

# **The New Private Rental Tenancies**

Evaluating changes  
to rental  
agreements in  
Scotland

Executive Summary

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# EXECUTIVE SUMMARY

In December 2017, the Scottish government introduced the new Private Residential Tenancy (PRT), effectively ending no-fault evictions. As a result of this change, private renters on new tenancies north of the border no longer face short-term contracts and the threat of eviction for no reason. Instead, they have the true security of an open-ended tenancy.

With the Westminster government now planning to make similar, hugely popular changes in England by abolishing Section 21 of the Housing Act 1988, which currently gives landlords the power to evict renters for no reason, some are making claims of the unintended consequences and disruption this will cause. Understanding more about the implementation and impact of open-ended tenancies in Scotland provides useful evidence of what might happen in England.

South of the border, private renters suffer from a lack of security. Many avoid asking for repairs or challenging rent increases for fear of eviction,<sup>1</sup> and worry about being asked to leave their home before they want to.<sup>2</sup>

This is the first major [research](#) on the introduction of open-ended tenancies in Scotland. Through official statistics, a survey of Scottish renters and interviews with homelessness workers in Scotland, we have built up a picture of what the early impact has been.

18 months on from the introduction of the new tenancies, this research clearly shows that they are already having a positive effect on Scottish renters. Renters on the new tenancy:

- worry less about becoming homeless,
- feel less locked-in to their tenancy and
- have more faith that their elected representatives have their interests at heart.

Our research suggests that the introduction of open-ended tenancies can be managed smoothly and without significant impacts on the private rented market.

These early positive findings indicate that ending Section 21 in England could play a major part in significantly improving the experience of private renting in England too.

## Scotland: England's closest comparator

No two renting markets are exactly alike. However, there is no closer comparator to England than our northern neighbour, particularly when it comes to scrapping no-fault eviction and the introduction of open-ended tenancies.

The growth of the private rented sector in Scotland has mirrored the growth in England and the type of household that rents from a private landlord has changed in much the same way. In England, the size of the private rented sector has doubled in the past twenty years. In Scotland, the private rented sector has more than doubled. The demography of private renters has changed too with far more older people and families

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<sup>1</sup> YouGov survey of 3978 private renters, Aug 2017, online, weighted

<sup>2</sup> YouGov for Shelter, survey of 1,029 private renters, online, weighted, August 2018

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with children now living in a private rented home.

Until 2017, the laws governing private renters' security from eviction in Scotland also almost exactly mirrored England's current law, with the threat of being evicted at two months' notice for no reason given under Section 21 of the 1988 Housing Act. In England, landlords can issue renters with a no-fault Section 21 notice at any time outside of the fixed-term period. In practice, this means that many people with school-aged children have just six months of security at the start of a tenancy before they are at risk of being told to leave their home within two months.

In much the same way as abolishing no-fault evictions is changing the experience of renting in Scotland, the abolition of Section 21 in England would be the most significant change to private rented legislation in a generation. This reform is long overdue and presents a genuine opportunity to strengthen renters' rights and make the private rented sector fairer and fit for purpose.

### **Already feeling the benefit**

Even with only 18 months since the introduction of open-ended tenancies in Scotland, our research found that private renters there are already feeling significant benefits from the change. More than half of renters on the new tenancy feel more secure in this housing situation.

Tenants who are on the new open-ended tenancy are:

- **Half as likely to worry about becoming homeless**

Compared to those on the old tenancy agreement, renters on the new, open-ended tenancy are half as likely to report being worried about becoming homeless.<sup>3</sup>

The loss of a private rented home makes a significant contribution to homelessness. The greater security provided by the new open-ended tenancy appears to give tenants reassurance that they are at lower risk of becoming homeless.<sup>4</sup>

This change would also make a significant difference in England. Half of private renters worry about being asked to leave their home before they want to in England and 75% of private renters worry about being unable to find another decent and affordable home when they are asked to leave.<sup>5</sup> These fears are understandable, given that the loss of a private rented tenancy is driving homelessness in England. As in Scotland, scrapping no-fault evictions in England could significantly reduce the fear of homelessness here too.

- **Half as likely to feel locked-in to their tenancy**

Without open-ended tenancies, the only form of security private renters can negotiate in England is a fixed term tenancy, meaning renters can find themselves locked in to a tenancy they cannot afford or do not want to remain in when their circumstances change. For example, if a relationship breaks down midway through a tenancy.

