
Shelter

Campaigns Briefing

A licence to rent? – How regulating the private rented sector can mean a better deal for tenants, landlords and taxpayers

Landlord registration would create a better deal for tenants, a better deal for landlords, and a better deal for the taxpayer.

Jane was renting with her two young children. After their carbon monoxide alarm had sounded and the family had all been admitted to hospital with breathing difficulties, it became clear that the boiler had been leaking. The landlord refused to fit a new boiler and asked Jane and her family to leave the property. He was clearly in breach of legal obligations, but is probably still letting unsafe properties today.

For too long tenants, landlords and taxpayers have had to put up with a bad deal in the private rented sector (PRS). Now hundreds of thousands more people every year are choosing to rent rather than attempting to climb the property ladder, the problems in the sector can no longer be ignored. Shelter is calling on the Government to introduce better regulation of landlords which will help to deliver a better deal for everyone.

The private rented sector is everyone's business

Three million households in England rent their home from a private landlord and this number has grown by **300,000** in the past year. Most of us will have rented privately at some stage, or know someone who has. Some of us rent out property, or we may have friends or family who are landlords. More than **£4 billion** of taxpayers' money is spent annually on housing benefit for private renters and this is set to rise to nearly **£6.7 billion** by 2010/11. Our taxes also pay to treat health problems caused by squalid housing and to deal with the thousands of landlord/tenant disputes that go through the courts each year.

The sector doesn't function well enough

- Too many tenants live in terrible conditions or are unfairly evicted – Shelter sees thousands every year.
- Too many responsible landlords and professional property managers are undercut in the market by slum landlords who give all landlords a bad name.
- Too many landlords are confused about, or are unaware of, what their obligations are.
- Too much of our tax money has to help clear up the mess created by problems in this neglected, largely unregulated sector.
- Taxpayers lose money every year as many landlords don't declare rental income for tax purposes.

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There is little a tenant can do if things go wrong. Landlords who repeatedly break laws and regulations, by letting out death-traps or threatening their tenants, can continue to let properties to unsuspecting people.

After moving into her boyfriend's flat, Angela became an 'accidental' landlord as she was unable to sell her own place due to the recession. The process was stressful as she wanted everything to be above board but found it hard to know what she had to do. She told Shelter it would be good for peace of mind if there was someone official to go to for advice and accreditation.

What does the PRS look like?

- The private rented sector is made up of **3 million** households, or **14%** of the total number of homes. The number of households in the sector has grown by **300,000** in the past year and this is predicted to keep on growing.
- One of the problems with the lack of centralised regulation in the sector is that there are very few figures available about landlords or tenants. However we do know that around half of landlords are relatively new to the sector (under ten years' letting experience) and that many are small scale, with nearly **60%** owning fewer than four properties.
- Tenants range from students who are happy to move regularly, to families who need security; from housing benefit recipients to high earners; from young professionals to migrant workers.

Rights and responsibilities

Checks and references – Tenants looking for a new home have to provide credit checks, references and rent deposits. Yet landlords do not need to show any equivalent references, nor are they required to have any business skills or knowledge of housing law. Letting and managing agents are unregulated as well, unlike estate agents.

Conditions – Conditions in the sector are worse than in any other tenure, with 50% of homes not meeting basic government decency standards. Local authorities do a great deal to enforce health and safety duties, but they are under-resourced and have no way of knowing which homes are rented or who the landlords are. Special licensing for Houses in Multiple Occupation covers some properties, but most landlords are not covered by this regime.

Self-regulation – There are landlord organisations that promote best practice. But the Law Commission estimates that just 2.2% of landlords belong to a professional body, and in Shelter's experience, the very worst landlords are unlikely to join voluntary schemes or undertake accreditation courses.

Awareness – The patchwork of laws governing private tenancies is fragmented and complicated. This makes it hard for landlords to understand and comply with their obligations.

The tenant/landlord journey: What are the problems in the sector and how would registration help?

Problem	Starting out	Solution
<p>No way of tenants knowing which landlords provide a good service.</p> <p>Landlords are often overwhelmed by the patchwork of laws and regulations.</p>		<p>A register would force landlords to identify themselves and provide some assurance to tenants.</p> <p>A regulatory body could improve communications by bringing disparate laws and regulations together into one, universal code of practice. It could also promote training and good practice.</p>
Problem	Rent and income	Solution
<p>Some landlords are managing to avoid paying tax on their rental income because no one knows who they are.</p> <p>Many landlords – often due to ignorance – are still failing to protect deposits in tenancy deposit schemes. Non-compliance with the schemes costs landlords around £14m per annum in fines, according to government estimates.</p>		<p>Registration would improve tax collection and save money for the Government and taxpayers.</p> <p>Registration would mean better awareness of tenancy deposit obligations and fewer landlords would end up having to pay fines. The Government suggests registration could halve non-compliance.</p>
Problem	Conditions	Solution
<p>Dampness and disrepair is a problem for many people and is linked to asthma and other health issues in children.</p> <p>A minority of bad landlords give the sector a bad name.</p> <p>Environmental Health Officers are often under-resourced and unable to identify who or where the bad landlords are.</p>		<p>Landlords who continually breach health and safety standards would be struck off the register.</p> <p>Registration would raise the reputation of the PRS and benefit good landlords, who would have nothing to fear.</p> <p>Environmental Health Officers could use the register to easily identify landlords.</p>
Problem	Enforcement and redress	Solution
<p>Tenancy breakdowns and evictions through the courts cost landlords, tenants and the taxpayer around £120 million per year, according to government estimates. Taking action through the civil courts is often prohibitively expensive and daunting for tenants.</p> <p>Tenancy relations officers are often unable to identify who or where the bad landlords are.</p> <p>Many tenants don't complain due to fear of eviction.</p>		<p>Better complaints routes could be put in place, and landlords would be required to join the Housing Ombudsman, providing tenants with an alternative to going through the courts.</p> <p>Tenancy relations officers could use the register to easily identify landlords.</p> <p>A strong regulator could take a proactive approach, such as spot checking of landlords, to help reduce the need for tenants to complain.</p>

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What is the Government doing?

The Government has recently proposed the introduction of a light touch, online national register. This is a welcome start. However, unless there is a robust regulatory framework to accompany this, poor landlord practice will not improve. A register alone would not be very meaningful. Shelter has responded to the government consultation proposing a more robust approach.

For more detail on our proposals see http://england.shelter.org.uk/professional_resources/policy_library

Shelter proposals for the private rented sector

We are calling for the Government to introduce both a landlord registration system and a centralised regulator. We believe that regulation should be simple and proportionate, and should encompass:

- A national register of landlords – each landlord would receive a unique registration number and pay a low annual fee.
- A national, autonomous body with statutory powers to oversee regulation.
- A common code of practice and support for professionalisation, training, and development of best practice for landlords.
- Proactive and effective enforcement of existing statute.
- Better redress and complaint routes and promotion of tenant rights.

This reform would protect, not affect, good and law-abiding landlords.

In addition, we also need: regulation of letting and managing agents; mandatory standard written tenancy agreements; and the simplification of tenancy law. Shelter would also like to see greater security of tenure so that tenants know that they can enforce their rights without the risk of being evicted in retaliation.

Next steps

Please write to the Housing Minister to express your support for the introduction of a robust system of landlord registration.

To find out what else you can do to support our campaign, please contact: Anne Baxendale, Public Affairs Officer, by emailing anne_baxendale@shelter.org.uk or telephoning **0344 515 1182**.