



Renters' Rights Bill: amendment on tenancy guarantees (NC11)

New clause: restrictions on landlord's ability to require tenant to provide guarantor

After clause 25, page 36, line 17, to move the following new clause 25A:

- (1) A relevant person must not, in any of the circumstances set out in subsection (2), require a person, as a condition of the grant of a relevant tenancy, to provide a guarantor in relation to the observance or performance of the tenant's obligations under the tenancy.
- (2) For the purposes of this section, requiring a person to provide a guarantor includes accepting an offer by that person to provide a guarantor.
- (3) The circumstances are -
 - a. that the person has paid a tenancy deposit or has been assisted under a deposit scheme;
 - b. that the person is required to pay rent in advance of one month's rent or more;
 - c. that on a reasonable assessment of their means the person's income (including state benefits received and any other lawful source of income) is sufficient to enable them to pay the full rent due under the tenancy;
 - d. that arrangements will be made for housing benefit or the housing element of universal credit to be paid directly in respect of rent to a relevant person;
 - e. that the relevant person has entered into a contract of insurance under which they are insured against non-payment of rent; or
 - f. such other circumstances as may be prescribed.
- (4) In any other case where a relevant person lawfully requires a person, as a condition of the grant of a relevant tenancy, to provide a guarantor, the sum for which the guarantor may become liable under the relevant guarantee shall not exceed a sum equal to six months' rent.
- (5) In any case where a relevant person lawfully requires a person, as a condition of the grant of a relevant joint tenancy, to provide a guarantor, the sum claimed under the guarantee shall not exceed such proportion of the loss as is attributable to the act or default of the individual tenant on whose behalf the guarantee was given; and if such proportion cannot be proved, shall not exceed the sum obtained by dividing the total loss by the number of tenants.



(6) In this section –

a “guarantor” is a person who enters into a guarantee in relation to a relevant tenancy;

a “guarantee” is a contractual promise to be responsible for the performance of an obligation owed by the tenant to a relevant person under the tenancy if the tenant fails to perform the obligation;

a “deposit scheme” includes a scheme whereby a sum payable by way of deposit or a bond or guarantee is provided by a local authority, registered charity or voluntary organisation for the purpose of providing security to a landlord for the performance of a tenant’s obligations under a tenancy;

“tenancy deposit” has the same meaning as in section 212(8) of the Housing Act 2004.”

Effect of amendment

The effect of this amendment is to strengthen protection for tenants against discrimination in the private rented sector by restricting the circumstances in which a landlord can legitimately request a guarantor.

A landlord would be prohibited from requiring a prospective tenant to provide a guarantor in any of the situations set out in sub-clause (3) above.

In any case where a landlord can lawfully insist on a guarantor, the guarantor’s liability under the guarantee is not to exceed a total of six months’ rent.

Where the tenancy in question is a joint tenancy, the guarantor is to be liable only for the arrears or other losses for which the individual tenant is responsible, and not for the total of losses incurred or caused by the other joint tenants. If it is not possible to isolate the share of arrears or losses attributable to the individual tenant, the guarantor’s liability shall not exceed the total loss divided by the number of joint tenants.

INTRODUCTION

Landlords in the private rented sector have considerable freedom when selecting tenants, often exploiting this freedom to impose near-untenable conditions on prospective renters, which limits access to homes in the private rented sector. Taken together, **requirements for high sums of rent in advance and the need for a high-earning or home-owning guarantor disproportionately impact households in receipt of housing benefit, sometimes excluding them from the private rented sector entirely.**

Landlord preferences that disadvantage renters in receipt of housing benefit are a serious concern, particularly given that **a third of private renting households rely on housing support.**¹

¹ Shelter analysis of DWP, Stat Xplore and ONS Census



The English Housing Survey found that nearly 100,000 households were refused tenancies in the last 12 months because they were in receipt of housing support.² Shelter's own research shows that 52% of landlords do not or prefer not to let to these tenants.³

Discriminatory practices are often covert. Requirements such as high sums of rent in advance and the need for a high-earning or home-owning guarantor are employed in a targeted and exclusionary way, deliberately locking certain groups of tenants out of the private rented sector.

In effect, these arbitrary barriers are a form of discrimination, disproportionately affecting those more likely to receive benefits. **Groups such as women, single-parent households, Black and Bangladeshi households, and people with disabilities are particularly impacted.** Several successful cases have already ruled that policies which result in the exclusion of groups with a protected characteristic from housing is unlawful, but more needs to be done to address indirect strategies, like rent-in-advance and guarantor requirements that impact these tenants.

UNREASONABLE GUARANTOR REQUESTS

A barrier that prospective private renters must contend with is the requirement to appoint a guarantor. In the last five years, **21% of tenants looking for a private rented property were asked to provide a guarantor, and nearly a third reported that they found it difficult to meet this demand.**⁴ For those claiming benefits, securing a guarantor is even more challenging; **45% of benefits recipients asked to provide a guarantor said they found it difficult, compared to just 24% of those not on housing benefit.**⁵ Additional criteria placed upon the appointment of a guarantor - that they should earn over a certain amount, be UK-based or own their own home - creates further arbitrary barriers for people trying to secure a private rented property.

When landlords assess a prospective tenant's reliability, a 5-week deposit, the first month's rent, and passing an affordability check should suffice—it's unclear what additional assurance a guarantor provides. Less than 1 in 10 landlords surveyed by Shelter have requested a guarantor, and only 2% have attempted to claim lost rent from one.⁶ When you consider the disproportionate impact that guarantor requests do have, as an upstream method for discrimination, the role they play in private renting should be heavily restricted.

² Ministry of Housing, Communities & Local Government (2024) *English Housing Survey 2022 to 2023: rented sectors*. [online] MHCLG. Available at: <https://www.gov.uk/government/statistics/english-housing-survey-2022-to-2023-rented-sectors/english-housing-survey-2022-to-2023-rented-sectors>

³ YouGov survey of private landlords in England. Total sample size was 1007 adults. Fieldwork was undertaken between 14th - 26th July 2023. The survey was carried out online

⁴ YouGov survey for Shelter of 4,023 private renting adults (18+) in England.

⁵ Ibid.

⁶ YouGov survey of private landlords in England. Total sample size was 1007 adults. Fieldwork was undertaken between 14th - 26th July 2023. The survey was carried out online



Guarantor requests are frequently employed unfairly, often based on assumptions about tenants' ability to pay the rent. In fact, **33% of landlords who asked for a guarantor did so because they were letting to a tenant they considered to be 'high risk'**.⁷ Based on experiences in Shelter's advice and legal services, we see that this request - and the landlord or agent's perception of 'risk' - is often related to the applicant's benefits status, **even where tenants are able to demonstrate they can afford the rent**. The expectation that a tenant is more likely to default on their rent as a direct result of their benefits status is highly prejudiced and also leads to disproportionately worse outcomes in accessing a home for households on low incomes.

The Renter's Rights Bill should restrict the scenarios in which a landlord can legitimately request a guarantor to those in which a prospective tenant cannot prove that the rent is affordable to them.

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

⁷ Ibid.