

MAYOR OF LONDON

**THE LONDON
MODEL:
REFORMING
PRIVATE RENTED
SECTOR
TENANCIES**

A technical paper

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1 Introduction and summary of recommendations

1. Introduction

- 1.1. The Mayor’s proposals for increasing security of tenure – the London Model – are outlined in high level terms in ‘Reforming Private Renting, The Mayor of London’s Blueprint’.¹ Alongside that, this document sets out these proposals in more detail and covers the rationale behind each one, the evidence and research used to inform the Mayor’s thinking, and the feedback from the extensive engagement with stakeholders that was undertaken as part of the process of developing the Model. It also identifies where additional research is needed to develop proposals on some outstanding issues.
- 1.2 In his London Housing Strategy, published in May 2018, the Mayor committed to developing the London Model – to enhance security of tenure for renters, reduce discrimination, improve the evictions process and dispute resolution, and ensure landlords retain their right to gain possession of the property for legitimate reasons.²
- 1.3 Later that year, he published the headlines of the Model, in response to the Government’s consultation on longer tenancies in which they proposed three-year fixed term tenancies.³ The Mayor was concerned the Government’s proposals did not go far enough and were part of a piecemeal and uncoordinated approach to reform of the private rented sector (PRS).⁴ He therefore set out his view that a comprehensive and transformative reform of tenancies in the PRS should be based on the following three key pillars:
- i. open-ended tenancies with no fixed term;
 - ii. ending ‘no-fault’ (‘section 21’) evictions; and
 - iii. protecting the rights of landlords to regain possession of their properties where they have a legitimate reason to do so.⁵
- 1.4 These three pillars are supported by a number of building blocks that are key to the delivery of a robust and viable model. These can be grouped into three categories:
- structural elements (set out in Section 3);

¹ Greater London Authority (2019) *Reforming Private Renting, The Mayor of London’s Blueprint* www.london.gov.uk/reforming-private-renting

² Greater London Authority (2018) *London Housing Strategy* https://www.london.gov.uk/sites/default/files/2018_lhs_london_housing_strategy.pdf

³ Greater London Authority (2018) Response to MHCLG’s consultation on overcoming the barriers to longer tenancies in the private rented sector https://www.london.gov.uk/sites/default/files/220818_annex_2_-_the_london_model.pdf

⁴ In 2018 alone at least 14 consultations, calls for evidence, reviews, regulations and pieces of legislation have been undertaken, announced or introduced that relate to the private rented sector.

⁵ Published as part of his response to the Government’s call for evidence on longer tenancies, and available at https://www.london.gov.uk/sites/default/files/220818_annex_2_-_the_london_model.pdf

- supporting elements (set out in Section 4); and
- measures to ensure that the Model works for everyone (set out in Section 5).

1.5 The principles of all three key pillars of the London Model have now been adopted by the Government, who have committed to further consultation on how they could be introduced.⁶ This is a significant and welcome change of direction, and the Mayor looks forward to working with the Government to ensure that the detailed recommendations outlined in this document are fully reflected in their final approach. The Mayor urges the Government to set out a clear timescale in their consultation for bringing forward any necessary legislation, to reassure renters that these reforms will be prioritised.

Methodology

1.6 The GLA has spent the past year analysing, developing and testing possible solutions to the problem of insecurity in London’s PRS. This work has included:

- an analysis of responses to the Government’s consultations on longer tenancies⁷, a single housing court⁸ and strengthening consumer redress in housing⁹;
- a review of existing research;
- extensive stakeholder engagement to explore issues and test and refine proposals, through individual meetings, expert working groups and two roundtable events facilitated by the London School of Economics (LSE), with a wide range of experts including groups representing landlords and tenants (see Annex 1 for the list of stakeholders engaged);
- focus groups with 41 London renters (in six groups) from different socio-economic groups, including parents with young children, low- and middle-income renters; and

⁶ MHCLG (April 2019) *Overcoming the barriers to longer tenancies in the private rented sector: Government response* https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/721556/PRS_Longer_Tenancies_Consultation.pdf

⁷ MHCLG (July 2018) *Overcoming the barriers to longer tenancies consultation* https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/721556/PRS_Longer_Tenancies_Consultation.pdf; GLA (Sept 2018) *Response to Longer Tenancies consultation* <https://www.london.gov.uk/what-we-do/housing-and-land/housing-and-land-publications/response-longer-tenancies-consultation>

⁸ MHCLG (Nov 2018) *Considering the case for a housing court: A call for evidence:* <https://www.gov.uk/government/consultations/considering-the-case-for-a-housing-court-call-for-evidence>; GLA response: <https://www.london.gov.uk/what-we-do/housing-and-land/housing-and-land-publications/response-mhclg-call-evidence-case-housing-court>

⁹ MHCLG (2018) *Strengthening consumer redress in the housing market consultation* https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/684843/Stregthening_Redress_in_Housing_Consultation.pdf; MHCLG (Feb 2019) *Strengthening consumer redress in the housing market: summary of responses and government response* https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/773161/Stregthening_Consumer_Redress_in_the_Housing_Market_Response.pdf

- an online Talk London survey (1,416 survey responses) and discussion with Londoners (192 separate contributions).

Recommendations

1.7 The key recommendations from the London Model are set out below:

Three key pillars

Recommendation 1: Creating open-ended tenancies with no fixed term

Assured short-hold tenancies are no longer appropriate in London's private rented sector and should be replaced with open-ended tenancies with no fixed term.

Recommendation 2: Ending 'no fault' (Section 21) evictions

Section 21 of the Housing Act 1988 should be abolished, ending the right of landlords to undertake 'no fault' evictions where the tenant is not at fault and the landlord does not have legitimate cause.

Recommendation 3: Protecting the rights of landlords to regain possession of their properties where they have a legitimate reason to do so

The rights of landlords to regain possession of their properties where they have legitimate reason to do so, should be protected. New and enhanced possession grounds and more efficient and effective possession and court processes are central to achieving this.

Structural elements

Recommendation 4: Break clauses have no role in the London Model tenancy

Break clauses in tenancy agreements should be abolished so that they do not become de facto Section 21 notices and undermine security. New possession grounds and processes, improved tenancy sustainment support and access to mediation services will make break clauses unnecessary.

Recommendation 5: Landlord-to-tenant notice periods should increase, where the tenant is not at fault

Landlord-to-tenant notice periods should increase to four months, where the tenant is not at fault. This would allow tenants on limited incomes to plan and save for – or otherwise source the cost of – an unexpected house move and allow tenants with children to at least finish the current school term

to minimise disruption. It also offers a more straightforward model than one based on the length of time spent in a property.

Recommendation 6: New possession grounds should be introduced

New possession grounds should be introduced to ensure landlords can continue to gain vacant possession of their properties where they have a legitimate reason to do so. These must include:

- i. Landlord wishes to sell the property (mandatory)
- ii. Landlord or their immediate family wishes to move in (mandatory)
- iii. Refurbishment/redevelopment/major works (mandatory)
- iv. Change of use/non-residential (mandatory)
- v. Rent arrears due to benefit delays (discretionary)
- vi. Rent arrears – possession threshold (mandatory and discretionary)
- vii. Instances of landlord non-compliance (discretionary)

Recommendation 7: Tenant relocation payments should be introduced

Landlords should be required to provide tenant relocation payments in all cases where an eviction occurs that was not as a result of a tenant fault. This recognises the significant expense and disruption tenants face when a tenancy ends unexpectedly. The payment should be set at the equivalent of one-month's rent, a level that is not unnecessarily punitive to landlords.

Recommendation 8: Free and fair use of home

Renters should have 'free and fair use' of their homes. Landlords should not be able to unreasonably refuse routine requests to, for example, decorate, get a pet, or hang pictures.

Recommendation 9: Exemptions to the London Model

Mandatory open-ended tenancies will be neither appropriate nor practical for all forms of rented accommodation. Further consideration is needed to ensure the continued provision of such accommodation, whilst preventing loopholes and ensuring such renters are not left without protection. A total or partial exemption or separate treatment should apply to these types of accommodation, subject to further testing in the forthcoming Government consultation:

- i. Purpose-built student accommodation
- ii. Accommodation provided to support homeless households and those at risk of homelessness
- iii. Holiday, and other short-term, lets
- iv. Corporate lets

- v. Shared ownership
- vi. Tied accommodation

Supporting elements

Recommendation 10: Court reform

Court reform must be central to any forthcoming government reforms to security of tenure. It is vital that proposals do not focus only on digitisation but also recognise the need for further resources to be channelled into the courts system in terms of personnel, enforcement, accessible court buildings and, above all, greater access to Legal Aid for low-income and vulnerable people.

Recommendation 11: Tenancy sustainment and dispute resolution

All renters and landlords must be given access to better tenancy sustainment support and dispute resolution services, to reduce pressure on the courts system, prevent unnecessary evictions and reduce the risk of homelessness.

Measures to ensure the London Model works for everyone

Recommendation 12: Supporting landlords, incentivising investment

A strategic approach is necessary to achieve positive change in the rental market through a combination of better, more effective regulation and measures to encourage landlords to maintain and increase the supply of better-quality homes.

Recommendation 13: Protecting the supply of accommodation to support homeless households and those at risk of homelessness

The supply of accommodation to support homeless households and those at risk of homelessness must be protected. This should be done by creating:

- i. a new mandatory possession ground that specifically covers temporary accommodation and other homelessness services; and
- ii. an exemption for ‘pathways to independent living’ accommodation, as long it clearly meets set criteria.

Recommendation 14: Further research

Further research should be undertaken to determine:

- i. how shared tenancies currently function in the rental market;
- ii. how best to ensure that sharers can benefit from open-ended tenancies, without reducing the supply of much-needed shared accommodation;
- iii. how open-ended tenancies should apply to students; and
- iv. how the current system of properties let on licence functions in practice, whether it is fit for purpose and how open-ended tenancies should apply in this context.

2 The three pillars

2.1 This section sets out the detail of the three pillars of the London Model:

- i. open-ended tenancies with no fixed term;
- ii. ending 'no-fault' ('Section 21') evictions; and
- iii. protecting the rights of landlords to regain possession of their properties where they have a legitimate reason to do so.

Creating open-ended tenancies with no fixed term

Recommendation 1

Assured short-hold tenancies (AST's) are no longer appropriate in London's private rented sector and should be replaced with open-ended tenancies with no fixed term.

2.2 The Mayor believes that 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 with reasonable notice whenever they wish to. They will also allow landlords to end tenancies if they have a legitimate, evidenced reason, though the London Model also proposes that landlords should be required to give longer notice periods and provide relocation payments to tenants in the case of an eviction where the tenant was not at fault.

2.3 From a tenant's perspective, even a longer fixed term – such as the three years originally proposed by the Government¹⁰ – presents many of the same problems as existing ASTs. For example, if a problem were to arise in the final year of a three-year tenancy, tenants would be in the same position as they are currently with a 12-month AST, in that they may feel unable to enforce their rights due to fear of their landlord refusing to renew the tenancy. In addition, it makes little sense for Government to arbitrarily define the length of tenancies.

2.4 The London Model explicit seeks to better balance the rental market to improve the lives of private renters, many of whom might be vulnerable to short-notice moves or rent increases. The GLA's recently published 'Survey of Londoners' revealed that, among London's private renters,

¹⁰ MHCLG consultation (July 2018) *Overcoming the barriers to longer tenancies*
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/721556/PRS_Lon ger_Tenancies_Consultation.pdf

29 per cent are classified as being affected by housing insecurity, having had to leave their previous accommodation due to issues related to cost, conditions, or their relationship with their landlord.¹¹ Seventy-three per cent of Londoners who took part in the Talk London survey thought that landlords hold most of the power in the tenant-landlord relationship, with nine out of 10 renters agreeing this was the case.¹² The Mayor believes that open-ended tenancies do not necessarily disadvantage landlords, provided a landlord is always able to reclaim their property when they have a legitimate need to do so.

- 2.5 The English Housing Survey shows that relatively few tenancies end in a formal eviction¹³ and the recent MHCLG private landlord survey confirms that, in most cases, landlords and agents report that it is the tenant's choice to end a tenancy. However, this masks the many reasons that renters might feel they have little choice but to leave a tenancy, such as their landlord not responding to requests to improve property conditions or their landlord increasing the rent. The MHCLG survey also found that 40 per cent of landlords would be prepared to offer longer tenancies.¹⁴ The Mayor recognises, however, that open-ended tenancies, particularly in conjunction with other aspects of the Model, could present a number of difficulties for landlords. A range of issues that would need to be dealt with to mitigate any negative impacts on landlords and the wider market are set out later in this document.
- 2.6 Most of the stakeholders the GLA engaged with, throughout the development of the London Model, agreed that a move towards open-ended tenancies – as opposed to longer fixed-term tenancies – represents the correct approach for private renters. This was particularly true of consumer rights organisations, academics, think tanks and groups representing private renters, many of whom recognised that the debate has shifted significantly on this issue in recent years. Some stakeholders, however, including some representatives of the build-to-rent sector, felt that renters might actually prefer a longer fixed-term tenancy over an open-ended one, because it might be easier to make plans within a defined tenancy length. Private landlord representatives stressed it was not tenancy length per se that was likely to cause landlords concern, since many landlords are comfortable with the concept of longer tenancies, but rather the issue of being able to regain properties when needed.
- 2.7 Renters in the GLA's tenant focus groups supported open-ended tenancies more strongly than any other aspect of the Model. They felt that open-ended tenancies would cater to those who

¹¹ Greater London Authority (2019) *Survey of Londoners headline report* <https://data.london.gov.uk/dataset/survey-of-londoners-headline-findings>

¹² Talk London discussion and survey (12 March – 23 April 2019) *Private renting and London Model proposals*

¹³ MHCLG (2018) *English Housing Survey 2016-2017: private rented sector*

¹⁴ MHCLG (2019) *English Private Landlord Survey 2018*

would benefit from a long-term agreement without any downside for those who do not. Those with children saw significant benefits, with one tenant commenting:

“As a parent you don’t want to jump from one place to another. You have a job in this place, your child is going to school, he’ll be there for the next 10 years.”

2.8 However, some expressed cynicism about the proposals, with many concerned that landlords would simply put rents up to get rid of tenants they did not like if they were no longer allowed to impose fixed terms. One commented that:

“if they wanted you out they could just say, well, the rent’s now four times what it was.”

2.9 In general, tenants in the focus groups were fearful of rent increases, and concerned that measures which inconvenience landlords would lead to rent increases¹⁵, with one stating that:

“I think the more you upset the landlords the more they are going to raise the rent.”

2.10 The Mayor believes comments such as these clearly demonstrate the strong link between tenancy reform and rent regulation. The Mayor’s views on rent control are set out in ‘Reforming Private Renting, the Mayor of London’s blueprint’.¹⁶

Ending ‘no fault’ (‘Section 21’) evictions

Recommendation 2

Section 21 of the Housing Act 1988 should be abolished, removing the right of landlords to undertake ‘no fault’ evictions where the tenant is not at fault and the landlord does not have legitimate cause.

2.11 The Mayor believes that the use of ‘no fault’ evictions, where tenants can be evicted without a landlord having to give a reason, fundamentally undermines renters’ security of tenure and their ability to enforce their existing rights. This aspect of the Housing Act 1988 must be scrapped, and the processes which have led landlords to become dependent on Section 21 must be reformed.

¹⁵ Transcript of GLA focus groups with private renters, April 2019

¹⁶ Greater London Authority (July 2019) *Reforming Private Renting, the Mayor of London’s blueprint*

- 2.12 A common legitimate use of Section 21 is when a landlord wishes to sell the property or move back into it themselves. It is also often used when a tenant has committed a ‘fault’, such as rent arrears or another breach of their tenancy agreement, but the landlord believes they have little chance of swiftly resolving the matter via the eviction processes set out for such eventualities under Section 8 of the Housing Act 1988 (see below).¹⁷
- 2.13 The existence of ‘no fault’ evictions leave many tenants feeling disempowered in the relationship with their landlord and fearful about losing their home. Almost 70 per cent of renters surveyed by housing charity Shelter agreed that they would feel more confident in raising concerns about the condition of their property if they knew they couldn’t be evicted without good reason.¹⁸ In a similar survey nearly a quarter of families (23 per cent) said that, over the last five years, they had avoided asking for repairs or improvements for fear of eviction. More than one in five (22 per cent) had not challenged a rent increase for the same reason.¹⁹
- 2.14 This fear is not unfounded. The JRF report, ‘Poverty, evictions and forced moves’, found that the use of repossessions in recent years is almost entirely due to the increase of no-fault evictions, using Section 21 of the Housing Act 1988. They also found that the use of Section 21 is highly concentrated geographically – four out of every five evictions using Section 21 are in London, the South-East and the East of England, and nearly two-thirds are in London alone.²⁰ In addition, a minority of landlords wilfully misuse the Section 21 process by evicting tenants following a complaint about poor conditions, known as revenge or retaliatory evictions, despite the introduction of measures designed to prevent this in the Deregulation Act 2015.²¹
- 2.15 Given the extent to which Section 21 undermines security of tenure and tenants’ rights, the Mayor believes it must be scrapped. This change must go hand-in-hand with reform of those processes whose failings have led landlords to become dependent on the use of Section 21 in some cases.

