



To: All Conservative Members of Parliament in England

27 Mar 24

Dear Colleague,

Renters (Reform) Bill update

In our 2019 manifesto, we committed to “*create a fairer private rental sector*” – standing on the promise that “*if you’re a tenant, you will be protected from revenge evictions and rogue landlords, and if you are one of the many good landlords, we will strengthen your rights of possession*”.

Our Renters (Reform) Bill gives this commitment form. In the spirit of the manifesto, we have been clear **the Bill must strike the balance between delivering security for tenants and fairness for landlords**. For renters, the abolition of section 21 and new decency standards gives certainty of secure and healthy homes, and protections for pet owners. For landlords, we are safeguarding their investment through strengthened and expanded possession grounds, a modern court system and a Property Portal to clarify their responsibilities in one place. And for both tenants and landlords, a new ombudsman will resolve disputes and support those managing tenancies. This will help avoid disputes unnecessarily escalating and keep more out of the court.

Our reforms will support tenants to hold down jobs in their local area, children to stay in the same school, and households to put down roots in their community - contributing to economic growth and improving productivity. Our approach builds on Margaret Thatcher’s Housing Act 1988, which ended disastrous rent controls and automatic tenant succession rights (‘sitting tenants’). It still serves as the fundamental basis of our buoyant private rented sector, reflecting core conservative values of free enterprise and social justice.

I know some Colleagues and constituents have nonetheless been concerned about aspects of our reforms. That is why, with thanks to Rachel Maclean MP during her time as Housing Minister, we made changes to bolster landlord protections. These include making clear that the new system will not take be implemented until sufficient progress has been made improving courts, and scrapping proposals that would have both forced landlords to make expensive energy efficiency upgrades to their homes and may have ultimately resulted in higher rents for tenants. It is also why I have used the period since Commons Committee to listen to, and understand, the concerns that remain. I am very grateful to the many Colleagues who have taken time to meet with me and share their views. As a result of these conversations, Government will bring forward further improvements at Commons Report Stage.

These improvements have the support of main landlord groups, including the National Residential Landlord Association (NRLA) and Large Agents Representation Group (LARG) – which are calling for Government to ‘crack on’ with the Bill and give much needed certainty to the sector. Ben Beadle, NRLA Chief Executive, said: “*This is now a package the sector can support and the sooner it happens, the better*”. And Matt Downie of Crisis has joined the NRLA in calling for a package that “supports tenants and responsible landlords and prevents homelessness”. The British Property Foundation (BPF)’s Ian Fletcher has also said: “One of the greatest obstacles to investment is always uncertainty. [...] It is therefore important the Bill gets passed, otherwise landlords will continue to live with uncertainty for a further prolonged period.”

Tenant and landlord groups have a common desire to see us deliver this bill as quickly as possible to end uncertainty for the sector – which is why I am pleased to confirm the Bill will be returning to the Commons after Easter Recess.

Having listened to MPs and the sector, we will bring forward amendments addressing outstanding concerns at Commons Report. I would like to pay particular tribute to Andrew Lewer MP, the Chair of the APPG for the Private Rented Sector, and Anthony Mangnall MP for their engagement on these issues.

Continued.



Further improvements at Commons Report

- **Establishing an initial six-month period for tenants** – currently, the Bill allows tenants to end a tenancy with two months' notice at any point. We will bring forward an amendment to prevent tenants ending contracts in a tenancy's first six months. We are considering exemptions, such as the death of a tenant, or domestic abuse, or significant hazards in the property. A minimum six-month period will ensure landlords can rely on a letting period that covers costs of finding tenants and making repairs between tenancies, and prevents tenants using rented properties as short-term lets. This balances protecting landlords' investment, alongside ensuring tenants can still leave a property after six months if circumstances change. In effect, it creates a default fixed-term of six months in all contracts and mirrors a standard break clause in many existing contracts.
- **Providing an assessment on the county court possession system before abolishing section 21** – Government has been clear that section 21 will be abolished when the courts are ready, and is taking significant steps to deliver court improvement, including providing £1.2m for court digitisation. We will now, however, bring forward an amendment at Commons Report to require the Lord Chancellor to publish an assessment on barriers to possession and the readiness of the courts in advance of abolishing section 21 for existing tenancies.
- **Undertaking a review of Local Authority licensing schemes** – with the introduction of the new Property Portal, some landlord groups have sought reassurance that this will not duplicate the existing licensing system. We will therefore conduct a review of licensing in light of our rental reforms, with the aim of reducing burdens on landlords. This review will cover both selective licensing and licensing of HMOs.

