

MAYOR OF LONDON

Tony Arbour AM

Chair of the London Assembly
City Hall
The Queen's Walk
More London
London SE1 2AA

Our ref: MGLA200718-8277

Date: 12 SEP 2018

Dear Chairman Arbour,

Thank you for your letter of 19 July about the motions agreed at the London Assembly (Plenary) meeting on 5 July. My reply to each motion is set out below:

Motion 1 – Housing Act

I support an end to Section 21 evictions. As the Assembly will be aware, the Government recently concluded a consultation into potential reforms to increase security of tenure for private tenants, and I have enclosed the Greater London Authority's (GLA) response. The response pushes the Government to look further than an extension of the minimum assured shorthold tenancy length, to much more wide-ranging reforms including scrapping Section 21 and reforming of the legislation and processes that have led landlords to become reliant on it.

Annex 2 of the consultation response is an outline of the London Model, which is currently in the early stages of development, but which will become a blueprint for effective reform of the private rented sector that both helps to protect the rights of landlords and offers tenants greater stability.

Motion 2 – 70th Anniversary of the National Health Service

I echo your comments on the NHS. I want London to be the healthiest global city in the world and that means not only enabling Londoners to remain healthy and to lead healthy lives, but also providing the right treatment and care when they need it.

I know how crucial our health service is to Londoners on a daily basis - through the incredible efforts of our doctors, nurses and other healthcare workers. I have supported NHS70 through a video message, and I attended Caroline Pidgeon's Assembly Big7tea party at City Hall.

Motion 3 – Police Pay

In July this year the Home Office announced the national pay award for police officers. In short, the 2018 award will provide a pay rise of two per cent for all police officer ranks. I welcome the removal of the public sector pay cap that has enabled this rise to take place.

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As I am sure you will agree, police forces across the country perform an exceptional role in often very difficult circumstances and it is right that they are properly rewarded. As we continue to witness the formidable challenge of crime increasing in both volume and complexity it is important that we do all that we can to ensure our police officers are supported; and that their professionalism and bravery is properly accounted for.

However, I am disappointed that the 1 per cent non-consolidated increase from 2017 has not been consolidated and therefore effectively lost. The consequence of this will be officers concluding that, in practice, the pay award for 2018 will only amount to 1 per cent. This will clearly impact morale and lead to officers feeling undervalued.

The Metropolitan Police Service provided a strong submission to the Police Remuneration & Review Body (PRRB) setting out the strength of evidence for a two per cent consolidated rise in 2018 and the consolidation of the one per cent non-consolidated rise in 2017. This position was backed by My Office for Policing And Crime, who also provided a letter of support. The PRRB themselves, after reviewing all the evidence submitted to them, gave a clear recommendation to consolidate the 2017 payment and award two per cent in 2018. Police officers will be dismayed to see that this recommendation has effectively been overruled by the Government.

Police officers do not, quite rightly, have recourse to strike action. This means that they must put their trust in the submissions of their representative forces and the even handedness of the independent PRRB to come to fair remuneration awards. This relationship is at risk of being undermined if the Government repeatedly rejects the findings of the PRRB – as it has done for the last two years.

I would also draw your attention to the fact that the latest pay award has again been received without funding support from the Government, further exacerbating the already substantial financial challenge. I note within your announcement of the pay award you refer to the money held in reserve by police forces as a means to fund the pay increases. As I have said before, police force reserves are by their nature a contingency and should not be used to fund the day to day running of operational policing. Such a policy would not be sustainable in any case.

You yourself have said that you will, *“fight on behalf of police to ensure they have the resources they need to do their jobs effectively”*. I wholeheartedly agree: we must support police officers through fair remuneration and the Government must properly fund forces to ensure this happens, I must express my disappointment that July’s announcement does neither.

Motion 4 – Pedestrianisation of Oxford Street

I welcome the Assembly’s recognition that the challenges facing Oxford Street need to be addressed urgently. The work to date suggests that without a fundamental change to how the street works the negative impacts will continue to be felt right across the West End.

Transport for London (TfL) has been working very closely with Westminster City Council (WCC) and stakeholders from across the Oxford Street area on the pedestrianisation proposals. I am aware of residents’ concerns around traffic congestion and air quality, but I remain confident that the joint scheme would have positively addressed these issues, not worsened them.

