



## Housing: A home or somewhere to live?

June 2014

## Introduction

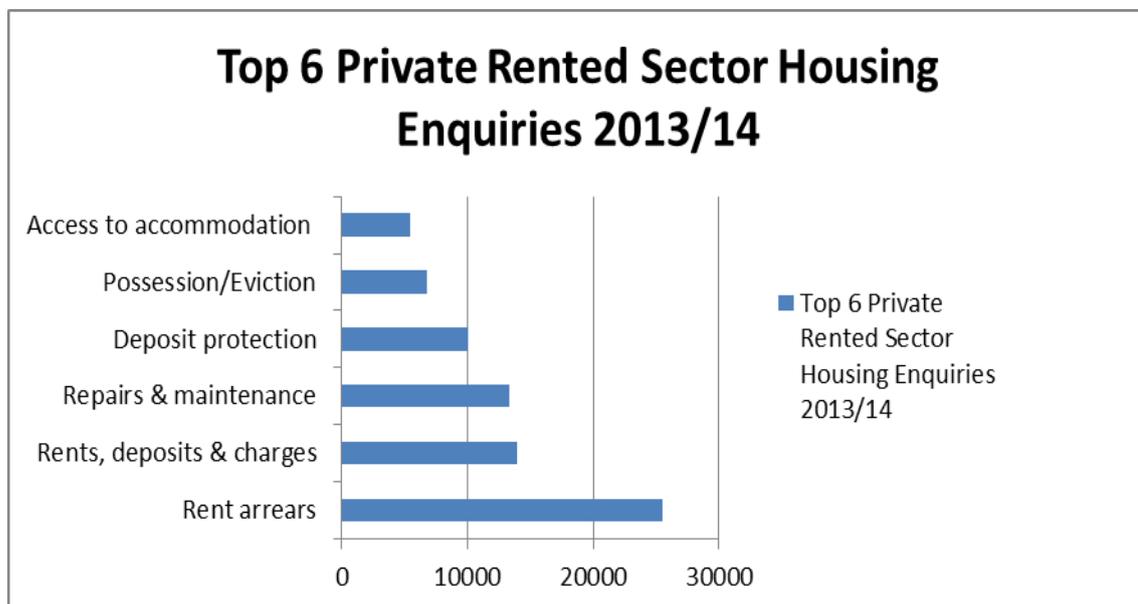
The crisis in the UK housing market is debated daily, but for many people, it's not just an interesting policy challenge but the reality of their everyday lives. Our bureaux dealt with over 1 million housing related enquiries last year; almost 1 in 5 enquiries handled.

The private rented sector is becoming increasingly important, and last week the Government published a tenant's guide<sup>1</sup> which aims to help people understand their rights and responsibilities. Will the guide help resolve the problems faced by tenants in the private rented sector?

## The Private Rented Sector: is it working?

There are now more than 9 million people renting accommodation in England<sup>2</sup>. The proportion of households living in private rented sector has almost doubled since the beginning of this century from 10% to 18% in 2012/13<sup>3</sup>.

This growth of the private rented sector stems from the inadequacy of housing supply and a growing imbalance of power within the wider UK housing market. Some people choose to rent in the private rented sector but others feel forced into renting. There are two main reasons for this. Firstly, there has been a steady decline in social housing – the proportion of households living in social housing has almost halved over the last 3 decades<sup>4</sup>. Other tenants are aspiring owner occupiers who simply cannot afford to buy a home so they find themselves trapped in the private rented sector for longer than anticipated while they try to save up<sup>5</sup>.



The problems that our clients face in the private rented sector can be grouped under four broad headings: affordability; quality; security and access to suitable accommodation.

Figure 1

### Affordability:

<sup>1</sup> Department for Communities and Local Government *How to Rent: a checklist for renting in England* June 2014 [Available at: <https://www.gov.uk/government/publications/how-to-rent>]

<sup>2</sup> Shelter *Can't complain: why poor conditions prevail in private rented homes*. London: Shelter; 2014.

<sup>3</sup> Source: Department for Communities and Local Government *English Housing Survey 2012/13*.

<sup>4</sup> Decreasing from 31.7% in 1981 to 16.8% in 2012/13 [Source: Department for Communities and Local Government *English Housing Survey 2012/13*].

<sup>5</sup> 61% of private renters expect to become owner occupiers at some point in the future [Source: Department for Communities and Local Government *English Housing Survey 2012/13*].

