

Putting on the stabilisers: Protecting private renters from unaffordable rent rises

Summary

- A third of private renters spend half or more of their income on rent
- The Renters Reform Bill offers a crucial opportunity to tackle a major cause of instability in England's private rented sector, the lack of regulation of rent increases during the term of a tenancy
- Despite the end of Section 21, the back door will remain open to 'no-fault' evictions if the Bill fails to prevent large rent hikes beyond a tenants' means from being used to force renters from their homes
- Sensible measures to stabilise the rate at which rents increase during the term of a tenancy, which are core to greater security of tenure in other countries, would balance tenants' right to a secure, affordable and stable home with landlords' need to reasonably cover cost increases

Recommendations

- 1. Shelter supports the Renters' Reform Coalition proposal to limit rent increases within the term of a tenancy to once a year, based on an index of the lowest of either inflation (CPI) or median wage growth (averaged over a 3 year period)**
- 2. In order to make the limit to annual rent increases clear for both landlords and tenants, information about the permitted rates must be regularly published in an accessible way by the government. Data on rents must also be collected as part of the proposed property portal, so that tenants are able to enforce their rights.**
- 3. To make renting affordable, the government must regulate in-tenancy rents alongside other important measures. It must maintain the link between housing benefit and the cost of renting and invest in a new generation of truly affordable social homes with rents pegged to local incomes.**



The need to protect tenants from unaffordable rent hikes

Rent increases can cause significant disruption to tenants' lives. Private rents have been increasing rapidly since the last half of 2021 at the same time as the cost of other essentials, such as heating and food, have also skyrocketed. The most recent figures show a record annual increase to private rents of 6.1% in the 12 months to December 2023.¹ A third (34%) of private renters are paying half or more of their income on rent; well beyond the 30% that is commonly regarded as the upper limit of 'affordable'.² With rents steadily outpacing wage growth and governments repeatedly choosing to freeze housing benefit on which millions rely to afford a home, private renters' budgets are stretched to breaking point.³

For many, a rent increase of any kind has become simply insurmountable. 29% say they could not afford any rent increase at all and a further 24% say they would be unable to afford any rent increase without cutting back on essential spending, becoming behind on bills or needing to borrow money.⁴ Put simply, a rent increase is as good as an eviction for many renters. Our current system leaves tenants not knowing when they might next face a rent hike and with little power to challenge unfair increases.

Ultimately, a private rented sector which forces people to move frequently is harming renters' health and disrupting the life chances of children. People who are forced to move for financial reasons experience poorer mental and physical health, with effects which last into adulthood for children whose families move frequently.⁵

Worst affected are people who cannot find a new suitable and affordable home, as a result of which they are forced into homelessness. Homeless families can spend years in temporary accommodation (TA) waiting for a new settled home, during which time they often experience even more moves, often at short notice: two-thirds say that life in TA has had a negative impact on their health and 47% of children in TA have been forced to move schools.⁶

A package of measures is needed to make renting more affordable, including building a new generation of social homes, which would deliver the good quality, genuinely affordable homes that low-income renters need and take pressure off an overheated and overpriced private rented sector. Alongside this, private renters need greater

¹ ONS, [Index of Private Housing Rental Prices: December 2023](#), January 2024.

² All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 2002 Private Renters in England. Fieldwork was undertaken between 29th February - 19th March 2024. The survey was carried out online. The figures have been weighted and are representative of Private Renters in England aged 18+, based on English Housing Survey data.

³ Shelter, [Evidence submission: Shelter submission for the Autumn Statement 2023](#), October 2023.

⁴ All figures are from a YouGov survey for Shelter of 4,023 private renting adults (18+) in England. The survey was conducted online between 14th July - 16th August 2023, and the results were weighted to be representative of private renters.

⁵ Manuel Pastor, Vanessa Carter and Maya Abood, [Rent Matters: What are the Impacts of Rent Stabilization Measures?](#), October 2018.