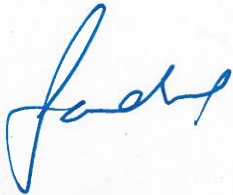
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TfL's traffic modelling data shows that some streets in the surrounding areas would see less traffic, not more, and that congestion impacts would be minimal. Air quality modelling shows that the project would deliver improved air quality across the district, above and beyond the improvements that the Ultra Low Emissions Zone will bring.

TfL has also recommended to WCC that the scheme be introduced experimentally, with a year of extensive monitoring ahead of a final decision on making the changes permanent. I fully endorse this approach, which would have included extensive work with the community and sharing of data. Unfortunately, WCC made its unilateral decision without taking up the offer of that discussion, or talks about potential changes arising from the consultation, such as overnight access to Oxford Street.

It is now for WCC to show that their alternative strategy can address the challenges and seize the huge opportunity offered by the opening of the Elizabeth Line. If they cannot, I will consider all options to deliver these hugely important changes, including the use of Greater London Authority Act powers.

Yours sincerely,



Sadiq Khan
Mayor of London

Enc.

GREATER LONDON AUTHORITY

Rt Hon James Brokenshire MP
Secretary of State
Ministry of Housing, Communities and Local
Government
2nd floor NW, Fry Building
2 Marsham Street
London
SW1P 4DF

Our ref: MGLA

Date: 22nd August 2018

Dear James,

London's 2.4 million private renters are amongst those worst-affected by the UK's housing crisis. They face rents that have far outstripped incomes, poor-quality housing in too many cases, and, according to the English Housing Survey, they are six times more likely to have moved home in the last year compared to people living in other tenures.

The current state of the private rented sector can make life particularly difficult for older and more vulnerable renters, and for the 36 per cent of London's renting households who now have dependent children. The Mayor welcomes any willingness by the Government to tackle this complex issue; annex one to this letter sets out detailed comments on your Ministry's proposals for longer tenancies, and annex two sets out an overview of the Mayor's own proposals for how tenancy rights could be strengthened further through a 'London Model' of tenure reform.

Building more social rented homes and affordable homes to buy is key to helping private renters, but that does not negate the urgent need to improve the security, quality, and affordability of the private rented sector itself. Many renters aspire to home ownership or a social tenancy because they want a secure, long-term home they can make their own, and where they can raise a family. With the right package of reforms, the private rented sector could provide many of these benefits for Londoners, as is the case in many other countries with more balanced private rental markets.

The Mayor considers the Government's preferred model for increasing security of tenure – three-year fixed-term tenancies – as better than the status quo. However, he is keen to stress that non-legislative solutions, as suggested by the consultation, will be ineffectual and should not be considered. The problems in the sector are due to fundamental structural weaknesses in the legislative framework governing tenancies. They are not simply a result of individual landlord behaviour, or lack of tenant education.

More fundamentally, the Mayor urges the Government to use this chance to truly reform the private rented sector by introducing open-ended tenancies. Such an approach to tenancies could be based on work the Mayor is doing by developing a 'London Model' – a package of reforms, of which the most important elements are:

- open-ended tenancies, that allow renters to leave whenever they want or need to, providing they give the landlord sufficient notice;

- an end to 'no fault' evictions to prevent tenancies in normal circumstances ending at short notice and for spurious reasons; and
- new provisions, with appropriate safeguards, to allow landlords to reclaim properties more easily where they do have a legitimate reason.

The GLA plans to engage widely with stakeholders to refine the set of headline proposals set out above and laid out in more detail in annex two. The Mayor invites the Government to take an active part in this process, and to consider how they can use legislation to implement the London Model once the work is complete.

For too long renters have been told private renting is simply a stop-gap tenure, where they must put up with poor and variable standards, before they can find a more secure home. The Mayor is calling on the Government to work with him to transform private renting from a tenure of last resort, to one that is fit for the 21st century.

If you or your officials would like to set up a meeting to discuss this issue further, please contact Rhona Brown in the Private Rented Sector team on rhona.brown@london.gov.uk.

Yours sincerely,



James Murray
Deputy Mayor for Housing and Residential Development

Annex 1: Overcoming the Barriers to Longer Tenancies in the Private Rented Sector – GLA detailed response to consultation proposals

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

The GLA welcomes a focus by government on retaliatory evictions. However, the provisions in the Act are complicated and onerous in terms of the precise conditions that need to be met, and do not fundamentally alter the imbalance of power in the tenant-landlord relationship. Most tenants are not well-informed of their rights as renters, and do not feel sufficiently empowered to assert them. This is even more of a concern among vulnerable tenant groups, such as those for whom English is a second language. The numbers of tenants making complaints about their landlord to local authorities is unlikely to be representative of the scale of the issue.

