

**Crisis' response to the Ministry of Housing, Communities and Local Government consultation on 'Overcoming the Barriers to Longer Tenancies in the Private Rented Sector'**

*17 August 2018*

Crisis is the national charity for homeless people. We are dedicated to ending homelessness by delivering life-changing services and campaigning for change.

Our innovative education, employment, housing and well-being services address individual needs and help homeless people to transform their lives. Our eleven UK Skylight Centres offer holistic support across a whole range of issues, including support to secure access to adequate and affordable housing and employment support to help people prepare for, find, sustain and progress in work. Ensuring that homeless people can get access to affordable, decent, secure housing is central to our services for homeless people.

The private rented sector is increasingly important in helping to end homelessness. It is often the only viable housing option for single homeless people. Despite this, the ending of an Assured Shorthold Tenancy has become the leading cause of homelessness in England. The sector is also characterised by a lack security and six or 12 month fixed term contracts are the norm. These often fail to provide homeless people with the security they need to rebuild their lives.

We strongly support the government's aim to provide greater security for tenants in the private rented sector. Longer tenancies would give tenants much greater security and the government's proposed model is welcome step forward. It could help tackle the insecurity currently experienced by many private renters, and would be particularly important for homeless people who need stability to help them rebuild their lives. To ensure that people have enough time to put down roots in their community, find and maintain employment and access any support services they may need we would like to see the government go further and introduce a new standard open ended private tenancy, where the landlord could only give notice by using specified grounds. This would reflect the changes that have recently been introduced in Scotland and ensure that private renters in England benefit from the same level of security that new tenants in Scotland now have.

To ensure that all tenants, including those who have experienced or are at risk of homelessness, can benefit from increased security of tenure, legislation should be introduced to require all landlords to offer the new standard longer tenancy.

**Q1: Are you responding as a private individual or on behalf of an organisation?**

This response is submitted on behalf of an organisation, Crisis, the national charity for homeless people.

**Q3: If you are an organisation, which of the following best describes you?**

Charity dealing with housing and homelessness issues.

**Q10: Do you think that the protection for tenants from retaliatory eviction introduced in the Deregulation Act 2015 has been successful? Please explain.**

We welcomed the protection for tenants from retaliatory eviction introduced in the *Deregulation Act (2015)* and the increased protection this provides for tenants who complain to their landlord about repairs or poor conditions. However, while this is a significant step forward in providing increased security, it can only provide protection for tenants in a limited set of circumstances. The current legislation only protects tenants from retaliatory eviction when they report a Category One or Two hazard to their local authority. If the local authority serves an improvement notice or a notice of emergency remedial action, a landlord cannot evict the tenant for six months using the 'no-fault', Section 21 eviction process.

This leaves a range of scenarios where tenants are not protected from retaliatory eviction, including when they approach the local authority without putting a complaint in writing to the landlord or where no relevant notice is served by the local authority. It also only provides protection for six months, which is a relatively short period of time.

Introducing a new standard open-ended or longer fixed term tenancy where landlords can only serve notice using legitimate grounds would provide tenants with much greater protection from retaliatory eviction.

**Q11a: What do you consider to be the main benefits of a longer tenancy for landlords? (Assign a score out of 10 for the importance of that factor with 10 being the most important)**

- Less risk of void periods for landlords
- Tenants more likely to take care of property
- Landlords save on costs of finding new tenants
- Other (please explain)

In England, the majority of landlords are individuals and couples who are managing their property on a part-time basis. Only four per cent of landlords describe being a landlord as their full-time job and the majority are letting out a small number of homes (92% are letting less than five, 59% just one).<sup>1</sup> It makes sense that in these circumstances landlords would want their experience to be as easy and hassle free as possible, while providing a reliable source of income.

The most serious concerns identified by landlords are finding good tenants (16%), the size of agents' fees (12%) and damage by tenants.<sup>2</sup> Longer tenancies could help landlords to resolve these concerns, if they are able to find reliable tenants who will look after their home and remain there long-term, reducing the costs associated with void periods and finding new tenants.

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<sup>1</sup> Shelter (2016) *Survey of private landlords, February 2016*.

<sup>2</sup> DCLG (2010) *Private Landlords Survey 2010*.