⁶ Shelter, [Still Living in Limbo: Why the use of temporary accommodation must end - Shelter England](#), March 2023.



protection from extortionate, often unexpected rent rises which are pushing rents beyond their means and pushing too many into homelessness.

The Renters Reform Bill, and the move to a new system of more secure, open-ended tenancies, is a huge opportunity to give renters greater certainty over the cost of their rent and protection from sudden, unaffordable rent rises.

How large rent increases undermine greater security of tenure

The Renters Reform Bill promises to abolish Section 21 no-fault, no reason evictions. However, with the removal of Section 21, it is vital that other elements of the system do not undermine the core reforms in the bill. Rent increases is one such area.

Evictions lead to significant disruption and very often homelessness for tenants. The end of a private tenancy is now the leading trigger of homelessness, with the majority not related to arrears or another breach of tenancy.⁷ Consequently, worrying about eviction is a major cause of stress for tenants. 35% of renters say worrying about being evicted has negatively affected their mental or physical health.⁸ And for those who are already struggling to keep up with the rent, the cost of moving is often prohibitive: tenants report that the average cost of their last move was over £1,500.⁹

Evictions don't just put renters at risk of homelessness, they also prevent renters from exercising their rights. Shelter's research in 2023 found that 25% of tenants had foregone making a complaint about conditions or disrepair in order to avoid a retaliatory eviction.¹⁰ This fear is not unfounded. The research also found private renters who had complained about conditions or disrepair in their home were two and half times more likely to report being served with a section 21 eviction notice.¹¹

The move to "section 8" evictions, in which landlords must give and prove their reason for evicting, should reduce the rate of evictions in England and prevent landlords from using evictions to deter or punish renters for enforcing their rights to good quality homes. However, if left unaddressed, increasing the rent beyond what is affordable to the tenant will remain a loophole through which unscrupulous landlords can continue to carry out de-facto no fault evictions and force tenants out of their homes.

As long as landlords are free to increase the rent by large and unpredictable proportions, tenants will continue to face instability in their housing situation, either

⁷ DLUHC, Live tables on homelessness, Tables A2P and A2R.

⁸ All figures are from a YouGov survey for Shelter of 4,023 private renting adults (18+) in England. The survey was conducted online between 14th July – 16th August 2023, and the results were weighted to be representative of private renters.

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¹⁰ All figures are from a YouGov survey for Shelter of 4,023 private renting adults (18+) in England. The survey was conducted online between 14th July – 16th August 2023, and the results were weighted to be representative of private renters.

¹¹ All figures are from a YouGov survey for Shelter of 4,023 private renting adults (18+) in England. The survey was conducted online between 14th July – 16th August 2023, and the results were weighted to be representative of private renters.



having to absorb significant shocks to their living costs or being forced out of their homes altogether. Tenants will also remain wary of challenging poor practice or making reasonable requests for repairs and adjustments, for fear of facing a rent increase that will force them to leave the property.

The Renters Reform Bill does little to prevent large rent hikes

As currently drafted, the Bill would allow landlords to increase in-tenancy rents with only 'market rent' as an upper limit, should tenants seek to challenge the new rent at a First Tier Tribunal (FTT). This is a continuation of the current system.

How are in-tenancy rent increases governed now?

Currently, landlords can increase rents in (most) private tenancies by two means. During a fixed-term, landlords can only increase the rent if the rental contract contains what is known as a 'rent review clause' or if the tenant voluntarily agrees to a new rent. Rent review clauses vary but generally state a date or time period after which the rent can be reviewed by the landlord and changed, within the fixed term.¹²

Outside of fixed terms, where tenants have 'rolling' periodic tenancies, landlords can only increase the rent via a valid 'Section 13 notice'. Landlords cannot use a Section 13 notice more than once a year. Tenants can challenge a rent increase at a First Tier Tribunal, which will judge whether the rent is set at market rate.

