



Renters' Rights Bill: Affordability and rent increase caps

INTRODUCTION

A third of private renters are already paying half or more of their income on rent - well above the commonly accepted affordability threshold of 30%.¹ Alarming, **29% say they could not afford any rent increase, while a further 24% say they would need to cut back on essential spending, fall behind on bills or need to borrow money to manage any rent increase.**²

A private rented sector that forces people to move frequently or pushes renters into debt to cover rising rents is unsustainable. Measures to stabilise rents within tenancies are essential to ensure the Renters' Rights Bill delivers the secure, stable system it promises, as well as empowering tenants to challenge unfair rent increases that result in unwanted moves.³

Shelter is proposing to establish an index by which annual in-tenancy rent increases ("Section 13 increases") are limited, to the lowest of either inflation or median wage growth because:

1. For many renters, a rent increase is as good as an eviction notice.
2. Without an established index that outlines what a "fair rent increase" looks like, the First Tier Tribunal will remain ineffective in supporting renters.
3. Setting fair limits to rent increases would protect tenants from unexpected changes in costs, have minimal impact on landlords, and allow both parties to plan for their long-term financial future.

RENT INCREASES WILL BECOME THE NEW 'NO-FAULT' EVICTION

Over 300,000 renters moved last year because of a rent increase they couldn't afford. That's more than 900 renters a day.⁴ While the Renters' Rights Bill takes a vital step in abolishing 'no fault' section 21 evictions to provide renters with greater security of tenure, without clear limits to rent increases, renters will continue to face the instability and upheaval of losing their homes due to a rent hike. Additionally, the threat of a retaliatory rent increase may discourage renters from exercising their new rights, undermining important protections introduced by the Bill.

In recent years, renters have faced record rent increases on top of already record high rent levels. **Average rents in England rose by 8.8% in the last year to £1,375 (up £112 from the previous year).**⁵ However, these average figures mask more dramatic rises for individual

¹ Shelter/YouGov survey of 2,038 representative private renters in England, November 2024.

² YouGov/Shelter survey of 4,023 representative private renting adults (18+) in England, 2023.

³ Prime Minister's Office, [The Kings Speech 2024 background briefing notes](#), July 2024

⁴ Shelter/YouGov survey of 2,038 representative private renters in England, November 2024.

⁵ ONS, Private rent and house prices, UK, November 2024

tenants, with many facing individual rises of 10%, 20% or more. This is while **over half (56%) of renters said that they could not manage a 10% rent increase.**⁶

Under the current system, where “market rent” serves as the ceiling for rent increases, many of these dramatic hikes are permitted. **As a result, 43% of renters say worrying about how they will pay their rent is making them anxious or depressed.**⁷ This is a system that is deeply uncertain for tenants, who must try to understand what “market rent” is before deciding whether to go through the arduous process of challenging a rent increase at a first-tier tribunal.

ENSURING FIRST TIER TRIBUNALS WORK

The Renters’ Rights Bill proposes changes to improve the process and experience of challenging rent increases through the First Tier Tribunal (under section 13 of the Housing Act 1988). However, it does not address the critical issue: **the upper ceiling of “open market rent” remains unchanged as the benchmark for tribunal decisions. This means the tribunal can only judge whether the proposed new rent aligns with “market rent”, regardless of how much higher it is than the tenant’s initial rent.**

Equally, **there is no clear definition of what a fair “market rent” means in the context of a tribunal decision;** on comparing hearings there are contrasts and contradictions with the evidence taken into account and how decisions are made. This is a significant issue when it comes to transparency, fairness and setting clear expectations for both tenants and landlords.

