

## HOW WILL YOU BE AFFECTED BY THE BIGGEST SHAKEUP FOR MANY YEARS?

The Government has been promising a shakeup of the Private Rented Sector for some while, and they finally published a White Paper 'A Fairer Private Rented Sector'. It has 12 main points, but has other points buried in the actual paper.



You can see the White Paper on our web site [iHowz.uk](https://iHowz.uk); look at the top menu and click on Campaigns, you will see various campaigns, it is the second one. You can also see our response there to the Government.

The main matters that it is proposing are (in no particular order):

- Abolishing the Section 21 notice.

We have been running a separate campaign on this warning of the potential consequences of this action. We are concerned that landlords who might have been willing to offer accommodation to potential tenants but don't have a perfect history, because the landlord has had the safety cushion of the Section 21, might not be willing to offer in the future.

We suspect that only the potential tenants who have impeccable references, and an unblemished past will be offered tenancies.

We are concerned of a potential impact will be an increase in homelessness. In our campaign, we have 2 suggestions to allow the Section 21 to remain

1. a sliding scale of notice depending on length of tenancy
  2. a rent-free period for longer tenancies
- An overhaul of the court system, and of the Section 8 process. Both are long overdue, but we wait to see any details on this.
  - Abolishing Fixed Term Tenancies and only allowing Periodic Tenancies. Additionally, 12 months after this is brought in all existing tenancies will be converted to Periodic. This will mean the end of the AST, and all tenancies will become Assured Tenancies.
  - Tenants will be able to give 2 months' notice, at any time.

- Student landlords will not be given any special dispensation unless they are deemed to be Purpose Build Student Accommodation (PBSA).
- All rental properties will have to follow the Decent Homes Standard (the Standard). This is a standard that has been around for some years but has only applied to social housing up to now. Currently, it is very vague with terms such as a property must be *'in a reasonable state of repair'* and have *'reasonably modern facilities and services'* it is obvious that a review is long overdue.

Some two months after the publication of the White Paper, the Government also published a 6 week consultation on the Standard, which questions when they will bring in the requirement to follow a revised Standard.

Note that there is no talk about the Standard replacing the housing health and safety rating system (HHSRS) - a risk-based evaluation tool to help local authorities identify and protect against potential risks and hazards to health and safety from any deficiencies identified in dwellings. However, there is a longstanding review into HHSRS, which is still to report.

- There will be a Property Ombudsman, which all landlords must join. This appears to be like the current Property Redress Scheme that all agents must join, so we question why a different version might be required for landlords.

Presumably (but not stated), any landlord not being able to show membership of this scheme won't be allowed to take court action – we wait to see.

- There will also be a Rental Portal. We assume (but don't know) that this will be hosted under the current Gov.UK website.

It is intended that this will be the authoritative site for any rental question for tenant, landlord and agent.

It has been stated that the Rogue Landlords Database will be made public and be part of this portal – which will show

that the database has 177 entries, but the content is bloated by including agents expelled from the Property Ombudsman's redress scheme. Many of the listed offenders are included more than once.

- Landlords will not be able to have rent review clauses in the tenancy agreement and will be limited to at least a 12-month gap between reviews. We assume (again, don't know) that all future rent reviews will have to be carried out by use of the existing Section 13 notice.

Any review could be challenged via the Tribunal - this is currently the situation with a Section 13 notice.

- Landlords will not be able to have a blanket ban on families; benefit tenants; pets. Pets is especially mentioned, with the suggestion that the Tenants Fee ban be amended to allow tenants to be charged for pet insurance – it is likely that this will be impossible as currently, it is not possible to insure someone else's property – the landlord could not therefore force the tenant to take out an appropriate insurance.

This is not as bad as it seems, as the Consumer Rights Act 2015 already covers this, saying (more or less) that all contract terms for consumers must be fair and reasonable. A blanket ban will be unreasonable in many cases.

- There is also a commitment to work with Councils so they can enforce these new rules.

We have commented that Councils don't want more legislation, but more resources to enforce the abundance of legislation already on the statute books.

- It is intended to allow 'portable deposits'. This was something mooted a while ago but appeared to have been kicked into the long grass as being impractical. It has been mentioned again, but with no indication how it will work.

The White Paper makes no attempt to cover affordable housing, or social housing.

## WHAT A WEEK FOR EVERYBODY

As this edition of the Newsletter is being produced, it is the very week in which two major happenings have occurred.

Firstly, the resignation of Boris Johnson and the election of Liz Truss, who was appointed as our new Prime Minister on Tuesday 6<sup>th</sup> September and who, it is said, will be the next Margaret Thatcher. We wish her success at a most challenging time.

On Thursday 8<sup>th</sup> September we heard the most sad news that Queen Elizabeth II had passed away. Our Association, officers and members, and no doubt our tenants are very grateful for Her Majesty's loyal service to her subjects and wish King Charles III success in the same way his mother continually brought the country and commonwealth together.

With the election of Liz Truss as our new Prime Minister, it has been said that she will be another Margaret Thatcher, cutting away red tape and ensuring businesses can succeed. With that in mind, one is drawn to the way in which Margaret Thatcher liberated private landlords and gave them the opportunity to operate their businesses in a sensible manner.

In the 2018 Government, led by Theresa May, many, if not all, the excellent results achieved by Margaret Thatcher in respect of the private rented sector are now being challenged and it seems could well return to sector being controlled by tribunals and not by the landlords themselves. Hopefully, with the new appointments, we may see a reversal of some of the more unsatisfactory envisaged changes. But we will wait and see, as little mention has been made throughout the campaigning about homelessness and the shortage of accommodation for rent.