¹⁷ Possession grounds set out in section 8 of the Housing Act 1988

¹⁸ Shelter/YouGov (August 2018) *Survey of 1,029 private renters*

¹⁹ Shelter/YouGov (August 2017) *Survey of 3,978 private renters in England, online, weighted*

²⁰ JRF (2017) *Poverty, evictions and forced moves*

²¹ HCLG Committee (2018) *Private rented sector inquiry report*

<https://publications.parliament.uk/pa/cm201719/cmselect/cmcomloc/440/44002.htm>; s33 Deregulation Act (2015)

<http://www.legislation.gov.uk/ukpga/2015/20/section/33/enacted>; Shelter (2017) *Happier and healthier: improving conditions in the PRS*

https://england.shelter.org.uk/professional_resources/policy_and_research/policy_library/policy_library_folder/briefing_happier_and_healthier_improving_conditions_in_the_prs

- 2.16 During the GLA’s engagement on the proposals, bodies representing small and medium portfolio landlords, such as the National Landlords Association (NLA) and Residential Landlords Association (RLA), made clear that scrapping Section 21 would present a major concern for their members. However, both the RLA and NLA are seeking to engage with the Government’s approach to abolishing Section 21 by launching a ‘Fair Possessions coalition’. Through this they seek to ensure that if the Government proceed with abolishing Section 21, reforms necessary to make it work for landlords, such as court processes and possession grounds, are in place first.²²
- 2.17 All the organisations representing tenants, as well as many of the consumer rights bodies, think tanks, housing law professionals, academics and third sector organisations that the GLA engaged with, were supportive of the proposal to abolish ‘no fault’ evictions. Three-quarters of Londoners responding to the GLA’s Talk London survey supported this, with over half saying it is a very good idea. That number rose to 86 per cent of renters.²³ This reflects the widespread support for the campaign to ‘End Section 21’ coordinated by Generation Rent, which the Mayor was pleased to support.

Protecting the rights of landlords to regain possession of their properties where they have a legitimate reason to do so

Recommendation 3

The rights of landlords to regain possession of their properties, where they have legitimate reason to do so, should be protected. New and enhanced possession grounds and more efficient and effective possession and court processes are central to achieving this.

- 2.18 The Mayor believes that eviction grounds and processes must be reformed to ensure that the sector upon which so many Londoners depend can continue to function without Section 21 and landlords can continue to have the confidence to let their properties.
- 2.19 Scrapping Section 21 in isolation could lead to serious unintended consequences for renters as well as the wider housing market, including for organisations who provide accommodation for homeless households or as part of homelessness prevention. As set out below, there are valid reasons why landlords depend on Section 21, even when ‘tenant fault’ can be proved, and it is

²² Fair possessions coalition <https://news.rla.org.uk/wp-content/uploads/2019/06/Fair-Possessions-Coalition-Statement.pdf>

²³ GLA Talk London online survey and discussion (12 March–23 April 2019) *Private renting and London Model proposals*

therefore understandable that some might be reluctant to offer longer tenancies without the peace of mind that Section 21 currently provides.

- 2.20 Almost half (45 per cent) of landlords own only one property, accounting for 21 per cent of the rental market.²⁴ Landlords with small to mid-size portfolios are very likely to adjust their assets at some point, sometimes at short notice. For instance, some may be renting out their own home for a year or two while working abroad, or while they attempt to sell it. Others may have maintained a large, stable rental portfolio over many years, but may seek to liquidate that portfolio to fund retirement. For example, 15 per cent of landlords surveyed by MHCLG planned to either reduce the number of properties they owned within the next two years or sell all their rental property and leave the rental business, accounting for 23 per cent of all private rented tenancies.²⁵
- 2.21 Although the UK's private rental market is still largely a 'cottage industry' dominated by small portfolio, and in many cases 'accidental' landlords, the sector appears to be changing and moving towards larger, more consolidated portfolios. The recent MHCLG private landlord survey suggests that in 2018 almost half of PRS tenancies were being let by the 17 per cent of landlords with five or more properties.²⁶
- 2.22 The Mayor believes it is important that landlords should be able to continue to manage their portfolios flexibly, in order not to discourage more 'informal' small portfolio landlords from offering their properties to rent. To do so would be likely to significantly reduce the supply of rental homes that are so critical to the success of London as a city.
- 2.23 Unlike Section 21, tenants have a right to challenge a Section 8 eviction, which serves as an important protection from unfair eviction. However, as a result, the Section 8 process is more uncertain from a landlord's perspective than Section 21, and there is certainly a perception amongst landlords that it takes longer and is more expensive to use.²⁷ The think tank IPPR's recent research with private landlords²⁸ confirms this, stating:

"Many of the landlords in our focus groups told us that their worries about offering tenants greater security stemmed from what would happen if they had a bad tenant that they needed to

²⁴ *English Private Landlord Survey 2018*, MHCLG, January 2019

²⁵ *English Private Landlord Survey 2018*, MHCLG, January 2019

²⁶ *English Private Landlord Survey 2018*, MHCLG, January 2019

²⁷ *National Landlords Association response to MHCLG Call for Evidence – Considering the case for a Housing Court*

²⁸ *Baxter D and Murphy L, Sign on the dotted line? A new rental contract, IPPR 2018*

evict. Some argued that it could take many months to gain an order given the slow pace of the court system.”

- 2.24 The median possession time for private landlords (for all possession claims) is just over 17 weeks.²⁹ In the meantime, tenants may be building up significant arrears or causing problems such as anti-social behaviour and anything that adds to the uncertainty of being able to end such a tenancy is not appealing to landlords. For the landlord of an average London property, a possession time of 17 weeks could mean absorbing arrears of almost £6,000.³⁰ Seventeen weeks is only the median possession time and for many landlords the actual costs would be much higher. Such delays are largely due to lengthy and inefficient court and bailiff processes.³¹
- 2.25 Addressing the issues with Section 8 and possession processes in general is an essential part of reforming PRS 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. There should also be more effective dispute resolution and mediation services (as set out in paragraphs 4.19-4.26).
- 2.26 Streamlining, clarifying, and in some areas fundamentally reforming court and possession processes associated with private tenancies is an essential element of the London Model. Without action to improve possession processes and times, as well substantially expanding tenants’ access to the courts, it will not be feasible nor practical to implement the other two key elements of the model – ending no fault evictions and introducing open-ended tenancies. The Mayor’s views on court reform are set out in more detail in paragraphs 4.2-4.11 and in his response to the Government’s call for evidence on a new housing court.³²
- 2.27 Finally, a suite of new and amended possession grounds will be necessary if no fault evictions are to be scrapped. This is to ensure that particularly small-scale landlords can continue to manage their portfolios flexibly in legitimate circumstances. As outlined above, protecting this flexibility is crucial to ensuring a continued supply of rental accommodation.

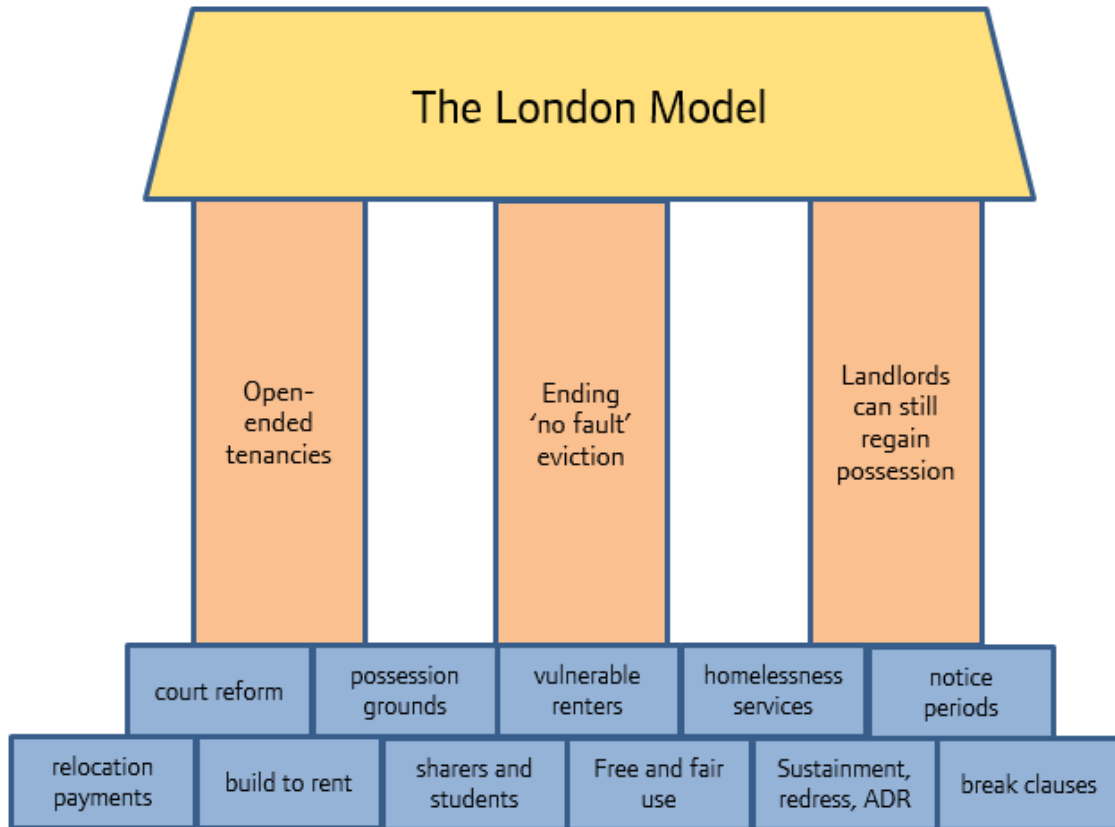
²⁹ *Mortgage and Landlord Possession Statistics in England and Wales, January to March 2019 (Provisional)*, Ministry of Justice, May 2019. 17 weeks is rounded down from 17.3 weeks.

³⁰ GLA analysis of VOA private rental market statistics Q3 2018. 17.3 weeks of rent calculated at the median London rent is £5,880.

³¹ MHCLG (November 2018) *Factors influencing housing case progress and outcomes in county courts research report* https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/755025/Factors_influencing_housing_case_progress_and_outcomes_in_county_courts_research_report.pdf

³² <https://www.london.gov.uk/what-we-do/housing-and-land/housing-and-land-publications/response-mhclg-call-evidence-case-housing-court>

The Mayor's London Model of tenancy reform



3 Structural elements

3.1 This section sets out the structural elements that form the London Model tenancy. It covers the following:

- break clauses;
- notice periods;
- possession grounds;
- tenant relocation payments;
- fair and free use of homes; and
- exemptions.

Break clauses

Recommendation 4

Break clauses in tenancy agreements should be abolished so that they do not become de facto Section 21 notices and undermine security. New possession grounds and processes, improved tenancy sustainment support and access to mediation services will make break clauses unnecessary.

3.2 The London Model excludes the use of break clauses in tenancy agreements. Its overall objective is to deliver a culture change in private renting - making it more straightforward to gain possession where a landlord has a legitimate reason to do so, and effectively impossible where this is not the case. Break clauses substantially undermine these principles and could be open to abuse by landlords who could use them as a de-facto Section 21 notice to evict tenants without good reason.

3.3 Break clauses are used in tenancy agreements to allow either the landlord or tenant to end a tenancy before the end of the fixed term by serving notice in writing. They are not, however, automatically a feature of tenancy agreements, unless either the landlord or tenant specifically requests that one be included in the contract.

3.4 There should be no need for such clauses, as long as possession grounds are comprehensive enough to cover all legitimate grounds, there is access to effective dispute resolution, and court processes work efficiently. Indeed, if landlords currently had enough confidence in court processes and possession proceedings, many may prefer a longer fixed term (rather than a fixed term with break clause), to reduce the risk of having to regularly find new tenants.³³

³³ MHCLG (2019) *English Private Landlord Survey 2018* <https://www.gov.uk/government/collections/english-private-landlord-survey>

- 3.5 Removing break clauses would encourage more landlords to resolve disputes through mediation and dispute resolution services and ensure that evicting the tenant is a last resort. It would also protect tenants who cannot afford the costs of frequent moves or the rent increases that often accompany them. Recent MHCLG research found that both landlords and agents were more likely to increase the rent for a new tenant compared to an existing tenant. For example, 70 per cent of landlords kept the rent the same for their exiting tenant while 42 per cent increased the rent for their last letting to a new tenant.³⁴
- 3.6 Under the current regime of fixed-term tenancies, some landlords and tenants may value a break clause. For example, some landlords may be more willing to let to households who are considered vulnerable in some way, or have a poor, or no, housing history in the knowledge that they can easily regain possession of their property by invoking a break clause. For more detail, see section 5, paragraphs 5.2-5.22, on vulnerable renters.
- 3.7 Similarly, renters might value the ability to rent for six months while settling into a new job or a neighbourhood, without being ‘stuck’ in a longer tenancy, and tied into paying rent for the rest of the tenancy if their situation changes. With the move to open-ended tenancies under the London Model, however, tenants would be able to leave their tenancy whenever they want or need to, if they have served the correct notice. This approach would provide the flexibility that tenants require, therefore negating the need for a break clause.
- 3.8 Recent Government proposals for three-year tenancies in England and Wales included a break clause as standard at six months. Notably, however, an initial fixed period (i.e. a break clause) was not included in the new Private Residential Tenancy introduced in Scotland.³⁵ This decision was taken due to concerns about reducing flexibility for tenants and unintended consequences such as tenants fleeing domestic violence being tied into a contract. A six-month break clause could result in renters having to effectively renew their tenancy or, at worst, find a new one, every six months. This would leave renters with even less security than they have currently and normalise a model that is tantamount to a six-month AST.
- 3.9 This is borne out in responses to the Government’s ‘Longer Tenancies’ consultation, which show that both tenants and landlords share concerns about break clauses being open to abuse. When asked about the appropriate length for a break clause, 21 per cent of respondents said there

³⁴ MHCLG (2019) *English private landlord survey 2018* <https://www.gov.uk/government/collections/english-private-landlord-survey>

³⁵ Scottish Government (2016) *Private Housing (Tenancies) (Scotland) Act 2016* <https://www.legislation.gov.uk/asp/2016/19/contents>

should not be a break clause at all because it might undermine the security the proposed framework offers to tenants.³⁶ Interestingly, some landlord and property groups also did not believe that it was appropriate for the Government to set a prescribed break clause, arguing that it should be proportionate to the length of contract and mutually agreed by both parties.³⁷

3.10 More detail on the elements of the London Model relating to possession grounds, tenancy sustainment, redress and dispute resolution, and court reform are set out later in this document.

Notice periods

Recommendation 5

Landlord-to-tenant notice periods should increase to four months, where there is no fault on the tenant's part. This would: allow tenants on limited incomes to plan and save for, or otherwise source the cost of, an unexpected house move; allow tenants with children to at least finish the current school term to minimise disruption; and offer landlords and tenants a more straightforward model than one based on length of time spent in a property.

3.11 The Mayor supports a proposal initially advocated by Shelter that would require landlords to offer all tenants a standard four-month notice period.³⁸ The Mayor believes this proposal strikes an appropriate balance between the needs of tenants and the right of landlords to legitimately regain possession of their properties.

3.12 Under current tenancy law in England and Wales, a landlord must typically give two months' notice to end a tenancy using Section 21 once the initial fixed term has expired and, depending on the reason for use, up to two months using Section 8. Tenants must give one month's notice if they are on a monthly periodic tenancy, or four weeks' notice if they are on a weekly periodic tenancy.

³⁶ MHCLG (2019) *Overcoming the Barriers to Longer Tenancies in the Private Rented Sector: Government Response* https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/795448/Overcoming_the_Barriers_to_Longer_Tenancies_in_the_Private_Rented_Sector_-_government_response.pdf

³⁷ MHCLG (2019) *Overcoming the Barriers to Longer Tenancies in the Private Rented Sector: Government Response* https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/795448/Overcoming_the_Barriers_to_Longer_Tenancies_in_the_Private_Rented_Sector_-_government_response.pdf

³⁸ Shelter (2018) *Response to Government consultation: Overcoming the barriers to longer tenancies in the private rented sector* https://england.shelter.org.uk/professional_resources/policy_and_research/policy_library/policy_library_folder/response_overcoming_the_barriers_to_longer_tenancies_in_the_private_rented_sector

- 3.13 During a fixed-term tenancy, the landlord may only end the tenancy if they have secured permission through the courts to carry out a ‘tenant fault’ or other eviction in accordance with one or more of the possession grounds contained in Section 8 of the Housing Act 1988. The tenant may only end the tenancy either with the permission of the landlord, or if a break clause applies. Break clauses and possession grounds are dealt with separately in paragraphs 3.2-3.10 and 3.32-3.43. Different notice periods may apply in these circumstances.
- 3.14 This favours the landlord’s right to regain their property quickly over the tenant’s right to occupy the property as a long-term home. The Mayor believes that this current imbalance needs to be redressed, to better support the needs of tenants who are now living in the PRS for significantly longer periods of time. The London Model therefore proposes that landlords be required to give their tenants a four-month notice period, as set out in paragraphs 3.21-3.27 below, instead of the current standard of between one and two months. Tenants would still be required to give landlords one month’s notice.
- 3.15 The current regime in England and Wales contrasts with many other European countries where longer notice periods are typically the norm. For example, in Germany, landlords must give tenants three to nine months’ notice, depending on the length of the tenancy.³⁹ In Scotland, the length of time landlords must give depends on which eviction ground is being used and how long the tenant has lived in the property, but it must be least 28 days and up to a maximum of 84 days (just under three months). In Ireland, a sliding scale of notice periods for both tenant and landlord notice has been introduced.⁴⁰ For tenancies of less than six months, both landlords and tenants must give 28 days’ notice; the length of notice then increases more rapidly for landlords than it does tenants as the length of tenancy increases.

