Guide to The Renters (Reform) Bill

Information for you to use in Newsletters blog posts and Facebook posts to your landlords.

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If we can assist you with your compliance reviews or thinking about purchasing a property portfolio, business or even your exit plan at some point in the future contact Stanley Strategic Consultants.

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The Renters (Reform) Bill May 2023

The Renters Reform Bill was introduced to Parliament on Wednesday 17th May 2023. This delivers the Governments 2019 manifesto commitment to abolish S. 21 so called ‘No Fault evictions’. This has been long awaited after its announcement in 2019 and the first introduction of the White Paper ‘A fairer private rented sector’ introduced in June 2022.

**The first question everyone asks is ‘Is it law?’.**

The answer is no. Not yet!

It will take between 9 -12 months for the bill to become law and a further 6 months after that for implementation and there are many opportunities along the way for lobbying groups to express landlords’ views.

**Procedure of the Bill becoming Law:**

17th May 2023 = 1st ‘Reading’ in House of Commons – the publication of the Bill to Parliament.

2 weeks later and after a brief recess of Parliament there will be a 2nd ‘reading’.

A committee of 20 MP’s will then debate the details of the bill, call for evidence and consider amendments.

This Bill then goes into a ‘report stage’ for amendments in the whole House of commons.

The 3rd Reading is the final chance for the House of commons to debate the Bill.

The process is then referred to the House of Lords where it is reviewed under a similar process.

If any amendments are put forward here, they must be agreed by both Houses.

The Bill is then referred to King Charles for his royal assent.

**So, how is the Bill going to affect Landlords?**

What we know about the Bill so far:

**1. Periodic tenancies**

There will be no Assured shorthold tenancies with a fixed term.

All contracts will roll from month to month for 28 days only. There is a calculation to use where the rental term is beyond 28 days. There will be no set end date. You can request payment upfront for say 6 months but that can only happen on the first payment.

This will not apply to purpose-built student accommodation. The Government has today (23.05.2023) has decided to backtrack on assured tenancies for all student accommodation so that fixed terms will be permitted.

Tenants must give 2 month’s notice to vacate, such notice to end at the end of the months rental period. The notice does not have to be in any prescribed form and can be by text or email. The tenants notice can be withdrawn where both landlord and tenant agree.

At present a tenancy agreement does not have to be in writing, although it is always preferable. The Bill wants all agreements to be in a ‘written statement of terms of information’ to be provided by the landlord. It looks like the government will provide a sample format to use. Guidance is expected on this.

**2. S.21 Notice of possession**

In the popular press the s.21 Notice is always referred to as the ‘No Fault eviction’. We all know that landlords with great tenants don’t go around serving notices to quit just because they feel like it! There is always a reason why a landlord serves a s.21 notice on their tenant asking them to vacate. It will not force the tenant to leave as only a court order can order that. This is why its vital that professional agents are used to locate and interview the best tenants for your property from the beginning.

Generally speaking, a tenant will move out once a s.21 notice is served therefore not requiring any Court proceedings for eviction.

Under the Bill – s.21 will be abolished. In its place grounds for eviction both mandatory and discretionary will be bolstered under s.8 Housing Act 1988.

Ground 1 is improved so that the landlord or close relative doesn’t have to have lived in the property before renting to gain possession of the property and move in. No prior notice need be served in the tenancy agreement either. Notice under this ground can only be served after 6 months. More details and conditions are due to follow.

The landlord cannot let or advertise to let the property for the next 3 months. If the landlord does let inside the three months then the Local Authority may impose a financial penalty.

Ground 1A – Landlord wants to sell – cannot be used within the first 6 months and 2 months’ notice must be given.

Ground 7A Anti-social behaviour ground is already in place but this is bolstered by not just applying to the tenant but also a visitor, committing a criminal offence in the property or against the landlord or the agent. There must be a criminal conviction or breach of an injunction to use this ground.

A reduction from 4 weeks’ notice to immediate notice also increases the efficacy of this mandatory ground. The landlord can serve notice from day one!

Ground 8 Rent arrears – where there are 2 months’ rent arrears at the time of the possession hearing the LL will have to wait 4 weeks to apply to the court to evict the tenant thus giving the tenant longer to resolve any issues.

