fbdyn>

43 Guild of Residential Landlords, 2007, <http://tinyurl.com/2ffgf2>

44 Carey Jones, O M, *ARLA Survey of residential investment landlords*, ARLA, 2007, <http://tinyurl.com/2ak7qx>

45 Memorandum by the National Landlords Association to the House of Commons Communities and Local Government Committee, <http://tinyurl.com/yru3gk>

46 Memorandum by the RLA to the House of Commons Communities and Local Government Committee, <http://tinyurl.com/2hx338>

47 Law Commission, *Encouraging responsible letting*, Consultation Paper No 181, 2007, <http://tinyurl.com/2zggqbo>

What are the key issues in today's private rented sector?

Many issues emerge in relation to the PRS – such as the position of thwarted first-time buyers within the sector, the role of institutional investors, and how effectively the sector promotes economic mobility. On balance, however, Shelter believes that the key areas for the majority of PRS tenants are: accessibility, security of tenure, housing conditions and the landlord–tenant relationship.

Accessibility of PRS housing

The issue of accessibility of PRS housing is twofold. Firstly, there is the issue of how affordable PRS accommodation is for existing and incoming tenants of the sector. Secondly, there is the issue of how readily accessible the PRS is to those wishing to take up a tenancy – particularly tenants on HB or those who may not fit into a stereotypical definition of a 'good' tenant.

Affordability levels in the PRS present a mixed picture overall, particularly when considered in relation to other sectors. For those tenants who might otherwise have chosen to be owner-occupiers the PRS offers a relatively affordable option. As Figure 1 demonstrates, since 2002 weekly expenditure in England has climbed rapidly in the owner-occupier sector, overtaking expenditure in the PRS in 2004, and continuing its sharp upward trajectory through 2005 and 2006. By comparison, weekly expenditure levels in the PRS have remained relatively stable over the corresponding period. However, figures from the Royal Institute of Chartered Surveyors for the second quarter of 2007 indicate that surveyors reported the fastest increase in rental levels since their residential letting survey began⁴⁸, with rising tenant demand driving the upwards trend.

While potential owner-occupiers may find rent levels more affordable than mortgage repayments, the

situation for those who might otherwise have been offered accommodation in the social rented sector is quite different. Average local authority rents for social renters have been falling, relative to those in the PRS, so that by 2005 local authority rents were about 45 per cent of those in the PRS.⁴⁹ Although levels of unemployment in the PRS are significantly lower than the social rented sector⁵⁰, this does not mean that income levels are commensurate with those in the owner-occupier sector. In 2004–2005, while 14 per cent of household reference persons (and partners) in the owner-occupier sector had a gross income of less than £200 per week, the same was true for 30 per cent of all those in the private rented sector.⁵¹

Some tenants' access to the PRS is supported by receipt of HB – in 2004, HB recipients accounted for up to 32 per cent of the sector. Unfortunately, receipt of HB does not automatically mean that PRS accommodation becomes affordable. For those on low incomes, affordability problems persist, as they may be unable to find suitable accommodation within their benefit entitlement, or may face the prospect of covering the shortfall themselves out of limited finances. Restrictions on HB due to, for example, non-dependant deductions meant that for all claimants who were potentially subject to rent restrictions, 54 per cent faced a shortfall averaging £24 per week in 2005–2006.⁵² The single room rent restriction (SRR), applying to young people

48 Royal Institute of Chartered Surveyors, *RICS residential letting survey Great Britain*, Q2 2007.

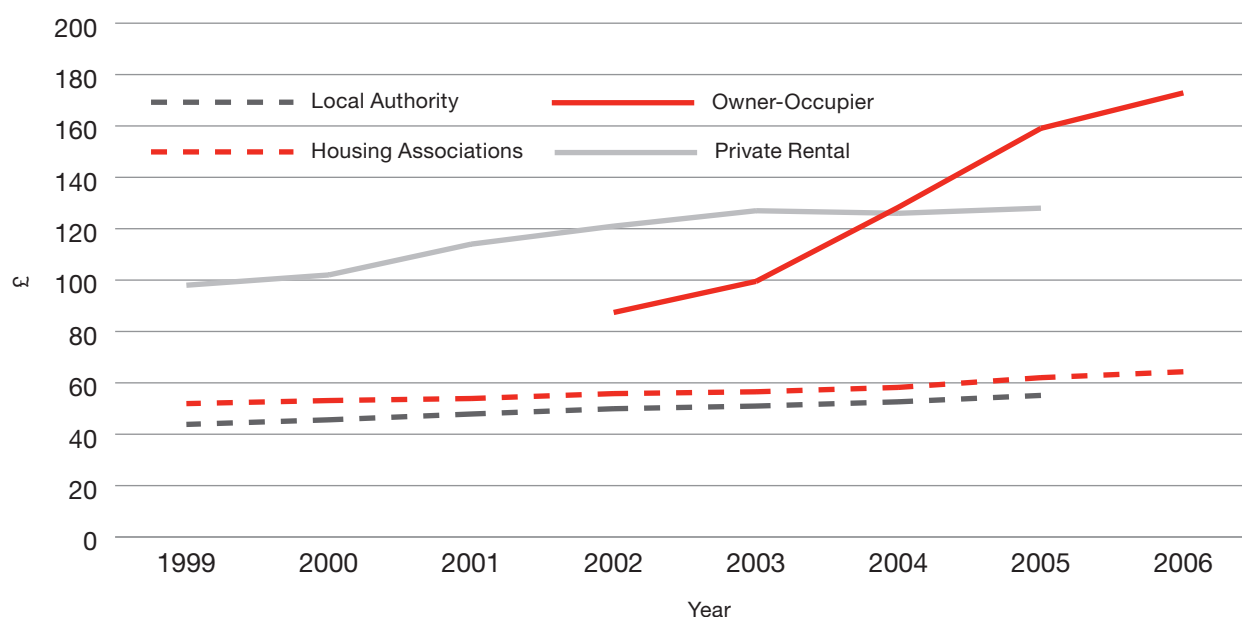
49 Hills, J, *Ends and means: the future roles of social housing in England*, CASE, 2007, <http://tinyurl.com/24ms5b>

50 Ibid.

51 CLG, *Survey of English housing, live table S113: gross weekly income of household reference person (and partner) by tenure*, <http://tinyurl.com/2ny42y>

52 Hills, J, *Ends and means: the future roles of social housing in England*, CASE, 2007, <http://tinyurl.com/24ms5b>

Figure 1: Weekly expenditure by tenure, England



Source: The Cambridge Centre for Housing and Planning Research, *Dataspring statistics*, August 2007 and CLG, Tables 701, 703, 714 and 715, cited in Whitehead, C, and Gaus, K, *Policy discussion paper: at any cost?*, Shelter, 2007.

under the age of 25, leaves 87 per cent of claimants facing shortfalls between what they receive in HB and their actual rent.⁵³ A survey by the Community Housing Advice Service found that 50 per cent of those surveyed with a shortfall went without meals on a regular basis.⁵⁴ The Hills report also noted that 'Housing Benefit is a major contributor to the "poverty trap", where people's net incomes rise by only a very small proportion of any rise in gross earnings'.⁵⁵ Hills observed that the effect of the poverty trap is particularly noticeable in the PRS, where higher rents exacerbate the effect of the HB taper.