## NEW PRIME MINISTER, NEW MINISTERS: ALL CHANGE

Housing is still within The Department for Levelling Up, Housing and Communities (DLUHC) and Simon Clarke is the new Secretary of State.

Paul Scully is the Minister of State. There then four Parliamentary Under Secretaries of State in which Lee Rowley, MP has been given responsibility for housing strategy, Leasehold and freehold. While Andrew Stephenson, MP has responsibility for the Private Rented sector, Social Housing and the homelessness and rough sleeping.

Simon Clarke worked as a solicitor before becoming an MP, and spent time at the Treasury. From profiles on gov.uk none of the 6 senior people have listed any experience of housing.

All in all, where does this leave us with the Governments view on the PRS?

We are aware that the Deputy Prime Minister, Thérèse Coffey, is also pro tenant, so we will have to wait and see.

Rest assured that iHowz will continue to push for a fairer PRS, not just fairer for tenants, but tenants and landlord alike.

## LEVELLING UP - A MEETING WITH MINISTERS

Your Association representatives have been invited to a meeting with Ministers from the Levelling Up department, to discuss matters that concern our members.

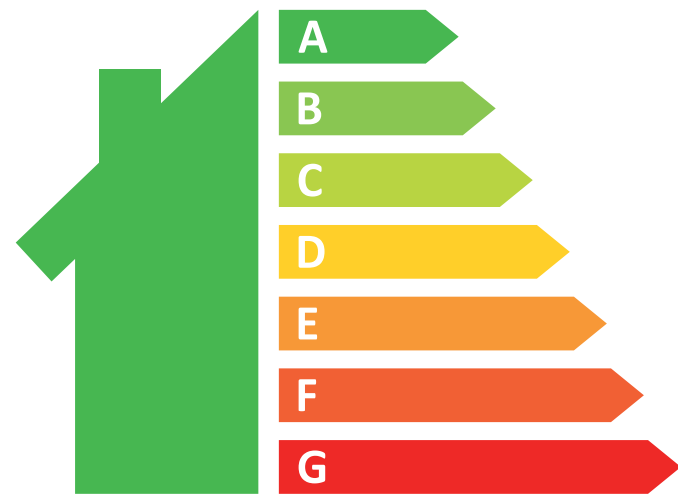
The first priority for the meeting is the proposed abolition of Section 21 and the effect that such action, if taken, will have on the private rented sector.

Another item of concern is the proposal to exclude private landlords letting to students, offering fixed term tenancies

whereas landlords of purpose built student accommodation sector will be allowed to do so. Once again, this demonstrates the current attitude of Government towards private landlords and discriminating between them and purpose built student landlord accommodation when the purpose of granting fixed term tenancies remain exactly the same.

(Mike Stimpson comments - the above proposals clearly demonstrate how Government is acting against private landlords' interests without any concern for the consequences of its actions. Members need to note what is happening and if effected contact their MPs, in order to bring such unfair proposed regulation to their attention).

## MINIMUM ENERGY EFFICIENCY STANDARD (MEES)



Just to try to clear up some misunderstanding regarding MEES. Currently (September 2022) any rental property having an EPC rating of 'F' or 'G' cannot be let out unless it has an exemption. There are 7 reasons for claiming an exemption:

1. it will cost more than £3,500 to improve the property (the cap)
2. it will take longer than 7 years to payback any improvements – new windows typically fall into this
3. there are no more improvements to be made, i.e., the actual EPC rating, and the potential rating are the same

4. any wall insulation required is inappropriate
5. it is not possible to get consent to make the improvements. This might be the tenant or freeholder withholding consent
6. any improvements will devalue the property
7. the 'New Landlord' rule. Someone has just become a landlord of a property but doesn't intend to remain as a landlord – for whatever reason.

Many landlords are under the impression that these rules are to change in 2025.

It was the original intention of the Government to make the EPC rating a minimum of a 'C' rating, and that the cap would be raised to £10,000, but they are 'still considering this matter'.

At the time of writing this has not been made law. It is rumoured (for what's worth) that the date will be pushed back to 2028 and the minimum rating will be 'D' – but we must stress that it is a rumour.

Normally, we would be encouraging landlords to make their properties as energy efficient as possible, i.e., to get the best EPC rating, but the mechanism for assessing the EPC is also being considered. In our view the Government should be revising the EPC methodology, before amending MEES.

## NEW RULE REGARDING CO ALARMS

Hopefully, you are all aware that the rules regarding Carbon Monoxide alarms is changing.

From October 1<sup>st</sup> both social and private landlords will be required to provide carbon monoxide alarms in any room of their properties used wholly or partly as living accommodation where a fixed combustion appliance is present (excluding gas cookers). There will be a new obligation on all landlords to repair or replace any alarm which is found

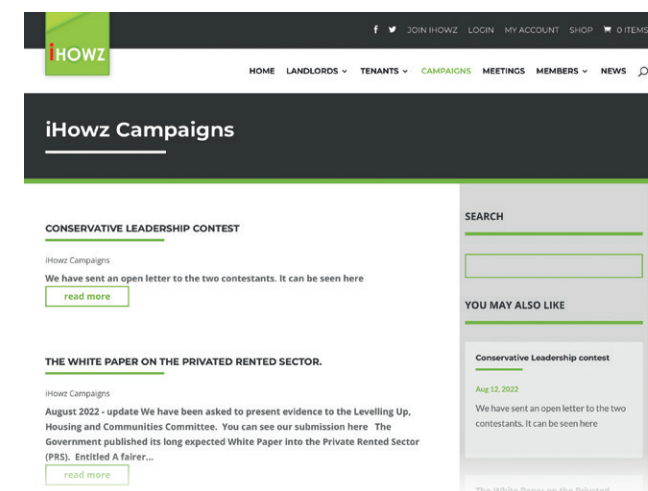
to be faulty during the period of a tenancy, and landlords will be required to repair or replace alarms as soon as reasonably practicable.