In addition, we will close loopholes and ensure the Bill acts as intended by:

- **Ensuring the student market continues to work** – at Commons Committee stage, we introduced a new mandatory possession ground to facilitate student lets, allowing landlords to evict students living together in a house of multiple occupation (HMO). This ensures tenants will continue to move out after an academic year as they currently do. We have heard concerns, however, about student households that do not meet the HMO definition – with thanks to Julian Sturdy MP in particular for drawing this to my attention. We will therefore bring forward an additional amendment at Commons Report that will broaden this ground – ensuring it applies to any property let by students, as long as landlords write their intention to use the student possession ground into the tenancy agreement. Our new amendment will further protect the student market and the supply of student housing.
- **Protecting the balance of longer and shorter term lets in local areas** – the Bill currently prevents landlords marketing or re-letting properties for three months after using possession grounds to move into or sell their property. Responding to concerns from Colleagues in Devon and Cornwall, such as Selaine Saxby MP, we will bring forward an amendment to close a loophole, ensuring landlords cannot turn properties into short term lets during this period.
- **Expanding homelessness prevention duties** – when a tenant is evicted using section 21, they are considered to be threatened with homelessness and LAs owe them a homelessness prevention duty. We have heard concerns that the removal of section 21 could leave vulnerable renters without support they require to prevent homelessness. We will bring forward an amendment to give tenants certainty that a prevention duty would be owed when they are served with a valid section 8 notice. This will mean any household served with an eviction notice can access support from the LA to help prevent homelessness. For households at risk of homelessness for any other reason (e.g. relationship breakdown), LAs will continue to assess whether households are at risk of homelessness within 56 days. I am grateful to Bob Blackman MP for his input to ensure the Homelessness Reduction Act functions as intended, and that we protect against unintended consequences.



Why fixed term contracts will no longer be required

Some members have also asked why the Bill abolishes fixed term tenancies. It is important to note that introducing a new tenancy system, with a minimum period of six months, is supported by landlord organisations such as the NRLA and the BPF, which represents parts of the Build to Rent sector, and that this has been part of the policy development with the Bill since the White Paper.

Currently, fixed terms lock in both tenants and landlords – tenants cannot end the tenancy during the term, and landlords cannot evict them using section 21. A common misconception is that the end of a fixed term means the tenancy also ends. In reality, when a fixed term expires, the law stipulates that a tenancy automatically continues as a periodic tenancy, unless another fixed term is agreed. This applies even if the tenancy includes an explicit end date. Under the framework set by the 1988 Act, a tenant has a guaranteed right to continue living in the property and a landlord must use section 21 or section 8 to end the tenancy. Landlords must always serve a notice to end the tenancy, otherwise it continues indefinitely.


In the future system, all tenancies will be periodic. This position reflects the fact that, once section 21 is abolished, fixed terms will have little benefit. In the new system, both landlords and tenants will continue to be able to communicate about when either party wishes to end the tenancy, landlords will have more grounds under section 8 to evict tenants at any point – and our new amendment on the initial six months, detailed above, will provide landlords certainty that a tenant cannot leave for the first six months, replicating the benefits of fixed terms for landlords.

I have, however, heard concerns from Colleagues about the smooth operation of the new tenancy system for both landlords and tenants. **I therefore commit to a review of the implementation of tenancy measures within the Bill.** The Government will introduce an amendment that requires the Secretary of State, following an independent review of the new system, to lay a statement covering the effectiveness of new possession grounds, and the effect of moving to periodic tenancies and abolishing fixed terms, within 18 months of the measures being applied to existing tenancies.

More generally, Colleagues have raised concerns about the overall attractiveness of the private rented sector to landlords and investors. I am delighted that the Chancellor decided to reduce the Capital Gains Tax rate on residential property by four percentage points at the Budget. This decision, a longstanding ask of my department, will help ensure that we continue to attract investment into the private rental market, which is good news for both landlords and tenants. This follows a decision taken an Autumn Statement to raise the Local Housing Allowance which has been welcomed by many landlords. Overall, the size of the private rented sector has doubled since 2004, peaking in 2016 and has remained roughly stable since then. **Nonetheless, I recognise the force of these concerns and so I will require my department to publish an annual parliamentary update on the state of the private rented sector – including data on the supply, size and location of properties.** This will be laid before Parliament in the form of a written statement.

I would like to express my thanks to Eddie Hughes MP, who shaped the initial White Paper *A Fairer Private Rented Sector*. Further, I am grateful to all Colleagues for their contributions over recent weeks to ensure this Bill strikes the balance we all want to see. Coupled together these changes ensure our landmark reforms will truly transform the private rented sector, giving security to tenants and fairness to landlords.

The Bill will return to the Commons for Report Stage after Easter Recess. In the meantime, I am available over the Recess period to speak with any Colleagues who have outstanding concerns.

Yours ever,


JACOB YOUNG MP