The provisions also rely heavily on local authority intervention, placing a significant administrative burden on officers making complicated case-by-case assessments against the HHSRS. As MHCLG will know, many local authorities lack the capacity and resources to develop and maintain a dedicated team of enforcement officers, leading effectively to a postcode lottery in enforcement outcomes on the ground. With nearly two-thirds (62 per cent) of all 'no fault' evictions occurring in London, Local Authorities are in no position to ensure that all are carried out legally.¹

In some cases, enforcement teams may also prefer to work with the landlord informally on improvements to the property, rather than issuing a notice. This may be a suitable approach, but renters will only be protected if a notice is served. Just over 900 improvement notices were served in London last year, suggesting only a tiny minority of renters would be protected from an illegal eviction by the existing legislation, even if they were aware that it exists.² The Mayor believes that 'no-fault' S21 evictions must be abolished altogether, as advocated in his London Model proposal (see Annex 2).

Q11a: What do you consider to be the main benefits of a longer tenancy for landlords?

Securing a tenant who complies with their tenancy obligations, including on-time payments of rent, is likely to be the primary consideration of most landlords. Securing such tenants for longer periods through longer tenancies would therefore be a benefit to landlords. However, as pointed out in the consultation document landlords can already offer longer tenancies under the current regime to minimise void periods and reduce the administrative burden and cost of finding new tenants. As the consultation report illustrates, despite these benefits most landlords opt for shorter tenancies.

This is likely because the landlord can enjoy many of the benefits of a longer tenancy by simply renewing a short-term tenancy annually or placing the tenant on a monthly 'rolling' or statutory

¹ *Poverty, evictions and forced moves*, Joseph Rowntree Foundation July 2017

² *ROGUE LANDLORDS IN LONDON An update on local authority enforcement in the private rented sector*, Caroline Pidgeon AM, October 2017

periodic tenancy. By doing this the landlord retains flexibility over their property without losing their tenant. In the latter scenario the tenant may give notice at any time, which presents the risk of a void period, but in a buoyant market landlords often choose to accept this risk in return for flexibility. The tenant on the other hand has no assurances beyond the end of the fixed term. There are also perverse incentives in place for letting agents that encourage shorter tenancies, since agents stand to benefit from 'churn' via tenant fees and any rent increase (where they are paid on a percentage-of-rent basis). These industry-wide practices are symptomatic of the serious structural issues in the sector that need to be addressed.

Though a step in the right direction, three-year fixed term tenancies would not deliver significant benefits to tenants or landlords. There is no reason to believe the status quo, whereby long-term tenants find themselves on periodic tenancies, would be less likely to occur in most cases after three years rather than one. In addition, were a problem to occur in the final year of a three-year tenancy, renters would be in the same position as those with a one-year tenancy. Instead, the GLA believes that the introduction of open-ended tenancies, balanced with proper reforms to possession processes (as described in Annex 2) is the best way to achieve genuine change for both tenants and landlords.

Q11b: What do you consider to be the main benefits of a longer tenancy for tenants?

The GLA welcomes a commitment by government to addressing the barriers to promoting longer tenancies as part of broader tenancy reform package. For vulnerable groups, including older people and families with children in particular, longer-term tenancies would reduce the expense and stress of frequent moves, offering much-needed peace of mind.

However, these benefits will only fully be realised by the adoption of open-ended tenancies with no prescribed minimum length. Under the principles described in the Mayor's 'London Model', the rights of tenants to greater security will be balanced with the rights of landlords to greater certainty of/about regaining their asset in legitimate circumstances. This culture change will make for better informed and more empowered renters. It would also allow renters for whom home ownership is out of reach to realise their aspirations for a stable, long-term home.

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

Many small landlords lack a long-term business plan and strategic approach to managing their property. Indeed, for many, it is a second home that they or their family members no longer need. Landlords in this situation are often renting their property out as an interim solution.

The GLA believes landlords can be reluctant to offer longer tenancies as they welcome the flexibilities that short-term and periodic tenancies offer to use and manage their asset. This degree of control is valued by landlords, offering peace of mind that if anything goes wrong, possession of the property can be quickly re-gained. Short-term and periodic tenancies also offer landlords greater flexibility to increase rents regularly – even if in practice, many landlords with long-term tenants choose not to do so. Landlords may further be concerned that offering longer tenancies risks abusing restrictive mortgage conditions.