Although many landlords will already keep reliable tenancies running, the practice of offering short-term contracts and renewing them every year can mean that renters are less emotionally invested in their home and may be more likely to move of their own choice. This can bring additional costs, hassle and uncertainty for landlords.<sup>3</sup>

Another key benefit of longer tenancies for landlords is the stable, long-term income stream this is likely to result in. This is increasingly important as landlords' business models become more reliant on rental income rather than capital growth. Research by Jones Lang LaSalle, commissioned by Shelter, found that landlords' returns and business models are enhanced by longer tenancy terms and indexing rent increases to a measure of inflation as this would be expected to result in a more stable, long-term income stream for landlords.<sup>4</sup>

**Q11b: What do you consider to be the main benefits of a longer tenancy for tenants? (Assign a score out of 10 for the importance of that factor with 10 being the most important)**

- Greater security for tenants
- Tenants saving money as they do not have to sign new tenancies or renew so frequently
- Tenants have greater assurance they can afford any rent increase
- Tenants more empowered to challenge poor practice
- Other (Please Explain)

Lack of security is currently a significant concern for many tenants in the private rented sector. Thirty per cent of private renters surveyed reported that they worry about their landlord or letting agent ending the contract before they are ready to move out. Two thirds (66%) of private renters reported that they would like to have the option to stay in their tenancy longer term if they wanted to.<sup>5</sup> People with experience of homelessness who participated in a national consultation led by Crisis also raised concerns about the lack of stability in the sector and the ease with which they could be evicted.<sup>6</sup>

The Sustain project, a longitudinal research study which looked at the experiences over time of people resettled into the private rented sector after having been homeless, found that the insecurity of short term tenancies was a key concern for all participants. After 19 months, one of people's main anxieties about their home was whether their landlord would ask them to leave.<sup>7</sup>

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<sup>3</sup> De Santos, R. (2012) *A better deal – towards more stable private renting*. London: Shelter.

<sup>4</sup> Neale, J. and Nevett, M. (2012) *Can landlords' business plans sustain stable, predictable tenancies?* Jones Lang LaSalle: London.

<sup>5</sup> De Santos, R. (2012) *A better deal – towards more stable private renting*. London: Shelter.

<sup>6</sup> Crisis, Groundswell and uscreates (2018) *The lived experience of homelessness*. London: Crisis.

<sup>7</sup> Smith, M., Albanese, F and Truder, J. (2014) *A Roof Over My Head: The Final Report of the Sustain Project. Sustain: A longitudinal study of housing outcomes and wellbeing in private rented accommodation*. Big Lottery Funded, London: Shelter and Crisis.

Longer tenancies would give people who have been homeless the stability they need to rebuild their lives. A longer minimum tenancy length, ideally of at least five years, would ensure people have enough time to put down roots in their community, find employment and access support services if they need to. It would also help them plan their finances without the fear of moving again imminently.

Longer tenancies would also benefit tenants financially, as they would not have to pay the high costs necessary to access a property in the private rented sector so frequently. These costs usually include deposits, rent in advance and letting agent fees, as well as additional costs associated with moving. The average cost for a single homeless person moving in to private rented accommodation varies across the country, from £1,137.17 for a single person moving into a one bedroom flat in Yorkshire and Humber to £2,294.27 in London.<sup>8</sup> This is a significant barrier that prevents many households on a low income from finding a new private rented sector tenancy when they are given notice to leave their current tenancy, and it puts people at greater risk of homelessness. Eighty per cent of homeless people surveyed reported difficulties raising a deposit and 73 per cent reported difficulty raising the required rent in advance.<sup>9</sup> This is reflected in the findings of the Sustain research, where many tenants were worried that their current tenancy could be ended with short notice and if this happened they would be unable to afford to move to a different property.<sup>10</sup>

**Q12: Do you consider that there are any further benefits of longer tenancies that are not covered in question 11? Please explain**

Introducing longer tenancies in the private rented sector could have a significant impact on reducing the number of people becoming homeless because they have been given notice to leave a private tenancy. The ending of an Assured Shorthold Tenancy is the leading cause of homelessness in England. The proportion of statutory homelessness acceptances by local authorities resulting from the termination of a private tenancy has increased significantly from 11 per cent in 2009/10 to 27 per cent in 2017/18.<sup>11</sup> The private rented sector also accounts for the largest proportion of the last settled accommodation of rough sleepers recorded by CHAIN.<sup>12</sup>

At the same time the private rented sector is playing an increasingly important role in providing housing for people at risk of or experiencing homelessness. Many homeless people are being helped to access private tenancies to provide settled housing. During 2015/16, more than 90,000 households were helped to find mainstream housing under homelessness prevention and relief

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<sup>8</sup> Gousy, H. (2016) *Home: No less will do*. London: Crisis.

<sup>9</sup> Gousy, H. (2016) *Home: No less will do*. London: Crisis.