Affordability is a growing problem for many; rents have risen more quickly than both earnings and inflation. Shelter's recent analysis of the situation shows that the average weekly rent paid by a private tenant has increased by 67% in the 10 years to 2011/12 but average wages increased by just 25% over the same period<sup>6</sup>. However, there is some evidence that this trend has slowed more recently. There are serious implications for households and society alike; not only has the number of private renters been increasing but so too has the proportion of them receiving housing benefit (25% in 2012/13 compared with 19% in 2008/09)<sup>7</sup>. Social housing costs are normally subsidised; so private landlords may charge higher rents (an average of £163 a week compared to average social housing rents of £89 a week)<sup>8</sup>.

Benefit restrictions mean that many of the poorest tenants cannot rely on the State to cover their housing costs in full and need to top-up their rent from other sources risking hardship or other debts. Twenty-one percent of the population are in poverty after their housing costs have been taken into account. This compares to just sixteen percent if housing costs are ignored. The gap between the two figures has been growing for some time and is now at its highest for a decade<sup>9</sup>. Rent arrears is the greatest cause of private housing related enquiries handled by bureaux<sup>10</sup>.

People often have to question whether they can afford to move home or have to save and borrow to cover the costs. This is because moving can be prohibitively expensive; a prospective tenant will probably need to pay a deposit equal to a month's rent, they may also have to pay a month's rent upfront and they will need to spend money on moving. Sixty percent of people worry about the fees they will need to pay the letting agent. Although those fees vary greatly the average tenant will pay the equivalent of more than two week's rent in various fees to their agent<sup>11</sup>. This problem is exacerbated when a tenant wants to move from one property to another and cannot get their deposit back in time.

*Sarah from the West Midlands, a woman in her early twenties, lives with her parents. She pays her parents for her board and lodging. She works part-time in a shop and travels to work by bus - this is expensive and time consuming as she lives several miles away. Her domestic situation is difficult and she wants to live closer to work. She cannot afford to keep paying the bus fares to commute nor can she afford to move into separate accommodation. She appears to be trapped; she may need to quit her job and find another closer to home, or get another job to enable her to continue working.*

This young woman is unlikely to secure housing in the social rented sector so would need to rent in the private rented sector. Sarah's example shows that a lack of suitable accommodation within the housing benefit rent limits combined with the need to live near a workplace or near appropriate travel links can make the situation very difficult indeed.

Rents, deposits, moving costs, agent's fees, travel to work costs and transport links are all part of the complex formula that people must weigh up when deciding whether to move or not.

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<sup>6</sup> Source: Shelter *Can't complain: why poor conditions prevail in private rented homes*. London: Shelter; 2014.

<sup>7</sup> Source: Department for Communities and Local Government *English Housing Survey 2012/13*.

<sup>8</sup> Source: Department for Communities and Local Government *English Housing Survey 2012/13*.

<sup>9</sup> Joseph Rowntree Foundation / New Policy Institute *"Monitoring poverty and social exclusion UK 2013"* York: Joseph Rowntree Foundation; 2013.

<sup>10</sup> From January to March 2014 25,457 rent arrears enquiries were reported. Over the same period, bureaux also handled 13,908 enquiries where people were concerned about the level of rents, deposits or other charges.

<sup>11</sup> Shelter *End letting fees: Frequently asked questions*. London: Shelter; 2013.

## Security:

Like affordability the issue of security is complex and multi-faceted. After a long-fought battle, tenants' deposits must now be protected but it is clear that the existing legislation has not fixed the problem entirely<sup>12</sup>. Bureaux continue to report numerous cases where landlords and agents failed to protect deposits and tenants were left empty handed. There is emerging evidence that the complexity of the current rules can make it difficult for landlords to do the right thing.

Bureaux also encounter many tenants whose deposits were not protected. At the end of their tenancy they find that it is withheld, partially or in full, often with little justification from the landlord or agent. Many dispute the reasons given but fear further action if they go to court to resolve the problem, others simply cannot afford the court costs.

John, from the South West of England, lived with his girlfriend in private rented accommodation. He works full-time and receives Working Tax Credit to top-up his income. He had an assured shorthold tenancy agreement and paid a £500 deposit. When the tenancy ended the landlord inspected the accommodation and confirmed that all was well. But instead of returning the deposit, the landlord argued that the couple had damaged the property and withheld the money. The couple were left in financial hardship and struggling to meet the costs of their new accommodation.