Tenant to landlord notice

- 3.16 Almost nine out of 10 landlords and eight out of 10 tenants who responded to the Government’s ‘Longer Tenancies’ consultation said that notice periods for tenants to landlords should be between one month (or four weeks) and two months (or eight weeks).⁴¹ Shelter’s survey on the Government’s proposals produced similar results, with 40 per cent of tenants preferring one month (or four weeks) and a third two months (or eight weeks).⁴²

³⁹ IPPR (2017) *Lessons from Germany: tenant power for in the rental market*

<https://www.ippr.org/files/publications/pdf/lessons-from-germany-jan17.pdf>

⁴⁰ The Residential Tenancies (Amendment) Act 2015 <http://www.irishstatutebook.ie/eli/2015/act/42/enacted/en/html>

⁴¹ MHCLG (2019) *Overcoming the Barriers to Longer Tenancies in the Private Rented Sector: Government Response*

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/795448/Overcoming_the_Barriers_to_Longer_Tenancies_in_the_Private_Rented_Sector_-_government_response.pdf

⁴² Shelter (2018) *Submission to MHCLG Overcoming the barriers to longer tenancies in the private rented sector*

- 3.17 Demand in London is sufficiently high to allow landlords to fill properties within a month without significant void periods. There are no official statistics on void periods, however online tenancy management platform ‘Goodlord’ found that in February, average void periods in London were just 13 days.⁴³ This suggests that the current one or two-month notice period a tenant must give a landlord is enough. Retaining this one-month notice period would allow tenants the flexibility to take a new property quickly when one becomes available, rather than missing out due to having to give landlords a lengthy notice period. It also has the added advantage of reducing the likelihood of renters being liable for rent on two properties at the same time and the increased financial burden this has on many renters’ already stretched incomes.
- 3.18 The Mayor acknowledges, however, that one-month notice periods may only work well in situations where there is a combination of high demand and fixed-term tenancies, which give landlords a degree of certainty at present. As some stakeholders have highlighted, implementation of the London Model might result in a different set of conditions, with the pace of letting in the PRS slowing down as tenants have more protections and are able to stay longer in their properties. The Mayor is alert to the possibility that this could increase the risk of landlord voids and it will be necessary to consider what measures could be put in place to mitigate these potential impacts.

Landlord to tenant notice

- 3.19 The current approach to notice periods does not work well for most renters. For some tenants, especially those with higher incomes and no additional needs, two months’ notice might be enough time to find a suitable new home. Increasingly, however, the PRS is accommodating renters for whom this is not the case. This includes families with young children attending a local school, people on low incomes who may struggle to find another property they can afford, and disabled people whose housing requirements may be quite specific. Ninety-three per cent of the 8.5m rental properties in the UK were found not to meet accessibility standards, emphasising the challenges that disabled renters have in finding suitable properties within a short period of time.⁴⁴
- 3.20 For renters in these circumstances, and many others besides, two months’ notice to find a new home represents a major, unplanned disruption in their life and is likely to cause significant

⁴³ <https://www.lettingagenttoday.co.uk/breaking-news/2019/3/new-index-measures-rents-voids-tenancy-length-for-england-and-wales>

<https://www.dailymail.co.uk/property/article-3584584/Tenancy-voids-landlords-losing-500-18-months-renters-on.html>

⁴⁴ Equality and Human Rights Commission (May 2018) *Housing and disabled people: Britain’s hidden housing crisis*

expense, distress and anxiety. A recent Which? report found that for tenants whose landlords asked them to move out of their previous accommodation, 64 per cent felt that the notice period they were given was too short for them to find new housing that met their needs.⁴⁵ This sentiment is echoed in comments from tenants in focus groups facilitated by the GLA:⁴⁶

“When you have to move all of a sudden, for me it’s like okay, I can’t have planned this financially, how am I going to afford all this”

“When you have to basically reinvent your life once again, you know, you have two children or three children and have two months’ notice, it is very short, and you are still going to work and dealing with all your daily duties and you have to search for a new place, possibly you have to find a new school for a child, so the longer notice periods, definitely yes”.

3.21 Support for the principle of landlords giving tenants a longer notice period is borne out by responses to the Government’s ‘Longer Tenancies’ consultation. While 56 per cent of landlords agreed with the two months’ notice period proposed, 31 per cent of tenants wanted a minimum of three months’ and almost half favoured having a notice period of six months’ or more.⁴⁷ Shelter’s survey on the Government’s proposals produced similar results, with 34 per cent of tenants stating they were happy with three months, while 48 per cent preferred six months’ notice or longer.⁴⁸ Extending the minimum notice period when the tenant is not at fault was also the most attractive proposal to Londoners in the Talk London survey, with 78 per cent saying it is a good idea. Although this was mostly due to very strong support from renters (90 per cent), it also has reasonable support from landlords (45 per cent).⁴⁹

3.22 The Mayor has considered the use of a sliding scale of notice periods in developing his London Model and there was some support for this measure from tenants in the Government’s ‘Longer Tenancies’ response and the GLA’s own focus groups on the London Model proposals. However, our wider stakeholders have highlighted that such an approach could create a perverse incentive for renters to stay in a property even though it may no longer meet their needs. They also noted that a tenant forced to move after only six months would face as much, if not more, of a financial impact and disruption as a tenant who had lived in their property for several years.

⁴⁵ Which? (2018) *Reform of the private rented sector: the consumer view*

<https://www.which.co.uk/policy/housing/2921/reform-of-the-private-rented-sector-the-consumer-view>

⁴⁶ Transcript of GLA focus groups with private renters, April 2019

⁴⁷ MHCLG (2019) *Overcoming the Barriers to Longer Tenancies in the Private Rented Sector: Government Response*

⁴⁸ Shelter (2018) *Submission to MHCLG: Overcoming the barriers to longer tenancies in the private rented sector*

⁴⁹ GLA Talk London online survey and discussion (12 March–23 April 2019) *Private renting and London Model proposals*

- 3.23 The proposal for four months was favoured by most stakeholders we have engaged with for the following reasons:
- this would allow tenants on limited incomes additional time to plan and save for or otherwise source the cost of a house move;
 - for tenants with children, four months' notice would also allow them to at least finish the current school term, avoiding the disruption of having to move during term time⁵⁰; and
 - a uniform notice period offers a simpler and easier model for landlords and tenants to understand and avoids the unintended consequence of creating 'winners' or 'losers' based on how long a tenant has lived in a property.
- 3.24 The Mayor recognises that four months will not enable all tenants to mitigate all impacts of an eviction. However, it would considerably increase the amount of time currently allowed to consider options and seek advice and support. Furthermore, it could also encourage smaller landlords to manage their properties in a more planned and strategic manner, thereby minimising the disruption that short notice decisions about the use of a property can cause to the tenant.
- 3.25 Increasing landlord-to-tenant notice periods, together with the introduction of tenant relocation payments proposed in paragraphs 3.44-3.61, would also act as a deterrent to landlords attempting to use the new possession grounds without just cause.
- 3.26 The Mayor recognises there are some circumstances in which the interests of landlords could be damaged by a longer notice period for tenants. For instance, it could add delays and complications into the house buying and selling process and there may be specific circumstances, for example, in a distressed sale, where a four-month notice period might not be practical. The Mayor also understands that a landlord might have to wait longer than four months to get their property back once the time taken to secure a court hearing date and/or bailiff warrant are factored in.
- 3.27 These potential impacts will need to be fully understood, and mitigated where appropriate, in developing these proposals. The Mayor is keen to work with Government to explore these issues as it develops proposals for the abolition of fixed-term tenancies and for wider court reform.
- 3.28 In addition, the Mayor considers that it would be appropriate for notice periods for evictions on 'tenant fault' grounds such as rent arrears or property disrepair to be shorter than those for no-

⁵⁰ Shelter (2018) *Submission to MHCLG: Overcoming the barriers to longer tenancies in the private rented sector*

fault grounds. This would protect the rights of landlords and other tenants in occupation, and would be similar to the approach adopted in Scotland and Ireland. The Mayor notes, however, that the minimum notice period in Scotland, even in the case of a ‘tenant fault,’ is 28 days. This compares to as little as 14 days’ notice in England and Wales currently (depending on the tenant breach in question) and the Mayor is keen to explore whether this strikes the right balance.

Possession grounds

Recommendation 6

New possession grounds should be introduced to ensure landlords can continue to gain vacant possession of their properties where they have a legitimate reason to do so. These must include:

- i. Landlord wishes to sell the property (mandatory)
- ii. Landlord or their immediate family wishes to move in (mandatory)
- iii. Refurbishment/redevelopment/major works (mandatory)
- iv. Change of use/non-residential (mandatory)
- v. Rent arrears due to benefit delays (discretionary)
- vi. Rent arrears – possession threshold (mandatory and discretionary)
- vii. Instances of landlord non-compliance (discretionary)

3.29 The Mayor recognises that there are a range of legitimate circumstances in which a landlord may need to gain possession of their property, outside of the existing ‘tenant fault’ grounds. A number of suggestions were set out in the Government’s consultation ‘Overcoming the barriers to longer tenancies in the private rented sector’⁵¹, and a series of new grounds for possession have been introduced as part of recent Scottish tenancy reforms.⁵²

3.30 The London Model proposes a set of new and streamlined grounds for possession to meet those needs that currently are often met through the use of Section 21. New grounds include mandatory grounds for when a landlord needs to sell, re-occupy or redevelop their property. Landlords using these grounds would have to provide clear proof to show that their intentions are genuine. As the Government has indicated, it plans to consult on a similar set of grounds,

⁵¹ MHCLG (2019) *Overcoming the Barriers to Longer Tenancies in the Private Rented Sector, Summary of responses and Government response*

⁵² Scottish Government (2017) *Private Residential Tenancy: information for landlords*

<https://www.gov.scot/publications/private-residential-tenancies-landlords-guide/pages/grounds-for-eviction/>

and the GLA would encourage MHCLG to include discussion of the most robust forms of proof in the forthcoming consultation. However, in many cases, regardless of what proof is required, it could be difficult for tenants to prove what a landlord's true intentions were when challenging an eviction on these new proposed grounds. For this reason, the London Model proposes further measures to discourage spurious use of these new grounds in the form of longer notice periods and tenant relocation payments, as set out in paragraphs 3.11-3.28 and 3.41-3.56.

3.31 To implement open-ended tenancies whilst guaranteeing landlords' rights to their properties, the following new or amended grounds will be required. In this context, mandatory means that a judge must grant possession if a certain condition is met, discretionary means the court may use their discretion:

i. Landlord wishes to sell the property (mandatory)

There is no ground currently for selling a property other than when it is being re-possessed by a mortgage lender. In the absence of Section 21, the Mayor believes that such a ground would be essential to ensure that landlords can maintain the flexibility to manage their assets which currently attracts many to the sector. He also recognises the negative impacts this can have on renters, which are discussed below in paragraphs 3.41-3.56.

ii. Landlord or their immediate family wishes to move in (mandatory)

The current ground favours the tenant having been given prior notice that such a need might arise and is also restricted to the landlord or their spouse/civil partner using the property. The equivalent Scottish ground, in contrast, does not have these restrictions. Again, in the absence of Section 21, the GLA believes this ground would be necessary.

iii. Refurbishment/redevelopment/major works (mandatory)

Landlords will periodically need to undertake refurbishment, redevelopment or major works to a property that may require it to be vacant for some time. The Mayor believes this ground is necessary to ensure landlords are not dissuaded from making improvements to their properties.

iv. Change of use/non-residential use (mandatory)

If a landlord wishes to change the use of a property from residential to something else, they will need to secure vacant possession. Appropriate evidence of intention would be

needed to use this ground, such as planning permission. However, the GLA believes this to be necessary to ensure landlords can continue to flexibly manage their assets.

v. Rent arrears due to benefit delays (discretionary)

The Mayor supports the approach taken in other countries, including Scotland, whereby if a tenant is in rent arrears due to a delay in the benefits system the court has discretion not to grant possession. Whilst delays in the benefit system are not the fault of the landlord, it is vital that pressure is brought on the Government to address the problems in the system that are causing misery to tenants and landlords alike. Furthermore, the provisions outlined below in paragraphs 4.12-4.26 to improve tenancy sustainment should help to prevent many such cases coming to court.

vi. Rent arrears – possession threshold (mandatory and discretionary)

The Mayor is also supportive of a change in the thresholds for awarding possession in the case of arrears. In England and Wales at present a renter must reach the equivalent of two months' rent arrears for the landlord to be able to secure a court date to obtain a possession order. If the tenant is still in at least two months of arrears by the time the court date arrives, the court must grant possession. If the tenant has less than two months' arrears outstanding the court may not grant possession.

An improved approach could be for the tenant to accrue the equivalent of three months' rent arrears before the landlord can secure a court date. However, when that date arrives the tenant must have brought their arrears down to less than one month in order to avoid a possession order being granted. If more than one month's arrears are outstanding, the court would grant possession (the ground is mandatory). If less than one month is owed, the court would have discretion as to whether to grant possession and may still do so (the ground is discretionary).

This, coupled with the discretionary grounds on benefit delays, could be a good approach which balances the interests of landlords and tenants. Although the landlord must bear more arrears up front before they can take action, the tenant is also incentivised to completely clear arrears in order to avoid eviction. As set out in paragraphs 4.12-4.26 below, risks relating to arrears could also be offset by enhanced tenancy sustainment, benefits advice and dispute resolution under the terms of the London Model.

vii. Instances of landlord non-compliance (discretionary)

In the circumstances where a landlord has been refused a license, banned from operating, or served with a statutory notice of various kinds, they could be required to evict either some or all their tenants. Though this will naturally have a negative impact on renters, the GLA understands that it is essential for landlords to have a legal mechanism for evicting tenants in such circumstances. However, the Mayor believes this should be discretionary to prevent landlords from undertaking unnecessary or retaliatory evictions, and to ensure that all other avenues other than eviction, including the use of Interim Management Orders have been considered in the first instance.

- 3.32 Most of the stakeholders the GLA engaged with during the process of developing the London Model broadly agreed with the inclusion of all the grounds set out above, with some concerns and reservations. Grounds (i)-(iv) above are referred to in Scotland as ‘intention’ grounds, since they are invoked by the landlord signalling their intention to do something, i.e. sell the property, move into it, refurbish it, or change its use. Many stakeholders, especially those representing tenants, expressed their concern about the potential for abuse of these four grounds. They argued that it would be difficult to prove, or disprove, what a landlords’ real intentions were, and therefore to prevent spurious application of these grounds.
- 3.33 The Mayor understands these concerns, though other stakeholders, including the RLA, felt it would be straightforward to establish robust standards of proof for each ground. As set out above, the Mayor agrees that it will be vital to establish the most effective forms of evidence that can be presented, whilst recognising that this type of abuse cannot be entirely avoided. However, the deterrents the London Model puts in place in terms of providing longer notice periods and obliging landlords to provide relocation payments will help to substantially reduce such abuses and mitigate the negative impacts. Furthermore, tenants must be able to seek compensation and redress through the courts where they can show that a landlord falsely used a ‘no-fault’ ground to evict them.
- 3.34 Many stakeholders had particular concerns about ground (i) - landlord wishes to sell. Stakeholders such as Generation Rent and IPPR have suggested that this ground provides tenants with little additional protection from eviction and they proposed ways to increase protections for renters. These ranged from provisions to encourage the landlord to pursue a sale with tenants in situ in the first instance for a defined period of time, to measures preventing

landlords from selling a property for a specified minimum period after a tenancy has been entered into.⁵³

- 3.35 The Mayor is in favour of measures to encourage tenanted sales, as set out in paragraph 3.57. However, he believes that restricting the type of sale landlords may enter into, or the length of time a tenancy must last before a property can be sold, is not realistic in London's current housing market. Limiting the routes through which landlords can sell their property would be unfeasible while the market for tenanted sales remains immature and undeveloped. This approach would likely act as a substantial deterrent to letting their properties for many landlords, to the detriment of the many Londoners in desperate need of accommodation.
- 3.36 There were mixed views from stakeholders about the GLA's proposed changes to possession as a result of rent arrears. Renters and consumer rights organisations expressed the strongest support for ground (v), because of the delays, both in-built and operational, to Universal Credit, which could cause tenants to unfairly lose their home. Some landlord representatives were also positive about this approach. They set out that if arrears were due to genuine delay and this were communicated clearly, landlords should be confident of receiving the unpaid arrears once the delay is resolved and would therefore not wish to seek possession.
- 3.37 However, both stakeholders representing landlords and those representing renters set out their concerns about the difficulty for both parties of engaging with the benefits system and securing support and information when things go wrong. The Mayor shares these concerns and will continue to lobby the Government to reform the welfare system to ensure it can fully support private renters, as set out in paragraphs 5.2-5.3.
- 3.38 Stakeholders had mixed views of the benefits of ground (vi) - changing the arrears threshold for possession. Some landlord stakeholders felt that three months of arrears at London rent levels would be too much for small-scale landlords to bear and would make mortgage lenders nervous of lending for buy-to-let. Some tenant representatives equally expressed concern about the impact on renters of allowing tenants to get into this level of debt, a concern that was also shared by landlord representatives. The Mayor recognises the valid concerns of stakeholders across the sector. This approach to the arrears threshold for possession is currently in place in Scotland⁵⁴ and the GLA would therefore welcome further exploration of this approach with

⁵³ IPPR (2019) *Sign on the dotted line? A new rental contract – final report*
<https://www.ippr.org/research/publications/sign-on-the-dotted-line>

⁵⁴ Private Housing (Tenancies) (Scotland) Act 2016 <http://www.legislation.gov.uk/asp/2016/19/contents/enacted>

stakeholders in the Government’s forthcoming consultation, to more fully understand the potential impacts, both positive and negative.