<sup>10</sup> Smith, M., Albanese, F and Truder, J. (2014) *A Roof Over My Head: The Final Report of the Sustain Project*. Sustain: A longitudinal study of housing outcomes and wellbeing in private rented accommodation. Big Lottery Funded, London: Shelter and Crisis.

<sup>11</sup> MHCLG, Homelessness Statistics, <https://www.gov.uk/government/collections/homelessness-statistics#live-tables>

<sup>12</sup> Greater London Authority (2018) *CHAIN annual report, Greater London, April 2017 - March 2018*. London: Greater London Authority.

measures and the main homelessness duty. Around one third of these were provided with a private tenancy.<sup>13</sup> Private renting also provides 'move-on' housing for a significant proportion of people moving on from homelessness hostels and others outside the statutory homelessness framework. Around ten per cent of people moving on from homeless hostels moved to a private tenancy in 2015/16.<sup>14</sup> Private renting provides a housing solution for a greater proportion of single homeless people supported by Crisis Skylight services than other housing pathways. Client records from Skylight services show that for those whose housing situation improved between July and December 2016, private renting provided housing for the largest group (38%) compared with social renting (16%), night shelter (17%), hostel (12%), supported housing (11%) and B&B (5%).<sup>15</sup>

The growing reliance on the private rented sector as a housing solution for people experiencing homelessness is partly due to the decline in the supply and availability of social housing. Analysis from Heriot-Watt University has found that the number of affordable homes being built in England is falling far short of the supply required to meet identified need. They estimate that 90,000 social rent homes need to be built in England each year for the next fifteen years in order to meet the needs of low income households and homeless people.<sup>16</sup> The availability of new social housing lets has also declined in recent years and this is a significant factor in reduced access to social housing for homeless people.<sup>17</sup>

Single homeless people are also finding it increasingly difficult to access social housing. Social lettings to single homeless people in England fell from 19,000 a year in 2007/08 to 13,000 in 2015/16. The proportion of new lettings to single homeless people relative to the number of new lettings overall has fallen disproportionately, from 12 per cent to 8 per cent of all new lettings over the same period.<sup>18</sup> Single homeless people face an increasing range of barriers that prevent them from getting access to social housing. This includes restrictions on social housing eligibility, particularly following the *Localism Act (2011)*, and restrictions related to rental affordability and household income.<sup>19</sup>

The private rented sector is increasingly the only viable housing option for single homeless people. However, it often fails to provide homeless people with the security they need to rebuild their lives. Following the initial six or 12 month period tenants can be evicted using a section 21

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<sup>13</sup> Rowe, S. and Wagstaff, T. (2017) *Moving on - Improving access to housing for single homeless people*. London: Crisis.

<sup>14</sup> Homeless Link (2016) *Support for single homeless people in England – Annual Review 2016*. London: Homeless Link.

<sup>15</sup> Rowe, S. and Wagstaff, T. (2017) *Moving on - Improving access to housing for single homeless people*. London: Crisis.

<sup>16</sup> Bramley, G. (forthcoming) *Housing supply requirements across Great Britain for low income households and homeless people*. London: Crisis and the National Housing Federation.

<sup>17</sup> Fitzpatrick, S., Pawson, H., Bramley, G., Wilcox, S., and Watts, B., (2018) *The homelessness monitor: England 2018*. London: Crisis.

<sup>18</sup> Rowe, S. and Wagstaff, T. (2017) *Moving on - Improving access to housing for single homeless people*. London: Crisis.

<sup>19</sup> Rowe, S., and Wagstaff, T. (2017) *Moving on - Improving access to housing for single homeless people*. London: Crisis.

'no fault' possession notice and required to leave at relatively short notice (two months). Participants with experience of homelessness who contributed to a recent nationwide consultation for Crisis emphasised the importance of improving security of tenure in the private rented sector for ending homelessness.<sup>20</sup> Legislation should be introduced to require all landlords to offer the new standard longer tenancy to ensure that the sector can provide a secure and affordable housing option for homeless people or those at risk of homelessness. This will be critical for the government to achieve their commitment to end rough sleeping by 2027.