The previous rule was that a CO alarm had to be only fitted where there was solid fuel heating (open fire, wood burning stove, etc).

If you haven't done already, make sure you get them fitted where you have a gas appliance – except gas cookers (no I don't know why ether!)

## CAMPAIGNS

Hopefully, all members are aware of the campaigns section on the website (iHowz.uk).



We encourage all members to take a look, and to write to their MP's if there is something that resonates with you.

Already, many MP's have been contacted regarding the potential outcome of abolishing the Section 21, and about our views on the White Paper 'A Fairer Private Rented Sector'.

## DECENT HOME STANDARD

The Standard was introduced in 2002 specifically for social housing with general terms that it must:

- meet the current statutory minimum standard for housing

- be in a reasonable state of repair
- have reasonably modern facilities and services
- provide a reasonable degree of thermal comfort

Whilst it was updated in 2006 to take account of the new housing health and safety rating system (HHSRS) it still very vague and in need of updating.

To this end the Government have launched a consultation on a revised standard, and we encourage all members to participate – go to [www.gov.uk](http://www.gov.uk) and put '*consultation decent home standard*' in the search box to find it.

## STUDENT LANDLORDS

Are you a student landlord? You will be badly affected by the proposals in the White Paper 'A Fairer Private Rented Sector'.

In the paper it is proposed that all new tenancies will be periodic only, and that the tenant can give two months' notice at any time, and that there won't be any dispensation for student landlords, unless they own Purpose Build Student Accommodation (PBSA). This exemption for PBSA's is on the assumption the accommodation can only be used for students.

But this is at odds with the reasoning for treating student landlords the same as all other landlords. It is reckoned that students might decide to stay in an area after finishing further education and it is 'unfair' to force them to leave.

Social media has been awash with the potential problems with this, in summary:

- landlords might have long void periods.  
A student might realise they need to leave and can give notice at any time. It is frequently difficult to fill a place once the term has started
- currently, tenancies are joint and several for all the students for the duration agreed – typically 48 weeks.



If one wishes to leave it is incumbent on the remaining students to work with the landlord to find a replacement acceptable to all.

Under the current rules, if one tenant in a joint and several liability tenancy gives notice, it ends the tenancy for all. If this happens, the landlord will have the right to re-let to a new group, or family, thus introducing unnecessary stress on the tenants.

- if any, or all of the student tenants decide not to vacate at the end on the term, it will block the property for the incoming tenants.

It is unlikely this will happen, but without the Section 21 notice, it will not be possible to get them to leave.

Whilst the landlord can cover this by offering a new tenancy 'subject to contract' it will give more uncertainty and stress to the incoming tenants.

The general feeling is that Student lets are not the same model as family lets, and should be treated as such.

## RENT INCREASES/ RENT CONTROL

In view of current inflation, the Scottish Government has used a moratorium not allowing rent increases until March 2023 and also rent controls are being imposed.

Obviously, none of this has to date been proposed for England but once permanent tenancies are introduced, rent control could well be an option in the future.

A comparison with increasing energy costs is that Government is placing a cap on the maximum the companies can charge to consumers for their energy. Members will realise, although there is a cap on what energy companies will be able to charge, the energy companies themselves will be able to claim the difference between the cap and their actual costs from Government and in time Government will reclaim the money passed to

the energy companies from future consumers, over what could be a 5/10/15 year period.

On the other hand, if Government imposed a moratorium on rent increases, and possibly rent control, landlords would not be able to reclaim from Government their costs. Which of course is a complete contrast to the energy companies, who will operate as normal and get all their costs either from the consumer/ Government. This again is an example of how Government treat private landlords.

## BUILD TO RENT

Over the last couple of years there has been a massive increase in the number of build to rent projects being built, mainly with finance from insurance companies. Most of these properties will be let at rents unaffordable to many tenants and, although there is a need for good quality expensive accommodation, it will not have much impact on homelessness. However, Government supports such schemes and they no doubt have a useful purpose in giving choice to the affluent members of public who choose to rent rather than purchase.



## ANTISOCIAL BEHAVIOUR - WHO IS RESPONSIBLE?

One hears of many cases of antisocial behaviour where the Police in particular take no action and are reluctant to attend the incident. In the same way, local authorities are being inundated with complaints about antisocial behaviour and do their best, it

seems, to pass them on to the landlord, without effectively dealing with the problem.

As a landlord, it is obviously important to deal with complaints of antisocial behaviour but then, what can a landlord do? They can write to the tenant, informing him/her of what is alleged to have happened (hopefully without naming the person reporting the antisocial behaviour). The landlord could also visit the tenant and speak to them, as to their conduct in the future. The landlord could, of course, bring a prosecution provided the landlord can be assured that tenants concerned will be prepared to give statements and attend Court, which in most cases is extremely unlikely.

It follows therefore that if the Police attend, or the local authority, statements can then be obtained which may well assist in bringing a prosecution.

Complaining tenants/neighbours should be informed that when antisocial behaviour occurs, they should call the Police or the local authority, as they are the organisations designated to deal with such behaviour.