For some potential tenants just obtaining accommodation in the PRS is problematic. Young people subject to the SRR may find that their budget will not provide them with a suitable place to live⁵⁶ – or that the sort of shared accommodation for which the SRR was created does not exist in their local area.⁵⁷ More generally, the cost of paying the deposit on a potential home in the PRS can be a struggle for

PRS tenants – particularly those on low incomes. The prevalence of this issue was highlighted by government research in 2005, which indicated that 87 per cent of local authorities ran rent deposit schemes to help those who could not afford their initial deposit.⁵⁸

Accessibility is also an issue, for other reasons, for those on HB. Research by Shelter found that one-third of advertisements for private rented properties barred HB claimants, and, of those which did not specify a bar, as few as one in six landlords later contacted by telephone indicated that they would be prepared to accept an HB claimant. The most commonly cited reason for this refusal was concern about processing delays and other problems with the HB system.⁵⁹ While the roll-out of local housing allowance (LHA) nationwide may enable some tenants to retain privacy around their claimant status this may be difficult to achieve in practice. Evaluation by the DWP of the LHA pathfinder areas found that

53 Phelps, L, *Single room rent – the case for abolition*, Citizen's Advice Bureau (CAB), 2006, <http://tinyurl.com/ywo76r>

54 Community Housing Advice Service (CHAS) Housing Aid, *Behind closed doors – housing benefit shortfall and the secret work of rent officers*, 2006, <http://tinyurl.com/2zxco9>

55 Hills, J, *Ends and means: the future roles of social housing in England*, CASE, 2007, <http://tinyurl.com/24ms5b> Hills notes that a couple with two children paying a typical private rent of £120 per week would gain only £23 if their earnings rose from £100 to £400 per week. However, if they paid a typical social rent of £60, the gain would be twice as much – £55 per week.

56 DWP research found that 87 per cent of all SRR claimants faced an average shortfall of £35.14 per week; cited in Phelps, L, *Single room rent: the case for abolition*, CAB, 2006, <http://tinyurl.com/ywo76r>

57 The BPF reports that its members are often reluctant to rent to under 25s on benefits because of the inadequacy of their HB payments to meet rental costs; Phelps, L, *Single room rent: the case for abolition*, CAB, 2006, <http://tinyurl.com/ywo76r>

58 ODP, *Survey of English local authorities about homelessness: policy briefing 13*, 2005, <http://tinyurl.com/2uj8mg>

59 Reynolds, L, *The path to success? Shelter's research on Housing Benefit reform: the final report*, Shelter, 2006.

the LHA deterred 44 per cent of landlords from letting to HB tenants.⁶⁰ Issues around letting to HB claimants also emerge when landlords approach mortgage lenders to secure agreement for the use of their property for renting. Some mortgage lenders, while not refusing to agree rentals to HB claimants, do ask their landlord borrowers to stipulate if they intend to rent to HB claimants in order to determine a differentiated premium for buildings insurance.⁶¹

Finding sufficient funds to cover rent on an ongoing basis is not the only potential problem for private tenants. Initiating and renewing an AST is not a cost-free undertaking. Many letting agents charge both tenants and landlords for a range of services linked to the initiation and termination of an AST. One university identified the costs of the various services on offer to their students from local letting agents. These included: reference checks, varying from nothing to £80, with additional charges for overseas students; inventory/check out fees, ranging from unspecified costs to £160; and general administration fees, varying from £50 per tenant to £117.50.⁶² In fact, the availability of this information is evidence of good practice – in many cases such fees form ‘hidden costs’ which the tenant is unaware of at the time of signing up with the agent. There is evidence of additional fees for tenants, including credit checks, maintenance and cleaning fees, and insurance cover. In addition, landlords also often have to pay unexpected fees – such as an initial ‘finders’ fee that has to be paid for a second time at the end of the fixed period of the AST, even where the tenant has remained in the property.⁶³

Security of tenure

It is not just a question of finding an affordable home in the PRS: once a tenant has found somewhere to live, the next challenge is holding on to it. Since 28 February 1997, ASTs have been the default tenancy for all those renting accommodation in the sector. More recently, the Law Commission has proposed a simplification of the tenancy structure to provide for just two types of tenancy. Type 1 would replace

secure and assured tenancies, and be used by housing associations and councils, with the option for PRS landlords to use this type of tenancy if they so wished. Type 2 would be broadly equivalent to an AST but the six-month moratorium on possession would be abolished and landlords would have to give three months notice (rather than the current two months) to terminate the tenancy.⁶⁴ In either scenario, the continuation of ASTs or the adoption of the Law Commission’s two-type model, the situation regarding security of tenure is heavily weighted towards the landlord’s rights to reclaim her/his asset over the tenant’s rights to a secure home.

Despite the current and continuing trend of insecurity of tenure as the default mode of tenancy, the issues underlying the debate about security of tenure persist. The lack of security provided by an AST has a number of negative effects, including lack of stability, less power for tenants to enforce their rights, increased homelessness (as a result of eviction) and the need for housing advice.⁶⁵ While some PRS tenants may be content with the flexibility of the AST tenancy model, others find that this lack of security has a destabilising influence on their family lives, particularly where it may be difficult to secure alternative accommodation close at hand should their landlord decide to end their tenancy. The prevalence of this problem is confirmed nationally with the ending of an AST as the third most common reason for loss of last settled accommodation among households accepted as homeless.⁶⁶

ASTs are not universally accepted as the only viable form of tenancy in a market-led PRS, and some countries have implemented more secure tenure models in recent times. In Ireland, for example, the Residential Tenancies Act 2004 introduced a new model of tenure that gives a tenant an automatic right to a four-year lease after a six-month probationary period, subject to some restrictions. In the UK, the British Property Federation’s (BPF) housing manifesto has highlighted that the popularity of ASTs among landlords may have less to do with their inherent merit and more to do with failings in the current legal system, which means that for landlords with a tenant