**Q13: What do you consider to be the main barriers to landlords offering longer term tenancies?**

- Landlords do not want to offer them
- Time taken to gain possession of property
- Agents' advice

A survey of landlords in England and Wales found that only a quarter of landlords were actively opposed to offering longer tenancies of three and five years. Two thirds of landlords suggested that they would be open to offering longer term tenancies.<sup>21</sup> Despite this the majority of landlords continue to offer fixed term contracts of six or 12 months. This indicates that while many landlords may be open to the idea they still do not want to offer longer tenancies. This reluctance can partly be explained by a lack of precedent. Landlords and renters do not know that longer tenancies are possible and so do not demand them. Short-term contracts are used as standard and so continue to be used by most landlords. The vast majority of letting agents advise their landlord clients to offer six or 12 month tenancies. Just over half (54%) of landlords surveyed were using a letting agent on all the homes they let and nine per cent used one for some of their properties.<sup>22</sup>

The speed and effectiveness of court processes is also a significant factor. Landlords' confidence in the court system's ability to respond to legitimate concerns around evicting tenants who breach the terms of their agreement has been identified as one of the biggest barriers to introducing more stable and secure tenancies.<sup>23</sup> Thirty five per cent of landlords surveyed reported that they did not have confidence in the court system to resolve disputes between landlords and tenants fairly, compared to only a quarter who did.<sup>24</sup> Landlord associations have reported concerns around waiting for court dates to pursue evictions under the possession grounds within the fixed term period, and in many cases will advise landlords to wait until they can issue a Section 21 notice instead.<sup>25</sup> The government will need to take action to improve the speed and effectiveness of the court processes so that landlords can feel confident in offering

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<sup>20</sup> Crisis, Groundswell and uscreates (2018) *The lived experience of homelessness*. London: Crisis.

<sup>21</sup> Shelter (2016) *Research Report: Survey of Private Landlords*.

<sup>22</sup> Shelter (2016) *Research Report: Survey of Private Landlords*.

<sup>23</sup> De Santos, R. (2012) *A better deal – towards more stable private renting*. London: Shelter.

<sup>24</sup> Shelter (2016) *Research Report: Survey of Private Landlords*.

<sup>25</sup> De Santos, R. (2012) *A better deal – towards more stable private renting*. London: Shelter.

longer tenancies without it threatening their business in the minority of cases where significant problems arise.

**Q14: Do you think that a three year tenancy with a six month break clause as described above is workable? Please explain.**

Although we welcome the current proposal as a positive step towards providing greater security for private renters, we are concerned that the proposed six month break clause could lead to some tenants having less security of tenure than they do under the current system. This could have a particular impact on people who are experiencing homelessness or are in receipt of benefits. Landlords perceive homeless people to be a particularly risky group to let to. Eighty per cent of landlords surveyed were deterred from letting to homeless people because of concerns about the risk of rent arrears, and 73 per cent were concerned about property damage. Only 18 per cent of landlords reported that they would be willing to let to homeless households.<sup>26</sup>

We are concerned that landlords will be more likely to use the six month break clause to end tenancies for households that they perceive to be a greater risk to avoid being tied into the longer fixed term agreement, even if they could use grounds to recover possession of their property where this was necessary. This would have a hugely detrimental impact for people with experience of homelessness, denying them the stability to rebuild their lives and putting them at greater risk of being pushed back into homelessness.

The six month break clause could also have a detrimental income for low income households who are in receipt of benefits, and are likely to be at greater risk of homelessness due to the challenges of finding affordable housing. Many landlords already perceive tenants in receipt of benefits to be a higher risk group to let to. Welfare reform and the roll out of Universal Credit are of particular concern to landlords, with 68 per cent of landlords reporting that direct payments to tenants made them more reluctant to let to people in receipt of housing benefit.<sup>27</sup> Research from the National Landlords Association found that only two in ten landlords are willing to let to tenants in receipt of housing benefit or Universal Credit.<sup>28</sup>

A number of problems with the implementation of Universal Credit have been reported, including difficulties with the application process itself and delayed payments. The National Audit Office found that one in five claimants do not receive their full payment on time, and this is not expected to improve over 2018. There is also evidence of Universal Credit claimants experiencing increased financial hardship, reflected in an increased use of food banks in the areas where the Universal Credit full service has been introduced. A recent survey of full service claimants, carried out by the Department for Work and Pensions, found that four in ten claimants were experiencing financial difficulty. Local authorities, housing associations and landlords have all reported seeing an increase in rent arrears since the introduction of Universal Credit full service, which can often take up to a year to be recovered.<sup>29</sup> This indicates that tenants in receipt of Universal Credit are more

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<sup>26</sup> Gousy, H. (2016) *Home: No less will do*. Crisis: London.

<sup>27</sup> Gousy, H. (2016) *Home: No less will do*. Crisis: London.

<sup>28</sup> Findings from the NLA Quarterly Landlord Panel Q2 2017 (780 respondents).

<sup>29</sup> National Audit Office (2018) *Rolling out Universal Credit*. National Audit Office: London.

likely to experience difficulties paying their rent in the first six months of their tenancy as a result of difficulties or delays in processing their claim. These problems may not have been resolved by the time of the six month break clause, making it more likely that the landlord would choose to end the tenancy at this point.