## PLANNING PERMISSION

In her many speeches in the election campaign, Liz Truss made clear she wanted more buildings to be erected on sites that had otherwise been used in that way. She said that she was against increasing development on green land but then commented any proposed development on previously used land would be in full cooperation with the local population's views. In other words, what she was saying is, very few planning applications will go forward in view of such a statement.

## COMMERCIAL EPCS

Government has set out that the minimum EPC on a commercial property be 'E' currently and significant fines can be levied where a property is let and does not meet this minimum standard, which will gradually be increased to 'D'. Many commercial properties,

i.e. workshops, car repair garages, etc, work with doors wide open, both in summer and winter, and would never meet the minimum standard required without major expenditure. These workshops are normally cheap to rent and form an essential part of the economy. If they will not be able to be retained then loss of good industrial accommodation will occur. Again, Government expects landlords to let at reasonable prices in order that the tenants can in the same way charge reasonable rates for their services.

## COUNCIL TAX REBATES

Government issued a statement to the effect that any residential property with a Council Tax between Band A and D would receive a rebate of £150.00. It appears that many Council Tax payers, unless paying by direct debit on a monthly basis, have not received a rebate, unless they have contacted the local authority or the local authority has contacted them, asking a number of questions including copies of a bank statement, relating to the property in which the Council Tax refund is being claimed.

It is not understood why such a requirement is made and questions are now being asked of local authorities for copies of the regulations under which these rebates are payable.





## MIKE STIMPSON'S COLUMN

I write this column with the mindset of 'out with the old and in with the new' in the case of the passing away of Queen Elizabeth II and the succession to the throne of King Charles III. I sincerely hope that the monarchy continues in the same vein of Queen Elizabeth.

In the case of the loss of Boris Johnson as Prime Minister and the appointment of Liz Truss, I am more concerned about the future of this country. Borrowing massive sums of money without any logical programme for repayment is, in my view, unacceptable. Liz Truss has played with populist ideas during her campaign and no doubt won the election as a result. Personally, I can survive the additional energy costs as can many other people who have good income. What I do see, as a landlord, and have seen over a significant number of years is that it is all too easy to survive on benefits and not undertake work, other than that which is provided cash in hand. There are people who will be significantly affected by the high energy costs, but giving relief to every energy user, in my opinion, is not the way forward. Although it may assist in the next election.

Liz Truss has said that she will be a Margaret Thatcher. As mentioned elsewhere in this Newsletter, if that be the case, she had better start looking at the way private landlords are being treated by this Government with the removal of all the good things that Margaret Thatcher did to make the private rented sector the flourishing business that it is today.

One thing that I, as a landlord, have noticed is that when a tenant, any tenant, gets over 8 weeks in arrears, notification online to the Department of Work and Pensions (DWP) seems to be dealt with on a, sort of, 24/48 hour turnaround and if the tenant concerned is on benefits that department will revert those payments to the landlord very quickly indeed. Unfortunately, this is

the only good bit of news I can convey to members so far as I am concerned.

Brighton & Hove City Council are concerned with the amount of graffiti in the city. Most tags around are limited to the same tagger and nothing seems to get done to find out who these people are. Again, local policing is non-existent. What is even more concerning is that Brighton & Hove City Council are issuing notices to the landlords/tenants of the properties that get tagged, giving them a timescale to clear it or face fines for not doing so. This is typical of what is happening here. The victim gets the blame and the perpetrator walks away free and that would probably apply even if caught. We need to see the council being more active and the Police being active at all.

Finally, I would like to say, those landlords letting properties to students at reasonable rents will continue to do so, as many tenants are quite simply refusing to pay the astronomical costs of living in purpose built student accommodation. There must be a lesson for Government in this situation.

A good piece of news, for the first time in many years, every residential property I have to let is let and, although not all of the tenants are paying their rent, this is the first time I have had 100% occupancy and in this respect I believe that some tenants will find it difficult to manage in the forthcoming months and members should keep a keen eye on any tenant not paying their full rent, and make sure they issue Section 21 or, more importantly, Section 8 Notices, as appropriate, to ensure tenants simply cannot get away with not paying their rent.

I wish you a good, but unfortunately challenging, few months.

*Mike Stimpson*

## AROUND THE BRANCHES - BRIGHTON

In my little world as a student landlord in Brighton, it has been a mixed year. We are in a much better place now than we were in January, when I started to advertise my houses for the coming year. The good news is that I have been able to fill all my houses, but it has been hard work. On every single property students have said yes, paid a holding deposit and then someone has backed out. My view is that many students have been badly mentally affected by lockdowns. They have been badly treated in many cases going to a University to be locked down in student halls, then the next year moving to a private landlord and being locked out of actually stepping foot on the campus. In all cases I returned the holding deposit to the person dropping out.

New student blocks continue to spring up everywhere in Brighton but with rents typically starting at £235 a week (bills included) they are certainly not cheap.



The handovers between students leaving and the new ones arriving have gone smoothly. There are great benefits to having a detailed professional inventory done at the start and end of tenancy. The tenant's knows where they stand, what is expected and it shows to the tenant a clear process and that you are a professional. I returned the deposits in full on all but one house. I employ a professional cleaning company on each house and if the cleaning bill is reasonable I pay it and if it is not I send it to the tenants. You can set your own level of reasonable but I set it at £150. Yes, I know I am too soft and therefore not as rich as the rest of you!



