



# The Rental Reform Bill Explained

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# Introduction

Back in June 2022, the government released its groundbreaking “Levelling Up” white paper which introduced the new Renters Reform Bill. It’s since been dubbed the “biggest reform bill to the rental market in over 30 years.”

The Bill is set to make huge waves in the property market, specifically to the Private Rented Sector (PRS).

With the cost of living at its highest level since 1992, the Government is now on a mission to offset low income and extortionate rent prices with better quality homes. Included in their 12-point plan is the abolition of section 21, a new private renters Ombudsman and limitations on rent increases and fixtures.

This eBook covers everything you need to know about the Renters Reform Bill. After reading, you’ll be clued up on the Bill’s aims, who it will benefit, how it will affect landlords and letting agencies, and expectations to come.

## Section 1:

# The Renters Reform Bill Explained



# What is the Renters Reform Bill

The proposed reforms centre around a 'fairer private rented sector' to battle the current housing crisis. Former Housing Secretary, Michael Gove, states that “More than 2.8 million of our fellow citizens are paying to live in homes that are not fit for the 21st century.”

“Not fit” is generally described as homes that are damp, dangerous and cold. This triggers catastrophic health problems for tenants living in these poor conditions, including lung disease, heart disease, heart attacks, strokes and even mental health issues. Issues which, in 2018, cost the NHS £1.4 billion.

The new Renters Reform Bill is therefore painted as a “New Deal”; one that promotes quality, affordability and fairness at its core.

# What is the aim of the Renters Reform Bill?

Part of the government's concern in the PRS is the high rent which prevents tenants from saving to invest in a mortgage. This portion of society has been coined "Generation Rent".

According to the English Housing Survey (2020-21), one in five private renters are spending over 30% of their monthly income on poor housing. In comparison to homeowners, who only spend 18% of their earnings on a mortgage, this figure continues to increase exponentially.

This is where the Renters Reform Bill swoops in. The Bill has 5 main aims, but essentially encapsulates the move toward an entirely modern tenancy system to offset renting challenges.

# What is the aim of the Renters Reform Bill?

These aims are:

- To ensure all tenants have access to good quality homes that meet health standards.
- To amplify tenants' rights to live in peace, comfort and security without fear of eviction.
- To share appropriate information on compliance, responsibilities and repossession with landlords.
- To improve the relationship between tenants and landlords with minimal hostility.
- To empower local councils with enforcement tools that crack down on poor practise.

As you can see, this Bill is designed to improve housing quality in the private rental market, as well as the quality of life for its inhabitants. It's part of the whole government mission to “reduce the number of poor quality homes by 50%”, whilst tackling the issues that plague Generation Rent.



## Section 2:

# Everything involved in the Renters Reform Bill



# Abolishing Section 21

What you need to prepare for is that the government is proposing to remove 'no fault' Section 21 evictions. Where in the past landlords could evict tenants at any moment's notice and regain possession of the property, this could change.

Previously Section 21 was a method for landlords to evict problematic and anti-social tenants, such as issues with rent arrears. Now, landlords will need a reasonable justification for eviction; this could be selling the property or wanting to move in themselves. The white paper suggests at least six months will be required for tenants to find suitable accommodation.

Essentially, tenants will have more security in their dwelling, whilst landlords will have less authority over their property. The intent is to prevent unfair evictions and ease tenants' worries from unscrupulous landlords, which can have a negative mental health effect. However, tenants will also have to give at least two months' notice if they choose to end their tenancy.

# Room for pets (and pictures)

Pet owners will be happy to know that they will be allowed furry friends in their residence during tenancy. The Bill also proposes amendments to the Tenant Fees Act (2019), which states tenants can move in with pets as long as they have pet insurance.

This amendment also permits tenants to re-decorate, put up pictures on the walls and change appliances, like kettles and such. The terms require tenants to change the property back to its “original conditions” once their tenancy terminates.



# Introducing a new private renter's Ombudsman

The white paper addresses that currently, 30% of landlords demonstrate good renting practice and are compliant with legislation. Yet 11% of landlords have little awareness of rules and regulations, which can make your job as property managers harder.

In order to negate the “criminal landlords”, the government proposes that a new mandatory property Ombudsman is required to compensate feuds between tenants and property agents (whether private landlords or letting agencies).

Now, the mandatory Ombudsman will regulate landlord behaviour, property management and control tenants' complaints. The general idea is to replace adversarial court proposals and lengthy trials, which are both time-consuming, expensive, and often, unnecessary.

The Ombudsman aims to be “fair and impartial”; it will advise and deal with complaints free of charge, while also providing compensation for up to £25,000.

# A legally binding Decent Homes Standard (DHS)

The Renters Reform Bill is part of the widespread campaign “Levelling Up” to upgrade poor-quality homes, especially in Yorkshire and the West Midlands, by 2030.

It’s documented that during 2020-21, approximately 19% of households fell under privately rented accommodation. Of that group, Gove proclaims that “more than 2.8 million [people] are paying to live in homes that are not fit for the 21st century”.

Over the last decade, the number of inadequate rented homes has improved by around 400,000 in total (from 1.4 million to 1 million). In order to scale up quickly, the Renters Reform Bill will help tackle the low-quality housing issue, whilst supporting tenants simultaneously.

# A legally binding Decent Homes Standard (DHS)

The new standard applies to the private rented sector, social rented sector and student accommodation.

Private rented homes will require:

- Appropriate, clean and sensible kitchen and bedroom facilities
- Effective noise insulation
- Goldilocks level heating (not too warm or too cold)
- No health and safety hazards (i.e. fall or fire risks)
- Repairs to all facilities ensuring they are useable and prevent safety risks



# Limits to augment rent

The Bill and DHS comes at a time where rent is at an all-time high. A recent survey by Homelet shows that the average rent in the UK was £1,127 per month in July 2022; this increased by 9.5% in exactly 12 months.