The inclusion of the six month break clause in the proposed standard tenancy risks putting vulnerable households who are on a low income and may have already experienced homelessness at greater risk of becoming homeless again. It reduces security of tenure for the very groups of people who need it the most, so that they have the stability to permanently move out of homelessness and rebuild their lives.

We are also concerned that the initial six month period, during which neither the landlord or the tenant can end the tenancy, does not give tenants sufficient flexibility to move if they need to. We are particularly concerned that the initial six month period could unfairly tie in tenants who need to leave their accommodation quickly due to domestic abuse.

**Q16: How long do you think an initial fixed term tenancy agreement should last (not considering any break clauses or notice periods)? Please explain.**

We would like to see the government introduce a new standard open ended private tenancy, where the landlord could only give notice by using specified grounds. This would reflect the changes that have recently been introduced in Scotland and ensure that private renters in England benefit from the same level of security that new tenants in Scotland now have.

If the government decided to introduce a tenancy with a longer fixed term then we would recommend that the standard minimum term should be five years. This would ensure people have enough time to put down roots in their community, find employment and access support services if they need to. It will also help them plan their finances without the fear of moving again imminently. This would be especially important for people with experience of homelessness as it would ensure that they have the stability they need to rebuild their lives.

**Q17: What do you think is an appropriate length of time for a break clause?**

We would not support the inclusion of a break clause within the tenancy for the reasons highlighted above in response to question 14. Tenants should have the flexibility to give notice at any point during the tenancy. The grounds available to landlords to recover their property during the tenancy should be sufficient to ensure that landlords can regain possession within a reasonable timescale if they have a legitimate reason to do so. It is important that reforms are made to the court system to improve the speed and effectiveness of this process so that landlords can be confident that they will be able to recover their property in an efficient way in the minority of circumstances where this is necessary. If these reforms are made and appropriate and robust grounds are in place then landlords should not require a break clause at six months, or at any other point during the tenancy.



**Q18: How much notice should landlords be required to give to tenants when they want to recover their property to sell or move into?**

Tenants in the private rented sector can currently be asked to leave their home with two months' notice outside of the fixed term period of their tenancy. For many households this is not enough time to adequately plan a move and find a suitable alternative property. This is particularly a concern for households who have previously experienced homelessness and those who are on a low income and will struggle to afford the financial cost of accessing a new private rented tenancy. This was a significant concern raised by participants in the Sustain research project, all of whom had previously been homeless. Participants feared that moving because the landlord had asked them to was far more likely to result in an unplanned, rushed or negative move than if it had been their decision. They also worried that the notice period that landlords were legally required to give wasn't very long.<sup>30</sup>

The notice period that the landlord is required to give should vary depending on the grounds being used. If the landlord is serving notice under grounds that are unrelated to the behavior of the tenant, for example because they want to sell or move back into the property, then they should be required to give tenants three months' notice. This would ensure that tenants have sufficient time to plan their move and reduce the risk of them becoming homeless due to being forced to make an unplanned move. This would be in line with the new standard tenancy in Scotland where landlords are required to give at least 84 days' notice if the tenant has lived in the property for at least six months, unless notice is being served under grounds where the tenant is at fault.

If the landlord is serving notice because the tenant is at fault, for example due to rent arrears or anti-social behavior, then it is reasonable to expect that they would want to recover their property more quickly to reduce the impact on their business. We would recommend that a two month notice period would generally be appropriate in these circumstances to achieve a balance between the landlord's need to recover their property and minimise their losses, and the tenant's need to have appropriate time to plan their move to reduce the risk of them becoming homeless.

**Q19: How much notice should tenants be required to give to their landlords when they want to leave their tenancy?**

- **1 month or 4 weeks**

Tenants should be required to give one months' notice to their landlord when they want to leave their tenancy. This reflects the current notice period that most tenants are expected to give if they want to end a periodic Assured Shorthold Tenancy, or end an Assured Shorthold Tenancy at the end of the fixed term. This is also in line with the standard notice period for most employment contracts. If a longer notice period is used, then this could make it difficult for tenants to have the flexibility to move jobs and it could also make it more difficult for victims of domestic abuse to leave a tenancy if they needed to.

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<sup>30</sup> Smith, M., Albanese, F and Truder, J. (2014) *A Roof Over My Head: The Final Report of the Sustain Project. Sustain: A longitudinal study of housing outcomes and wellbeing in private rented accommodation*. Big Lottery Funded, London: Shelter and Crisis.

