

**Labour's
Policy
Review**

Private Rented Housing: Improving standards for all

Labour's Policy Review is developing new ideas to create a housing market that works for all. Our first step has been to consider the role of the private rented sector and how we support the growing numbers of renters and families living in privately-rented accommodation.

Labour is determined that everyone should have a home at a price they can afford. A One Nation housing policy means helping current and aspiring homeowners while also supporting renters. It also means that the majority who are responsible landlords are not undercut by the minority who damage the reputation of the entire sector.

Most people want to own their own home and Labour aims to help people to achieve their aspirations. However, Britain faces the biggest housing crisis in a generation and therefore many people will take longer to buy and will be renting for much longer than in the past. As a consequence, the private rented sector will continue to play an important role in meeting housing need. But all too often, private renting is unaffordable, unstable and subject to poor conditions and bad management. That's why our first two Policy Review papers on housing set out proposals to tackle unscrupulous letting agents and end rip-off charges and to give renters, families in particular, private rented homes that are affordable and stable, providing the predictability and security they need to plan ahead. These changes could improve standards, but we must do more.

Labour wants to see a private rented sector that provides decent, safe and secure homes at a price people can afford. That's why we have set out to identify measures which will ensure private renting becomes a sector people want to live in. At present there are too many bad landlords who prey on vulnerable tenants and complaints about landlords to Local Authorities are rising. According to the English Housing Survey, the proportion of private rented stock that is non-decent is at 35 per cent¹, which is considerably higher than any other housing tenure.

With over £8.6 billion a year, and rising under this Government, going to private sector landlords through housing benefit², action is needed to improve standards and ensure that the taxpayer is not subsidising landlords that provide poor and sub-standard housing that ultimately serves to create further socio-economic costs for the public purse³.

We want to see action taken against the bad landlords that blight the lives of tenants and damages the reputations of responsible landlords. It also means recognising that there are many amateur landlords who are well meaning but often unaware of their rights and responsibilities.

¹ English Housing Survey: Headline Report 2011-12, 7 February 2013:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/88370/EHS_Headline_Report_2011-2012.pdf

² DWP Written Answers to Jack Dromey MP, 11 June 2012

³ Some estimates suggest that the annual costs of poor housing, across all sectors, to health could be up to £2.5 billion. There are also estimated costs of £1.8 billion to criminal justice, and the lost earnings that result from the current group of young people is estimated at £14.8 billion resulting from the impact of poor housing on their GCSE results. See Friedman D (2010) Social Impact of Poor Housing, London: Ecotec

Labour believes we should consider steps to strengthen the law and enforcement of existing law to drive out the bad landlords, and to ensure better communication with all landlords so they are more aware of their rights and responsibilities, creating a more professional sector and driving up standards.

Labour's Policy Review will continue to develop proposals to create a housing market that works for working people.

Hilary Benn MP, Labour's Shadow Communities and Local Government Secretary:

"Wherever we live, we all want a safe and secure home for ourselves and our families. The private rented sector is playing an increasingly important role in providing homes for people, and the majority of landlords are responsible and do the right thing.

"But there are also bad landlords whose properties are poor quality, hard to heat and who charge high rents. And that's why we are considering practical steps to deal with them and ensure that all homes are of the right standard."

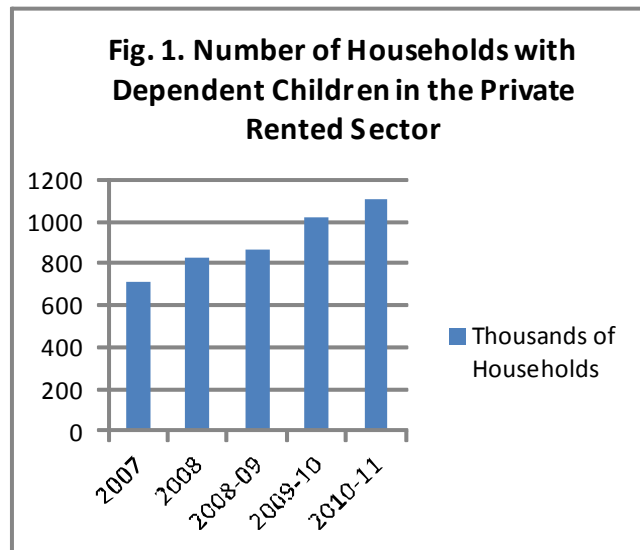
Jack Dromey MP, Labour's Shadow Housing Minister:

"The private rented sector has an important role in meeting housing need. But too many tenants are in poor and sometimes dangerous homes. That's why Labour has set out proposals to drive standards up and bad landlords out. Bad housing harms health and dangerous housing can kill.