## TREATING YOUR TENANTS WITH RESPECT

As landlords we must not lose sight of the fact that although we are running a business and we are all here to make money we are dealing with our tenant's lives, their homes, their hopes, dreams and fears. We must work with understanding and compassion. I frequently talk to both landlords, letting agents and tenants alike. The biggest issue is a lack of communication between all parties. If you are a landlord it might be perfectly legally acceptable to give your long standing tenant a section 21 notice to leave within two months. But it is morally right?

All too often landlords do this without talking to the tenants first. As landlords you need to have some level of empathy towards your tenants, to expect a family to move within two months in the current market is harsh, it is frequently just impossible for a tenant to secure another suitable property and move. As landlords you need to talk to your tenants right from the start. Now if you are the sort of person who is uncomfortable having that type of interaction then you need to recognize that and employ a letting agent or person that can.

I deal also with tenant issues, and one of the biggest issues is finger pointing

between the landlord and their letting / estate agent. As a landlord you need to be 100% clear as to who is doing what. What have you employed your letting agent to do, a tenant finding service through to full management, or somewhere in between? Who is responsible for the Gas check, the electric check registering the HMO with the council etc., who does the tenant phone when something goes wrong? I have dealt with two tenant issues recently where the property the tenant moved into was disgusting. There was finger pointing between the landlord and the agent. Now as the landlord YOU are responsible, you can employ someone like a managing agent, but let's be clear that the buck stops with you. You are the person who will be in the dock if something goes seriously wrong. You need to be very clear who is doing what.

Deposits protection. The law around the protecting of tenants deposits came in 16 years ago (April 2006) yet we still get members of this association and the landlord public phoning this association to say they are being taken to court for not protecting the deposit. Forget to protect the deposit within 30 days and it will cost you three times the deposit.

I summary landlords have made a good return on their investment, you need to ensure that you or the person your employee, are giving your business the time it needs to thrive.

having only rented flats in central London to professional and overseas students. No-one told me I should have pre-marketed in January before we started the works. Still, we were ready for marketing to those slightly less organised, who were looking in early September as we gently reminded the builders that they needed to get through the snagging list and finish decorating, so that we could get the place cleaned and furnished.

### Here Come Our Students

Prospective tenants came, gave positive reviews of the place and after a couple of

false starts, we ended up filling the rooms on individual tenancies. I know some landlords prefer groups as it gives joint liability for the rent, but my view is that whilst most groups will probably not present too much of a challenge, there is more risk of the herd potential and as they are all friends will be more inclined to socialise more – whether in the flat or elsewhere.

Our initial tenants were all female with two at the Rochester university of Arts and one studying forensics (her skills weren't required – even at check-out). Unfortunately, the forth tenant, who had taken the lounge, AS IT WAS THE largest room, decided in the autumn term that as her study plans had changed, her contract was equally flexible. A quick call to her mother helped remind her of her legal responsibilities, although we did find a replacement for the new year.

The end of their tenancies the only excitement was getting the split of the utilities settled and discovering that they had failed to get their council tax exemption approved.

### The Professionals Move In

We advertised the rooms and although the advert was aimed at students, most of the applicants were young professionals. For the next two years, we had a mixture of working tenants, which included a gym instructor, a cleaning supervisor working on the trains (yes, she was clean and kept the others organised) through to site engineers and an insurance surveyor.

With one small exception, they were easy tenants, used to paying on time and understood the need for clear timely communication – even sending me pictures of the wasps who decided to live rent free for a few weeks by the utility room. The small exception – one tenant, turned out to have a gambling addiction, and went silent. He left soon after and paid his arrears off over a couple of months.

### Who Managed The Property?

Clearly Chatham is not just around the corner for someone who lives in central London, but Victoria station is, so we had the option of

driving or taking the train to do viewings or planned works and inspections. Over this time we had been looking at a couple of potential development projects, and had got to know a couple of local agents, who were happy to recommend their contractors – including a pest control guy for our wasps

### What Next?

During this time most of our central London properties had been migrated from ASTs to serviced holiday lets (Airbnb, mostly). We had contemplated applying the same model on the Chatham flat. Well, we ended up with two rooms coming empty and the third gave notice, so with one tenant on a periodic tenancy in the cheapest room, we told her our plans and she agreed to find somewhere else (she was already looking).

Clearly, we were not going to apply our central London model, with guests met on arrival for key handover. We found a local cleaning firm and arranged for a laundry company to collect the dirty linen and towels when they dropped of the clean replacements. A pair of key boxes at the rear of the property allowed us to send guests the code to access the keys. We listed the property both by the room and for the whole property.

This worked well, although profitability was little more than running the property as an HMO, then came Covid. This led to a very interesting period where sometimes voids extended for a month, or we only sold one room. At other times, we hosted teams of contractors with excellent rates. Over this period, we were forced to adjust the model, setting stays to a minimum of 5 nights, to allow us to do the cleaning once a week as rates were not reliable enough to keep on the contract staff.

### What Now?

We spent big to produce a forever property. Sometimes life doesn't follow your game plan and this year we sold the property as we decided that there was not much capital growth left in the current cycle and we needed to raise funds for the long outstanding lease extensions on some of our London properties.

## JOB DONE – NOW FOR THE INCOME

by Rodney Townson

Here is the second instalment on our rental. Last time I explained why we chose the property (arguably it chose us via a fellow landlord's recommendation). I also gave a breakdown of the works we carried out to reconfigure the flat ready for renting.

With a nice new flat near the universities in Chatham, our target market was for students. I knew nothing about this part of the market,

## SURVEY OF MEMBERS – SUMMARY OF RESULTS

We conducted a survey of members in August, and got some useful, fascinating answers, and we present a summary here.