**Q20: Do you think that the grounds for a landlord recovering their property during the fixed term under any longer term tenancy agreement should mirror those in Schedule 2 of the Housing Act 1988, with the addition of the right for the landlord to recover their property when they wish to move in or sell it?**

It makes sense for the grounds that a landlord can use to recover their property during the fixed term should largely mirror the existing grounds in Schedule 2 of the Housing Act, with the addition of the right for the landlord to recover their property when they wish to move in or sell it. However, there are some areas within the existing grounds that we would recommend reviewing to assess their impact with a view to ensuring that homelessness is prevented wherever possible.

We would recommend reviewing whether it is appropriate for ground 8, which relates to rent arrears, to remain a mandatory ground as we are concerned that this does not provide sufficient protection for tenants who are affected by problems with their benefits. As highlighted earlier in response to question 14, there are a number of problems associated with Universal Credit, including payment delays, which could make tenants more likely to accrue rent arrears that they may not be able to resolve in time to prevent eviction under this mandatory ground. It is important that the specified minimum periods of outstanding rent are not reduced any further if this ground is reviewed. This would increase the risk of tenants being evicted as a result of problems with benefit claims, which could be resolved.

**Q21: Do you think that there should be any restrictions on how often and by what level the rent should be increased in a longer tenancy agreement? And if so what is the maximum that these restrictions should be? (Tick up to two)**

- Yes – rent increases should be limited to once per year
- Yes – any rent increases should be linked with inflation measures e.g. Consumer Price Index (CPI)

In a new longer tenancy agreement rent increases should be limited to once per year and to a maximum of an inflationary measure for the duration of the tenancy. Setting a measure for how rents can be increased for the duration of the tenancy will provide much needed certainty for tenants. It will also help prevent tenants from becoming homeless due to unaffordable and unpredictable rent increases.

Limiting rent increases to an inflationary measure will make the cost of renting more predictable for tenants. It will allow them to manage their finances and avoid getting into rent arrears because of an unexpected rent increase. Combined with longer tenancy security, this will give homeless people moving into a private rented property the stability they need to rebuild their lives and plan for the future.

Currently renters often do not have any knowledge about their landlord's approach to increasing the rent. Many landlords will not increase the rent for several years, but may then impose sudden rises to the new market level, causing a financial shock to the tenants. While people renting from

councils or housing associations know that their rent will increase annually according to inflation, private renters have little or no idea what rent rises they may face, or when.<sup>31</sup>

High rent increases are a worry for 45 per cent of private renters<sup>32</sup>, and some renters reported that they deliberately avoid contacting their landlord about their rent so as not to prompt them to consider raising their rent. Participants in focus groups commissioned by Shelter reported a sense that they were held hostage to high rent increases, as not agreeing would mean incurring the costs and hassle of finding a new tenancy and moving home.<sup>33</sup> Seventy nine per cent of private renters surveyed stated that they would like to know that their landlord or letting agent would not be able to raise their rent above a certain rate while they are living in the property.<sup>34</sup> This suggests that the value of greater certainty goes beyond the removal of anxiety, indicating that renters at all income levels would benefit from an increased ability to plan their household finances.

Private renting is already unaffordable for increasing numbers of households across England. Analysis carried out by the Chartered Institute for Housing and Crisis shows that there are currently very few housing options available within Local Housing Allowance rates.<sup>35</sup> This means the private rented sector is increasingly unviable as a solution to homelessness. To ensure that the private rented sector is affordable for households on a low income and a real option for homeless households the government should return Local Housing Allowance rates to the 30<sup>th</sup> percentile. This is essential to end homelessness.

To ensure that private rents remain affordable and the private rented sector can continue to be a solution to homelessness, Local Housing Allowance rates must be uprated by a mechanism that reflects how private rents change. To retain the link with local rents, the government should uprate Local Housing Allowance rates annually in line with the projected growth of rents. To ensure that this data is accurate landlords should be required to submit annual data on the size of their rental property and the level of rent they are charging. This data could be collected as part of a national landlord registration scheme, which would also have the benefit of helping local authorities proactively manage the private rented sector in their areas. A national register would also benefit prospective tenants by allowing them to check if their landlord is registered.

Research by Jones Lang LaSalle, commissioned by Shelter, found that this model would also have benefits for landlords. They found that landlords' returns and business models are enhanced by longer tenancy terms and indexing rent increases to a measure of inflation. Linking rent increases to an inflationary measure offers more secure returns for landlords as well as more predictable rents for tenants as rental changes will not be based on local or regional conditions, which could produce falling or rapidly increasing rents. Even if rents fall some form of index would maintain upward movement in rental returns, at least until the end of the tenancy. Landlords would also

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<sup>31</sup> De Santos, R. (2012) *A better deal – towards more stable private renting*. London: Shelter.