60 Department for Work and Pensions (DWP), *Local housing allowance evaluation report 11*, 2006.

61 Various sources including: <http://tinyurl.com/325uvq>, <http://tinyurl.com/2rozus> and <http://tinyurl.com/2p3y9p>

62 <http://tinyurl.com/2r99c6>

63 Guardian Money, ‘Let and hindrance’, 2004, <http://tinyurl.com/2ez6eb>

64 ROOF magazine, ‘Out with the old’, July/August 2002.

65 Reynolds, L, *Safe and secure? The private rented sector and security of tenure*, Shelter, 2005.

66 Keats, H, Meehan, M, Lawrence, B, and Gale, A, *Settled housing solutions in the private rented sector*, Home Office, 2006, <http://tinyurl.com/2r5t2w>

Table 2: condition of housing, 2005

Tenure	% in this group that:		
	Are non-decent homes	Fail thermal comfort only	Those failing fitness, repair or modernisation
Owner occupied	24.9	15.2	9.7
Private Rented	40.6	19.4	21.2
Local Authority	33.7	19.1	14.6
Registered Social Landlord	23.8	16.5	7.4

Source: CLG, *English house condition survey 2005: annual report*, 2007.

who displays ASB, it may be simpler to use the end of an AST to serve an eviction notice than to pursue a legal remedy regarding the ASB.⁶⁷ The BPF has called on the Government to stimulate debate on some kind of intermediate tenancy that would provide for a longer period of security of tenure, for example, between three to five years.⁶⁸

Condition of PRS housing

While some in the PRS live in high quality property, this is not the experience of a substantial proportion of tenants in the sector, with over 40 per cent living in non-decent homes (see Table 2, above). The SEH makes it clear that dwellings in the PRS are in worse condition, on average, than in other tenures. Disrepair is a significant issue for a sector that is largely made up of older housing stock in many areas. The bottom 10 per cent of PRS homes had much higher levels of disrepair than the bottom 10 per cent of stock in other tenure groups.⁶⁹

The prevalence of the problem of disrepair is borne out among Shelter clients, with those living in the PRS with an AST more likely than those with other tenancies to report a problem with dampness and disrepair.⁷⁰ This has significant outcomes for those tenants who find themselves living in overcrowded or run down accommodation. The ‘housing effect’⁷¹ in relation to poor conditions has a particularly

marked impact on children, including an increased risk of asthma and respiratory diseases, accidents in the home, lower educational attainment, long-term health effects and problem behaviour. Work by the University of Bristol found that there were few incentives for landlords in poor neighbourhoods to carry out repairs, as this would not increase the rental or capital value of their property.⁷² The reliance on market forces to encourage a pro-active approach to repair and maintenance is typically more successful at the top end rather than the bottom end of the sector, as in the latter the tenant’s bargaining power is weaker and returns for the landlord are less healthy.

In recent times, there have been attempts to regulate the sector with the development of the HHSRS, the HMO licensing scheme and selective licensing of private landlords in areas of low demand. In addition, the Law Commission has recently published its paper on options to encourage responsible letting, with a preferred model of enforced self-regulation⁷³ that would see all landlords or their agents becoming members of professional organisations or accreditation schemes regulated by an external body. Each of these policy approaches recognises the fact that the PRS, as it currently operates, is not uniformly fit for purpose – particularly at the lower end of the sector – and that this is a significant barrier to providing a good quality home for private renters.

67 BPF, *Letting in the future*, 2006, <http://tinyurl.com/2d39t9>

68 Ibid.

69 Figures from ODPM, *English house condition survey 2003: annual report*, 2006, <http://tinyurl.com/2jrb5y>, quoted in Law Commission, *Encouraging responsible letting*, Consultation Paper No 181, 2007, <http://tinyurl.com/2zggqob>

70 Reynolds, L, *Safe and secure? The private rented sector and security of tenure*, Shelter, 2005.

71 Harker, L, *Chance of a lifetime*, Shelter, 2006, <http://tinyurl.com/32h88r>

72 <http://tinyurl.com/2tvw5u>

73 Law Commission, *Encouraging responsible letting*, Consultation Paper No 181, 2007, <http://tinyurl.com/2zggqob>

Landlord and tenant relationship

The relationship between landlord and tenant lies at the heart of the PRS. However, while the relationship may be framed by legislation, it often operates outside, or only superficially within, that framework. Work by the University of Bristol indicates that landlords and tenants are often unaware of their legal rights and responsibilities, and may be ill-equipped to understand tenancy agreements and how to comply with the law.⁷⁴ This means that, particularly for those at the lower end of the PRS, where security seems most precarious, the relationship often takes place in a way that automatically cedes power to the landlord. Research indicates that tenants often assume that their landlord is carrying out practices in accordance with the law, and therefore are unlikely to challenge requests for possession, especially if the tenant feels they were ‘in the wrong’, for example for falling behind on rent payments.⁷⁵

The issue of tenants’ knowledge of their rights and responsibilities within the PRS is also critical to increasing the professionalism with which relationships in the sector are conducted. Qualitative research in Scotland found that tenants were unaware of their statutory rights and that their knowledge of what sort of tenancy they had signed up to was also minimal.⁷⁶ Even where tenants are aware of their rights, this does not automatically lead to empowerment. Under section 21 of the Housing Act 1988, to legally end an AST the landlord must serve a notice requiring possession upon the tenant and must give the tenant a minimum of two

months’ notice. Some unscrupulous landlords make use of the legislation to undertake retaliatory eviction against their tenant – a practice which the Housing Ombudsman has recognised as a serious injustice that impacts on tenants’ ability to operate effectively within the PRS framework.⁷⁷

It is not simply tenants’ knowledge of their rights and responsibilities that can undermine tenancies in the PRS. Problems with antisocial behaviour (ASB) among a small minority of PRS tenants can also be very challenging for landlords. ASB may involve anything from low-level persistent nuisance, to serious violence or other criminal activity. Private landlords do not generally have the same range of tools available to them as social landlords in respect of ASB, and may feel that their only option is to seek eviction.⁷⁸

A further issue for those living in (but also those owning property within) the PRS, is that there is sometimes a lack of access to legal advice – especially from solicitors specialising in housing. This is particularly concerning given that 64 per cent of private individual landlords have no relevant experience or qualifications when it comes to letting property.⁷⁹ The Law Commission estimates that just over two per cent of the 700,000 landlords in England and Wales belong to professional organisations.⁸⁰ Clearly there is a need to be able to enforce both rights and responsibilities on both sides – not least because enduring mistrust will continue to inhibit the ability of the PRS to function effectively.