Much of the concern over loss of control through long-term tenancies comes from landlords' fear of having to rely on lengthy and inefficient court processes if a problem arises within the tenancy. For example, the consultation paper sets out that the median time for obtaining possession using Section 8 is 17 weeks. Using this process to evict a tenant who in the meantime is building up significant arrears or causing other problems such as anti-social

behaviour is not appealing to landlords. For the landlord of the average London property a possession time of 17 weeks would mean absorbing arrears of just under £6,000. Bearing in mind that 17 weeks is only the median possession time, for many landlords the costs would be much higher.

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

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

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

As set out more fully in Annex 2 the GLA disagrees with Government about the value of fixed-term tenancies in the private rented sector, and believes open-ended tenancies are the correct approach. The Mayor is concerned that six-month break clauses could become de-facto Section 21 notices and could be open to abuse by unscrupulous landlords. However, he also understands why both landlords and tenants may value this option. The GLA will work closely with key stakeholders on this issue via the London Model process to ensure these risks are mitigated.

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

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

The Mayor has committed to undertaking in-depth analysis and stakeholder engagement to develop his 'London Model' set of reforms for the private rented sector. As part of this work we will examine the detailed components of models adopted in Scotland and other European countries, including the mechanisms used for ending a tenancy and the associated notice periods for landlords and tenants. Consideration should be given to whether a blanket notice period on either the tenant and landlord side is appropriate, or whether, for example, different notice periods might be required in different circumstances.

Whatever notice periods are opted for, they need to consider the specific needs of both tenants and landlords and provide a fair and proportionate solution for both parties. Under the Mayor's London Model, open-ended tenancies with no default end date would be the norm. Tenants could then consider the property they live in as a long-term home, rather than simply a place they are 'passing through' and this positive shift must be taken into account.

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?

The GLA agrees on the importance of balancing the right of tenants to live peacefully in their home with the right of recovery when a landlord's circumstances change, or a tenant is at fault. We support the headline principles of the existing grounds, but we know that for many landlords, the court process is too complex, open to abuse by some tenants, and not fast enough in resolving cases. This has caused a lack of trust in the court system and a consequent reliance on offering shorter tenancies and use of Section 21 'no-fault' evictions.

Government must use this opportunity to address the blockages and issues in the court system and must embrace wholesale reform if that is what is required. The GLA looks forward to the anticipated call for evidence in the Autumn regarding user experiences of the housing courts and tribunals. Thorough analysis combined with meaningful reforms are crucial if a genuine shift towards greater security of tenure is to be achieved.

The GLA agrees it is important to explore the introduction of new grounds for situations where the landlord needs to sell or use their property, as is the case in Scotland. The precise wording of such grounds will, however, be crucial to ensure they are not abused and that robust conditions of proof are met. There must also be strong deterrents in place for landlords who would seek to abuse such grounds. Anecdotal evidence from Scotland suggests it is hard for tenants who suspect they were falsely evicted to successfully prove their case and therefore be awarded compensation through the tribunals. In addition, though compensation is an important tool, in the interim the tenant will still have lost their home. Although these measures may eventually shift behaviour, some landlords may see such compensation as simply a business cost and a risk worth taking. For instance, evidence from local authorities suggests that a hardcore of non-compliant landlords see fines handed down as a result of licensing and HHSRS enforcement as simply a cost of doing business. As set out in Annex 2, the Mayor's London Model work will consider what alternative measures may be appropriate.

Government should clarify whether it is their intention under their proposed three year fixed-term model that the landlord would be prevented from using a Section 21 after the six-month break clause has expired. Although the Mayor disagrees with fixed-term tenancies and has concerns about break clauses, it is important to understand to what extent tenants would be protected from no-fault evictions under the Government's proposals.

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)

The GLA welcomes the attention on affordability and rent levels in the private rented sector and a willingness by government to seek views on workable solutions. The proposal that landlords make clear when advertising how rents will increase and have this detailed in the tenancy agreement is a positive idea in principle. However, particularly in London, this would likely be open to abuse.