The First Tier Tribunal (FTT) system is seldom used to challenge unreasonable rent increases, and in some cases the process backfires on tenants, with the FTT determining a higher rent than was sought at the outset by the landlord. The FTT also often fails to make a decision because of a lack of rent data for comparable homes locally.

Without greater clarity in what constitutes an unreasonable increase, tenants will continue to be unwilling to spend the time and money it takes to bring cases to the FTT - not least because of the risk that the market rent based on scant available data is even higher than is being proposed by the landlord.

In many circumstances, a ceiling of 'market rent' allows for very large rent increases. This could be because local market rents have increased significantly since the last rent increase, or because the rent has been historically below the market rent and a landlord then chooses to increase up to that ceiling. These increases can be very pronounced during times of crisis and instability, increasing pressures on households who are already impacted most by short term crises. Private rents have risen at record rates during the cost-of-living crisis.¹³ ONS analysis found that prices rose in England and Wales by more than 10% for 1 in 5 rental properties within the year to September

¹² Shelter, Housing advice: Increases in a fixed term tenancy. Available online at:

https://england.shelter.org.uk/housing_advice/private_renting/rent_increases/fixed_term_tenancy

¹³ ONS, [Index of Private Housing Rental Prices: December 2023](#), January 2024.



2023.¹⁴ For many, such an increase would force them out of their home. In a recent Shelter survey, 56% of renters said they would not be able to afford a rent rise of 10% or more.¹⁵

More responsible landlords do often value longer-term tenants and many already avoid raising the rent more than a tenant could afford. However, relying on voluntary good practice has evidently not produced security for sitting tenants. An estimated 310,000 private renters had to leave their homes in the last 5 years because their landlord raised their rent.¹⁶

In many cases these increases have also been well above what is necessary to cover landlords' business costs. Landlords often increase rents simply because market conditions and a lack of rent stabilisation regulations permit them to do so. Shelter's research found that 67% of landlords without a mortgage increased the rent in the year July 2022 to July 2023. Of landlords that had increased the rent in the last five years, 43% said they did so because their letting agent advised them to and 31% said it was because the market was going that way in the area.¹⁷

In other cases, increases reflect landlords and agents passing on market risks to tenants, rather than absorbing it themselves. This is not how many business investments work, and nor should it be. Tenants should have a right to a stable home and ought to have protection from short term shocks to the market. Tenants are least able to weather such fluctuations; the potential impact on them - losing their home - is extremely harmful.

Limiting in-tenancy rent increases would prevent unmanageable increases for tenants... and have minimal impacts on landlords

The Renters Reform Coalition have called for limits to annual in-tenancy rent increases. The coalition has proposed an index of the lowest of either inflation (CPI) or median wage growth (averaged over a 3-year period).

Each rent increase, as already proposed in the Renters Reform Bill, system could only occur 12 months after the previous. The figures (CPI and median wage growth rolling average) could be established yearly (or at some other interval) and remain the national index for in-tenancy rent increases, until they are updated. Fixing the measures for a set period, such as for a year, would provide greatest clarity for both landlords and tenants. This would also align with how rents are treated in the social sector and in the

¹⁴ ONS, Changes in private rental sector behaviour, England and Wales: February 2022 to September 2023, November 2023

¹⁵ All figures are from a YouGov survey for Shelter of 4,023 private renting adults (18+) in England. The survey was conducted online between 14th July – 16th August 2023, and the results were weighted to be representative of private renters.

¹⁶ All figures are from a YouGov survey for Shelter of 4,023 private renting adults (18+) in England. The survey was conducted online between 14th July – 16th August 2023, and the results were weighted to be representative of private renters.

¹⁷ All figures are from a 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.



social security system where the local housing allowance (which sets the maximum amount that private renters can receive in housing benefit) is reviewed annually.

This moderate form of regulation on rents is fairly common across Europe. Many countries with large private rented sectors like England's and greater security of tenure, such as Germany and France, regulate increases during the term of a tenancy.¹⁸ These measures are seen as an essential component of security of tenure.