74 <http://tinyurl.com/2tvw5u>

75 Lowe, S, and Hughes, D, *The private rented sector in a new century*, The Policy Press, 2002.

76 Houston, D, Barr, K, and Dean, J, *Research on the private rented sector in Scotland*, Department of Urban Studies, University of Glasgow, 2002, <http://tinyurl.com/2fbdyn>

77 Chartered Institute of Environmental Health, ‘Ombudsman backs tenants’ rights’, press release, 13 July 2007, <http://tinyurl.com/2mm54a>

78 CIH, *Ways and means: local authorities’ work with the private rented sector*, 2006, <http://tinyurl.com/ywmdxt>

79 CLG, *English house condition survey 2003: private landlords survey*, 2006, <http://tinyurl.com/yvup82>

80 Law Commission, *Encouraging responsible letting*, Consultation Paper No 181, 2007, <http://tinyurl.com/2zgqbo>

How could policy develop to improve the private rented sector?

There have already been significant efforts from many of those involved in the PRS to improve its capacity to function effectively. However, there is much still to be done to ensure that the PRS provides safe, high quality, affordable and appropriate homes for those who live in the sector.

Designing an effective policy framework for the PRS

This paper has already highlighted the statutory approach to improving the PRS, of which the 2004 Housing Act is a recent example. However, legislative reform is just one of a number of interventions which are already in operation. There are also many examples of good practice across the UK.

- **Accreditation Network UK** This network was created to publicise, promote and share good practice in accreditation. Accreditation works by encouraging voluntary compliance with good standards in the condition and management of property, and relationships with tenants.
- **Rent deposit schemes** These schemes help to improve the affordability of the PRS for people, by providing the deposit needed to secure accommodation. Research by London Housing found that rent deposit schemes have been among the most successful methods of tackling financial barriers to the PRS.⁸¹
- **Joint working between local authorities and landlords** A number of councils have developed particular initiatives to work with the PRS. For example, a multi-agency private sector working group in Newcastle gives an opportunity for anyone working in the PRS to meet and discuss issues arising in the sector.⁸²
- **Tenancy sustainment work** Broadway's 'It's your move' resettlement project is one of a number of similar projects which provide pre-tenancy training for people entering the PRS who may find it difficult to sustain their tenancy.

Adopting either a good practice or a legislative approach are only two possible measures across a spectrum of potential policy instruments that include self-regulation, central monitoring, and locally-focused policy-making. The selection of an appropriate policy instrument also raises issues of compliance. Compliance can be encouraged by a range of measures from punitive action, such as fines or other sanctions, to incentives, such as tax breaks and non-monetary forms of support, eg, access to enhanced services. The issue of compliance is a particular challenge in the PRS, because not all landlords targeted by a given policy are known to those charged with enforcing it, thus making it difficult to implement the policy with universal effectiveness.⁸³

Shelter's objectives and policy options

Shelter considers that four key objectives can be set out to bring focus to our vision for a PRS that is fit for the purpose of providing homes for those who live in it.

- To make the PRS more accessible to those who wish to find accommodation in the sector.
- To provide enhanced security of tenure for those tenants for whom this is important.
- To ensure safe and appropriate housing conditions that protect and enhance the health and well-being of tenants in the PRS.
- To re-balance the landlord-tenant relationship and enhance the professionalism of the sector.

⁸¹ London Housing, *Prevention works: London councils' homelessness prevention initiatives*, 2005.

⁸² CIH, *Ways and means: local authorities' work with the private rented sector*, 2006, <http://tinyurl.com/ywmdxt>

⁸³ Ibid.

Objective 1: accessibility

While the PRS is generally able to successfully cater for tenants whose incomes mean they are cushioned from worries about being able to afford their accommodation, this is not the case for all private renters – particularly those on low incomes whose finances may fluctuate. Shelter believes there is a need to ensure that the option of PRS accommodation is open to all those who want it by ending discriminatory practices, such as ‘no DSS’ on rental adverts. In addition, Shelter believes it is necessary to ensure the affordability of accommodation in the PRS.

There are two main ways for policy to address the affordability issue – firstly, by implementing measures to increase the supply of lower rent homes (eg, through the use of rent controls) and, secondly, through measures to subsidise incomes (for instance, through reform to HB).

Changes to the system of HB restrictions

- **HB tapers** The ‘poverty trap’ is a significant difficulty for many HB recipients. Shelter’s response to the Freud report⁸⁴ highlighted options to reduce the impact of HB tapers as follows:
 - a reduction in the steepness of the taper so that less benefit is lost as income rises; the estimated cost of reducing the taper to 40 per cent is £550 million per annum⁸⁵
 - a version of the Housing Tax Credit, as proposed by Kemp, Wilcox and Rhodes⁸⁶; this could, for example, involve a means-tested flat rate contribution to housing costs to operate alongside existing tax credits
 - an increase in the standard rate of earnings disregard, combined with an annual uplift in line with living costs; the estimated cost of such a change would be in the region of £20 million per annum⁸⁷
 - a change in the approach to handling ‘changes of circumstances’ – Hills suggests that HB payments could be fixed for longer periods, thus providing increased reassurance during transition into work.⁸⁸

An alternative model might be that fluctuations in fixed income, within a certain band, could be permitted without this affecting entitlement.

- **Abolition of the shared room rate/single room rent restriction (SRR)**⁸⁹ The principle of differential treatment for young people is enshrined in the HB system and the roll out of the LHA will not change this. The SRR creates very real hardships for young people who find they face significant rental shortfalls, and often a shortage of availability of the sort of shared property on which the SRR restriction was originally predicated. In order to improve accessibility to the sector for this group, there is a need to remove this restriction from the benefits legislation, to enable young people to enjoy equality of access to accommodation.
- **Changes to the roll out of LHA**⁹⁰ The Rent Service are currently working to determine the setting of broad rental market areas (BRMAs) for the roll out of LHA nationally. However, the draft regulations make no mention of ‘rent levels’ as a determining factor in the definition of a BRMA. Given that a single BRMA may incorporate a relatively large area, households in receipt of LHA may be forced to ‘cluster’ in particular parts of the BRMA at some distance from their support networks. One option to improve accessibility would be to change the way in which BRMAs are defined, to take account of variations in rent levels within the geographical area defined as a BRMA.