- 3.39 Finally, the GLA is aware that ground (vii) – landlord non-compliance – could be perceived as doubly penalising tenants who are victims of criminal landlord activity by allowing landlords to evict in these circumstances, albeit at the court’s discretion. Again, this is something Government should test further in the forthcoming consultation to determine whether there is more that could be done to protect or compensate tenants in these instances.
- 3.40 The Mayor’s view is that, in general, the London Model can function alongside the existing provisions of Section 8 of the Housing Act 1988, with the amendments set out above. However, there may also be a case for some of the remaining Section 8 grounds to be amended, to streamline the possession process for landlords. This could include combining the numerous grounds that currently deal with a breach of tenancy into a single ground. This is another issue Government should explore in the promised consultation. All the existing grounds for possession in England and Wales, and in Scotland, are set out in Annex 2.

Tenant relocation payments

Recommendation 7

Landlords should be required to provide tenant relocation payments in all cases where an eviction occurs that was not due to tenant fault. This recognises the significant expense and disruption tenants face when a tenancy ends unexpectedly. The payment should be set at a level that is not unnecessarily punitive to landlords, at the equivalent of one month’s rent.

- 3.41 The London Model includes an upfront ‘relocation’ payment from landlords, equivalent to one month’s rent, to any tenant being evicted under one of the new ‘no fault’ possession grounds set out above. This recognises the significant expense and disruption tenants face when a tenancy ends unexpectedly, even where the landlord has a legitimate reason.
- 3.42 This measure would act as a deterrent to landlords who might spuriously use one of the new possession grounds to evict a tenant and so reduce the occurrence of ‘revenge evictions’. Landlords would also be encouraged to explore alternative options to evicting a tenant. For example, selling with the tenant in-situ or finding alternative accommodation where they or their family wish to move back into the property for a short amount of time.

- 3.43 Extended notice periods for tenants as set out above will help to reduce the stress and anxiety caused by the unplanned ending of a PRS tenancy. However, for many private renters on low and fixed incomes, a key cause of anxiety is the cost associated with moving home.⁵⁵ The Mayor has successfully campaigned⁵⁶ for letting agent fees to be banned, and for rental deposits to be capped.⁵⁷ However, the Government’s decision to cap deposits at five weeks’ rent rather than three weeks as the Mayor campaigned for still leaves the average London renter liable to pay £1,700 for a deposit on a new home, plus any other costs associated with moving.⁵⁸
- 3.44 For many tenants the need to source a deposit for a new home before the deposit on their previous home has been returned causes a significant gap in their finances, which may be filled by borrowing or dipping into savings. The Mayor is working to promote employer-backed tenancy deposit loans as a solution to this problem: 100,000 Londoners now have access to such loans but this relies on the goodwill of businesses, and does not help self-employed or unemployed people. The Mayor supports proposals to initiate ‘passporting’ of tenancy deposits between tenancies and is committed to working with Government, stakeholders and deposit scheme providers to make this a reality.⁵⁹
- 3.45 It is also important, however, to recognise the inconvenience associated with moving home, especially where a household may have important connections to a local area, such as schooling or childcare arrangements, social support networks, and access to local services. Regardless of tenure, moving home is acknowledged to be one of the most stressful life events most people will go through. Shelter/YouGov research found that 27 per cent of renting families moved more than three times in the last three years, and more than one in four parents reported that frequent moves left their children feeling distressed and insecure.⁶⁰
- 3.46 The payment of a tenant relocation payment must not preclude a tenant from seeking further redress if it becomes apparent that their landlord used a ‘no tenant fault’ ground fraudulently. In Scotland, tenants are able to apply to the First-tier Tribunal for Scotland (Housing and

⁵⁵ Greater London Authority (2019) *The experience of children and families living in insecure private rented sector accommodation: forthcoming* <https://data.london.gov.uk/dataset/children-and-families-living-in-insecure-prs>

⁵⁶ <https://www.london.gov.uk/press-releases/mayoral/along-with-organisations-representing-renters>

⁵⁷ <https://www.gov.uk/government/collections/tenant-fees-act>

⁵⁸ [Table 1.7: Summary of monthly rents recorded between 1 October 2017 to 30 September 2018 by region for England, Valuation Office Agency](#)

⁵⁹ Greater London Authority (2018) London Housing Strategy https://www.london.gov.uk/sites/default/files/2018_lhs_london_housing_strategy.pdf

⁶⁰ Shelter/YouGov (2016) The need for stable renting in England https://england.shelter.org.uk/professional_resources/policy_and_research/policy_library/policy_library_folder/briefing_the_need_for_stable_renting_in_england

Property Chamber)⁶¹ to claw back six months' rent from any landlord who has been found to have behaved in this way. Although this is a positive approach, the Mayor has concerns about how this will work in practice. For some of these grounds, it will be very difficult to prove that the landlord was not acting in good faith and it will take some time before enough data is available to ascertain any levels of abuse of new possession grounds introduced in Scotland. Furthermore, the tenants affected will have already suffered the detrimental impact and moved on with their lives, making it less likely that they will pursue a claim for redress after the event.

3.47 The London Model provision that all landlords must automatically make a relocation payment to any tenant who is being evicted due to a 'no tenant fault' ground will significantly mitigate the negative impacts outlined above. The amount should not be punitive for landlords, however, and the Mayor believes that the equivalent of one month's rent would strike the appropriate balance. Furthermore, where the tenancy is ended due to a 'tenant fault', landlords would not be expected to make this relocation payment.

3.48 This approach has been championed by Generation Rent⁶², and more recently supported by organisations such as Shelter and IPPR. Two-thirds of Londoners in the Talk London survey believed this would be a good idea (85 per cent of renters). Furthermore, 'relocation assistance payments' are already used in several cities in the USA, including San Francisco and Los Angeles.⁶³ Tenants have also shown support for this measure in the GLA's focus groups.⁶⁴

"Landlords will think twice before they kick us out if they know that they need to pay something. Even if they sell it, maybe the new owner will say okay, we won't pay the tenant, we won't kick him out."

3.49 Most of the stakeholders consulted supported the principle of a 'relocation' payment and stressed that this should apply to all renters evicted through no fault of their own. As with a sliding scale of notice periods, only compensating tenants who have lived in the property for several years would risk reducing natural 'churn' and supply in the sector. Stakeholders also felt that a tenant forced to leave soon after moving into a property would face significant hardship in having to plan for and resource the costs of another move within such a short space of time.

⁶¹ Housing and Property Chamber: First tier tribunal for Scotland <https://www.housingandpropertychamber.scot/>

⁶² Generation Rent (2018) Response to MHCLG Longer Tenancies consultation https://www.generationrent.org/a_victory_on_tenant_security_but_the_campaign_continues

⁶³ Los Angeles Housing and Community Investment Department <https://hcidla.lacity.org/Relocation-Assistance>

⁶⁴ Transcript of GLA focus groups with private renters, April 2019

- 3.50 Landlord representatives were concerned, however, about the cumulative impact a relocation payment could have on small landlords operating on tight margins. This was reflected in landlords' responses to the Talk London survey, where 63 per cent of landlords thought it a bad idea.⁶⁵ The risk that a relocation payment might act as a disincentive to landlords undertaking periodic refurbishment and investing in the upkeep of their properties was also highlighted. The Mayor acknowledges these concerns but considers it reasonable for such a payment to become part of landlords' business model and operating costs over the longer term. The Mayor will work with landlord representatives to minimise any potential adverse impacts of this measure, including considering a phased implementation to avoid a cliff-edge and calling for a wider package of measures supporting responsible landlords (as detailed in section 4, paragraphs 4.27-4.33).
- 3.51 The purpose of introducing the relocation payment is to fairly reflect the disruption tenants experience when being evicted while not placing an unreasonable burden on landlords. The payment must be helpful to tenants and must not be likely to result in a mortgage default, nor act as a significant deterrent to renting out property in the first place. The Mayor believes that appropriate mitigations may be required where a landlord would suffer unreasonable financial hardship (such as mortgage default or bankruptcy) as result of making a relocation payment. The Mayor will consider such options more fully as part of his ongoing work with Government and wider stakeholders to implement tenure reform. However, over time it is envisaged that the relocation payment will form a standard part of landlords' business model and operating costs, and as mentioned in paragraph 3.50 above, steps can be taken to support landlords through this transition.
- 3.52 The Mayor understands that landlords will need to be supported through this transition. The development of a viable market for tenanted sales, with the aid of possible tax incentives, would help offset some of the impact. The Mayor supports calls from IPPR for Government to work with relevant stakeholders to facilitate this process.⁶⁶
- 3.53 The Mayor has, in discussions with stakeholders, assessed possible ways of calculating and administering compensation with stakeholders. These included:

⁶⁵ Greater London Authority London online survey and discussion (12 March-23 April 2019) *Private renting and London Model proposals*

⁶⁶ IPPR (2019) *Sign on the dotted line? A new rental contract – final report*

- i. A flat fee based on the average cost of moving home in London's PRS. This has the benefit of reflecting costs incurred but would require an official figure to be produced and kept up-to-date by Government.
- ii. The actual cost of moving for any individual tenant. A tenant could submit receipts to the landlords for all costs associated with moving. This would theoretically be an accurate reflection of costs, but is open to exploitation by tenants, is an unpredictable cost for landlords, and would, by definition, be paid in arrears and not address the issue of up-front costs.
- iii. A calculation linked to the tenancy, e.g. one or two months' rent. This was seen as the simplest approach and would be linked to the cost of moving as deposits are based on rents. Stakeholders acknowledged that tenants paying a lower rent would receive less compensation, however, it would also be easier for all parties to understand and therefore less open to exploitation and error.
- iv. Instead of making a payment, the landlord would forego one or more final rental payments. This would be simpler and more reliable as it would not require landlords to make a proactive cash payment, though this could still cause landlords financial hardship or mortgage default. Some stakeholders have also suggested exploring further the idea of the 'relocation' payment being lodged upfront and administered in a similar way as tenancy deposit schemes currently.

3.54 An important consideration is how to ensure that a cash payment, or the foregoing of rent, would impact on renters in receipt of welfare benefits. The purpose of introducing a relocation payment would be to support especially those renters on the lowest incomes to mitigate the disruption of moving home. However, any cash payment would be likely to result in the withdrawal of any means-tested benefits. Stakeholders have said it will be necessary to enshrine a provision in legislation allowing for the 'relocation' payment to be treated as 'statutory award', in the same way that some forms of income, like Personal Independence Payment, are currently.

3.55 In addition, the landlord foregoing rent would deliver little additional benefit to a renter for whom the majority or a portion of their rent was covered by housing benefit. Further consideration of this issue is needed to ensure that those on the lowest incomes are not inadvertently penalised and receive the full financial benefit of the 'relocation' payment. The GLA would welcome an exploration of this being incorporated into the Government's forthcoming consultation.

3.56 Crucially, a relocation payment must not affect a tenant's right to take legal action against a landlord for illegal eviction. The purpose of the payment is to mitigate against the cost and

disruption of moving home. Any further compensation awarded to the tenant for being the victim of an illegal eviction would be an entirely separate issue and not in any way prejudiced by the receipt of a relocation payment.

Free and fair use of homes

Recommendation 8

Renters should have ‘free and fair use’ of their homes. Landlords should not be able to unreasonably refuse routine requests to, for example, decorate, own a pet or hang pictures on a wall.

- 3.57 One of the objectives of the London Model is to better balance between landlord and tenant and ensure that renters no longer feel that they are the second-class citizens of the housing market, stuck in low quality homes over which they have no control. The stability and security delivered to tenants by abolishing ‘no fault’ (Section 21) evictions and mandating open-ended tenancies will, over time, promote a much-needed culture change where tenants feel empowered to communicate openly and positively with their landlord.
- 3.58 An important part of rebalancing the rental market and realising the full benefit of this culture change, however, is ensuring that renters can treat their rental accommodation as their own home as far as possible. Under the London Model, tenants should be able to consider the property they live in as a long-term home, rather than simply a place they are ‘passing through’. At present, landlords in the UK routinely place limits on what tenants can do in their homes, and tenants feel that they lack the necessary control and agency over their homes to truly be able to enjoy it. IPPR research found that:

“Landlords commonly place limits on the ability of tenants to occupy a home freely, for example, preventing them from decorating or owning a family pet. This shapes how tenants view their home and whether they feel they have control over it. This impacts on whether tenants can feel ‘at home’ in the private rented sector.”⁶⁷

⁶⁷ IPPR (2018) *The case for reforming private renting: interim report*

3.59 This creates tension between the tenant’s ability to feel at home and concern over the lack of control in what they can do in their home. A renter who took part in the GLA’s focus groups⁶⁸ reported that:

“I’m scared to put things on the wall, which I suppose if it was my place I wouldn’t worry about. If my kid goes near the wall with a pen I’m like ‘Oh my god, don’t do that’ whereas maybe if it was mine I wouldn’t worry so much.”

3.60 When asked about their knowledge of their rights and the terms in their tenancy agreement, the same tenant replied:

“Yeah, no pets. No breathing. No talking.”

3.61 This contrasts significantly with other countries such as Germany, where tenants enjoy far greater freedom over the decoration of, and manner in which they occupy, their home.⁶⁹ Insight from IPPR focus group suggests, however, that such provisions banning pets or redecorating are frequently included by ‘default’ in tenancies and not always because the landlord objects to the tenant having these freedoms.⁷⁰ This is reflected in a Shelter survey, where most landlords (66 per cent) agreed that the properties they rent out belong to the tenants while they are there, and allow them to decorate and, within reason, make the property their own.⁷¹

3.62 The Mayor believes landlords should be required not to unreasonably refuse requests by tenants to treat their property as their home. These include requests to redecorate, hang pictures and posters, install a water meter, change appliances and replant the garden. The tenant could be obligated to return the property to its original state upon leaving the tenancy, or the landlord could reserve the right to require this. This would bring private renting in line with commercial leases where leaseholders are commonly free to decorate, providing they return a property to the state they found it in. As highlighted in paragraph 3.66 below, however, there will be some circumstances where it is too costly or not practical to do so.

3.63 The Mayor also believes that tenants should be free to get a pet if they wish to, providing they inform the landlord of their intention to do so. Some 44 per cent of the UK’s population own a

⁶⁸ Transcript of GLA focus groups with private renters, April 2019

⁶⁹ IPPR (2017) Lessons from Germany: Tenant power in the rental market, cited in IPPR (2019) Sign on the dotted line: final report

⁷⁰ IPPR (2019) Sign on the dotted line: final report

⁷¹ Shelter/YouGov (2017) Survey of private landlords 2016

pet.⁷² There is evidence to suggest that tenants with pets face less choice and a greater sense of insecurity as they move through the housing market because many landlords impose restrictions on pets.⁷³ The Mayor accepts that there may be limited circumstances where having a pet might not be appropriate, for example, where communal spaces are shared with other tenants or a pet has been shown to cause problems previously. However, the ability for tenants to have a pet should be a default right unless a landlord can demonstrate why it would be inappropriate. Where a landlord and tenant are not in agreement, the issue could be adjudicated on through alternative dispute resolution services.

- 3.64 Giving tenants greater freedoms and flexibility in how they live in and use a property will benefit tenants and landlords alike. A tenant who feels a stronger sense of ownership and has taken the trouble to invest in the home they are living in, is more likely to take better care of it, stay for longer and may do more to avoid rent arrears if it jeopardises the home they have created. The move towards mandatory open-ended tenancies will help promote such conditions – nearly two thirds (64 per cent) of renters in England agreed with the statement that 'If I knew I was going to be staying in a private rented home for up to five years, I would be more likely to ask to carry out decorations or other improvements myself.'⁷⁴
- 3.65 The Mayor understands that there may, however, be circumstances in which it would be reasonable to refuse such requests. For instance, if the redecoration proposals would impact on the safety and integrity of the building or cause a serious nuisance to neighbours. Furthermore, in the case of leasehold properties, a landlord might be obligated to seek permissions from a freeholder and/or managing agent and it is important that these are not cost prohibitive.
- 3.66 It is also recognised that where the landlord has granted permission for more comprehensive alterations, such as new flooring, wallpaper or fixtures, it may be too expensive or impractical to return to neutral at the end of the tenancy. The Mayor believes these issues should be explored further with stakeholders as part of the Government's detailed work to bring forward proposals to introduce mandatory open-ended tenancies.

⁷² Pet Food Manufacturers Association (2017) 'Pet Population 2017', cited in IPPR (2019), Sign on the dotted line: final report

⁷³ Power E R (2017) 'Renting with pets: a pathway to housing insecurity?', Housing Studies 32(3), cited in IPPR (2019) Sign on the dotted line: final report

⁷⁴ Shelter (2018) Submission to MHCLG: Overcoming the barriers to longer tenancies in the private rented sector

Exemptions

Recommendation 9

Mandatory open-ended tenancies will be neither appropriate nor practical for all forms of rented accommodation. A total or partial exemption or separate treatment should apply to the types of accommodation listed below.