### Rents

60% of landlords had not put rents up in the last 12 months, and those who did varied from 1 to 20%, with the average around 5%.

The majority (8%) did not include bills with their rents, and those that did don't itemise the bills, but just charge a total amount.

Of those intending to raise rents, these were due to

Energy price rises	EPC improvements	Mortgage rate rise/ Income tax (Section 24)
23%	51%	34%

The majority (60%) of landlords had experienced no, or small problems with arrears (since cleared). 24% still had outstanding arrears, and 11% had major problems.

Of those experiencing problems, the majority (66%) contacted their tenants to discuss; 11% signposted the tenants to external advice, and 15% advised the benefits office. 20% served a Section 21, 17% a Section 8 but only 3% served a money order.

26% allowed a rent holiday and 14% reduced the rent to assist their tenants.

No-one contacted the guarantor.

Only 25% took out rent guarantee insurance.

### Lets

The types of lets were:

Houses	Flats	HMO only	No HMO	Mix of HMO & non HMO	Holiday let	AirBnB	A bit of everything
49%	60%	17%	12%	23%	4%	6%	4.6%

Letting to:

Students	Professional (e.g. NHS staff)	Benefits / Universal Credit	Families	Single working	Other
49%	60%	17%	12%	23%	4%

Others were retired people and temporary accommodation.

### Cost of Living

75% of landlords had not been contacted by their tenants with cost-of-living problems. Of those that had been contacted, most had been contacted by 15/20% of their tenants stating they were worried about:

General affordability	Rent	Utility bills	Lost job/ reduced hours	Other
43%	36%	43%	29%	22%

In a general question on what landlords would like the Government to do to help with the cost-of-living crisis, many wanted cost caps (in one form or another); some wanted direct payments to landlords; and there was a call for less Government intervention.

### Energy

75% had already carried out energy improvements on their properties:

Made all lighting LED	Boiler/ heating renewal	Heating controls	Draught proofing/ loft insulation	New doors/ window	Wall insulation	Mechanical heat recovery	Other
54%	38%	38%	46%	54%	22%	5%	19%

Solar fitted

Only 5% had tried to access Local Authority funding (LADS funding)

### Training/Accreditation

A small majority (58%) thought landlords managing their own properties should be accredited, with 30% saying they shouldn't.

Opinion was split over accreditation for passive landlords (not managing their own properties – 45% yes 43% not required).

45% of those polled were accredited, and 40% weren't.

### Our Campaigns

Nearly 70% had followed our campaign on the potential unintended consequences of removing the Section 21 (see the campaigns page on the web site – [www.iHowz.uk](http://www.iHowz.uk))

There were some comments on our campaign on the White Paper, and in response to how landlords contacting appropriate agencies:

Contacted MP/ media on our campaigns	Participated in the Governments call for evidence	Seen our campaigns in other sources	Other
59%	36%	68%	23%

## Rental Safety Certificate/Property Portal

In our response to the White Paper (see the campaigns page) we are recommending a Rental Safety Certificate / Property MOT for all property, this would negate the need for licensing. 76% were in favour of this, with 11% against.

Additionally, the White Paper is recommending a Property Portal (website) specifically for the PRS, where all landlords would have to register, thus anyone not registering would (probably) be a criminal landlord. 54% of landlords supported putting the registration ID on rental agreements, with 36% against.

NB – all numbers rounded

## THE RISE OF HMOS

The standard of HMO properties across the UK has improved substantially in recent years with increased legislation for the complex property type. Jeni Browne, Sales Director at Mortgages for Business, looks at the latest landlord HMO survey and discusses what tenants may be looking for.

### What are your tenants looking for in an HMO?

HMOs might have had a bad rep, but they're now certainly on the up. Research from specialist lender Paragon Bank reveals that tenants are increasingly expecting more from these house shares, and as such, their rental yields and property values are similarly on the rise.

Of the landlords surveyed, 48% reported an increasing demand for high-end HMOs. Landlords were asked to rank what they saw as the most popular tenant requirement, with the majority (56%) choosing higher-speed broadband. Ensuite bathrooms followed closely behind at 53%, then larger bedrooms and higher quality furnishings both at 39%.

Following lockdowns and the new working from home routine, it's perhaps unsurprising that 35% reported requests for work-from-home facilities in the property, and 30% demanded communal space. 28% have seen tenants

asking for outdoor spaces, and 12% of tenants have asked to keep pets in the property.

This may seem like a long list of demands for one property to meet, but if you can boost your demand by ticking off just one or two of these areas, I'm sure you will see the benefit. Considering how much more rent many tenants now pay, you can forgive them for expecting more in their properties.

### Is there much demand?

Alongside the 48% of landlords that noted a rising demand for quality HMOs, there's also growing interest from young professionals (45%) and older, more affluent tenants (23%).

The majority (54%) of tenancies last for one year, and 22% for two years. Despite these relatively short terms, the research suggests that landlords expect longer-term tenancies for HMOs to become more common.

### Who are HMO tenants?

It will come as no surprise that students remain the most common tenant type for HMO properties, accounting for 47%. This is followed closely by young singles (46%) and professional workers (41%). Manual workers make up 27% of tenants, 15% are older singles, and then young couples 10%.

With the ongoing increase in both rental and house price growth, the influx of young professionals is again no real shock. Many are struggling to get into the property ladder for the first time, and these house-shares have quickly transitioned from stepping-stone to long-term homes for those starting out in their careers.