Changes to the tax system to give incentives for fairer rents

It is not just those on HB/LHA who struggle with the affordability of PRS housing. While rent control is unpopular among landlords, it may be possible to utilise the tax system to offer incentives for fairer rents. This could be done by using a sliding scale of tax incentives that rewards landlords who stick to ‘reasonable’ rent increases. This model could be adapted from the registered fair rent model that continues to apply to those tenants who moved into their rented accommodation before January 1989.

84 Freud, D, *Reducing dependency, increasing opportunity: options for the future of welfare to work, independent report for the DWP*, 2007, <http://tinyurl.com/2hxxgud>

85 Hansard (House of Commons debates), Vol 443, Written answers, 9 March 2006, Column 1716W, <http://tinyurl.com/ys78nu>

86 Kemp, P, Wilcox, S, and Rhodes, D, *Housing Benefit reform: next steps*, JRF, 2002, <http://tinyurl.com/2ummh4>

87 Hansard (House of Commons debates), Vol 442, Written answers, 02 February 2006, Column 664W, <http://tinyurl.com/3eyfq6>

88 Hills, J, *Ends and means: the future roles of social housing in England*, CASE, 2007, <http://tinyurl.com/24ms5b>

89 Shared room rate is the new Local Housing Allowance (LHA) term for the benefit restriction on young people, which was previously known as the single room rent in HB.

90 Following its pilot schemes in the pathfinders areas, LHA is scheduled to replace HB nationally in April 2008.

The fair rent model specifies that rents can only be increased by a certain ‘fair’ amount every two years (or earlier if the landlord has made substantial improvements to the property), thus keeping rents stable for tenants for longer periods.

An extension of the rent deposit model

The rent deposit model facilitates access to the PRS for certain households who could not otherwise afford the cost of a deposit. This scheme has been one of the most successful mechanisms for improving the affordability of the PRS for low-income/homeless households. However, options to improve this model could include:

- universal roll-out – government research indicates that at present 87 per cent of local authorities run a rent deposit scheme⁹¹
- alternative funding mechanisms – many rent deposit schemes recoup their costs directly from the tenant on a weekly basis⁹²; this is a cost which those on low incomes or in receipt of benefits may find difficult to meet. It would be beneficial, therefore, to identify alternative funding mechanisms to support rent deposit schemes.

An end to ‘hidden’ rental costs

‘Hidden’ costs involved in both initiating and renewing a tenancy cause anxiety for tenants in the PRS. While some private renters may be in a position to afford these additional costs, for those on a low income even relatively small fees can have an impact on their capacity to afford to rent in the PRS. The following policy options may help ensure that such fees are not a barrier to entry to the PRS.

- A requirement that there are no ‘hidden’ fees – the joint Ombudsman of Estate Agents and the National Association of Estate Agents’ code of practice for letting agents requires, of members, that all fees and charges be fully explained, and clearly and unambiguously stated in writing.⁹³ It also recommends that fees should, where possible, be expressed inclusive of VAT. There is scope for this good practice model to be extended to all those involved in the letting industry.
- A ‘one off’ approach to fees – currently there are opportunities for the letting agent to charge fees both at the start of an AST and on renewal of the tenancy. One option would be to scrap renewal

charges so that once a tenant has entered into an AST with a landlord, there should be no further administration charges for the duration of that tenancy – and not just for the duration of the fixed period of the AST.

- Alternatives to these small-scale changes could be either:
 - to limit the scope of the fees so they are only chargeable to the landlord, rather than the tenant; this would facilitate access to the sector for tenants and provide incentives to landlords to make an informed comparison between letting agents’ charges and services
 - to empower local authorities to take over the role of agent in transactions between ‘vulnerable’ PRS tenants and landlords; therefore, tenants could benefit from reduced or no fees while landlords would benefit from the expertise of local authority officers.

An end to discriminatory practices

In line with Shelter’s concern about restrictions on young people under the age of 25 accessing the PRS, there is a broader need to tackle discrimination around the acceptance of those on benefits into PRS accommodation. Unfortunately, even where lettings adverts do not specify ‘no DSS’, a majority are unwilling to accept a HB/jobseeker’s allowance/income support claimant.⁹⁴ If direct payments to LHA recipients are to work in the way in which the Government intends – ie, by allowing LHA recipients to keep their claimant status private – then additional steps are required. Policy options to tackle this discrimination might include combatting the following problems.

- **Advertisements that specify ‘no DSS’** Many properties advertised for rent through local newspapers may state that ‘no DSS’ applicants will be considered. There is already anti-discrimination legislation in place for job advertisements and there may be scope to extend a variation of this anti-discriminatory approach to lettings.
- **Lettings agents asking landlords if they are willing to let to HB claimants** Landlords using letting agents will often be asked to indicate to whom they are prepared to let out their property. While a landlord should be able to retain choice as to their tenants, this should not include an indication of preference for no HB claimants.

91 ODP, *Survey of English local authorities about homelessness: policy briefing 13*, 2005, <http://tinyurl.com/2uj8mg>

92 Shelter, *Policy briefing: homelessness prevention and the private rented sector*, 2007, <http://tinyurl.com/35w7hy>

93 Ombudsman of Estate Agents and National Association of Estate Agents, *Code of practice for letting agents*, 2006, <http://tinyurl.com/3bv5vg>

94 Reynolds, L, *The path to success? Shelter’s research on Housing Benefit reform: the final report*, Shelter, 2006.

- **Mortgage lenders asking their borrowers if they intend to lend to HB claimants** While there may not be a proviso that a decision to let to a HB claimant will prevent the mortgage from going through, mortgage lenders should be discouraged from requiring this information from their borrowers. Instead, mortgage lenders could be encouraged to ask their borrowers if they are members of a landlord accreditation scheme or professional organisation. This could be a better indication of financial risk, because these landlords will usually be better informed about the law and good practice.

Objective 2: security of tenure

The current AST tenure model does work for some tenants, and many landlords. However, this does not mean that it is the only solution, nor even the most favourable one. For some PRS tenants the AST creates a sense of instability, disempowerment and an inability to call a house their home.⁹⁵ Shelter believes that there is significant social capital to be gained in reducing the instability experienced by PRS tenants, where it is either unsought or actively unhelpful. Shelter also believes that it is necessary to develop a more suitable balance between the landlord's need for reasonable access to their assets and the tenant's need to be able to provide a secure home for themselves and their family. The AST model encourages an attitude of short-term investment in PRS housing⁹⁶, moving the focus of the sector from the provision of housing for tenants, to the provision of assets for landlords. The following alternatives to ASTs should be considered.

Longer-term tenancy models

There are a number of existing or proposed longer-term tenancy models, as outlined below, which would provide enhanced security of tenure for tenants.