3.67 The Mayor recognises that mandatory open-ended tenancies will not be appropriate nor practical for all forms of rented accommodation. Further consideration is needed to ensure the continued provision of such accommodation, whilst preventing loopholes and ensuring such renters are not left without protection. The London Model proposes that a total or partial exemption or separate treatment should apply to the types of accommodation listed below, but the GLA would welcome further testing of this in the forthcoming Government consultation:

- i. **Purpose-built student accommodation:** such schemes are built for a very specific purpose and have specific planning conditions attached in relation to their use as student dwellings. It is important that a new regime of open-ended tenancies would not negatively impact on the supply of student accommodation. It is therefore proposed that purpose-built student accommodation should be exempt from the Model. More detail on this is provided in paragraphs 5.33-5.34. We have discussed this proposal with the NUS and the University of London, who agree it is the correct approach. Both organisations believe that purpose-built student accommodation should be subject to tenancy management accreditation schemes.
- ii. **Accommodation provided to support homeless households and those at risk of becoming homeless.** Following much discussion with expert stakeholders, we propose to create an exemption for independent-living type accommodation and a new possession ground for temporary accommodation. See paragraphs 5.23-5.34 for more on this.
- iii. **Holiday and other short-term lets.** It is not envisioned that the London Model provisions would apply to short-term and holiday lets of less than 90 days. The Mayor has called on Government to introduce a new registration system of such accommodation hosts, to make it easier to regulate this type of letting and prevent landlords from continuously letting their properties short term to circumvent current or new rental sector regulations.⁷⁵

⁷⁵ Mayor of London press release, 23 April 2019, <https://www.london.gov.uk/press-releases/mayoral/registration-system-for-short-term-letting-law>

- iv. Corporate lets.** Property that is let to a company on a commercial contract or owned by the company, and then sub-let to employees for the duration of their employment. Commercial contracts are not currently subject to Section 8 or Section 21, though the ASTs themselves would be. The Mayor believes open-ended tenancies would not be appropriate for this type of accommodation but understands that there is further work to do to assess whether tenants of corporate lets routinely experience the same problems encountered by private tenants in the wider market and may, therefore, need some of the additional protections the London Model offers, as well as whether it is possible to exempt these lettings without opening the door to exploitation.
- v. Shared ownership.** Shared owners technically rent part of their home from a housing association landlord, but are legally classed as leaseholders, not private renters, and also have recourse to the Regulator of Social Housing. The London Model would therefore not apply to shared owners, who already benefit from more security of tenure than tenants in the PRS. However, the Mayor is working towards greater transparency and accountability for shared owners. He has implemented a service charges charter⁷⁶ and is working to secure overall reform of the leasehold sector.
- vi. Tied accommodation.** Some forms of employment come with tied or employee accommodation of one type or another, such as military and police housing, clergy housing, tenancies of shops, lock-keeper cottages and agricultural land. The Mayor believes open-ended tenancies would not be appropriate for this type of accommodation but recognises that further work is necessary to understand how they could be easily exempted, and whether tenants of these types of homes routinely experience the same problems encountered by private tenants in the wider market and may therefore need some of the additional protections the London Model offers.

⁷⁶ Greater London Authority (2016) *Shared Ownership Charter for Service Charges*, in Affordable Homes Programme 2016-21 Funding Guidance <https://www.london.gov.uk/what-we-do/housing-and-land/shared-ownership-charter-service-charges>

4 Supporting elements

4.1 This section sets out the elements that would need to be in place to support the London Model tenancy. It covers the following:

- court reform;
- tenancy sustainment and dispute resolution;
- supporting landlords, incentivising investment; and
- taxation and mortgage implications.

Court reform

Recommendation 10

Court reform must be central to any forthcoming Government reforms to security of tenure. It is vital that proposals do not focus only on digitisation but also recognise the need for further resources to be channelled into the courts system in terms of personnel, enforcement, accessible court buildings and, above all, greater access to Legal Aid for low-income and vulnerable people.

4.2 Action to improve possession processes and times, as well as substantially expanding tenants' access to the courts, is essential to successfully implementing an end to 'no-fault' evictions and to replacing ASTs with open-ended tenancies. The Mayor welcomes the Government's recognition of the significance of court reform and new possession grounds, alongside the removal of Section 21, to reforming the PRS so that it works for both landlords and tenants.⁷⁷

4.3 The Mayor believes that both new possession grounds (outlined in paragraph 3.31) and improved possession proceedings are vital to ensure the continued supply of rented housing in London. This flexibility, and ability to control their assets, is key to the willingness of so many people to continue to invest in providing the rental housing we rely on to such a great extent in London. This becomes even more important if rent regulation is included in proposals for reform, as this could otherwise further restrict the supply of homes made available for private renting.

4.4 Reports from organisations such as the National Landlords Association, Shelter, Citizens Advice and IPPR, as well as research from MHCLG, all show that the current court system does not

⁷⁷ MHCLG (2019) *Overcoming the Barriers to Longer Tenancies in the Private Rented Sector: Government response* https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/795448/Overcoming_the_Barriers_to_Longer_Tenancies_in_the_Private_Rented_Sector_-_government_response.pdf

work well for landlords or tenants.⁷⁸ For tenants, lack of Legal Aid, confusing rules and the complexity of the court system mean they are unable to fully access their rights to challenge landlords and defend themselves in court proceedings. This view is shared by organisations including IPPR, Shelter and the RLA, and in some instances these barriers also affect landlords. MHCLG research found that the considerable barriers to tenants taking legal action against landlords include lack of knowledge about legal options, fear of attending court, limited access to legal advice, fear of costs and lack of Legal Aid.⁷⁹

- 4.5 In addition, the present system, where some cases are heard in the county court and others in the First Tier Tribunal, is inconsistent and highly confusing, especially for vulnerable renters, and also for many landlords.
- 4.6 The Mayor believes that significant court reform should be combined with more effective dispute resolution and mediation services, as well as a comprehensive new system of housing and benefits advice.⁸⁰ This will ensure both landlords and tenants have improved access to redress and help to resolve cases before they reach court where possible, relieving pressure on the court system.

A single, specialist housing court

- 4.7 The Mayor believes that a single, specialist housing court will benefit both landlords and tenants, providing a simpler ‘one stop shop’ that will enable easier and more efficient access to justice.⁸¹ Both the Scottish and Irish Governments have taken the approach of forming a single

⁷⁸ NLA (2019) *Response to Government’s housing court consultation* <https://landlords.org.uk/sites/default/files/2019-01/NLA%20response%20-%20Call%20for%20evidence%20-%20case%20for%20a%20housing%20court.pdf>;

Shelter (2019) Shelter response to Government’s housing court consultation https://england.shelter.org.uk/__data/assets/pdf_file/0010/1677934/Housing_Court_Consultation_Response.pdf

Citizens Advice (2019) Response to Government’s housing court consultation https://www.citizensadvice.org.uk/Global/CitizensAdvice/Housing%20Publications/Citizens%20Advice%20response%20to%20%E2%80%98Considering%20the%20case%20for%20a%20Housing%20Court_%20call%20for%20evidence%E2%80%99.pdf

IPPR (2018) *Sign on the dotted line? A new rental contract* <https://www.ippr.org/files/2019-01/sign-on-the-dotted-line-jan19.pdf>

MHCLG (2018) *English Private Landlords Survey* <https://www.gov.uk/government/publications/english-private-landlord-survey-2018-main-report>

⁷⁹ MHCLG (2018) *A qualitative research investigation of the factors influencing the progress, timescales and outcomes of housing cases in county courts* <https://www.gov.uk/government/publications/factors-influencing-the-progress-timescales-and-outcomes-of-housing-cases-in-county-courts>

⁸⁰ The Mayor’s detailed views on court reform are set out in his response to the Government’s consultation on a new housing court, available at: https://www.london.gov.uk/sites/default/files/gla_response_to_mhclg_call_for_evidence_on_housing_court.pdf

⁸¹ GLA (2018) Mayor’s response to the Government’s consultation on a new housing court https://www.london.gov.uk/sites/default/files/gla_response_to_mhclg_call_for_evidence_on_housing_court.pdf

housing court or tribunal in recent years, linked to much better access to advice and dispute resolution. A survey of nearly 3,000 landlords in England on behalf of the National Landlords Association (NLA) found that 74 per cent support a court of tribunal which only dealt with housing issues.⁸² Whichever route the Government chooses after their consultation, the following principles are key to ensuring both landlords and tenants are properly supported:

- judges hearing housing cases should be specialists in housing law, to promote more consistent and efficient decision-making. This would also help ensure that those who are unable to obtain legal representation have the best chance of a consistent, fair process;
- free advice and representation for people on low incomes (see below for more on Legal Aid);
- proper resourcing of the court system to deal with existing caseloads as well as to allow for increased levels of activity. Stakeholders at our LSE roundtable discussions agreed that this must include improved resourcing of court bailiffs to enable quicker enforcement of court orders. Lack of resources has created a slow, inefficient and uncertain system;
- greater digitisation, automation and streamlining of court proceedings are critical to enabling faster resolution of cases, as well as improving some aspects of the ease with which landlords and tenants can engage with court systems. However, digitisation alone is not a substitute for proper resourcing; and
- improved physical access to courts. Court closures and lack of accessible court buildings currently make it more difficult and more expensive for vulnerable people to attend.

Legal Aid

4.8 Just as landlords must have access to better processes to pursue legitimate possession claims, so tenants must also have better access to processes to defend themselves in possession proceedings and to take action against landlords in cases of disrepair. Analysis by the Law Society found that reforms to Legal Aid access have resulted in Legal Aid ‘deserts’ in large areas of England and Wales. Over three-quarters of all Local Authority areas - covering 35 million people - have just one or no housing Legal Aid provider.⁸³ MHCLG research identified both the

⁸² YouGov/NLA (2018) *Survey of landlords in England* <https://landlords.org.uk/sites/default/files/2019-01/NLA%20response%20-%20Call%20for%20evidence%20-%20case%20for%20a%20housing%20court.pdf>

⁸³ The Law Society (2019) *Parliamentary briefing: Legal Aid deserts* <https://www.lawsociety.org.uk/policy-campaigns/public-affairs/parliamentary-briefing/legal-aid-deserts/>

lack of Legal Aid providers, and the reluctance of these providers to take on cases where they are not confident of recovering costs, as barriers to tenants taking legal action against landlords.⁸⁴ The GLA agrees with voices from across the sector, including Shelter, IPPR and the RLA, that reforms to the court system must include significantly improved access to legal advice and representation in housing matters.

- 4.9 The Government has taken important steps, in the Homes (Fitness for Human Habitation) Act 2018, to ensure that both private and social landlords have a greater responsibility to keep their properties in good condition. But renters need Legal Aid to enforce these new rights and Legal Aid restrictions currently prevent private tenants from adequately defending themselves in possession proceedings, and also from taking action against landlords in cases of disrepair. According to Citizens Advice, 66 per cent of tenants whose landlords did not complete repairs within a reasonable amount of time did not go to court because of the cost.⁸⁵
- 4.10 Similarly, the Homelessness Reduction Act 2017 puts the onus on Local Authorities to intervene much earlier when a household is at risk of homelessness, giving both the household and the Local Authority more time to prevent the household from becoming homeless in the first place. There is, however, rarely a simple reason for someone being at risk of losing their home. As well as ‘no-fault’ evictions, benefit problems, rent increases, and mental and physical ill-health can all lead to someone being at risk of losing their home. Complex problems often need expert intervention, which is why access to Legal Aid is essential if the government wants to reduce homelessness.
- 4.1 If Legal Aid was available for benefit and debt cases, many possession proceedings undertaken on the grounds of arrears would be prevented from reaching court stage, because these issues could be resolved much earlier. This would alleviate pressures on the county court system. Prior to the introduction of the Legal Aid, Sentencing and Punishment of Offenders Act 2012 (LASPO), benefit problems could be resolved before they reached breaking point and put people’s homes at risk. Shelter’s legal services report consistently seeing clients who would not have been in court pre-LASPO, when they had access to Legal Aid.⁸⁶ The Law Society has

⁸⁴ MHCLG (2018) *A qualitative research investigation of the factors influencing the progress, timescales and outcomes of housing cases in county courts* <https://www.gov.uk/government/publications/factors-influencing-the-progress-timescales-and-outcomes-of-housing-cases-in-county-courts>

⁸⁵ Citizens Advice (2017) *It’s broke, let’s fix it* <https://www.citizensadvice.org.uk/about-us/policy/policy-research-topics/housing-policy-research/its-broke-lets-fix-it/>

⁸⁶ Shelter (2018) *Evidence to the statutory review of LASPO* http://england.shelter.org.uk/__data/assets/pdf_file/0009/1596528/Shelter_response_LASPO_review_Sept_2018_final.pdf

calculated that advice on housing benefits problems could be restored to pre-LASPO levels for around £2 million a year.⁸⁷ Citizens Advice research found that for every £1 of Legal Aid expenditure on housing advice, the state potentially saves £2.⁸⁸

Tenancy sustainment and dispute resolution

Recommendation 11

All renters and landlords must be given access to better tenancy sustainment support and dispute resolution services, to reduce pressure on the courts system, help to prevent unnecessary evictions and reduce homelessness.

- 4.12 Alongside reforms to the court system, there need to be measures that strengthen access to tenancy sustainment, mediation and dispute resolution services, for both landlords and tenants. These would will alleviate pressure on the court system by reducing the number of cases going to court, saving money and time, and reducing stress for tenants and landlords. They would also reduce pressure on local authority private renting and enforcement teams.
- 4.13 In all consumer markets, it is important to have access to simple and efficient ways to resolve issues. However, redress is particularly important when it relates to somebody's home. Both renters and landlords would benefit from increased tenancy sustainment support, to help ensure everyone understands their rights and responsibilities, and effective dispute resolution and redress schemes if something should go wrong. Currently there is no such comprehensive service that exists to help all participants in the rental market.
- 4.14 Stakeholders at the LSE roundtable discussions agreed that much of the concern over long-term tenancies comes from landlords' fear of having to rely on lengthy and inefficient court processes if a problem arises, and of having no other recourse except the courts to resolve a dispute. Concern about the ability to evict problem tenants is the most common reason landlords give for being unwilling to offer longer tenancies.⁸⁹ IPPR research found that landlords felt disempowered where they had a tenant who was not paying rent or causing other problems, and

⁸⁷ Law Society (2017) *Access denied? LASPO four years on: a Law Society review*, June 2017: <https://www.lawsociety.org.uk/support-services/research-trends/laspo-4-years-on/>

⁸⁸ Citizens Advice (2010) *Towards a business case for Legal Aid* https://www.accesstojusticeactiongroup.co.uk/wp-content/uploads/2011/07/towards_a_business_case_for_legal_aid.pdf

⁸⁹ MHCLG (2018) *English Private Landlords Survey* <https://www.gov.uk/government/publications/english-private-landlord-survey-2018-main-report>

that the perception of the time it would to remove them, rather than prior experience of the court system, dissuaded them from offering greater security.⁹⁰ Tenants feel even more disempowered to handle a dispute, since they also do not have access to effective dispute resolution and are, in most cases, excluded from taking legal action against their landlord by the absence of Legal Aid for PRS housing cases (as set out above).⁹¹

Tenancy sustainment

- 4.15 One of the Mayor's key objectives is to ensure that renters who are currently disadvantaged in the market have more protections under the terms of London Model. Welfare reform, protecting accommodation for homeless people, and ending discrimination against such tenants are important aspects of this, but equally important is tenancy sustainment support.
- 4.16 Tenancy sustainment or support services, provided by local councils, housing associations or voluntary sector organisations, typically provide help with claiming benefits, budgeting, furnishing accommodation, and accessing health and other services. Support and, where needed, legal advocacy, can also be offered to mediate between landlords and tenants where problems arise, for example to help resolve issues with disrepair or arrears.
- 4.17 Services such as these have proven that even very vulnerable tenants can sustain a tenancy and maintain a good relationship with the landlord of their home.⁹² However, they are not consistent across the UK and in all too many cases have fallen victim to the wider cuts to frontline support services experienced in the last decade. Stakeholders at our LSE roundtable discussion commented that tenancy relation resources should be significantly increased to support landlords in helping tenants with difficulties, in order to better support open-ended tenancies.

⁹⁰ IPPR (2018) *Sign on the dotted line? A new rental contract* <https://www.ippr.org/research/publications/sign-on-the-dotted-line>

⁹¹ The Law Society (2019) *Parliamentary briefing: Legal Aid deserts* <https://www.lawsociety.org.uk/policy-campaigns/public-affairs/parliamentary-briefing/legal-aid-deserts/>; MHCLG (2018) *Factors influencing housing case progress, timescales and outcomes in county courts* https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/755025/Factors_influencing_housing_case_progress_and_outcomes_in_county_courts_research_report.pdf

⁹² Shelter (2014) *A Roof Over My Head: the final report of the Sustain project, a longitudinal study of housing outcomes and wellbeing in private rented accommodation* http://england.shelter.org.uk/__data/assets/pdf_file/0005/760514/6424_Sustain_Final_Report_for_web.pdf

4.18 Services could be provided in a number of ways but should consistently offer:

- a) Support to landlords by:
 - providing someone to mediate between landlord and tenant over ‘persistent’ gripes such as noise/neighbour complaints, tenant not letting in tradespeople etc;
 - providing someone to work with tenants who get into rent arrears to try to recoup the money and prevent it reoccurring or escalating;
 - supporting dealings with the welfare system, particularly around delays and negotiating direct payments;
 - negotiating the end of a tenancy where it is in the interests of all parties – i.e. to avoid going to court; and
 - supporting vulnerable tenants to sustain tenancies, helping them to understand their rights and responsibilities as tenants and prevent problems arising in the first place.

- b) Support to tenants by:
 - providing advice and support, especially to vulnerable tenants, to access and sustain tenancies and to understand their rights and responsibilities, so that tenancies are more likely to succeed;
 - supporting dealings with the welfare benefit system, as outlined above; and
 - providing someone to mediate between the tenant and landlord over ‘unacceptable’ (but not criminal) practices, such as overbearing behaviour, refusing requests for low-level repairs and refusing other reasonable requests.