Vulnerable renters may not be in a position to fully understand the terms they are signing up to and as such may end up agreeing to rent increases they cannot afford. It would be difficult to ensure landlords and agents were displaying information about rent increases clearly. Current anecdotal evidence shows that, for many renters in London, where 70 per cent of adults living in the PRS were born overseas, language may present a barrier to understanding for many renters³. Finally, tenants at the lower end of the market, whose choices are restricted, may have no alternative but to sign contracts with unfavourable terms. The opportunities for exploitation are analogous to the high-cost consumer credit or payday lending industries at present.

In addition, any form of rental agreement that legitimises annual rent increases is likely to have a negative impact in the current market.

The GLA sets out its position on rents more fully in Annex 2, paragraphs 4.4-4.6.

³ GLA analysis of the Labour Force Survey Q4 2016

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.

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

The Mayor is keen to stress that non-legislative solutions to the issues around security of tenure will be ineffectual and should not be considered. The problems in the sector are due to fundamental structural weaknesses in the legislative framework governing tenancies. They are not simply a result of individual landlord behaviour, or lack of tenant education.

Educational campaigns aimed at changing behaviours require a huge amount of resources over a long period of time, which Government is unlikely to be able to commit to. The Government's own Model Tenancy agreement for instance has suffered from low take-up, as did the London Rental Standard introduced by the previous Mayor of London. Moreover, vulnerable groups, who are least empowered to assert their rights and most at risk of experiencing sub-standard, insecure accommodation, would be very hard to reach in this way. Though educating renters about their rights is extremely important, the first-order issue is that the rights themselves are inadequate.

The Mayor believes Government should learn from the work of the Scottish Government in legislating for this issue to avoid a two-tier system emerging whereby English and Welsh renters suffer considerably weaker rights than their counterparts north of the border.

The GLA is also clear that the legislative approach we call for above must be backed up by a robust enforcement framework to tackle rogue operators and deter others from breaking the law. As a minimum, this must include powers with 'teeth', adequate resources and funding for enforcement, and the introduction of relevant criminal offences and/or penalties.

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

As set out in Annex 2, the GLA agrees certain tenant groups and rented accommodation providers may require an exemption from any legislation making longer or open-ended tenancies mandatory, or alternative provisions of some kind. Student accommodation, short holiday or corporate lets, and providers of accommodation for homeless households, such as hostel and temporary and emergency accommodation may fall into this category.

Further consideration will also need to be given to those with short-term visas. Those on short term work contracts need not be disadvantaged by open-ended tenancies, as they would be with fixed-term tenancies. However, consideration is needed to ensure such renters are not disadvantaged when bidding for properties and left with restricted choice. The GLA is also keen to stress that these groups must not be left without any protections.

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?

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

The Mayor believes that primary legislation is the only option to deliver a fundamental and lasting shift in tenants' rights towards open-ended security of tenure. The arguments for this are detailed in our response to Questions 22 and 27.

The GLA does not support financial incentives as the primary mechanism for delivering greater security of tenure. We believe this is a basic right that all tenants should have and not something that providers of rented accommodation should be rewarded for by the taxpayer. While some landlords may respond to such incentives, many others will continue with a high rent, high turnover business model because they believe it benefits them more.

As highlighted in our response to Question 10, it would be wholly unrealistic to burden local authorities with the administration of incentives such as cash payments to landlords when many are lacking the resources and capacity for enforcement of private rented sector issues.

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.

The demographics of the private rented sector have been changing rapidly over the past decade with many more young children now calling it their home and a significant increase in the level of vulnerable persons and households in poverty living in the sector. 86 per cent of new arrivals to London from overseas are accommodated in the PRS, many of whom may be poorly equipped to understand and express their rights⁴. This suggests that measures to improve these rights may have a positive impact on those with the protected characteristic of race and ethnicity.

The number of families with dependent children living in the sector has more than doubled since 2004, and almost 600,000 children are now living in privately rented homes⁵. The number of private-renting households in London aged 45-64 has more than doubled in the last ten years⁶. These groups are among those most likely to suffer as a result of insecure tenancies and fear of sudden evictions. As a result, efforts to improve security of tenure are likely to disproportionately benefit those with the protected characteristics of age and maternity.

If Government delivers on its desire to provide increased security of tenure, it may significantly improve the quality of life of those private renters with a disability and those with poor mental health. For people with these characteristics, the threat of eviction and losing touch with local support networks can be detrimental to overall health outcomes. Evidence shows that frequent moves can also negatively impact on health and wellbeing for those who are otherwise healthy, in particular it can affect mental health^{7 8}.

Q29: Do you have any other comments that have not been captured elsewhere in this consultation?