Limiting in-tenancy rent increases by a 'double locked' index as proposed by the Renters Reform Coalition would protect tenants against very large rent increases. Annual anomalies in either the rate of inflation or wage growth would be tempered by the other. This would prevent any annual increase from being unmanageably high for the majority of tenants.

In order to make the policy effective, the government would need to publish accessible information on the permitted level of rent increase each year. This would ensure clarity for both landlords and tenants, and avoid the situation seen in some countries described below where new regulations on rent have failed due to a lack of clarity on what the law permits. Information on rents also ought to be captured as part of the proposed property portal, so that tenants can easily enforce their rights under the new caps to increases.

The increase limits would also provide landlords with the ability to increase rents at a reasonable level to reflect changes in their costs, but without transferring the entirety of business risk to tenants, as is often currently the case.

Using inflation and wage growth to index rents would have a limited effect on overall market rent levels, rather it will smooth the rate at which rents increase during tenancies, protecting tenants from unfair hikes which can lead to their eviction.

In most cases landlords are not increasing the rent during a tenancy by much greater proportions than these figures: rents for sitting tenants already grow at a slower rate than market rents.¹⁹ As such, this policy would not have significant impacts on responsible landlords' business models and their desire to let homes in the market, whilst protecting a significant minority of tenants who without it will continue to face very large unexpected rent hikes. Previous Shelter research modelled the impact of introducing rent stabilisation on the supply of private rented homes in England and found that it would have a minimal impact.²⁰

Stabilising rents: the international experience

There are many parts of the world where rent stabilisation has long been a longstanding feature of more secure tenancy systems in places which have comparably large private rented sectors. Almost half of German households are private renters, and tenancies here have been subject to rent stabilisation for decades. Rents can be raised only once

¹⁸ Ken Gibb and Alex Marsh, [Rent control: principles, practicalities and international experience](#), UK Collaborative Centre for Housing Evidence, May 2022.

¹⁹ [Measuring rents: stock vs flow | National Statistical \(ons.gov.uk\)](#)

²⁰ Shelter, [Making Renting Fit For Families: the impact of different forms of rent regulation](#), 2015.



every 15 months and by a maximum of 20% in a 3-year period. In France, more than a fifth (23%) of households rent privately. The standard length of a private tenancy is three years and annual rent increases are limited by a cost of living index.²¹

Renters especially benefit from stabilisation during periods of rapid rent inflation. This was the case in Germany in the wake of the 2008 global financial crisis. Between 2010 and 2016 in Germany, new rents rose by 23% but stabilisation meant over all rents only increased by 10% due to the controls for sitting tenants.²² Of course, this does mean rents within a tenancy diverge from the market, leaving tenants who do move after a long tenancy potentially facing larger proportionate increases. However, with indefinite tenancies and greater security from eviction, households such as families with children who need to remain in stable homes will have far more choice over when they move and therefore the ability to elect to do so at a time when it is more affordable for them.

The international evidence shows the importance of this enhanced stability for private renting families. Studies from the United States, where many jurisdictions operate rent stabilisation policies, show that it has a positive impact on housing stability as low-income renters face fewer forced moves. Rent stabilisation has contributed to community continuity and the ability of workers to stay living in cities that otherwise would have become unaffordable to them. In turn, higher housing stability is better for mental and physical health and the educational attainment of children.²³

Key to the success of rent stabilisation measures is a simple policy, comprehensible to tenant and landlord, as well as accurate and accessible information which enables renters to enforce their rights. For example, in Belgium where rents can only be increased once a year in line with an index, the government makes a simple online calculator available where both tenants and landlords can check on permitted rent levels.²⁴

The Belgian experience also suggests that an indexed limit to rent increase would not push landlords into raising rents every year. Despite rapidly rising inflation in 2021-22,

²¹ [Rent-Stabilisation-report-2014.pdf \(lse.ac.uk\)](#)

²² Mense, Andreas, Claus Michelsen, and Konstantin Kholodilin. [Empirics on the causal effects of rent control in Germany](#), 2018.