Dispute resolution and redress

4.19 Effective consumer redress provided by an independent ombudsman is key to a functioning market. Some limited redress provisions already exist within the PRS, including:

- the dispute adjudication function provided by tenancy deposit schemes at the end of a tenancy;
- compulsory redress scheme membership for letting agents⁹³; and
- voluntary ombudsman scheme membership for private landlords.

4.20 These schemes can have a positive impact, with schemes able to award compensation to tenants for poor practice within the industry.⁹⁴ However, their effectiveness is restricted because tenant

⁹³ The two approved redress schemes are The Property Ombudsman and the Property Redress Scheme

⁹⁴ In 2017, The Property Ombudsman (TPO) instructed letting agents to pay over £1.5 million in awards to tenants, TPO Annual Report <https://www.tpos.co.uk/images/documents/annual-reports/2018-annual-report.pdf>

awareness is low and accessing this form of redress can be difficult, since the first stage relies on tenants being able to navigate agents' in-house complaints processes. Even where in-house complaints procedures do exist, Citizens Advice found that they are patchy, difficult to access, and rarely explained to tenants without prompting.

- 4.21 In a survey of 2,000 private tenants, 48 per cent did not think their landlord or agent had a complaints process, and just one in five (20 per cent) said the complaints procedure was explained to them without prompting.⁹⁵ Research on behalf of Which? found that a third of tenants who had a problem but did not complain stated that they did not believe making a complaint would solve anything. Which? concluded that lack of information, coupled with low awareness of support, consumer rights and ways to get redress, suggests that tenants are not as in control or as empowered as they might feel when acting as consumers in other markets.⁹⁶
- 4.22 Tenants of private landlords who do not use an agent currently have very little access to any form of redress, should a problem with their tenancy arise. Landlords are not required to belong to a redress scheme where they provide services directly to tenants. A small number of private landlords have chosen to join the Housing Ombudsman scheme or one of the three private redress schemes. However, Citizens Advice research found that only 0.0005 per cent of private rented homes were covered by the voluntary Housing Ombudsman scheme.⁹⁷
- 4.23 In May 2018, the Mayor responded to the Government's consultation on strengthening consumer redress in housing, welcoming proposals to require landlords in the PRS to join a redress scheme to fill this gap and to create a single housing ombudsman.⁹⁸ The Government's subsequent response to the consultation⁹⁹ commits to requiring all private landlords to belong to a redress scheme – though no timescales are given for implementation – and the creation of a single Housing Complaints Resolution Service. Participation in this service will be voluntary.

⁹⁵ Citizens Advice (2018) *Redressing the balance*

<https://www.citizensadvice.org.uk/Global/CitizensAdvice/Housing%20Publications/Citizens%20Advice-Redressing%20the%20balance.pdf>

⁹⁶ Which? (2018) *Reform of the private rented sector: the consumer view*

<https://www.which.co.uk/policy/housing/2921/reform-of-the-private-rented-sector-the-consumer-view>

⁹⁷ Citizens Advice (2017) *It's Broke, Let's Fix It* <https://www.citizensadvice.org.uk/about-us/policy/policy-research-topics/housing-policy-research/its-broke-lets-fix-it/>

⁹⁸ Response available here: <https://www.london.gov.uk/what-we-do/housing-and-land/housing-and-land-publications/consultation-response-consumer-redress-housing-market>

⁹⁹ MHCLG (2019) *Government's response to Strengthening Consumer Redress in the Housing Market*

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/773161/Strengthening_Consumer_Redress_in_the_Housing_Market_Response.pdf

- 4.24 Although these proposals appear broadly positive, the lack of detail and the voluntary nature of the complaints service is concerning. Effective housing redress is even more critical following Government’s announcement that it intends to end Section 21. Government may need to revisit their proposals to ensure they are effective and fit for purpose in facilitating successful delivery of reforms to the PRS.
- 4.25 The Mayor believes that there should be a single housing ombudsman or redress scheme for people living in all tenures. The scheme should be fully resourced and overarching, routing housing consumers into distinct pathways of redress for each housing tenure. It should offer consistent service standards across all tenures, and be predicated on distinct, tenure-specific, legally enforceable codes of practice. Redress should cover all aspects of the process of seeking accommodation as well as problems housing consumers encounter once they have secured a home. The new approach should include provision of dispute resolution and adjudication services to help resolve issues that may arise, as well as a duty on landlords and agents to proactively communicate the redress process to tenants.
- 4.26 Systems like this exist elsewhere. For example, in Ireland, the Residential Tenancies Board provides a single, unified point of focus and offers mediation and adjudication services in the event of landlord and tenant disputes.¹⁰⁰ In Scotland, the new Housing Tribunal performs a similar role.¹⁰¹ A system such as this would be of enormous benefit to housing consumers, dramatically simplifying existing processes and plugging current gaps in redress provisions, for instance for tenants of private landlords who do not use an agent to manage their property.

Supporting landlords and incentivising investment

Recommendation 12

A strategic approach is necessary to achieve positive change in the rental market through a combination of better, more effective regulation and measures to encourage landlords to maintain and increase the supply of better-quality homes.

- 4.27 In parts of the world where the rental market is more heavily regulated than it is in London, both in terms of security of tenure and rent-setting, investment in the sector is supported by

¹⁰⁰ Residential Tenancies Board <https://www.rtb.ie>

¹⁰¹ Housing and Property Chamber: first tier tribunal <https://www.housingandpropertychamber.scot/>

governments to ensure that housing supply is protected.¹⁰² The Mayor is very supportive of this strategic approach of achieving positive change in the rental market through a combination of better, more effective regulation and measures to encourage landlords to maintain and increase the supply of better-quality homes. For too long, the approach to landlord taxation has been non-strategic and piecemeal.

- 4.28 Recently we have seen these shifting approaches, with the removal of mortgage interest relief which was once introduced to encourage investment, and changes to the way landlords can claim tax relief on repairs and improvements. As set out by the Institute for Fiscal Studies (IFS), landlords already receive a less favourable tax treatment than owner-occupiers, since they are liable for Capital Gains Tax (CGT) and tax on their rental income. In contrast, the effective tax rate on owner occupied housing is zero, since profit from any uplift in value on owner-occupied homes is untaxed.¹⁰³
- 4.29 This unfocused approach does not produce positive outcomes for tenants, whereas a strategic taxation in the rental market could direct landlord behaviour and investment to the benefit of both parties. As set out elsewhere, the ambition of the London Model and the Mayor's wider blueprint for reform of the rental market is not to encourage responsible landlords to leave the sector, but to rebalance the market so that it works better for everyone. The Mayor supports the recommendation in a recent IPPR report that Government should launch a thorough review of all taxation relating to the rental market to ensure that the state is using this important lever as effectively as possible.¹⁰⁴
- 4.30 The Mayor is clear that a system of effective incentives and support should not reward landlords merely for meeting their statutory obligations, but instead should encourage landlords to offer a better service to renters and support additional investment in the sector. Discussions with stakeholders during the formulation of the London Model have yielded a range of ideas that could be pursued. A number of other organisations have also recently undertaken research on this issue, including the Joseph Rowntree Foundation (JRF)¹⁰⁵ and the Residential Landlords Association (RLA).¹⁰⁶

¹⁰² IPPR (2017) *Lessons from Germany: Tenant power in the rental market*; Whitehead C and Scanlon K (2014) *Rent stabilisation: principles and international experience*, for LB Camden

¹⁰³ IFS (2016) *The Effects of Taxes and Charges on Saving Incentives in the UK*, report R1136
<https://www.ifs.org.uk/publications/8164>

¹⁰⁴ IPPR (2019) *Sign on the dotted line? A new rental contract – final report*
<https://www.ippr.org/research/publications/sign-on-the-dotted-line>

¹⁰⁵ JRF (2018) *Using incentives to improve the private rented sector: three costed solutions*

<https://www.jrf.org.uk/report/using-incentives-improve-private-rented-sector-three-costed-proposals>

¹⁰⁶ RLA (2018) *Examining Energy Efficiency & Electrical Safety in the Private Rented Sector*, PRS quarterly report

- 4.31 The GLA hopes the Government’s forthcoming consultation presents an opportunity to consider these ideas in more detail. For example, ideas that have support from a range of voices across the rental sector include:
- income tax deductions for energy efficiency improvements. The Mayor is keen for Government to consider relief on discretionary spending above the current cap imposed by the Minimum Energy Efficiency Standard (MEES) to encourage landlords to undertake more ambitious improvements. Other types of specified property improvements could be considered for the same treatment, as opposed to being offset against CGT at the point of sale as is currently the case;
 - CGT relief on tenanted sales, or sales to sitting tenants, to encourage landlords to minimise disruption when selling a property, or reclaiming a proportion of stamp duty when buying a property with tenants in situ; and
 - allowing landlords to offset a proportion of their rental income against tax if they let their property to households in receipt of Local Housing Allowance.
- 4.32 Responding to the Government’s ‘Longer Tenancies’ consultation, 17 per cent of landlords commented that tax relief would be sufficient encouragement to offer longer tenancies, to allow them to offset potentially higher maintenance costs.¹⁰⁷
- 4.33 The Mayor is clear that benefiting from any new tax incentives must be contingent on landlords’ compliance with wider legal obligations. In the Republic of Ireland, for example, compliance with tax provisions that allow landlords to claim mortgage income tax relief is conditional on landlords registering their properties with the Residential Tenancies Board, which results in inspection to ensure that the property is of an acceptable standard.¹⁰⁸ In the UK, claiming tax relief could be compliant on participation in compulsory landlord registration proposed in the Mayor’s London Housing Strategy 2018 and in ‘Reforming Private Renting, the Mayor of London’s blueprint’¹⁰⁹, as well as successful completion of a property inspection under the terms of the Homes (Fitness for Human Habitation) Act 2018.¹¹⁰

¹⁰⁷ MHCLG (2019) *Overcoming the Barriers to Longer Tenancies in the Private Rented Sector: Government response* https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/795448/Overcoming_the_Barriers_to_Longer_Tenancies_in_the_Private_Rented_Sector_-_government_response.pdf

¹⁰⁸ Cambridge Centre for Housing and Planning Research (2017) *Using incentives to improve the private rented sector for people in poverty: An international policy review*

¹⁰⁹ Greater London Authority (2018) *London Housing Strategy* https://www.london.gov.uk/sites/default/files/2018_lhs_london_housing_strategy.pdf

¹¹⁰ Homes (Fitness for Human Habitation) Act 2018 <http://www.legislation.gov.uk/ukpga/2018/34/enacted>

Taxation and mortgages

4.34 The Mayor is aware that amending the law to allow for much longer-term private rental contracts could have implications in other administrative areas. For example, in some cases, if tenancies last longer than a certain number of years, the tenant could become liable to pay an element of Stamp Duty Land Tax (SDLT). Furthermore, while many buy-to-let mortgage lenders have removed clauses pertaining to longer tenancies or tenants in receipt of welfare benefits, some landlords continue to be subject to such restrictions, or believe that they exist. Forty per cent of landlords who responded to the Government’s consultation on longer tenancies identified mortgage conditions as a main barrier.¹¹¹ The Mayor is clear that all such impacts should be bottomed out as part of the further consultation promised by the Government. Whatever amendments may be needed in other areas of legislation or commercial practice must be fully understood and there should be a commitment from Government to address them.

¹¹¹ MHCLG (2019) *Overcoming the Barriers to Longer Tenancies in the Private Rented Sector: Government response* https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/795448/Overcoming_the_Barriers_to_Longer_Tenancies_in_the_Private_Rented_Sector_-_government_response.pdf

5 Measures to ensure the London Model works for everyone

5.1 This section sets out the measures that will be needed to ensure that the London Model works for both tenants and landlords. It covers:

- vulnerable and disadvantaged renters;
- accommodation provided to support homeless households and those at risk of homelessness;
- students and sharers;
- licences; and
- build-to-rent.

Vulnerable and disadvantaged renters

5.2 The London Model and the Mayor’s proposals to control rents will, together, significantly benefit vulnerable tenants. However, important as tenancy reform is, it cannot single-handedly resolve the wider structural barriers that low-income and other vulnerable tenants face in the housing market. To truly address the challenges preventing the most disadvantaged renters from accessing suitable homes, the Mayor urges the Government to adopt his tenancy reform proposals, and also to:

- review the support available to private tenants through the welfare system, to ensure it operates effectively and is commensurate with market rents in London;
- fund the delivery of more social housing for vulnerable renters who should not have to compete in the PRS; and
- ban outdated and discriminatory ‘No DSS’ clauses in Buy-to-Let mortgages, tenancy agreements, and adverts for rental properties.

5.3 The Government could also consider what more could be done to encourage landlords to let to low income renters. This might include additional incentives to let to those in receipt of welfare benefits, including a simple process for direct payment of benefits, paying housing related benefits in advance rather than arrears and better processing of benefit claims¹¹², and enhanced tenancy sustainment and dispute resolution services.

Many renters currently experience disadvantage in the PRS

5.4 Many renters in London may be described as vulnerable or disadvantaged due to their personal circumstances. These include:

¹¹² As reported by landlords and letting agents in MHCLG’s (2018) *Survey of private landlords*

- households with children;
- renters who are not in full-time, secure, employment;
- people reliant on any form of income-related benefits;
- disabled people and people with support needs;
- migrants;
- older people; and
- people who are not able to supply good references, pass a UK-credit check or have a UK passport.

- 5.5 This is by no means an exhaustive list. Many renters will be additionally vulnerable because they fall into more than one of these groups, and/or because their need is more severe or complex. For instance, they may have more than one child, be a recently-arrived migrant or refugee, face a language barrier, have a serious mental or physical disability, have experienced rough sleeping, be severely financially excluded – or a combination of the above. They might also be subject to discriminatory ‘No DSS’ clauses or attitudes amongst some landlords and letting agents. In his London Housing Strategy 2018, the Mayor has called on UK Finance, the Government, and landlord representatives to scrap these discriminatory clauses.
- 5.6 The exacerbating factor here is poverty. Higher-income households who have one or more of the characteristics that might otherwise make them vulnerable in the housing market are likely to be protected by their wealth to a large extent. They can afford to pay market rents, have a greater choice of properties, are more likely to know their rights, and can provide reassurances to landlords (e.g. larger deposits) that households on low incomes or living in poverty cannot.¹¹³
- 5.7 Vulnerable renters are already disadvantaged in the PRS. In recent MHCLG research¹¹⁴, 52 per cent of landlords and 37 per cent of agents reported that they would be unwilling to let to tenants in receipt of Housing Benefit. Similar proportions reported that they would be unwilling to let to anyone on Universal Credit (47 per cent and 33 per cent respectively). The most commonly reported reasons for not letting to this group included the risk of delay in payment or unpaid rent and the risk that benefits would not cover the rent. This is even higher than the 43 per cent of landlords who told Shelter that they operate an outright ban on renting to people in

¹¹³ Greater London Authority (2019) *The experience of children and families living in insecure private rented sector accommodation: forthcoming* <https://data.london.gov.uk/dataset/children-and-families-living-in-insecure-prs>; Transcript of GLA focus groups with private renters, April 2019

¹¹⁴ MHCLG (2018) *Survey of private landlords* <https://www.gov.uk/government/collections/english-private-landlord-survey>

receipt of housing benefit, with a further 18 per cent saying they prefer not to, but occasionally do, which might reflect the growing concerns about Universal Credit.¹¹⁵

- 5.8 A quarter of landlords and 10 per cent of agents were unwilling to let to non-UK passport holders. Shelter report that, since the Right to Rent legislation¹¹⁶ came into force, almost one-third of private landlords surveyed said that they were less likely to let to people who do not hold British passports or appear to be British.¹¹⁷ Eighteen per cent of landlords and six per cent of agents were unwilling to let to families. Most often this was because they believed that their property or properties were unsuitable for families and also because of the greater risk of damage to the property.¹¹⁸
- 5.9 Analysis undertaken by the Centre for Housing Policy at the University of York, Vulnerability amongst low-income households in the private rented sector in England, shows how widespread this vulnerability is.¹¹⁹ Rhodes and Rugg found that tenants in the PRS were the most likely (compared with other tenures) to be experiencing at least one of the three harms identified by Rhodes and Rugg (overcrowding, poverty, and poor conditions): this was the case for 86 per cent of the low-income group. Within Greater London, the proportion was even higher at 97 per cent of the low-income groups of private renters.
- 5.10 In a focus group of private renters¹²⁰, one person said that, in order to rent somewhere they like, they:

“Often feel they have to compete with others or accept whatever the landlord demands e.g. offer higher rent or deposits, not make special demands, not check or push back against anything in the [tenancy] agreement.”

- 5.11 Families taking part in GLA research into the impact on families and children of insecure accommodation reported that, for many, the period around the renewal of a tenancy is particularly stressful as they fear being asked to leave, or the landlord increasing the rent to a level they cannot afford to pay.¹²¹ For many families, this happens every year.

¹¹⁵ YouGov/Shelter (2017) *Survey of private landlords*

¹¹⁶ Introduced in the Immigration Act 2014

¹¹⁷ YouGov/Shelter (2017) *Survey of private landlords*

¹¹⁸ MHCLG (2018) *English Private Landlord survey* <https://www.gov.uk/government/publications/english-private-landlord-survey-2018-main-report>

¹¹⁹ Rhodes D and Rugg J (2018) *Vulnerability amongst low-income households in the PRS* <http://www.nationwidefoundation.org.uk/wp-content/uploads/2018/09/Vulnerability-report.pdf>

¹²⁰ Transcript of GLA focus groups with private renters, April 2019

¹²¹ Greater London Authority (2019) *The experience of children and families living in insecure private rented sector accommodation: forthcoming* <https://data.london.gov.uk/dataset/children-and-families-living-in-insecure-prs>

- 5.12 Many parents thought that if they reported issues frequently, their landlord would blame them for causing the problems by not taking care of the property. There was a strong perception that if landlords saw them as ‘problem tenants’, they would increase their rent, or not renew their tenancy and the most financially insecure parents were most reluctant to report issues to their landlord ahead of rent reviews as a result.
- 5.13 Some landlords do currently cater for specific groups e.g. those letting exclusively to students, or the dwindling number who let exclusively to the housing benefit market, usually via temporary accommodation (TA). In general, however, a tenant who falls into one or more of these categories is likely to lose out to someone who does not.