- **The assured tenancy model** This traditional model continues to be used in the social sector and provides greater security of tenure for tenants. While it is not generally popular with private sector landlords, the assured tenancy model offers

improved security for tenants, reducing the experience of instability that is problematic for many PRS tenants.

- **An intermediate tenancy model** For example, the tenancy model that was introduced in Ireland by the Residential Tenancies Act 2004, brought about greater security of tenure for tenants. Under the Act, where a tenant has been in continuous occupation of a dwelling for more than six months without a valid notice to quit being given then they are entitled to remain in the property for a further three-and-a-half years. Landlords retain the right to evict their tenant under five specified grounds, including intent to sell or requiring the dwelling for their family's own occupation.⁹⁷ The BPF has indicated that it is supportive of the need to consider intermediate tenancy options of between three and four years for those landlords wishing to minimise the number of 'void' periods and reduce turnover of tenants.⁹⁸ A further option would be to consider an inverted form of the Irish model – with a longer initial period of tenancy followed by shorter renewal periods.

An amended AST model

The Law Commission has already proposed amendments to the current AST model, in favour of type 1 and type 2 tenancies (see page 18). Shelter has broadly welcomed the Law Commission's efforts to simplify the legal framework for tenancies but remains concerned about the loss of the six-month moratorium on possession.⁹⁹ The following alternatives might be used in an amended AST model.

- The introduction of a minimum fixed period of one year or more (in contrast to the Law Commission's proposal to scrap the six-month moratorium in its type 2 tenancy proposal).
- A sliding scale of notice – in this model the length of notice provided to the tenant would depend on how long the tenant had been living in the property. This is a feature of the Irish tenancy model, discussed above, where notice periods vary from 28 to 112 days. Table 3, below, indicates how this works.

95 Houston, D, Barr, K, and Dean, J, *Research on the private rented sector in Scotland*, Department of Urban Studies, University of Glasgow, 2002, <http://tinyurl.com/2fbdyn>

96 ODPM, *English house condition survey 2003: private landlords survey*, 2006, <http://tinyurl.com/yvup82> indicates that, at any one time, there are a large number of dwellings (approximately one in four) that landlords are effectively waiting to withdraw from the sector (either permanently or temporarily) when they become vacant.

97 Department of the Environment, Heritage and Local Government, *Residential Tenancies Act 2004: a quick guide*, Ireland, 2004, <http://tinyurl.com/32ufzt>

98 BPF, *Letting in the future*, 2006, <http://tinyurl.com/2d39t9>

99 ROOF magazine, 'Out with the old', July/August 2002.

Table 3

Duration of Tenancy	Notice by Landlord	Notice by Tenant
Less than 6 months	28 days	28 days
6 or more months but less than 1 year	35 days	35 days
1 year or more but less than 2 years	42 days	42 days
2 years or more but less than 3 years	56 days	56 days
3 years or more but less than four years	84 days	56 days
4 or more years	112 days	56 days

Source: Department of the Environment, Heritage and Local Government, *Residential Tenancies Act 2004: a quick guide*, Ireland, 2004.

While a sliding scale of notice does not give security to tenants per se, it would enable more time to plan, especially if someone has been settled in the community in which they are living for some time and does not wish to leave it.

Objective 3: safe and appropriate housing conditions

As a market-led sector, the basic presumption governing the issue of housing conditions in the PRS is that the market will sort things out; that competition among landlords in the PRS will force improvements in housing conditions to attract tenants. Unfortunately, the logic of this argument is impaired at the lower end of the sector, where profit margins are weaker, competition less dynamic and therefore the drive to improve conditions significantly undermined. This is borne out by evidence from the *English house condition survey*, which reports that, even within the narrow confines of the 'vulnerable households' category, 50 per cent still live in non-decent PRS properties. This does not account for many other 'non-vulnerable' private tenants who also struggle with disrepair of their accommodation.

The Law Commission model

The Law Commission has recently proposed a model of enforced self-regulation.¹⁰⁰ Under this model, all landlords would be required to join landlord organisations/accreditation schemes that would, in turn, require compliance with their standards from members. The regime would be overseen by an external regulatory body, which

would ensure compliance with the standards and apply sanctions in cases of contravention. The most significant difficulty with this model is the potential lack of consistency across the various landlord organisations, which could leave tenants vulnerable to fluctuating standards.

One variation on this model, that has the potential to be more helpful to tenants, would be to set a single professional code of standards, thus ensuring consistency across the sector. Membership of landlords' organisations and accreditation schemes would not have to be compulsory but there would be an obvious advantage to joining, as these bodies would be able to help ensure compliance. A central regulator could, as suggested in the Law Commission model, oversee compliance with the code through a combination of spot-checks and responding to complaints. The overall functioning of the model would be supported by a system of national registration for all landlords.

Extension of the Decent Homes Standard

One alternative option would be to introduce new measures to bring more homes in the PRS up to the Decent Homes Standard. The Decent Homes Standard requires that accommodation: (1) meets the current minimum standard for housing; (2) is in a reasonable state of repair; (3) has reasonably modern facilities and services; and (4) provides a reasonable degree of thermal comfort.¹⁰¹ In the previous Comprehensive Spending Review, policy on decent homes was focused on vulnerable tenants, with a Public Service Agreement (PSA)¹⁰² that 70 per

100 Law Commission, *Encouraging responsible letting*, Consultation Paper No 181, 2007, <http://tinyurl.com/2zgqbo>

101 DCLG, *A decent home: definition and guidance for implementation*, 2006, <http://tinyurl.com/3b7xzq>

102 Public Service Agreements (PSAs) set out what different departments aim to deliver in return for the investment being made. PSAs provide a clear statement of priorities, and are an integral part of the Government's spending plans.

cent of vulnerable tenants in the private sector (PRS and owner-occupied) should live in decent homes by 2010. During 2001–2005, work by the Warm Front Programme provided over 800,000 private sector households in England with support.¹⁰³ Shelter believes that the new set of PSAs, announced as part of the 2007 Comprehensive Spending Review, should fully reflect the opportunities presented by the Decent Homes Standard to raise the bar in the PRS.

There are a number of ways in which the Decent Homes Standard might be extended:

- a requirement that all homes for vulnerable households within the PRS should meet the Decent Homes Standard within a given timeframe
- a target for the overall percentage of homes within the PRS – not just those of ‘vulnerable’ households – that should meet the Decent Homes Standard within a given timeframe
- a target for the percentage of homes within the PRS that should meet the thermal comfort standard.