To go further, 31% of tenants are between 25-34 years old living in less than ideal conditions.

Hence why the DHS is such a crucial part of the Bill. With that, the government will grant £5.4 million to five local councils to begin upholstering homes.

The government also proposed that increases to rent will only be granted once a year. The landlord will also have to give 2 months' notice to any changes to rent during the tenancy. This is to prevent unfair rent increases during contracted tenancies influenced by the changing market.

In terms of rent deposit, there will be a limit of 5 weeks maximum on the upfront fee for the tenant. Any overpaid rent or deposit must be returned to the tenant when they leave.

# A Property Portal for landlords and tenants

A saving grace is the implementation of a new Property Portal. After tonnes of research, some of the biggest qualms from tenants and property agents alike was the lack of information or understanding when it came to tenancy agreements. The Property Portal is a way to bridge that gap.

This portal will be like a digital bank of information for tenants, landlords and local councils. It will contain the “all-important information” which will help them make decisions in the renting journey. It will hopefully help new landlords get clued up quicker on their responsibilities and keeping compliant. It should also guide tenants and councils to understand their own duties, down to detecting the criminal and rogue landlords.



# Changes to grounds for repossession

As it stands, landlords must give tenants at least 2 months' notice before repossessing the property. However, the Bill recognises that private landlords' circumstances may change. For example, they might want to move back into their own property or sell it in the future.

If the reason is valid, a notice can be issued but not within the first 6 months of the tenancy. This will fall under Section 8. But, a tenant can leave the property on the grounds of "poor quality housing" without owing or paying rent to the agent.

To crack down on rent arrears, the Bill will permit an eviction notice provided the tenant has been in two months' rent arrears within three years. It's two strikes and you're out!

# No more assured shorthold tenancy agreements

Prepare yourselves for another shock to the system: shorthold assured tenancies are out, “periodic tenancies” are in. That's right, the plan is to scrap short-term or fixed-term tenancies in the private sector. It's a way to support flexible living arrangements that will hopefully suit all parties.

The idea is generally more attractive for tenants and landlords alike; firstly, tenants will be more inclined to rent freely. Secondly, it's easier to regain possession of the property without the constraints of fulfilling the entire tenancy. But, you'll have to wait 6 months...



# Blanket bans on 'No DSS'

The Renters Reform Bill rules out any 'blanket bans' to vulnerable people and families on government benefits, also coined 'DSS Tenants' (Department of Social Security). Those that fall under this bracket include families on benefits, disabled persons, and ex-prisoners.

This aims to deflect any stigma placed on vulnerable people to provide them with the same appropriate living and rent conditions. It will now be illegal and unlawful to refuse any tenants who receive benefits. This grants everyone the right to rent regardless of financial circumstances.



## Section 3:

# What happens now?



# Who will reinforce the Renters Reform Bill?

Along with the new Ombudsman, local councils will also be empowered to bolster the aims of the Bill. The government will fund money to councils to both:

1. Track and squash criminal landlords from operating by issuing 'Banning Orders'
2. Start buildings and repairs for low-quality homes

With these two entities in force, the hope is to prevent the need for drawn-out court procedures and settle issues quickly. On the flip side, it will support the plans to revamp houses and turn them into suitable homes. Killing two birds with one stone, so to speak.

The government recognises there will be teething issues, and likely a lot of hand-holding before the procedural process runs smooth like honey. However, with the council readily in place, this should ease some of the knots.

# When will the Renters Reform Bill become law?

We have a lot of time to grapple with this Bill before it becomes law. First and foremost, it has to pass through the House of Commons and the House of Lords, which can take anything up to two years or more.

Plus, the manifesto will meet a series of revisions in the process before it becomes legislation. This means that there will be tweaks to the initial plan and aims.

Remember, the government will need to vote and agree on all points in the interim.

Although the Bill was proposed in 2019, it will continue to be analysed with a fine tooth comb. The prospective date for the Renters Reform Bill to become law is after 2024.

There could be further delays in progression given the political climate and the potential replacement for Prime Minister.

# Who will this Bill affect?

The Renters Reform Bill does sit largely in favour of tenants' rights. It will require most landlords and property managers to transform their current strategies and adapt to new rules.

This is a very complex Bill, and not one that all property agents will agree with. Paul Shamplina, founder of Landlord Action, commented on the Rental Reform Bill's points stating he has "reservations, particularly over the removal of fixed-term tenancies". There's an air of uncertainty over how this will affect landlords' income and control over their portfolio.

Want to give the government a piece of your mind? Have your say in the survey which welcomes landlord feedback and will be shared with the government during proceedings.

# What now?

- The government will consider an amendment to the Protection from Eviction Act 1977 which will extend the goals to protect tenants, clamp down on illegal evictions and collaborate with local authorities to challenge poor practice.
- All private landlords must join the new Ombudsman.
- Landlords will be required to provide a written tenancy agreement to include basic information about tenancy and responsibilities – this will prevent disputes and court proceedings.





# How you can prepare

During this period of uncertainty, there are simple steps you can take to keep on top of potential changes. Make sure your properties are fit for living under the new standard. Start thinking about how to mediate tensions between your staff, landlords and tenants – your aim is to be calm authority figures.

If you're managing a large portfolio, you might want to think about how to upgrade your filing systems, so that all tenancy information and property conditions are in check. With the upcoming legal requirements, you don't want to be caught out. It can be overwhelming to say the least, which is why Arthur can act as your crutch so you can stand out as property managers.

# ARTHUR

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