Concerns about security go beyond financial worries and problems. Security of tenure concerns many tenants; they are worried that they may lose their home even if they do nothing that warrants eviction. Many landlords are amateurs, or accidental, landlords who rent out just one property; their circumstances may mean that they need to sell the property and their tenant may be forced to leave. However, the situation is sometimes more sinister with tenants complaining of retaliatory actions. Requests for repairs (especially if they are backed by environmental health officers' reports) may result in significant rent increases or eviction proceedings. It appears that some landlords believe that it is easier or cheaper to evict a tenant than complete the repairs; the apparent perception being that they are easily replaced.

Other landlords behave in ways that leave their tenants feeling unsafe in their own homes. Bureaux report a variety of intimidating behaviours by landlords, including: entering the premises without any notice - sometimes very late at night; threatening violence; verbal abuse; abusive telephone calls and text messages; and removing the tenant's property. Such behaviour may end with the tenant being forced out of their home with no lawful protection.

## Quality:

The quality of accommodation is a common cause of tension between landlords and tenants. Social housing is subject to the 'decent homes standard' which requires modern kitchens, boilers, bathrooms and insulation. The private rented sector is not governed by the same rules and this can mean that standards can vary considerably. However there are minimum standards for private rented accommodation. Tenants frequently report problems such as extreme damp, ill-fitting windows, insecure doors, inadequate heating or rat infestations. Where minimum standards aren't met getting the landlord to take corrective action can be difficult and risk retaliatory action discussed earlier.

Jane lives in a privately rented home, in the South East of England, with her husband and two young children. There are persistent problems with damp, mould and water running down the walls. Their landlord has repeatedly failed to fix the problems despite the local authority

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<sup>12</sup> Between January and March this year, bureaux handled 10,074 enquiries about deposit protection.

ordering him to do so. The family is trying to find alternative accommodation because they are concerned that the damp is making their children ill.

### Access to suitable accommodation:

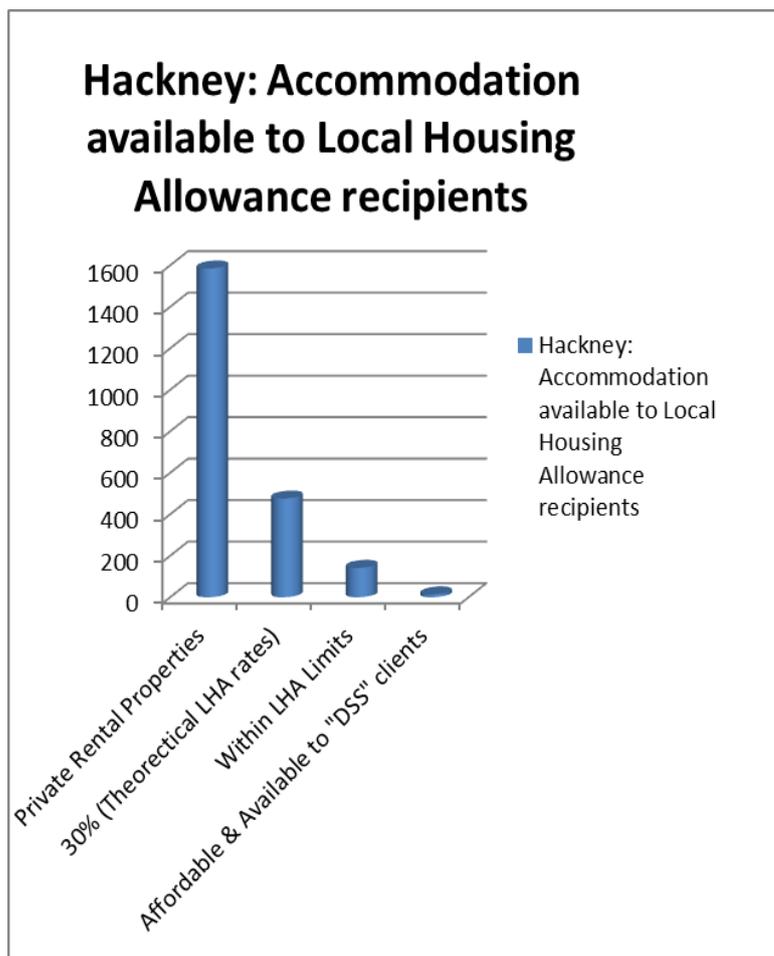


Figure 2

In addition to the financial barriers already covered people often find a shortage of suitable accommodation in their local area. But the situation is even worse for housing benefit recipients. New rules mean that they can only access the cheapest 30% of properties. This is a problem given landlords' reluctance to let to tenants receiving housing benefit; this is immediately obvious when looking at a letting agent's window, in the lettings section of any local newspaper or in any internet search for available accommodation. "No DSS" – this outdated phrase<sup>13</sup> reveals discriminatory housing practices that present a barrier to many people accessing accommodation. A study of private rental accommodation in Hackney found that just 9% was within housing benefit limits and the landlords / agents renting these properties would not accept housing benefit recipients in 9 out of 10 cases. Overall, just 1% of the housing stock potentially available to private renters was actually available to those claiming housing benefits<sup>14</sup> (see figure 2).