There has been an amendment in that ‘if the tenant is entitled to receive an amount for housing as part of an award of universal credit under 15 Part 1 of the Welfare Reform Act 2012, any amount that was unpaid only because the tenant had not yet received the payment of that award is to be ignored.’. This may well apply to other late payments of universal credit during the tenancy period.

Ground 8A will apply to the situation where the rent is paid ‘at the court door’ thereby bringing the rent arrears to below 2 months. Where there are 3 incidences of 2 months’ rent arrears within 3 years the Landlord can apply to gain possession.

**3. Property Database**

There will be a legal requirement for Landlords to register their rental properties – both currently rented and due to be rented, with the database. This is a precursor for the Property Portal. More detail on this will come with later legislation.

The database will ask for:

-current or prospective landlords details

-the property rented or to be rented details

-Landlords banning orders and financial penalty records

Landlords will have to pay a fee to register.

This will be accessed by Agents and Tenants who can prove their interest in the property.

Agents will have to have checked the database to confirm the property is registered prior to advertising and the landlord is compliant and that the property continues to be registered during their course of acting in relation to the property, otherwise there is a fine of £5000 per case, £30,000 fine for repeated offences.

**4. Tenants right to keep pets**

If a tenant places their request, in writing, to keep a pet at a rental property the landlord must not unreasonably refuse. The landlord will have 42 days to respond in writing, which can be extended for a further 7 days if both parties agree or evidence is required.

If agreed the Landlord can insist that the tenant takes out and maintains insurance relating to potential damage or pays the reasonable expense of the insurance the landlord takes out.

There is an exception in that where a superior landlord says no to pets e.g. in a block of flats, then it is ok for the immediate landlord to refuse pets. It is up to the tenants to inform the landlord when the pet is no longer in the property and therefore when the insurance can be stopped.

**5. Landlords to belongs to a redress scheme**

Landlords will have to register with a Housing Ombudsman regardless of whether they use an Agent or not. This mandatory registration will incur a fee. Local authorities will be responsible for policing.

Tenants will be able to bring a complaint against a landlord via the Ombudsman.

Tenants can use the service free of charge.

In order to keep the overstretched Courts free to deal with the influx of claims for possession the Ombudsman will deal with Tenants claims regarding landlords’ behaviour, standard of the property, repairs or lack thereof.

Landlords will not be able to take action against their tenants via the Ombudsman. The courts will deal with the more taxing issues of the day such as rent arrears and anti-social behaviour etc.

Sanctions available to the Ombudsman are for the landlord to:

-Apologise

- provide information

-undertake remedial repairs

-Pay Tenant up to £25,000 in compensation.

 Financial penalties for not joining the Ombudsman are £5000 civil penalty, £30,000 fine, criminal prosecutions, banning order.

If the landlord has a complaint against the tenant – they need to use mediation to try to resolve it.

**6. Rent increases**

Landlords will be able to increase the rent once annually to the current market rent.

2 months’ notice of the intended increased must be given to the tenant – thus extended from the one month’s notice currently.

Tenants can challenge a rental increase above market rent with the first-tier tribunal.

A S.13 notice will need to be served on the tenant for the rental increase even where both parties agree a lower amount.

Any current rent increase provision in a tenancy agreement will have no effect.

The rent increase will take effect from the date stated in the notice or the date of determination by the first-tier tribunal if they feel there would be some hardship on the part of the tenant.

**The Act will apply:**

To any new tenancies that begin on or after the commencement date, the Act will be in effect.

To tenancies already in place, "on or after the extended application date," which is when the current fixed term expires or a later date to be specified in regulations.

However, the tenancy will remain an AST until the proceedings are either over or become time-barred if an existing section 21 notice was served before the "extended application date."

On the basis of a tenancy agreement clause, rent increases made prior to the "extended application date" are still valid.

Existing tenancies that began before the "extended application date" will not be subject to conduct that could result in a financial fine or an offence under new 16E (such as renting for a fixed term, serving NTQ, or renting out a property after obtaining possession on grounds 1A and 1B).

Existing tenancies that were assured rather than assured shorthold tenancies prior to the "extended application date" are exempt from the tenancy deposit provisions.

We hope you find this useful. We have also provided a pdf infographic for your landlords ‘5 Reasons Landlords should not to be concerned about the Renters (Reform) Bill’ for your use.