### What yields can you expect?

The research reveals that 42% of HMO landlords receive net yields above 10%, and 64% report above 8% per year. 47% of landlords agree that HMOs offer better yields than other rental properties, and 40% go as far as to say that they provide financial protection from any void periods due to multiple rental income streams.

Over 53% said they saw no 'material' difference in the capital gain between a single unit

property and an HMO, making income the motive behind choosing this property type. Our own research revealed that average HMO yields were 7.75%, significantly higher than vanilla properties at 5.25% (Q2 2022).

Amidst ongoing rising interest rates, properties generating higher yields will future-proof your profits. It may be time for you to consider diversifying into these property types to maximise your investment portfolio.

### Landlord activity with HMOs

What's nice to see is that HMO landlords remain confident in the stability of their investments. 53% don't plan to make any changes at all to their portfolio over the next year, and 42% are looking to purchase a new property. Both these statistics show not just longevity, but real profits from their properties, with the ability to further develop their property investment journey thanks to their HMOs.

Looking closely at the 42% intending to purchase, 22% intend to purchase existing HMOs, and 20% look to convert standard properties into HMOs. This is a testament to the growing demand for these property types.

### How much does it cost to run an HMO?

Most lenders that offer HMO property finance require applicants to have one to two years of letting experience in order to get accepted, and will then charge more specialist interest

rates. This is because they're typically more complex to run and more expensive to maintain than a vanilla buy to let, with 63% reporting spending over 10% of their rental income from their HMOs on property maintenance.

### What are the challenges?

62% of landlords asked include all bills (utilities, broadband, council tax etc) within their rents, and as such, find their biggest challenge currently to be rising energy costs. Just 17% of landlords don't include any bills, and 14% just utility bills.

The impact on this is that 19% have already had to increase rents to cover these extra costs, and a staggering 57% plan on raising their own rents soon. Just 19% decided not to increase rents going forward and hope to absorb the extra costs for their tenants. Of course, with interest rates rising just as quickly, if not faster, as energy bills, this option will frankly not be feasible to most landlords.

### How to get started

If you're interested in the rates you could access on an HMO property, or would like more information, please get in touch with our expert brokers. You can call us on 0345 345 6788, or visit our website, [www.mortgagesforbusiness.co.uk](http://www.mortgagesforbusiness.co.uk), to submit an enquiry.

Any property used as security, which may include your home, may be repossessed if you do not keep up repayments on your mortgage.





## LANDLORD'S GUIDE TO RENTING TO TENANTS WITH PETS

by Alan Boswell Insurance  
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Whether you are a landlord or a tenant, you may have heard about recent proposals to allow most tenants to keep pets. This is welcome news for pet-owning renters, but it has also raised concerns among many landlords.

In this guide to renting with pets, we look at the suggested changes to the law and what they could mean for landlords and tenants. We also guide you through the existing law relating to tenancies and pets, and how landlords can protect themselves from financial loss due to damage from a tenant's pet.



### Changes to the Model Tenancy Agreement regarding pets

The proposed new rules about keeping pets in rental properties are outlined in a White Paper from the Department for Levelling Up, Housing and Communities. It is called A fairer private rented sector.

In this publication, the government points to the fact that it has already revised the Model Tenancy Agreement (MTA) "making it easier for tenants with pets to find private landlords who will accept them." The MTA is the government's recommended contract for an assured shorthold tenancy (AST) in England. Changes introduced in 2021 meant that landlord permission for pets became the default position in the agreement. As a result, landlords using the contract could not impose a blanket ban on pets and could only reject a request to keep a pet for 'good reason'. A good reason might include a request to keep a large dog in an unsuitably small flat with no accompanying outside space.

However, there is currently no legal obligation for landlords to use the MTA. As a result, landlords using other tenancy contracts are still free to refuse tenants' requests for pets.

Scotland has its own Model Tenancy Agreement. This has remained unchanged: tenants may not keep pets without the prior written consent of their landlord. In Wales and Northern Ireland, there are no current Model Tenancy Agreements.

### What the new White Paper proposes about pets and rental property

The new White Paper recognises that pet ownership has many benefits, particularly in bringing 'joy, happiness and comfort to their owners'. Likely influenced by how pets provided many people with companionship

during the COVID-19 lockdowns, it also acknowledges that pets support people's mental and physical wellbeing.

By contrast, the publication points out that the English Private Landlord Survey 2021 found that 45% of landlords were unwilling to let to tenants with pets. This is a key reason why the White Paper proposes the following legislation:

We will give tenants the right to request a pet in their property, which the landlord must consider and cannot unreasonably refuse. We will also amend the Tenant Fees Act 2019 so that landlords can request that their tenants buy pet insurance.

The White Paper does not explain on what grounds a landlord can reasonably refuse to let a tenant keep a pet. Certain exemptions will almost certainly be listed in the final legislation if it becomes law.

### More new rules regarding pets and rental properties?

In 2019, Andrew Rossindell MP introduced a Private Members' Bill in Parliament. It was called the Dogs and Domestic Animals (Accommodation and Protection Bill). This bill proposed a number of measures, including:

- Creating a certification system for responsible animal guardianship
- Giving people with the certificate the right to keep domestic animals in rented or temporary accommodation
- Allowing landlord exemptions on certain religious or medical grounds, or because accommodation is unsuitable for a domestic animal.

However, the bill did not pass into law. Rossindell is now working with pet advocacy group AdvoCATS to create a second Private Members' Bill which will take an insurance-based approach.