For single people under 35, finding a place to live can be even harder as their entitlement is limited to shared accommodation. Although in some areas there is adequate supply and sharing is common practice, in other parts of the country this type of accommodation simply isn't there. A recent study of the market in Brighton found that just 7% of single rooms were actually available within the prescribed limit of £79.48 a week<sup>15</sup>.

### How can the problem be fixed?

After a lengthy period of building too few homes there is widespread agreement that there are huge problems with the supply of sufficient accommodation. Social housing is harder to access; combine this fact with the growing cost of buying and more people find themselves in the private rented sector. This creates an excess of demand over supply which leads to an imbalance of power between tenants and landlords and will only be properly addressed through an increase in appropriate supply. Most of the problems within the private rental sector stem from this wider problem. Many

<sup>13</sup> The Department for Work and Pensions was formed in 2001 and it included the former Department for Social Security.

<sup>14</sup> Source: 2012 study by Hackney Citizens Advice Bureau [No DSS. Locked out of the private rented sector in Hackney]

<sup>15</sup> Study undertaken by YMCA Sussex Central – May 2014. The study looked at the websites that their clients were most likely to rent through (Gumtree, Friday Ad & Sparesroom.com). It found 207 properties listed for rent but only 14 were within the £79.48 weekly shared accommodation rate of the Local Housing Allowance.

commentators, lobby groups, experts and politicians have suggested a variety of potential reforms to fix the broken housing market and the private rented sector is no exception to this rule.

A few of the measures looking to improve the private rental market are included here by way of example: a ban on or regulation of letting agents' fees; regulated rent increases; longer, more stable, tenancies; restrictions on reasons why a landlord could terminate a tenancy early; various proposals for licensing of letting agents and / or private landlords<sup>16</sup>; introduction of a decent homes standard (similar to that already in place in the social rented sector); tax breaks to incentivise investment in property improvements; and changing the focus from 'buy to let' to 'build to rent'.

Lessons from the introduction and operation of the tenancy deposit protection regime show us that before regulation only some landlords protected their tenants' deposits. Although protection is now mandatory, without enforcement and knowledge of rights, some still go unprotected. Careful consideration needs to be given to the various measures proposed. Regulation without proportionate enforcement may simply introduce burdens for the willing and compliant while doing nothing to change 'rogue' behaviours.

Giving tenants greater rights without ensuring that they have the necessary awareness, confidence and bargaining power to use them may not actually give them any greater choice or strength. Better information for landlords will make it easier for them to do the right thing.

### So what next?

Although many people are happy to rent a home privately for a while, most people prefer the security of social rented accommodation or owner occupation in the longer term. Many are renting privately for longer than they would choose because they are not a priority for social housing. Others struggle to save deposits and secure mortgages on the homes that they aspire to buy.

We welcome the publication of this tenants' guide. It includes information on: planning and looking for a rented home; tenancy agreements; deposits; fees; maintenance and repairs; safety; tenants' responsibilities and renewing and ending tenancies.

Ensuring that tenants – and prospective tenants - know their rights is vital in ensuring they can make informed choices. Information to underpin financial planning can help tenants plan their budgets. Knowing what to expect and how to behave may enable tenants to protect themselves from rogue landlords.

The guide offers important information and it is essential that tenants know their rights. This may go some way to improving the power balance between tenant and landlord but in the current rental market, a tenant being aware of their rights is not enough to ensure that they are a reality. Further measures to enforce and protect tenants are arguably long overdue. Any effective solution is likely to be a combination of the measures suggested and others. However, we mustn't let a focus on improving the current private rental market distract us from dealing with the source of problems ... the issue of sufficient supply.

So, over the coming months we will be taking a much deeper look at our clients' problems and challenges in finding and maintaining affordable, secure and decent accommodation. We will use our findings to identify solutions and inform the national debate about how to solve the housing crisis.

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<sup>16</sup> For example, the 'London Rental Standard' launched in May 2014.