The Mayor sets out his vision for reformed private rented tenancies more comprehensively in Annex 2, *The 'London Model': a blueprint for private rented sector tenancy reform*. The GLA would welcome an early discussion with Government on these proposals.

⁴ GLA analysis Labour Force Survey Q4 2016

⁵ Labour Force Survey 2004-2017

⁶ Living in Fear, experiences of Older Private Renters Age UK

⁷ 'Living in limbo', Shelter, 2004

⁸ 'People living in bad housing, numbers and health impacts', Shelter, 2013

Annex 2: The 'London Model': a blueprint for private rented sector tenancy reform

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1. Introduction
2. Open-ended tenancies versus fixed term tenancies
3. The London Model: headline proposals
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1. Introduction

- 1.1. The Mayor recognises that, as demand for London's private rented sector has grown in recent years, the sector has become less dominated by relatively mobile groups like students, migrant workers, and young graduates who live in this tenure for a limited period. It is increasingly becoming a more long-term tenure, including for older Londoners and those raising families. For this to be sustainable, the security of private renting must be improved. The Mayor wants to explore options for a new tenancy model for London's private rented sector, whereby responsible landlords can easily gain possession of properties for legitimate reasons, and tenants have the right to greater stability and security in their homes.
- 1.2. London's existing model of tenancy regulation has not kept pace with the city's rapidly changing and expanding private rented sector. The current system fails to offer enough security and stability to tenants. This has been broadly recognised by all the main political parties, most recently by the Government in their longer tenancies consultation.
- 1.3. Although more can be done to increase the supply of high quality rented homes for those in the private sector – for instance through build-to-rent schemes and the Mayor's London Living Rent programme – only Government has the power to help those living in the existing private rented sector. It is vital that the housing needs of private renters are addressed by improving the tenure they live in, rather than simply trying to give them more options to leave it.
- 1.4. The Mayor's work to address standards and conditions in rented housing, and to tackle up-front costs, is set out in his London Housing Strategy and includes initiatives such as his Private Rented Sector Partnership, his Rogue Landlord and Agent Checker, and his work on tenancy deposit loans. However, the root of many of the problems experienced by renters in England and Wales is the weak tenancy rights they are subject to, compared to private renters in most comparable cities around the world and even other parts of the United Kingdom.
- 1.5. For this reason, the Mayor has committed to creating a comprehensive blueprint of how the private rented sector could be reformed in England and Wales. Though he does not have the powers to implement such proposals himself, the size of London's private rented sector and the fact that many of the worst problems in the sector are concentrated in London gives the Mayor a clear mandate to address this issue.
- 1.6. Of the 11 million renters in England and Wales, more than a fifth (2.4 million) live in London according to the Labour Force Survey, and according to recent research by the

Joseph Rowntree Foundation, 62 per cent of all 'no fault' eviction notices are issued in the capital. This shows why a solution to this problem must be developed with London in mind. Most other urban areas in the UK are also experiencing the same issues albeit to a lesser extent. It is appropriate for London to lead the way in developing a model of reform that will benefit renters across the UK.

1.7. Given his lack of powers to implement the new model, the Mayor is seeking to work with Government as well as a wide range of other stakeholders in developing these proposals for a London Model. He will then encourage Government to adopt the proposals set out in the London Model at least for private renters in the capital. Many of the tenets of the London Model would be applicable across the entire UK private rented sector, but of course regional variations in the market would need to be considered further by Government.

2. Open-ended tenancies versus fixed-term tenancies

2.1. The Mayor is pleased to note that Government are inviting views on all options for improving security of tenure as part of their consultation on longer tenancies. The consultation implies a preference for a new three-year minimum-length tenancy to replace existing ASTs. These tenancies would have a six-month break clause that can be exercised by either tenants or landlords, and thereafter the tenancy could be ended by the tenant at any time by giving two months' notice, but by the landlord only after the remaining two-and-a-half years in normal circumstances. It is the Mayor's understanding that the landlord would be restricted from using Section 21 during that period. As set out in Annex 1 government should clarify this point in their response to the consultation.

2.2. As set out in the GLA's detailed response to the proposals in Annex 1, there are many aspects of Government's model that the Mayor supports. In particular, we welcome the principle that tenants should have the right to give notice whenever they wish to, but that landlords could not evict a tenant during the fixed-term unless the tenant had committed a fault, or the landlord had another legitimate ground.