²³ Manuel Pastor, Vanessa Carter and Maya Abood, [Rent Matters: What are the Impacts of Rent Stabilization Measures?](#), October 2018.

²⁴ Statbel, [Rent Calculator: Statbel \(fgov.be\)](#)



between 75-79% of landlords in Belgian regions chose not to raise their rents in line with the permitted index.²⁵

One of the major lessons from other countries' experience with introducing any kind of new rent regulation is that it must be backed up with clear and accessible information to aid tenants in enforcing their rights and landlords in adhering to the law.

A lack of good data on rents stalled the Scottish government's attempts to introduce localised Rent Pressure Zones.²⁶ Attempts to extend rent regulation in Germany have had limited impact partly due to a failure to publish data on permitted rents.²⁷ Ireland's introduction of localised rent regulation since 2016, on which Scotland's legislation was modelled, has been backed up by the registration of all agreed rents with the Residential Tenancies Board.²⁸

We understand from discussion with Threshold, the leading housing advice organisation in Ireland, that this makes it relatively easy to enforce in-tenancy rent increase limits.²⁹ These experiences demonstrate the importance of backing any in-tenancy increase limits with clearly published information on permitted increases, as well as the need for the proposed property portal to record data on rents.

Rent regulation should work in step with wider changes to improve affordability

Rent increase controls are a crucial feature of a more secure and affordable rental system. Limiting in-tenancy rent increases, as proposed by the Renters Reform Coalition, is needed to give renters the security of knowing they're better protected from sudden, large rent hikes. This policy should work in tandem with other vital policies to tackle unaffordability in rents – especially where there are minimal limits on setting rents between tenancies.

Chief amongst these other policies is delivering a new generation of social homes. There are 1.2 million households on the social housing waiting list in England, many of whom will currently be private renters. Building many more social homes will provide good quality affordable homes for the people that need them, whilst taking pressure off the private rented sector, which is overheated, and as a result, very expensive right across the country.

Secondly, until we have enough social homes for everyone who needs them, housing benefit must also keep up with private rents. 1 in 3 (1.7 million) private renters rely on

²⁵ [Three-quarters of Belgian landlords do not index rents \(brusselstimes.com\)](https://www.brusselstimes.com), September 2022.

²⁶ Alex Marsh, Kenneth Gibb & Adriana Mihaela Soaita, [Rent regulation: unpacking the debates](#), International Journal of Housing Policy, 2022.

²⁷ Alex Marsh, Kenneth Gibb & Adriana Mihaela Soaita, [Rent regulation: unpacking the debates](#), International Journal of Housing Policy, 2022.

²⁸ Shelter Scotland, [An Evaluation of Rent Regulation Measures within Scotland's Private Rented Sector](#), 2018.

²⁹ Based on discussion with representatives from Threshold in January 2024. We understand that the caps to increases on new contracts which are also a part of the Irish legislation have proved much more difficult to enforce, partly due to new tenants not having access to information about previous tenancies.



housing benefit to afford their rent. The local housing allowance (LHA) which sets the amount people can receive is supposed to cover the cheapest 30% of rents in each local area, but governments since 2010 have repeatedly broken the link between LHA and rents, most recently with a 4-year freeze to the rates due to end in April 2024.

Limiting rent increases to once a year indexed to a measure of inflation would be complementary to how LHA operates whilst also protecting the renters who are struggling the most from seeing rent suddenly increasing above the level of housing benefit they receive.

These measures together will provide more affordable and stable homes for low-income renters, giving people and their families protection from homelessness and the ability to put down roots in their communities and save for the future.

Contact

If you have any questions or would like any further information on this briefing, please contact policy_team@shelter.org.uk.