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<sup>3</sup> YouGov survey of 752 private renters in Scotland, online, weighted, March - April 2019

<sup>4</sup> Scottish Government, [Homelessness in Scotland](#) 2017-18

<sup>5</sup> YouGov survey of 1,029 private renters, online, weighted, August 2018

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Under the new open-ended tenancy, tenants in Scotland give just 28 days' notice if their circumstances change and they need to find a new place to live. Our research suggests renters often need the flexibility of the new tenancy. The PRT not only protects them from unfair evictions but gives them greater freedom to move if needed. This is particularly beneficial for certain groups such as those fleeing domestic violence.

Compared to those on the old tenancy agreement, renters on the new, open-ended tenancy are half as likely to report feeling locked-in to their tenancy.<sup>6</sup>

Although the main focus of open-ended tenancies is the increased security from eviction that renters receive, findings from Scotland show that renters feel the new tenancy is more flexible.

- **Significantly more faith in politicians**

Private renters are considered an increasingly politically salient group,<sup>7</sup> yet our research finds that renters feel politicians don't care about them. However, the introduction of open-ended tenancies could change this - Scottish renters on the new open-ended tenancy are significantly happier with their politicians. Our research found that private renters on the old tenancy are more than twice as likely to strongly believe that politicians do not care about renters than those on the new tenancy.<sup>8</sup>

The political benefit of open-ended tenancies in Scotland is clear. Introducing similar legislation in England looks set to stay a key part of the competition for English private renters' votes.

### **Evidence suggests no significant effects on the private rented market**

Before the new tenancy was introduced in Scotland there were some claims that scrapping no-fault evictions would "kill the private rented sector."<sup>9</sup> Similar dramatic warnings have been made since the Westminster government's announcement of its intention to abolish Section 21. Though so far only half of private tenancies in Scotland are on the new terms, our analysis of official statistics has found that all the key indicators of Scotland's market are in line with comparable regions. The evidence so far suggests no significant impact.

### **Size of the sector**

Landlord groups suggested many landlords would leave the market in response to the announcement of the introduction of open-ended tenancies. Though it is too early to tell whether the size of the sector has changed since the new tenancy was introduced, official data shows that there was no substantial change in the size of the private rental market in Scotland in the two years after the new policy was announced.<sup>10</sup> The size of the sector has followed a very similar trend to other UK countries where there has been no such government commitment.

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<sup>6</sup> YouGov survey of 752 private renters in Scotland, online, weighted, March - April 2019

<sup>7</sup> Shelter, [The Rising Political Salience of Young Voters](#), June 2018

<sup>8</sup> YouGov survey of 752 private renters in Scotland, online, weighted, March - April 2019

<sup>9</sup> Private Housing (Tenancies) (Scotland) Bill, [Summary of Responses to the Online Survey](#)

<sup>10</sup> Scottish Household Survey, 2017

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## Rent levels

Official data suggests that there has been no significant change to rents in Scotland as a result of the new tenancies. Claims that introducing open-ended tenancies would “lead to upward pressure on rents for all tenants” appear to have been overstated.<sup>11</sup>

Official statistics show that inflation to rents since the introduction of open-ended tenancies have been in line with or below other countries and regions of the UK over the same time period.

## Homelessness

While some English landlord groups have warned that those at the sharpest end of the housing crisis will be negatively impacted by the end of Section 21,<sup>12</sup> homelessness levels have shown no negative impact from the introduction of open-ended tenancies. This may be unsurprising, given that we have already seen that the size of the market has not significantly changed and that rents have not dramatically increased.

So far, the dire predictions made by landlord groups when the plan to abolish no-fault evictions was announced have, fortunately, not come true.

Early indicators show no major changes to the private rental market, neither in terms of size nor the cost of rent. There is no evidence to show that those at the sharpest end of the housing crisis are being forced into homelessness as a result of the introduction of the open-ended tenancy.

Initial research suggests that renters on the new tenancy are genuinely benefitting from greater security of tenure. With greater ability to move when they need to, and fewer worries about homelessness, renters on the tenancy are starting to think their politicians are listening.

As England moves towards a future free from no-fault evictions, we hope our government will be reassured by Scotland’s apparently smooth transition into a world where private renters have stronger rights, fewer worries and more belief in their politicians.

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<sup>11</sup> Scottish Association for Landlords, [Submission to the Finance Committee](#), Private Housing (Tenancies) (Scotland) Bill

<sup>12</sup> Residential Landlord Association, [Section 21 to go: Housing Reforms Risk Hurting Tenants](#), April 2019

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