2.3. However, the Mayor disagrees with Government about the value of fixed-term tenancies in the private rented sector. From the tenant's perspective, even a longer fixed-term tenancy presents some of the same problems as existing ASTs. For example, if a problem were to arise in the final year of a three-year tenancy, under the Government's proposals tenants would be in exactly the same position as they are currently with a 12-month AST – unable to enforce their rights due to fear of the landlord refusing to renew the tenancy. The Mayor also wishes to further explore the UK and Scottish Government's approach on 'legitimate reasons' for landlords to regain possession.

2.4. In addition, renters and landlords have both expressed concerns about signing up to a three-year tenancy. Even though some of those concerns may be due to lack of understanding and the unfounded fear of being 'locked in', practically it makes little sense for Government to specify to renters and landlords how long their contractual relationship should last. It would be far easier to communicate the benefits of open ended tenancies, with clear means of exit for both parties, but which otherwise would last as long as needed.

2.5. The Mayor therefore believes that instead of introducing standard three-year tenancies, Government should support open-ended tenancies, whereby tenants can terminate whenever they wish, and the landlord when necessary. Provided a landlord would always

be able to reclaim their property when they reasonably need to, a fixed term serves little to no value either to landlords or tenants. Fixed terms increase admin for the landlord and, ironically, increase uncertainty for tenants in particular.

- 2.6. The Mayor believes that open-ended tenancies, which would see Section 21 removed altogether, would constitute an appropriate rebalancing of the rights between landlord and tenant. Tenants would be able to exercise their rights much more freely – for instance to challenge an unfair rent increase at tribunal and to demand that a landlord make appropriate repairs. At the same time, landlords' position would be protected if significant steps were taken to ensure they can gain possession of their properties effectively and in a timely manner where there is a legitimate reason to do so.
- 2.7. There are a number of impacts associated with introducing open-ended tenancies that would need to be addressed in any proposed set of tenancy reforms. These are set out in more detail in section 4.
- 2.8. The Scottish Government's Private Rented Tenancies Scotland Act 2016 has only recently been implemented but provides the rest of the UK with valuable learning as we consider our own approach. Open-ended tenancies are a key part of the Scottish reforms and have created a two-tier system, whereby Scottish renters enjoy much stronger rights than their English and Welsh counterparts.
- 2.9. The Mayor will scrutinise the Scottish reforms in detail to inform the development of the London Model.

3. The London Model of tenancy reform: headline proposals

- 3.1. The Mayor believes that any model of tenancy reform that is to truly benefit renters and rebalance the relationship between landlord and tenant must contain the three elements set out below.

Replacing the existing Assured Shorthold Tenancy (AST) with open-ended tenancies

- 3.2. First, the use of short, fixed-term ASTs is no longer appropriate for an increasingly diverse population of renters, many of whom have much longer-term housing needs. Renters in London, and indeed other parts of England and Wales, need an entirely new type of open-ended tenancy which guarantees them security of tenure until there is a good reason for the tenancy to end. These tenancies should allow renters to end the tenancy whenever they wish to, providing they give appropriate notice to help the landlord prevent void periods. The Mayor will work with buy-to-let lenders to understand how such provisions are accounted for in Scotland to support further investment in the sector.

Ending 'no fault' evictions

- 3.3. Second, as set out in section two of this annex, the Mayor believes strongly that open-ended tenancies, coupled with strong protections from unnecessary evictions are the best solution to improve security of tenure for private renters. The use of 'no fault' evictions fundamentally undermines renters' security of tenure and their ability to enforce their existing rights. This aspect of the Housing Act 1988 must be amended or scrapped accordingly, and the processes which have led landlords to become dependent on Section 21 must be reformed.

Protecting the rights of landlords

3.4. Third, 'no fault' evictions cannot be scrapped in isolation. There are valid reasons why landlords depend on Section 21, even when 'tenant fault' can be proved. Court processes to allow 'tenant fault' Section 8 evictions to take place are slow and inefficient and in desperate need of reform. This is an essential part of reforming private rented sector tenancies and must happen to ensure the sector can continue to function. Landlords should have an effective and timely means to regain possession of their properties where there is a legitimate reason to do so, and the Mayor will work with expert stakeholders to explore how this can best be taken forward.

4. Areas for further consideration

4.1. The three main elements of the Mayor's London Model, outlined above, will help to hand more power back to renters whilst protecting the interests of landlords. However, all three involve complex issues and trade-offs that require further in-depth consideration beyond the eight weeks allowed by Government's current consultation.