Barriers to renting

- 5.14 A tenancy granted under the London Model will substantially benefit these renters who are currently disadvantaged in the PRS. They are most likely to live in non-decent housing, experience a ‘retaliatory’ or otherwise unfair eviction, or be unable to cope with being forced move at short notice.¹²² Open-ended tenancies would give vulnerable renters more control over their homes, enabling them to plan employment, relationships, having a family, and schooling. Improving security of tenure would give power to those tenants to make complaints, enforce their right to a decent home, and challenge punitive rent increases.¹²³
- 5.15 The Mayor recognises, however, that increased security of tenure might also lead to increased scrutiny of potential tenants, and more stringent letting criteria, such as increased pre-tenancy checks or a requirement for a guarantor, being applied by landlords. The ongoing LHA freeze, significant problems with the operation and financial limitations of Universal Credit, and the two-child limit on UC, child tax credit and housing benefit that came into force in April 2019, all contribute to the increasing reluctance of some PRS landlords to let their properties to

¹²² Shelter (2017) *Shut out: the barriers low income households face in private renting* https://england.shelter.org.uk/professional_resources/policy_and_research/policy_library/policy_library_folder/briefing_shut_out

¹²³ Greater London Authority (2019) *The experience of children and families living in insecure private rented sector accommodation: forthcoming* <https://data.london.gov.uk/dataset/children-and-families-living-in-insecure-prs>; Transcript of GLA focus groups with private renters, April 2019

households on benefits.¹²⁴ This was a common experience for renters in the GLA’s focus groups.¹²⁵

“Probably the first question I ask is, do you take housing benefit? Because there is no point even going into the conversation if they say no.”

- 5.16 Without the fall-back of break clauses and no-fault section 21 procedures, there is a risk that landlords will be more reluctant to rent to people who struggle to compete in high-demand rental markets such as London. There is a good chance – recognised by stakeholders who contributed to our roundtable events and highlighted as a concern by a small number of respondents to the Government’s consultation, mostly landlords and letting agents¹²⁶ – that securing a home in the PRS could become even more difficult as landlords seek to mitigate the risks created by the loss of flexibility. This could force renters even further into the least regulated parts of the market.
- 5.17 It will not be possible to eliminate entirely the risk of negative impacts that greater security of tenure may have on some disadvantaged renters. However, these renters are already severely disadvantaged by short notice evictions, slow court processes discouraging landlords from taking risks, poor property conditions and barriers to entry such as deposits, references and ‘No DSS’ clauses. The London Model will overall significantly benefit vulnerable tenants by helping to address many of these issues.
- 5.18 The London Model proposals seek to mitigate these potential negative impacts on access and mobility by building in measures that will give landlords the confidence to continue letting to this group – including new and enhanced possession grounds, improved court processes, and enhanced tenancy sustainment and dispute resolution services.
- 5.19 Barriers to renting in other countries with strong security of tenure, such as Germany, have included very high deposits (though these have now been capped in London, following the introduction of the Tenant Fees Act 2019), much more rigorous referencing and affordability

¹²⁴ MHCLG (2019) Private landlord survey 2018 <https://www.gov.uk/government/collections/english-private-landlord-survey>; Greater London Authority (2019) *The experience of children and families living in insecure private rented sector accommodation: forthcoming* <https://data.london.gov.uk/dataset/children-and-families-living-in-insecure-prs>; Transcript of GLA focus groups with private renters, April 2019

¹²⁵ Transcript of GLA focus groups with private renters, April 2019

¹²⁶ HMCLG (2019) *Overcoming the barriers to longer tenancies in the private rented sector: government response* https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/795448/Overcoming_the_Barriers_to_Longer_Tenancies_in_the_Private_Rented_Sector_-_government_response.pdf

checking, and supplying properties completely unfurnished, for instance without any kitchen appliances or white goods.¹²⁷

5.20 Increasing these barriers in London would disadvantage all prospective renters, both by making it harder and more expensive to secure a rental home, and because, as a corollary, mobility in the sector would likely decrease as renters are put off by the cost and difficulty of moving home. Those who are already vulnerable would be most disadvantaged as they will be less able to adapt to these higher barriers and there will be fewer properties available to them.

5.21 The London Model seeks to mitigate these negative impacts in several key ways. German renters enjoy almost unlimited security of tenure, with severely restricted possession grounds for landlords, especially when ending a tenancy would cause the tenant hardship. Tenants also have notice periods of up to nine months, as well as inheritance rights.¹²⁸

5.22 The Mayor is presenting a more flexible approach for both tenants and landlords than the German model. The London Model also sets out proposals to strengthen effective tenancy sustainment and dispute resolution services for both landlords and tenants, see paragraphs 4.15–4.26. The impacts on both access and mobility should be less dramatic as a result.

Protecting the supply of accommodation to support homeless households and those at risk of homelessness

Recommendation 13

The supply of accommodation to support homeless households and those at risk of homelessness should be protected by creating:

- i. a new mandatory possession ground that specifically covers temporary accommodation and other homelessness services; and
- ii. an exemption for ‘pathways to independent living’ type accommodation, as long it clearly meets set criteria.

¹²⁷ Evidence from IPPR (2017) *Lessons from Germany: tenant power in the rental market* <https://www.ippr.org/publications/lessons-from-germany-tenant-power-in-the-rental-market>; LSE (2016) *Understanding the role of private renting* http://londonhousing.org/wp-content/uploads/2016/10/Understanding-the-Role-of-Private-Renting_Web.pdf

¹²⁸ IPPR (2017) *Lessons from Germany: tenant power in the rental market* <https://www.ippr.org/files/publications/pdf/lessons-from-germany-jan17.pdf>

- 5.23 The Mayor is clear that reforms to increase security for most renters must not endanger the supply of accommodation for statutory and non-statutory homelessness services. Some of these types of accommodation currently use Section 21 notices and short-term tenancies as a property-management tool or a necessary guarantee to convince landlords to let their properties. In addition to impacting on landlords' willingness to let to more disadvantaged renters in general, the removal of Section 21 could threaten vital parts of the safety net that exists to help Londoners who are homeless, sleeping rough, or at risk of homelessness.
- 5.24 Recent research commissioned by the Government, and research from the London Assembly, has confirmed again that the overarching cause of London's growing homelessness problem is the chronic shortage of affordable homes, combined with changes to the welfare system.¹²⁹ The Mayor has been clear that building more council and social housing is an essential part of ending homelessness. However, even with national support this would take time to achieve, and the PRS reforms in the London Model have been developed on the basis they could be implemented without delay. The tenancy reform set out in the London Model must, therefore, avoid limiting access to the PRS for homeless people, including rough sleepers, and those at risk of homelessness, as well as those for whom it might be the most appropriate short-term housing solution, such as non-EU nationals.
- 5.25 At the end of December 2018, 56,880 households in London were living in temporary accommodation. This is a three per cent increase since the end of December 2017 (up from 55,160) and a 46 per cent increase from the end of 2009/10, when 39,030 households in London were in temporary accommodation. Temporary accommodation and some forms of move-on accommodation (such as Clearing House¹³⁰) rely on Section 21, either to guarantee landlords vacant possession whenever they may wish to take their properties back, or as a housing management tool in the absence of more effective 'tenant fault' grounds. Ending Section 21 without alternative arrangements being in place could create challenges for these services – for instance, landlords may no longer wish to offer their properties for use as temporary accommodation if they are not confident that they can regain possession if needed, or even if regaining possession would necessitate them going to court.

¹²⁹ MHCLG (2019) *Statutory Homelessness, October to December (Q4) 2018: England*
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/804329/Statutory_Homelessness_Statistical_Release_October_to_December__2018.pdf; London Assembly Housing Committee (2019) *Living in Limbo: London's temporary accommodation crisis*

https://www.london.gov.uk/sites/default/files/temporary_accommodation_report_-_living_in_limbo_-_final.pdf

¹³⁰ <https://www.mungos.org/our-services/clearing-house/>

- 5.26 As set out in sections on tenancy sustainment and dispute resolution (from paragraph 4.12), all renters and landlords should be able to access effective support to sustain tenancies. However, if these services fail it is vital that landlords can continue to be incentivised to engage with and offer their properties to the homelessness safety net, particularly until far greater social homebuilding has been agreed to and delivered by the Government.
- 5.27 The key challenge here is how to manage the tension between the Mayor’s firm belief that all renters should benefit from the same rights, and not creating a perverse incentive for landlords to move away from providing ‘mainstream’ PRS accommodation to low income or otherwise vulnerable renters.
- 5.28 This means it will be necessary to find a way to protect the supply of temporary accommodation in London, without incentivising landlords to move into providing more lucrative (and costlier to Boroughs) ‘nightly-paid’ accommodation. It will also be necessary to avoid creating incentives for landlords to move away from mainstream PRS altogether into less regulated, more profitable short term lets, such as Airbnb. We have set out elsewhere (see paragraph 3.67) the Mayor’s approach to regulating the latter.
- 5.29 The Mayor’s view is that the best option to protect the supply of temporary accommodation and other homelessness services in the London Model is to create:
- i. a new mandatory possession ground that specifically covers temporary accommodation and other homelessness services; and
 - ii. an exemption for ‘pathways to independent living’ type accommodation, as long it clearly meets these criteria:
 - accommodation needs to be owned, commissioned, procured or facilitated by a public body, social landlord (including housing association) or registered charity; and
 - accommodation must be a stage of a recognised pathway to independent living. This will need to be clearly defined, and safeguards put in place, to ensure that the exemption is not misused.
- 5.30 This would mean that ‘trusted’ providers of accommodation services could be granted possession whenever they felt it necessary for the overall benefit of the service, or where the tenant was deemed to no longer have a support need and can be supported to access mainstream PRS housing – for instance move-on accommodation. This could be modelled on

the discretionary ground in Scotland which covers situations where the tenant no longer needs the supported accommodation provided.¹³¹

- 5.31 There are some difficulties with this approach. First, it could create a perverse incentive for landlords to offer properties for TA rather than settled tenancies. Second, it could see criticism from landlords who may well be ‘unofficially’ housing similarly vulnerable tenants and feel they should also have access to such tools to aid day-to-day management. Third, there is a risk of creating a two-tier system, whereby some of the most vulnerable people living in the sector are accorded fewer individual rights than other renters, and therefore rely on their ‘trusted’ landlord acting in good faith at all times.
- 5.32 The GLA has worked closely with expert stakeholders to fully understand these tensions and we are confident that this is the best approach. One stakeholder described it as “an intelligent attempt to grasp the problem”. The Government’s forthcoming consultation on ending Section 21 will provide an opportunity to gather further evidence on this and to consider whether it might be appropriate, as our expert working group suggested, to offer incentives to landlords to continue providing mainstream PRS such as free legal advice, access to mediation, guaranteed void rate and a helpline for landlords.
- 5.33 Beyond the scope of the London Model, the Mayor is also acutely aware of the need for more effective regulation of the social housing sector, to ensure greater accountability for renters being housed or supported by Local Authorities and housing associations.

Sharers and students

- 5.34 Sharers and those living in non-purpose-built student accommodation often share to bring down costs of renting, but they can face some of the poorest conditions and worst exploitation in the rental market. It is also subject to a bewildering array of contractual arrangements, many of which are informal, but some of which also work well for tenants. It is important that the Model understands and regularises this type of renting, without endangering its supply. The Mayor’s view is that sharers and students should benefit from the same improvements in tenancy rights as all other renters, and that further research is needed to determine how open-ended tenancies should be applied to licensees, property guardians, houses in multiple occupation, and non-purpose-built student housing. This will provide much-needed insight into the contractual arrangements and issues that affect this market.

¹³¹ Scottish discretionary ground – tenant no longer needs support

Shared accommodation

- 5.35 Shared accommodation, or houses in multiple occupation (HMOs), have become an increasingly significant part of the PRS over the past decade. The leading house sharing website SpareRoom has seen the number of adverts rise five-fold in the past few years, from 140,000 in 2010 to 700,000 in 2016.¹³² This growth can be attributed to a range of factors, including overall increases in housing and living costs, and the extension of the Shared Accommodation Rate to under-35s.
- 5.36 Shared rental accommodation can be very informal, with verbal arrangements rather than tenancy agreements in place. However, most shared accommodation fits broadly into one of the following categories:
- individual rooms or ‘studios’, with or without shared facilities, where tenants have their own tenancy agreements and may not know one another. In this instance the landlord is usually responsible for dealing with council tax and utility payments, which are included in the rent; and
 - joint tenancy agreements with shared facilities where all tenants are named on the same tenancy agreement and the tenants are a self-formed group wanting to live together. In this instance, the tenants are ‘jointly and severally’ liable for all obligations performed under the tenancy (including paying for utilities), regardless of where individual culpability for any breach may lie.
- 5.37 In the latter scenario, often a ‘lead tenant’ is named in the tenancy agreement to be responsible for handling the joint deposit as well as utility bills. This can cause problems as the lead tenant may not act honourably in returning money owed to other tenants, but in addition may be disadvantaged by breaches of the tenancy agreement, such as the non-payment of bills by some tenants.
- 5.38 A further complexity is introduced via the growing prominence of ‘rent to rent’ arrangements, whereby a tenant, either with or without the knowledge of the landlord, rents an entire home and then sublets rooms to further tenants.

¹³² Heath, Davies, Edwards et al. (2007) *Shared Housing, Shared Lives: Everyday Experiences Across the Lifecourse* <https://www.routledge.com/Shared-Housing-Shared-Lives-Everyday-Experiences-Across-the-Lifecourse/Heath-Davies-Edwards-Scicluna/p/book/9781138673533>

- 5.39 Shared accommodation plays a significant role in London’s rental market, as well as its success as a city. Across the UK, 12 per cent of households in the PRS are sharers. However, in London, this figure is far higher, at 26 per cent.¹³³ This part of the market offers flexibility and, importantly, is a low-cost housing solution for a wide range of demographic groups. These include students, working professionals, newly-arrived migrants and a growing number of older people.¹³⁴
- 5.40 However, some of the worst property and management conditions, as well as outright criminality and exploitation, are found in Houses in Multiple Occupation (HMOs). As set out in the major 2018 University of York study, *The Evolving Private Rented Sector*, ‘overtly criminal letting’ and ‘slum rental’ is likely to be concentrated in HMOs.¹³⁵ The impact of such practices is often borne by the most vulnerable renters, who have the fewest options in terms of their housing choices. As set out in the introduction, the Mayor is tackling issues of poor management standards and property conditions in this type of rental accommodation elsewhere, via his policies on licensing and enforcement. It is also important to ensure that renters for whom sharing may not be appropriate, including families with children, have more suitable accommodation options, including London Living Rent homes and social housing.
- 5.41 The Mayor recognises the exploitation many shared housing tenants are experiencing and is clear that renters should not have to choose between a home that is affordable and one that is safe, good quality and appropriate to their needs. However, it is both possible and desirable to diversify housing options for renters, drive up standards in HMOs, and still protect the supply of valuable shared rental accommodation which is valued by many renters.
- 5.42 The move to open-ended tenancies could impact the sharers market in several ways, including by:
- making it more difficult to swap sharers in and out of a shared tenancy;
 - causing the tenancy to end for all persons named on the agreement, even where it may be clear who has committed the breach;
 - sharers being reluctant to sign up to a joint tenancy under the new regime for fear of being perpetually liable for breaches caused by other tenants;

¹³³ Knight Frank (2017) *Multihousing 2017: PRS Research*

<https://kfcontent.blob.core.windows.net/research/707/documents/en/the-uk-tenant-survey-2017-4743.pdf>

¹³⁴ Heath, Davies, Edwards et al. (2007) *Shared Housing, Shared Lives: Everyday Experiences Across the Lifecourse* <https://www.routledge.com/Shared-Housing-Shared-Lives-Everyday-Experiences-Across-the-Lifecourse/Heath-Davies-Edwards-Scicluna/p/book/9781138673533>

¹³⁵ Rugg J and Rhodes D (2018) *The evolving private rented sector: its contribution and potential* Centre for Housing Policy, University of York <http://www.nationwidefoundation.org.uk/wp-content/uploads/2018/09/Private-Rented-Sector-report.pdf>

- landlords insisting on greater reference and credit checks as well as guarantors for tenants, making even sharing arrangements inaccessible to those on the lowest incomes; and
- making management of inappropriate behaviour or serious breaches by some tenants harder to manage for landlords and managing agents, because of the removal of Section 21.

5.43 Of particular concern are issues around change of occupancy and tenancies ending for all tenants. Under the Scottish tenancy reforms, if one tenant has committed a breach, the courts must grant a possession order terminating the agreement for all tenants. The landlord is then free to issue a new agreement to the remaining tenants if they wish. As yet, there is little evidence from Scotland as to how this may impact on the shared accommodation market and potentially disrupt the lives of tenants.