Currently, the Tenant Fees Act (2019) does not allow landlords to require pet damage insurance as part of a tenancy agreement, nor does it allow property owners to ask for

a pet deposit. While the new White Paper proposes that landlords should be allowed to request that tenants buy pet insurance, it does not suggest that being allowed to take a pet deposit will be made legal.

### More information on pet deposits

Landlords in England currently cannot ask for a supplementary deposit to cover renting with a pet. Nor can they charge for professional cleaning or de-flea treatments at the end of a tenancy. However, it is worth noting that landlords in England can charge extra rent for having a pet, which can shift a significant cost onto pet owners' shoulders.

The situation is different in Scotland, Wales, and Northern Ireland. In these nations, landlords are allowed to ask for a supplementary pet deposit to cover potential pet damage. As with a normal rental deposit, this must be protected in a tenancy deposit scheme.

### What other laws concern pets in rental property?

There are already existing laws that concern pet ownership in rental properties. These include the following:

- **Consumer Rights Act 2015.** This prohibits 'unfair terms' in a contract. As a result, if there is a 'no pet' clause in a rental contract, tenants should still be allowed to ask permission to keep pets. In theory, a tenant could challenge a refusal in court if they were able to argue the permission was unreasonably refused.
- **Equality Act 2010.** This prevents landlords from directly or indirectly discriminating against people with a disability. In practice this means that, even if they stipulate 'no pets' in a rental contract, they must allow a disabled person to keep a guide or assistance dog or animal. Failing to do so could put them in breach of Article 14 of the Human Rights Act (Prohibition of Discrimination).
- **Allotments Act 1950.** Changes to this act allow the occupier of any land to keep hens or rabbits, other than by way of trade or business. Essentially, this means



that tenants are allowed to keep these animals in their gardens, as long as they are not 'prejudicial to health or a nuisance or affect the operation of any enactment'.

### Campaign to abolish 'no-pet' clauses in Wales

Currently, RSPCA Cymru is leading a campaign to abolish 'no-pet' clauses in Welsh rental contracts. This is due to be considered by the Petitions Committee of the Welsh Government.

### Benefits of renting to tenants with pets

While many landlords are reluctant to rent properties to pet owners, there are benefits to doing so. These include:

- **Higher rental income.** In England, landlords can charge extra rent for keeping pets. Many pet-owners are happy to pay extra in return for keeping their animals.
- **More potential tenants.** If your properties are pet-friendly you'll potentially attract a larger number of prospective tenants.
- **Security.** Dogs in particular can provide a property with good security, reducing the risk of damage by intruders.
- **Longer tenancies.** Given how difficult it is to find pet-friendly properties, tenants with pets are more likely to want to rent from you for longer.

### Drawbacks of renting to tenants with pets

It's also fair to say that there can be a downside to renting a property to pet owners. Common issues include:

- **Damage.** Larger pets in particular can cause damage to a property, its fittings, and furnishings.
- **Odours, hair and fur.** These can be difficult to eradicate at the end of a tenancy.
- **Allergies.** Unless a property is deep cleaned, it may affect future tenants with animal allergies.

- **Property inspections.** You may feel that you need to undertake more frequent property inspections, adding to your management tasks.

While some of these problems can take time to put right, they do highlight why it would be beneficial for landlords to take out pet damage insurance while the outcome of any legislation to come from the White Paper is unclear.

### Health benefits of pet ownership

Pet ownership has significant health and mental health benefits. For example, research by Anderson and associates in 1992 discovered that pet-owners were significantly less likely to develop coronary heart disease. A study by Serpell in 1991 found that acquiring a dog or a cat reduced the frequency with which people suffered minor ailments. In addition, pet ownership can have major mental health benefits. Studies have found that human-animal interaction can increase levels of oxytocin in the brain, resulting in increased calmness and focus. Many owners also report that their pets help them combat loneliness, depression, and other mental health issues.

Good health and happiness are in the interests of both tenants and landlords. A healthy tenant is less likely to run into medical issues or other problems that could affect their income and ability to pay rent.

### Pet damage insurance for tenants

If you are a tenant, your landlord can't currently require you to have pet damage insurance. However, there are a range of benefits to taking out cover:

- If you tell a prospective landlord you intend to take out pet damage insurance they may be more willing to accept you as a tenant.
- You may be able to negotiate a rent reduction if you have pet insurance.
- The right policy will cover not only the contents provided by your landlord, but also the fixtures and fittings of your rental accommodation.

It's worth remembering that pet damage insurance will generally only cover sudden or

unexpected damage. For example, if your dog damages a wall by pulling down a curtain rail, your policy should cover this. Wear and tear, such as regular scratching at walls and carpets will not be covered, so the better trained your pet the better! Pet damage insurance from Alan Boswell Group is currently only available when taken out with a tenants contents policy.

### Pet damage insurance for landlords

While you can't currently insist that your tenants take out pet damage insurance, it may be wise to see if you can add it to your existing landlord insurance. With one of our insurers, SAGIC, you can extend your landlord cover to include pet damage insurance for just £25 (+ Insurance Premium Tax) per property, which gives you up to £5,000 worth of cover.

### Summary

The proposed new legislation makes it likely that most landlords will no longer be able to refuse tenancies to pet owners. When this happens, pet damage insurance may be a key requirement for tenants. While some landlords may be reluctant to rent properties to pet owners, doing so could result in benefits. Until the law changes, adding pet damage cover to your landlord insurance is a cheap and effective way of protecting your rental properties against accidental or sudden damage from domestic animals.







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