4.2. The GLA has already begun to work through these issues in more detail and looks forward to working with Government and other key stakeholders to test our thinking and proposals.

4.3. These issues include, but are not limited to:

- *Break clauses:* Under the Scottish model of tenure reform there are no break clauses for landlords or tenants. The Mayor will look at the experience in other countries and is keen to ensure break clauses do not become Section 21 by another name.
- *New possession grounds:* There are a range of legitimate reasons why a landlord may need to gain possession of their property even though the tenant has committed no fault. Further exploration is needed of exactly what these grounds should be. Some suggestions are outlined in the government's consultation, as well as the Scottish government's approach. Further consideration is needed to ensure these are correct, and indeed that existing Section 8 grounds are fit for purpose.
- *Preventing loopholes:* It is vital that provisions to allow landlords to reclaim their property even if a tenant has done nothing wrong do not become loopholes. Appropriate safeguards or deterrents must be considered.
- *Mitigating disruption to tenants:* Regardless of whether the reason is legitimate, 'no tenant fault' evictions will still cause renters to lose their homes and suffer significant disruption. If no steps are taken to address this issue or to close the loopholes referred to above any new measures will represent little progress on the status quo.
- *Dispute resolution, redress and tenancy sustainment:* Preventing tenancies from ending unnecessarily due to resolvable disputes is as important as addressing evictions procedures. Effective dispute resolution would also reduce pressure on the courts. Government has already consulted on this as part of the proposals to introduce a single housing ombudsman. It is essential the detail is developed in tandem with new proposals for tenure reform and possible court reform.

- *Notice periods:* Appropriate notice periods on the part of both the tenant and the landlord are key to ensuring open-ended tenancies work effectively. Various options are suggested by the Government's longer tenancies consultation, the Scottish Government approach and international examples.
- *Protecting the safety net:* Ending or substantially reforming 'no fault' evictions could have a knock-on impact on many services homeless and vulnerable people rely on, such as temporary accommodation and hostel provision. The Mayor will explore how such services can be protected.
- *Helping vulnerable renters:* Recent research suggests that one of the reasons 'no fault' evictions are so common in London is due the volume of renters struggling to pay rent due to problems with housing benefit or universal credit. In addition, renters in receipt of welfare benefits are routinely discriminated against. The Mayor is keen to understand how tenure reform could better support such renters.
- *Short-term lets and student accommodation:* The Mayor recognises that there are types of accommodation for which open-ended tenancies may not be appropriate. Consideration is needed to ensure such accommodation can continue to operate, whilst preventing loopholes and ensuring such renters are not left without protection.
- *Short-term visas and employment contracts:* In general, open-ended tenancies will provide for renters who only need a short-term tenancy, since it is up to the tenant to decide when to leave. However, further work is needed to ensure those with short term visas or employment contracts are not frozen out of the market or left with poor choices.

4.4. Stronger security for renters is essential to improving the private rented sector, but with around a quarter of privately-renting households in London spending more than half of their income on rent (English Housing Survey data, 2015/16), the biggest challenge facing private renters continues to be its unaffordability.

4.5. Security and affordability are related – a strong system of security of tenure would likely have a stabilising effect on rents, and would be needed to underpin measures to stabilise or control rents. The Mayor will therefore consider what measures would limit unacceptable rent increases without negatively impacting on housing supply, and how they could work in the capital, once the new London Model is complete.

4.6. The Mayor is aware that although limiting rent increases or making them more predictable would give certainty, doing so would not address the problem of rents already being unaffordable to many. Addressing existing rent levels would be a truly radical approach requiring significant investment, as well as fiscal and legislative changes, to ensure that renters, landlords, and housing supply were protected from adverse effects.

5. Next steps

5.1. The Mayor has now set out the headline proposals for his London Model of tenure reform. In the coming months the Mayor will set out a process for engaging with a wide range of

stakeholders, including representatives of both renters and landlords. The Mayor will refine and extend these headline proposals based on feedback, build support for the Mayor's approach, and create a workable set of recommendations for Government.

5.2. The Mayor believes this project will support Government's own consultation process. He encourages Government to engage fully with discussions around the London Model to help shape and improve the proposals, and to inform their own next steps once the longer tenancies consultation is concluded.

5.3. Once the London Model work is complete the Mayor hopes to work closely with Government to implement this ambitious approach and transform private renting from a tenure of last resort to one fit for the 21st century.