5.44 The Scottish approach may not work for London, with its much higher proportion and number of sharers. One tenant leaving or being evicted from a tenancy should not necessarily automatically result in all tenants' agreements ending. Rather, it is imperative that landlords are able to deal with breaches caused by one tenant or one tenant needing to exit an agreement, on an individual basis. In addition, the Mayor recognises that it may not always be easy to prove which tenants are responsible for a breach in the agreement.

Non-purpose-built student housing

5.45 Non-purpose-built student housing is ordinary houses or flats which are being rented out to students and follow similar tenancy patterns to purpose-built student accommodation – sometimes with tenancies that mirror the university terms, or otherwise one-year ASTs. Some landlords specialise in providing this type of rental; others may have some student properties among a more diverse portfolio.

5.46 Many of the issues that apply to shared housing are germane to student housing of this type (see paragraphs 5.35-5.34 above). However, there is the additional concern that some landlords who specialise in this type of accommodation would no longer rent to students if students were entitled to open-ended tenancies. However, students are often victims of poor housing and other types of exploitation and may be less educated about their rights than other, more experienced renters. For example, research conducted in 2014 by the National Union of Students (NUS) found that more than three-quarters (76 per cent) of respondents had experienced at least one problem with the condition of their rented home, including

damp, mould, excess cold and infestations. Less than half felt they knew their rights as tenant, and students were more likely than other types of renters to have some or all of their deposit withheld at the end of a tenancy.¹³⁶ The Mayor is clear that students should benefit from the same improved rights as other renters under the terms of his London Model.

- 5.47 GLA discussions with the National Union of Students (NUS) and the University of London during the formulation of the London Model make clear that student representatives believe students living in shared housing should have access to open-ended tenancies. A wide range of other stakeholders the GLA met with whilst researching this report shared this view, including members of the London Assembly housing committee who were especially clear on this point. The NUS have also set out their concerns about current shared tenancies where students are joint and severally liable for things like utilities payments, arguing that they infringe students' consumer rights by making them responsible for the behaviour of other people.¹³⁷
- 5.48 Those stakeholders who expressed their support for the inclusion of the student HMOs in the London Model were also clear that the supply of student rental accommodation is extremely important to London's universities and student population. It is therefore important that the London Model should not make renting to students less attractive or more difficult for those landlords who currently do, or would consider doing, so.

Purpose-build student accommodation (PBSA)

- 5.49 As set out in paragraph 3.67(i), the Mayor's view is that purpose-built student accommodation, like other types of rented accommodation specifically designed for short and fixed-term letting, should be exempted from the London Model. This approach is supported by the NUS.¹³⁸ PBSA is specifically identified, and subject to specific planning policy requirements, in the draft new London Plan. Much PBSA is also independently accredited by the student housing body UNIPOL, again, in marked contrast to the wider PRS.
- 5.50 It may well be appropriate to revisit the regulation of this type of student housing separately. From the GLA's discussions with the NUS and University of London, the Mayor is aware of

¹³⁶ NUS (2014) *Homes fit for study, the state of student housing in the UK*

¹³⁷ NUS (2018) *Overcoming barriers to longer tenancies in the private rented sector, Consultation response from the National Union of Students*

¹³⁸ NUS (2018) *Overcoming barriers to longer tenancies in the private rented sector, Consultation response from the National Union of Students*

concerns about some practices in the PBSA industry, such as rent levels, the use of licenses, imposition of 51-week contracts, and enforcement of the UNIPOL codes. However, the London Model is designed as a reform of the wider PRS, and as such, it is not appropriate for the Model itself to suggest how PBSA and other forms of accommodation for which an exemption is proposed should be further regulated. This is an issue Government may wish to consider separately.

Next steps on shared housing

5.51 From discussions with the sector the Mayor is clear that those living in shared accommodation, who are often those living in greatest insecurity, must benefit from the increased security of tenure the London Model will provide. This includes students living in the PRS. He also believes that the solution that has been proposed in Scotland may not be workable for London's much larger and more diverse shared rental housing sector, not does it address the concerns many tenants have around joint and several liability. As a result, the Mayor is clear that further research into the different ways that shared housing is being let and managed is needed to crystallise exactly how this type of housing should be treated under the forthcoming reforms. It may be that a specific type of easy-to-use and understand 'sharer tenancy agreement' should be developed to clarify the rights and responsibilities of shared tenants of all types. The Mayor looks forward to exploring this possibility with Government as part of the promised consultation into their proposed tenancy reform.

Licences

5.52 Properties let on licence are not currently included within the London Model. Care is needed to ensure that all instances in which a licence might legitimately be used are identified, and to ensure that unscrupulous landlords are not encouraged to provide licenses where tenancy agreements would be more appropriate. Stakeholders at our roundtable events agreed that this is the right approach. It may be necessary to consider the possibility of some form of statutory intervention in this area. We believe that there is further work to do on this issue, defining when licences are and should be allowable and to prevent exploitation. This is outside the scope and timescales for the London Model work, but the GLA would welcome a further discussion with Government on this issue.

Build-to-rent

- 5.53 Many large housing associations and private institutional investors are developing portfolios of high-quality purpose-built rental housing, commonly known as ‘build-to-rent’. As set out in the London Housing Strategy, the Mayor is supportive of this industry. Build-to-rent can help to support the development of a new, high quality and longer-term option for private renters, as well as constituting additional supply beyond what would be delivered through a housing market largely reliant on build for sale-led developments.
- 5.54 The Mayor’s view is that these build-to-rent homes should be included in his London Model. The sector already leads the way in offering longer tenancies and a long-term approach to property management. The London Model supports and further enhances these conditions. Molior London report that build-to-rent accounted for 25 per cent of the housing starts they monitored in 2018, indicating this kind of development is becoming an established part of the housing market.¹³⁹ As such, it is important that this type of accommodation is included in proposals to reform renting as a tenure, in order to avoid the creation of a two-tier sector.
- 5.55 The developers and investors behind the development of these high-quality build-to-rent homes have an explicitly long-term investment approach, often spanning multiple decades. Indeed, such housing providers have been at the forefront of promoting longer-term tenancies for private renters, albeit fixed-term in most cases. As such, there is little in the Mayor’s London Model that should concern such housing providers, since the principle objective of the Model is to increase security and stability within the sector. As stated in paragraph 5.54 above, this type of landlord is much less likely to need to carry out a ‘no tenant fault’ eviction, except in the eventuality that they wish to sell or repurpose their portfolio, which is provided for under the Model.
- 5.56 At present the Mayor’s Supplementary Planning Guidance stipulates that build-to-rent providers must offer at least three-year tenancies to renters. During the development of the London Model the GLA has engaged with a range of stakeholders from the build-to-rent sector to understand whether there are any significant impediments to changing this approach to open-ended tenancies. Feedback from discussions with the sector, as well as some build-to-rent providers’ reactions since the Government’s own announcement on abolishing Section 21, suggests that abolishing no fault evictions and introducing longer notice periods could present

¹³⁹ Molior London database, 2019

some short-term challenges in terms of adapting property management strategies. Overall, however, these reforms should not hold particular fear for build-to-rent landlords, providing promises on court reform are upheld.¹⁴⁰

- 5.57 Some developers and landlords within the sector fed back to the GLA that the perception that managing portfolios could become more difficult under the London Model could put investors off and in turn affect the valuations and viability of schemes. It is clear therefore, that any changes to the tenancy regime will need to be clearly communicated and understood across the sector to mitigate any adverse impacts on investment in much-needed new supply.
- 5.58 As set out in 'Reforming Private Renting, the Mayor of London's blueprint'¹⁴¹, some parts of the build-to-rent sector have previously expressed concerns about the impact that rent controls could have, combined with greater security of tenure. During discussions with the sector about the development of the London Model, many providers echoed those same concerns and made clear that the impact of open-ended tenancies on build-to-rent developers and landlords would depend on how rent setting were to be governed in the future. However, others have indicated they would welcome the move to a more regulated market, similar to those in other countries, which provides more certainty and stability for investors.¹⁴² The Mayor is publishing his proposals for rent control alongside his London Model of improved security of tenure and looks forward to constructive discussions with the build-to-rent sector about developing their detail.

¹⁴⁰ Property Week (2019) *Cautious welcome for the government's rental plans*, Helen Gordon, CEO of Grainger PLC, 25th April 2019

¹⁴¹ Greater London Authority (2019) *Reforming Private Renting, the Mayor of London's blueprint* www.london.gov.uk/reforming-private-renting

¹⁴² "German rent control works for both landlords and tenants" Andrew Allen, Global Head of Real Estate Investment Research, Aberdeen Standard Investments Ltd, Financial Times March 13, 2019 <https://www.ft.com/content/efe1f74c-3c1d-11e9-9988-28303f70fcff>

Further research

Recommendation 14

Further research should be undertaken to determine:

- how shared tenancies currently function in the rental market;
- how best to ensure that sharers can benefit from open-ended tenancies, without reducing the supply of much-needed shared accommodation;
- how open-ended tenancies should apply to students; and
- how the current system of properties let on licence functions in practice, whether it is fit for purpose and how open-ended tenancies should apply in this context.

6 Next steps

- 6.1 The Mayor's intention is to continue the conversation with stakeholders from the Government, civil society, the lettings industry and, most of all, with renters about the reforms set out here and in 'Reforming Private Renting, The Mayor of London's Blueprint'.
- 6.2 The Mayor recognises and welcomes the fact that after more than a decade of piecemeal and insufficient action on renting, the Government has finally opened the door to the possibility of serious reform. Although campaigners from across the sector, including the Mayor, have pushed the Government to take these steps, ultimately only ministers can make these reforms a reality, both by devolving powers to the Mayor and through legislating themselves.
- 6.3 In the short term, the Mayor hopes to use the proposals laid out here to influence the content and outcome of the Government's promised consultation on security of tenure. In the longer term, he looks forward to his proposals being fully reflected in statute, offering renters a better future and transforming renting from a tenure of last resort into one fit for the 21st century.

Annex 1

List of stakeholders

Age UK	London Councils
British Property Federation	London Assembly Housing Committee
Centre for Ageing Better	National Landlords Association
Citizens Advice	Nationwide Building Society
Crisis	Nationwide Foundation
Generation Rent	National Union of Students
Heriot Watt University	University of London
HLPAs	Centre for Housing Policy, University of York
Institute for Social and Economic Research, University of Essex	University of Stirling
IPPR	Renters Rights London
Joseph Rowntree Foundation	Residential Landlords Association
Law Centres Network	Scottish Government
LSE London	Shelter
London Borough of Camden	St Mungo's
L&Q	Trust for London
London First	Which?

Annex 2

English and Welsh grounds for possession

In England and Wales, under Section 8 of the Housing Act 1988 (as amended) there are 17 different grounds (reasons) for eviction.¹⁴³

A ‘prior notice’ restriction applies to grounds 1 to 5. The landlord must have informed the tenant in writing, before the start of the tenancy, that she might wish to regain possession using that ground.

Mandatory grounds:

If the court agrees that the ground exists, the tenant must leave the property.

1. Landlord requires possession as he used to occupy the property as his main home or he now wishes to occupy the property as his main home.¹⁴⁴
2. The property is subject to a mortgage and the mortgagee is now entitled to exercise a power of sale.
3. The tenancy is a fixed term of not more than 8 months and the property was previously a holiday let.
4. The tenancy is for a fixed term of not more than 12 months and in the 12 months prior, the property must have been used for student accommodation.
5. The property is held for use by a minister of religion to perform the duties of her office, and is required for occupation by a minister of religion.
6. The property will be demolished, reconstructed or substantial works carried out and the landlord cannot reasonably carry out the works with the tenant in situ.¹⁴⁵
7. The tenant has died and the tenancy has been passed on by the will or intestacy (where there is no will) of the former tenant.

¹⁴³ Section 8 of the Housing (England and Wales) Act 1988 (as amended).

<https://www.legislation.gov.uk/ukpga/1988/50/section/8>

¹⁴⁴ This ground does not apply if the landlord purchased the property during the current tenancy.

¹⁴⁵ The landlord is liable to pay reasonable removal expenses. The ground cannot be used where a landlord has purchased the property during the current tenancy.

- a. Where any one of five conditions relating to antisocial behaviour are met, the court must award possession if the landlord has served a notice of seeking possession.
 - b. The Home Office has served notice on the landlord that one or more of the tenants in the property have no 'right to rent' because of their immigration status.
8. The tenant is in rent arrears at the time of the notice and court hearing, of at least:
- eight-weeks' rent is owed if paying weekly or fortnightly
 - two-months' rent is owed if paying monthly
 - three-months' rent is owed if paying quarterly, or
 - three-months' rent is owed if paying annually.

Discretionary grounds:

Even if the court agrees that the ground exists, it still has to decide whether it will issue an eviction order.

9. Landlord seeks possession because suitable alternative accommodation is available for the tenant upon possession.
 10. The tenant has rent arrears of less than the amounts specified in ground 10 (see above).
 11. The tenant has persistently delayed paying rent, whether or not the rent is currently in arrears.
 12. Any other breach of the tenancy agreement by the tenant, other than rent payments.
 13. Due to the conduct of the tenant the property or its communal parts has deteriorated.
 14. The tenant is causing a nuisance to people occupying or associated with the property; or the tenant is convicted of using the property for illegal or immoral purposes.
- a. The tenants are a couple and one of them has left the property due to threats of violence and they do not intend to return.¹⁴⁶
15. The landlord's furniture has been ill-treated or damaged by the tenant.
 16. The tenant was an employee of the landlord and has since left her employment.
 17. The tenancy was granted as a result of a false statement knowingly having been made by the tenant or someone acting on her behalf.

¹⁴⁶ This ground can only be used by landlords who are social landlords.

Scottish grounds for possession

In Scotland, under the Private Housing (Tenancies) (Scotland) Act 2016 there are 18 different grounds (reasons) for eviction.¹⁴⁷

Mandatory grounds:

If the tribunal agrees that the ground exists, the tenant must leave the property.

1. Landlord intends to sell the let property.
2. Let property to be sold by lender.
3. Landlord intends to refurbish the let property.
4. Landlord intends to live in let property.
5. Landlord intends to use the let property for non-residential purpose.
6. Let property required for religious worker.
7. Tenant has a relevant criminal conviction.
8. Tenant is no longer occupying the let property.

Discretionary grounds:

Even if the tribunal agrees that the ground exists, it still has to decide whether it will issue an eviction order.

9. Landlord's family member intends to live in the let property.
10. Tenant no longer needs supported accommodation.
11. Tenant has breached a term of the tenancy agreement.
12. The tenant has engaged in relevant antisocial behaviour.
13. Tenant has associated in the let property with someone who has a criminal conviction or is antisocial.
14. Landlord has had their registration refused or revoked.
15. Landlord's HMO licence has been revoked.
16. An overcrowding statutory notice has been served on the landlord.

¹⁴⁷ Scottish government (2017b) 'Private residential tenancy: information for landlords: Guidance for private sector landlords on the Private Housing (Tenancies) (Scotland) Act 2016'. <https://www.gov.scot/publications/private-residential-tenancies-landlordsguide/pages/grounds-for-eviction/>

Grounds which could be mandatory or discretionary:

The ground that applies will depend on the circumstances of the case.

17. Tenant is in rent arrears over three consecutive months.
18. Tenant has stopped being — or has failed to become — an employee.

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Chinese

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Hindi

यदि आप इस दस्तावेज की प्रति अपनी
भाषा में चाहते हैं, तो कृपया निम्नलिखित
नंबर पर फोन करें अथवा नीचे दिये गये
पते पर संपर्क करें

Vietnamese

Nếu bạn muốn có bản bản tài liệu
này bằng ngôn ngữ của mình, hãy
liên hệ theo số điện thoại hoặc địa
chỉ dưới đây.

Bengali

আপনি যদি আপনার ভাষায় এই দলিলের প্রতিলিপি
(কপি) চান, তা হলে নিচের ফোন নম্বরে
বা ঠিকানায় অনুগ্রহ করে যোগাযোগ করুন।

Greek

Αν θέλετε να αποκτήσετε αντίγραφο του παρόντος
εγγράφου στη δική σας γλώσσα, παρακαλείστε να
επικοινωνήσετε τηλεφωνικά στον αριθμό αυτό ή ταχυ-
δρομικά στην παρακάτω διεύθυνση.

Urdu

اگر آپ اس دستاویز کی نقل اپنی زبان میں
چاہتے ہیں، تو براہ کرم نیچے دئے گئے نمبر
پر فون کریں یا دیئے گئے پتے پر رابطہ کریں

Turkish

Bu belgenin kendi dilinizde
hazırlanmış bir nüshasını
edinmek için, lütfen aşağıdaki
telefon numarasını arayınız
veya adrese başvurunuz.

Arabic

إذا أردت نسخة من هذه الوثيقة بلغتك، يرجى
الاتصال برقم الهاتف أو مراسلة العنوان
أدناه

Punjabi

ਜੇ ਤੁਹਾਨੂੰ ਇਸ ਦਸਤਾਵੇਜ਼ ਦੀ ਕਾਪੀ ਤੁਹਾਡੀ ਆਪਣੀ ਭਾਸ਼ਾ
ਵਿਚ ਚਾਹੀਦੀ ਹੈ, ਤਾਂ ਹੇਠ ਲਿਖੇ ਨੰਬਰ 'ਤੇ ਫ਼ੋਨ ਕਰੋ ਜਾਂ ਹੇਠ
ਲਿਖੇ ਪਤੇ 'ਤੇ ਰਾਬਤਾ ਕਰੋ:

Gujarati

જો તમને આ દસ્તાવેજની નકલ તમારી ભાષામાં
જોઈતી હોય તો, કૃપા કરી આપેલ નંબર ઉપર
ફોન કરો અથવા નીચેના સરનામે સંપર્ક સાધો.