There are two key challenges to meeting the Decent Homes Standard. The first is enforcement and the second is the potential costs entailed in such a policy.

In terms of enforcement, one option would be compulsory registration of properties in the sector, as implemented in Scotland in April 2006. While there have been some initial capacity problems with this new registration system, potential benefits might include ease of communicating with PRS tenants and landlords, having the local sector mapped, and enabling common standards and conditions inspections. As with the alternative to the Law Commission model outlined above, the option of registration does not need to be cumbersome. Registering could be simple, and either free of charge or subject to a small administration fee. Registration could confer a professional ID number to any landlord that they would then be able to use in all transactions relating to their business, eg, claiming tax allowances, carrying out possession orders, taking any court action, advertising tenancies, and using the deposit protection scheme. Tenants would benefit from landlord registration by being able to ascertain that their landlord is registered and thereby accountable.

In terms of the potential costs involved in implementing the Decent Homes Standard, or a variation of it, the *English house condition survey 2005* estimated costs as outlined in Table 4, below.

Table 4: Average costs to make decent (per home)

Tenure	all non decent homes	those failing thermal comfort only	those failing fitness, repair or modernisation
owner occupied	£7,218	£2,510	£14,557
private rented	£8,524	£2,358	£14,178
social sector	£3,518	£1,203	£7,181
Base: All dwellings			

Source: CLG, *English house condition survey 2005: annual report*, 2007.

¹⁰³ CLG, *Assessment of the impact of warm front on decent homes for private sector vulnerable households*, 2007, <http://tinyurl.com/3x3fcw>

There is a convincing argument that says that landlords should not be subsidised to fulfil their legal obligations on maintenance and repair under section 11 of the Landlord and Tenant Act 1985.¹⁰⁴ Incentives, via tax benefits, only work for those landlords who declare their rental property for tax purposes – which is not always the case, particularly among some of the worst landlords. However, while acknowledging that incentives are problematic as a policy concept, it may be useful to consider some possible options for supporting landlords in meeting the costs of improving accommodation in the PRS. Potential options might include the following.

- **Qualification for a flat-rate tax allowance** for those landlords providing accommodation to vulnerable households. This could be linked to meeting housing standards specified in a code of practice, and quality assured through inspection by a surveyor or environmental health officer.¹⁰⁵
- **Introduction of grant/loan schemes** for PRS landlords who have agreed to provide ongoing accommodation for vulnerable tenants to help fund improvements to property. Allocations of grants could be tied to the requirement that the property remains in the PRS, for the use of vulnerable tenants for a specified length of time, and includes membership of a landlord accreditation or professional organisation.
- **More punitive tax measures** for those landlords who are failing to fulfil their obligations with respect to the condition of their lettings.

In addition to offering tax incentives to landlords to maintain/improve their rental properties, it may be useful to consider possible incentives for encouraging them to join accreditation schemes designed to support the raising of standards in the PRS. A number of local authorities already operate accreditation schemes, and recent research by the Chartered Institute of Housing¹⁰⁶ has identified the following benefits for landlords who become accredited.

- **Access to a specific HB officer** This has benefits for both the local authority and the landlord, since it encourages lettings to HB claimants while also speeding up the process for landlords who are often deterred from letting to HB claimants because of problems with the processing system.

- **Free property advertising** Advertising can take place in council one-stop-shops, in property lists provided by homelessness teams and on landlord association websites. This gives applicants reassurance that the landlord has been accredited as providing a quality service.
- **Tenant accreditation** Councils provide schemes whereby tenants can become accredited, if nominated by an accredited landlord after managing a tenancy appropriately for six months. However, there are notable risks with such an approach and any implementation of the scheme would need to be carefully handled to avoid tenants suffering long-term discrimination for a past misdemeanour.

Objective 4: landlord–tenant relationship

The interaction between landlords and tenants is the core relationship in the PRS. How effectively it functions impacts on the sector as a whole. There is a need to re-balance the landlord–tenant relationship, to enable tenants to become more effective participants in the transactions that occur during the key stages of the tenancy process, ie initiation, sustainment and renewal/termination of tenancy; and awareness among both tenants and landlords regarding their rights and duties should be improved. An understanding of the ‘value added’ to the community through strong landlord–tenant relationships would also be helpful. The following policy options should be considered to address these issues.

Improved support for tenants with a history of ASB

Landlord–tenant relationships may be particularly challenging where the tenant displays ASB. The majority of landlords are reluctant to let their property to tenants with a history of ASB, fearing damage to their property or complaints from neighbours. The following mechanisms may assist to support landlords whose tenants display ASB.

- **Broadening ASB services provided by local authorities** ASB services are often primarily dedicated to dealing with ASB in public spaces, which is of little use to the PRS landlord who

104 Section 11 of the Landlord and Tenant Act 1985 requires that landlords must keep in repair the structure and exterior of the dwelling, and keep in repairs and in proper working order the installations in the house for the provision of water, heating, electricity, gas and sanitation. Attempts to contract out of section 11 are void: see Law Commission, *Encouraging responsible letting*, Consultation Paper No 181, 2007, <http://tinyurl.com/2zgqbo>

105 Recommendation based on one put forward in Bennett, J, *Modernising private renting*, Shelter, 2000.

106 CIH, *Ways and means: local authorities’ work with the private rented sector*, 2006, <http://tinyurl.com/ywmdxt>

finds her/himself unable to effectively manage their tenant's behaviour. ASB services could be broadened, therefore, to include support for PRS landlords who may need help with a tenant demonstrating ASB.¹⁰⁷

- **Provision of a support worker** For example, in Newcastle potential tenants refused accommodation because of a history of ASB are offered a support worker by local authorities. The project in Newcastle also has knowledge of landlords who are able to provide a more intensive housing management service, and thus support tenants to sustain their tenancies.¹⁰⁸

Tenant and landlord education

One of the difficulties in ensuring the successful functioning of accreditation schemes and codes of management as a means of regulating the landlord-tenant relationship is the implicit requirement that tenants 'boycott' those landlords who are not members, to persuade recalcitrant landlords to join up. It is notable that landlord accreditation schemes have often been successful in student areas, because universities educate their students to select landlords from their accredited listings, thus giving an incentive for membership to landlords. The following measures might be useful ways of increasing tenant awareness of issues in the PRS.

- **Courses on making safe and informed accommodation choices**¹⁰⁹ Short courses could be offered in schools and further/higher education institutions targeted at young people. These courses could provide information on the basics of private renting – tenancy deposit schemes, health and safety, tenancy agreements, and

arrangements for initiating and terminating a tenancy.¹¹⁰

- **Online information** For tenants and landlords to learn about their rights and responsibilities with regards to letting in the PRS. The emphasis would be on providing a sound basis to promote a professional approach to the landlord-tenant relationship.