<sup>32</sup> Ipsos Mori 2011, base: 1,006 British adults aged 16+. Fieldwork: 11 to 17 November 2011.

<sup>33</sup> De Santos, R. (2012) *A better deal – towards more stable private renting*. London: Shelter.

<sup>34</sup> YouGov 2011, base: 541 private renting GB adults. Fieldwork: 2 to 5 December 2011.

<sup>35</sup> Downie, M., Gousy, H., Basran, J., Jacob, R., Rowe, S., Hancock, C., Albanese, F., Pritchard, R., Nightingale, K. and Davies, T. (2018) *Everybody In: How to end homelessness in Great Britain*. London: Crisis.

benefit from a reduction in tenant turnover and the costs associated with this, including finding new tenants and lost income during void periods.<sup>36</sup>

**Q22: What do you think is the best way to ensure that landlords offer longer term tenancies to those that want them or need them? Please explain.**

- **Change the law to require all landlords to offer longer tenancies**

The best way to ensure that landlords offer longer tenancies to all those who want or need them is to change the law to require all landlords to offer longer tenancies. Landlords already have the ability to offer longer tenancies and six or 12 month fixed term tenancies are still the standard tenancy length used across the sector. This suggests that voluntary measures are unlikely to be an effective way to ensure that the tenants most in need of the stability offered by a longer tenancy will be able to access them.

Financial incentives could be expected to lead to an increase in the number of landlords offering longer tenancies, in comparison to voluntary measures. However, we are concerned that those tenants most in need of the security a longer tenancy would offer, including households who have experienced or are at greater risk of homelessness, would not be able to access longer tenancies. As highlighted earlier in response to question 14, landlords already perceive people experiencing homelessness and those in receipt of benefits as being riskier to let to. It can therefore be expected that landlords would choose to offer longer term tenancies to higher income households who are seen to pose less risk in order to benefit from financial incentives and either avoid letting to lower income and homeless households completely or choose to offer shorter fixed term tenancies to these households. There is a risk that introducing financial incentives would create a two tier market where higher income households benefit from increased security of tenure but lower income households continue to experience high levels of insecurity and remain at greater risk of homelessness.

**Q23: Which types of tenancy should be exempted from the proposed system?**

- **Purpose Built Student Accommodation**
- **Holiday Lets**

We strongly recommend that the new standard tenancy should be the default for the majority of tenants. Creating different tenancy types for specific tenant groups risks creating unhelpful loopholes which could undermine security of tenure for all private tenants. It is likely that it would be appropriate to exempt purpose build student accommodation and holiday lets, as these types of accommodation are intended to be let for short, defined periods of time.

We do not think it would be appropriate to exempt all student accommodation from the proposed system. Students are a diverse group, and although some may only require accommodation

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<sup>36</sup> Neale, J. and Nevett, M. (2012) *Can landlords' business plans sustain stable, predictable tenancies?* Jones Lang LaSalle: London.

during term time, others may have caring responsibilities or be working alongside their studies and would greatly value the stability and security that a longer tenancy would offer.

We also do not think it would be appropriate for people with short term work contracts to be exempt from the proposed system of longer tenancies. Fixed term work contracts are common in a wide range of industries and the fact that someone has a short-term contract does not infer that they are not settled in an area or would not value greater security of tenure. Exempting people on short-term work contracts from the new standard longer tenancy would create a significant loophole that risks undermining the purpose of the proposed model, and resulting in some of the people who would most benefit from increased security of tenure being excluded from the new system.

Similarly, it would not seem appropriate to exempt people whose visas expire in the next three years from the proposed system. A significant proportion of households in this situation may successfully apply to extend their visa, and it would be unnecessary and counterproductive to prevent these households from benefiting from security of tenure and to put them at greater risk of homelessness during this period. Under the proposed system tenants who did not choose to renew their visa or were unsuccessful in doing so would be able to give notice to end the tenancy during the fixed term period. Landlords should have sufficient grounds available to them to give notice to tenants who were no longer able to legally occupy the property if this was necessary.

Further work is needed to consider the impact of a new standard longer tenancy on other types of private rented accommodation, including shared accommodation, supported housing, accommodation tied to employment and other types of accommodation which are intended to be short-term, such as training tenancies for young people leaving care.