Evidence from the 100 relevant tribunal hearings between 2 May 2024 and 19 September 2024 demonstrates that in many circumstances, a ceiling of “market rent” means tenants will continue to see their rent increased by a very significant proportion – even when they have the means to bring a case:

- The average increase in rent permitted by the tribunal was 23%
- Two thirds of the cases resulted in a rent increase of 10% or more
- In 16 out of these 100 cases, the tribunal permitted an increase of over 40%.
- In at least 4 of these cases, there was clear evidence of landlords using rent increases alongside eviction notices, likely because they had failed to secure an eviction.

It is welcome that the eventual rent determined by the tribunal will no longer be able to exceed the amount requested in the landlord’s Section 13 notice (currently a rare occurrence). However, even when the tribunal determines a lower rent than requested, the resulting increases are often still a very large proportional increases in rent. This underscores that, without indexed limits on rent increases, the tribunal process will remain largely useless for renters.

Setting fair limits on rent increases within tenancies would protect renters from large, unexpected hikes in their rent; in effect, limiting the need for time consuming, expensive tribunal hearings down to the rare cases where landlords mistakenly or maliciously raise rents above the annual limit.

⁶ YouGov/Shelter survey of 4,023 representative private renting adults (18+) in England, 2023.

⁷ Shelter/YouGov survey of 2,038 representative private renters in England, November 2024.

Case study from Shelter advice services: retaliatory rent increases

Jane is a 78-year-old woman who suffers from rheumatoid arthritis. In July, her boiler malfunctioned leaving her with no hot water or heating, which affected her health significantly. Despite notifying the landlord, no action was taken for four days. The landlord initially promised a quick resolution but failed to follow through. After it was communicated that the client's daughter would be involving the local Citizens Advice Bureau to enforce the landlord's repairs responsibilities, the landlord agrees to make the repair but also raised the rent by £130 – a 25% increase – and served the tenant with a section 21 notice simultaneously. Shelter is supporting Jane as the rent increase and eviction notice may put her at risk of homelessness.

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IMPACT OF INDEXED LIMITS ON RENT INCREASES TO TENANTS AND LANDLORDS

Countries with large renting populations often have rent stabilisation measures in place, for example, France, Germany, Ireland, Belgium and Switzerland. Studies from the United States show that in jurisdictions with rent stabilisation policies, low-income renters face fewer forced moves⁹. Rent stabilisation contributes to community continuity and workers can stay in cities that otherwise would have become unaffordable. Greater housing stability is better for mental and physical health and children's educational attainment.¹⁰

Evidence from these countries shows that, contrary to some claims, this moderate form of rent control is compatible with relatively large, functioning private rented sectors and does not preclude private investment. However, there are a wide range of rent control models used internationally, and it is important not to confuse the proposed rent stabilisation model, which would only apply within the term of a tenancy, to other systems which control the level of market rents such as the example of Sweden which has been raised in parliamentary debate.

Tracking market rent increases since 2015, against the projected effect of the proposed policy of annual limits by the lowest of wage growth or inflation, shows that increases permitted under this policy would largely reflect average changes to market rent over that period. As such, it would not prevent landlords from reasonably covering changes in their business costs. However, it would prevent the large, one-off rent hikes that cause such instability and risk homelessness for lower income tenants. England's largest Build to Rent landlord, Grainger, has previously proposed a similar form of rent stabilisation.¹¹

If you would like to discuss the Renters' Rights Bill with Shelter, please feel free to contact us at public_affairs@shelter.org.uk.

⁸ Analysis of 100 most recent First Tier Tribunal Section 13(4) Housing Act 1988 'market rent' decisions. Cases involving Rent Act tenancies and registered providers were excluded to ensure relevance. Some cases lack published "reasons" documents. These have been discounted as rent increase sizes cannot be ascertained.

⁹ UK Collaborative Centre for Housing Evidence, [Rent control: Review of the evidence base](#), February 2022

¹⁰ Pastor, M., Carter V., Abood, M., [Rent Matters: What are the Impacts of Rent Stabilization Measures?](#), October 2018

¹¹ LUHC Select Committee, [Written evidence submitted by Grainger plc](#), August 2022