Improved communication between landlords and tenants

One of the ongoing difficulties for the landlord-tenant relationship is that much of it is conducted in jargon that may be unfamiliar to one or both parties. The process of setting up an AST, organising a tenancy agreement and ending a tenancy is often accompanied by documentation that is not very accessible. The following requirements may assist landlords and tenants to communicate effectively with each other.

- Ensure all tenancy agreements are set out in plain English (where English is the appropriate language) and that they specify clearly the rights and duties of the landlord/tenant under the agreement.
- Any landlord who will not be locally resident should employ a registered letting agent to handle their property. One of the problems identified by tenants is that they may not be able to reach their landlord, particularly where their landlord is not resident in the area. By employing a professionally registered letting agent, who operates within good practice guidelines, access to help, support and information at key points of the tenancy could be facilitated and improved.

¹⁰⁷ Ibid.

¹⁰⁸ Ibid.

¹⁰⁹ An example of this was the recent collaboration of Unipol and the National Union of Students to offer a course on policy and practice in housing for student union elected officers and staff, <http://tinyurl.com/3y6uwp>

¹¹⁰ Shelter already provides a range of resources targeted at young people including our online advice and information service. We also have several projects in schools which are geared at preventing housing problems later on but which are not widespread due to limited resources.

Conclusion

Overall, there are opportunities to bring about improvements to the PRS in each of the four areas identified by Shelter as key objectives for a fit for purpose PRS. A well-functioning PRS could help improve health, education, life chances and the economy.

Shelter believes that the primary purpose of the PRS is the provision of a safe and appropriate home for those who live in the sector. Today, 12 per cent of the population lives in the PRS, including some of our most vulnerable households living in some of the poorest quality accommodation. Therefore, it is essential that the PRS is fit for the purpose of providing a home and that this aim is not obscured by the competing pressures and demands within the sector. In order to achieve this basic purpose, the PRS must be accessible to those who wish to find accommodation within it; provide the option of enhanced security of tenure for those tenants who regard this as important; offer safe and appropriate

housing conditions that protect the health and well-being of its tenants; and be underpinned by a positive landlord-tenant relationship, grounded in the legal framework in which the sector operates.

We recognise the many ongoing efforts in landlord and tenant communities and within Government to try to secure a PRS that is fit for the purpose of providing a safe and appropriate home, but there is still work to be done. Bad housing has a detrimental impact on people's lives. Good housing can support health and well-being, improve social capital and enhance the economy. It is a choice as to whether the PRS is part of the problem or part of the solution.

Glossary

Antisocial behaviour (ASB) Defined in the Anti-social Behaviour Act 2003 as actions that are ‘capable of causing nuisance or annoyance to any person’. This broad definition includes different levels of behaviour, ranging from low-level neighbour nuisance, such as noise nuisance and untidy gardens, through to harassment, intimidation and actual violence.

Assured shorthold tenancy (AST) The vast majority of private rented tenants are assured shorthold tenants, as this became the default private rented sector tenancy after 28 February 1997. AST tenants can be evicted fairly easily. However, the court cannot award a possession order for the first six months, unless the tenant has broken an important term or condition of the tenancy.

Assured tenancy After 15 January 1989, most lettings by private landlords and housing associations are assured tenancies or assured shorthold tenancies. Assured tenants (not including ASTs) have reasonably strong rights against eviction, and protection from unfair rent increases beyond market levels.

Decent Homes Standard The government definition of a decent home is one that meets the current minimum standard for housing, is in a reasonable state of repair, has reasonably modern facilities and services, and provides a reasonable degree of thermal comfort.

Housing Benefit/Local Housing Allowance Housing Benefit is designed to support those on low income who need financial help to pay all or part of their rent. Local Housing Allowance (LHA) is the new name for Housing Benefit for tenants in privately rented accommodation. LHA has been trialled in a number of ‘pathfinder’ areas and will come into effect nationwide from April 2008.

Housing Benefit taper Those in receipt of Housing Benefit do not continue to receive it at the same rate once their income goes over and above a set ‘applicable amount’. This means a claimant who goes into work has their benefit withdrawn at a rate of up to 65p for each additional £1 of income earned. When combined with Council Tax Benefit, this rate of withdrawal can rise to 85p.

Houses in multiple occupation (HMOs) Some houses or flats that are occupied by more than

one household are classed as houses in multiple occupation (or HMOs). Landlords of this type of property have extra legal responsibilities. The mandatory licensing scheme, brought into force by the Housing Act 2004, applies to HMOs with over three storeys, and five or more occupants making up two or more households.

Housing Health and Safety Rating System (HHSRS) A new risk assessment tool used to assess potential risks to the health and safety of occupants in residential properties. It aims to ensure that homes don’t have any serious hazards, and enables a council to take action against landlords whose properties are dangerous.

Private rented sector This sector of the housing market provides rented accommodation to tenants through private residential landlords. It accounts for around 12 per cent of all housing in the UK today. In this paper, lettings with a resident landlord have not been included within the discussion, as they make up a small proportion of the sector, although they do fall under the broader definition of the private rented sector.

Regulated tenancy In general, regulated tenants have moved into their accommodation before 15 January 1989. Regulated tenants have stronger rights against eviction than most other private tenants, a registered fair rent and only face rent increases every two years.

Shared room rate/single room rent restriction (SRR) The SRR limits Housing Benefit entitlement for single under 25s to the average local rent for single room accommodation with shared use of toilet, kitchen, bathroom and living room, regardless of the type of accommodation in which the person actually lives. The shared room rate is the LHA equivalent of the single room rent restriction.

Social capital This refers to social networks, norms and values that promote trust, co-ordination and co-operation for mutual benefit.

Warm Front Programme A government-funded initiative that provides a package of home insulation and heating improvements for those who own a home or rent from a private landlord and who meet certain criteria set down by the Government.

Everyone should have a home

We are the fourth richest country in the world, and yet millions of people in Britain wake up every day in housing that is run-down, overcrowded, or dangerous. Many others have lost their home altogether. Bad housing robs us of security, health, and a fair chance in life.

Shelter helps more than 170,000 people a year fight for their rights, get back on their feet, and find and keep a home. We also tackle the root causes of bad housing by campaigning for new laws, policies, and solutions.

Our website gets more than 100,000 visits a month; visit www.shelter.org.uk to join our campaign, find housing advice, or make a donation.

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