**Q24: What do you think would be the benefits and disadvantages of changing the law to require all landlords to offer the longer term tenancy model?**

There would be significant benefits to changing the law to require all landlords to offer a longer tenancy model. As discussed in response to question 12, introducing longer tenancies in the private rented sector could have a significant impact on reducing the number of people becoming homeless because they have been given notice to leave a private tenancy. These benefits will only be achieved if the law is changed to require all landlords to offer the longer tenancy model, as this is the only way to ensure that tenants vulnerable to homelessness will benefit from the change.

The private rented sector has become increasingly important as a solution to homelessness and is often the only viable solution for single homeless people. In order to end homelessness for good, it is essential that the private rented sector is reformed so that it is fit for purpose as a housing solution for people experiencing homelessness. Increasing security of tenure by requiring all landlords to offer longer tenancies is an essential part of this reform, and a key part of the solutions needed to end homelessness in Great Britain.

As highlighted above in response to question 22, we do not believe that financial incentives or encouragement through promotion and education will ensure that longer tenancies are available for the households who need them most, in particular those who are homeless or at risk of

homelessness. It is therefore essential that this change is achieved through legislation that requires all landlords to offer the longer tenancy model.

**Q25: What, if any, financial incentive could encourage longer tenancies? Please explain**

See above response to question 22.

**Q26: If there were a financial incentive to offering longer tenancies, what conditions should a landlord have to comply with to be eligible? (Tick all that apply)**

- Meet all legal requirements
- Agree to certain restrictions about frequency and level of any rent increases
- Comply with a minimum property standards, including gas safety checks and tenancy deposit protection
- Other (please explain)

Landlords should have to comply with all of the conditions listed above in order to benefit from financial incentives.

**Q27: What other options to promote longer tenancies should be considered?**

As highlighted above in response to questions 22 and 24, we believe the best way to ensure that all households benefit from the security and stability of longer tenancies is through legislation to require all landlords to offer the new standard longer tenancy. This would have the greatest impact on reducing and preventing homelessness and ensure that households who have experienced homelessness have the security they need to rebuild their lives.

Help to Rent projects will be important to help support the introduction of longer tenancies. Schemes would help both landlords and tenants to understand and effectively manage the new tenancy type, ensuring that both parties understand their rights and responsibilities. They have proven to be a very effective way of supporting people who are homeless, threatened with homelessness or vulnerably housed to create and sustain tenancies in the private rented sector. Help to Rent projects de-risk the private rented sector and make it a viable option for both landlords and vulnerable tenants. Support services for landlords and tenants are provided as needed to help resolve any problems that arise during the course of the tenancy. Evidence from existing Help to Rent projects indicates that this support is the service most valued by landlords.<sup>37</sup>

We welcome the government's announcement that they will be investing £20 million in Help to Rent projects. However, this does not go far enough to meet the scale of need identified. We urge the government to identify further funding to deliver both Help to Rent projects and a national rent deposit guarantee scheme.

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<sup>37</sup> Gousy, H (2016) *Home: No less will do*. London: Crisis.

**Q28: Do you consider that any of the above would impact on people who share a protected characteristic, as defined under the Equalities Act 2010, differently from people who do not share it? If yes, please provide details.**

Current Home Office policy, in particular the right to rent policy, is already having a significant impact for people from black or ethnic minority backgrounds who are looking to rent in the private sector. Research carried out for Shelter found that four in ten landlords (41%) that did not delegate fully to a letting agent admitted that it is 'natural for prejudices and stereotypes to come into letting decisions'. When asked about the right to rent policy more than four in ten (44%) of those landlords making letting decisions said the new law would make them less likely to let to people and families who 'appear to be immigrants'. A similar proportion (43%) said the law would make them less likely to let to people and families without a British passport.<sup>38</sup> This is supported by the evaluation the right to rent in Birmingham, which found that the scheme was causing homelessness and making it more difficult for people without documentation to access private rented accommodation.<sup>39</sup>

We recommend that the government end the right to rent policy so that landlords are no longer responsible for checking their tenants' immigration status. This should make landlords more willing to rent properties to homeless people, migrants, people of black and minority ethnic backgrounds and people with less easily recognisable documentation. This is necessary to ensure that people from all races, and all those who share a protected characteristic, can benefit from the introduction of longer tenancies.

**For more information, please contact:**

Ruth Jacob, Senior Policy Officer

Tel: 020 7426 3893

Email: [ruth.jacob@crisis.org.uk](mailto:ruth.jacob@crisis.org.uk)

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<sup>38</sup> Shelter (2016) *Research Report: Survey of Private Landlords*

<sup>39</sup> Home Office (2015) *Evaluation of the Right to Rent scheme: Full evaluation report of phase one.*