"We want to see all families enjoying a decent home, at a price they can afford. While the majority of landlords are responsible, there can be no place in future for homes that are damp, cold and unfit to bring children up, holding them back at school. We want to reform the sector so that it works for all."

Poor standards in the private rented market

The Private Rented Sector now makes up 3.6 million households which represents 16.5 per cent of the total households in England.⁴ As our previous reports have outlined this includes 1,104,000 families with children. In the past decade there has been a 127 per cent increase in families with children living in the private rented sector. This means nearly a third of all private rented sector households are families with children. And nearly 15 per cent of all couples with dependent children live in the private rented sector, up from an estimated 10 per cent in 2007-08.



Too many renters in homes of a poor standard

While the majority of homes in the private rented sector meet the decent-home standard the sector has more non-decent homes as a proportion of its total stock than any other housing tenure. A decent home is one that meets the current minimum standard for housing, is in a reasonable state of repair, has reasonably modern facilities and services, and is reasonably well insulated and can be effectively heated. In 2011, a full 35 per cent⁵ of all privately rented homes (1.4 million) were non-decent. In the owner occupied sector 22 per cent failed to meet the standard, while the lowest proportion is in the social sector at 17 per cent after the highly successful decent homes programme under the last Labour Government.

In too many cases, the poor standards in the private rented sector relate to serious safety hazards. The Housing Health and Safety Rating System (HHSRS) is a risk assessment tool used to assess potential risks to the health and safety of occupants in residential properties. In 2011, safety hazards were present in 21 per cent of private rented sector dwellings, compared to 7 per cent of social sector dwellings.⁶

In addition, 10 per cent of all private rented homes fall below the minimum standard of repairs and more than 15 per cent of private rented homes lack minimal heat in the winter. Private rented homes also have the worst damp problems of any homes in England.⁷

⁴ English Housing Survey: Headline Report 2011-12, 7 February 2013:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/78793/EHS_Headline_Report_2011-2012.pdf

⁵ ibid

⁶ ibid

⁷ ibid

Homes in the private rented sector also have some of the lowest energy efficiency. Privately rented homes have the lowest proportion of insulation measures such as cavity wall insulation and full double glazing. The sector has the highest proportion of homes in the most inefficient energy bands with 17 per cent of homes in the Energy Efficiency Rating (EER) Bands F and G compared with only 7 per cent of local authority and 4 per cent of housing association dwellings in 2011 and 14 per cent of owner occupied homes.

Too many bad landlords are undermining responsible landlords and preying on vulnerable tenants

The reputation of the many responsible landlords and the good service they provide is undermined by a small minority of criminal landlords who deliberately prey on the vulnerable. The Association of Residential Letting Agents, the Residential Landlords Association and the National Landlord Association all agree that bad and criminal landlords undermine the reputation of the many responsible landlords and want to see action taken.

In 2010/11, 350,000⁸ private renters experienced housing problems in the private rented sector, whilst local authorities dealt with more than 86,000⁹ complaints from private tenants in the same period. In addition, complaints about the most serious health and safety hazards increased by 25 per cent in 2010/11.¹⁰ Local authorities have also said in the past that they are aware of some 1,477 serial bad landlords.

There is a legislative framework, left in place by the last Labour government, which landlords are required to comply with and powers for local authorities to act. These include:

- The Housing Act 2004 which allows councils to take action where they consider housing conditions to be a danger to health and safety and requires landlords of large shared houses to obtain a licence for houses in multiple occupation from their local authority.
- Annual gas safety checks by an authorised Gas Safety engineer.
- Protections from harassment and illegal eviction criminal which include threatening or intimidating tenants or forcing tenants from their home without having followed due process.

There are, however, significant issues around enforcement and use of current powers by local authorities in tackling bad landlords and handling complaints by tenants. The evidence shows that prosecutions in comparison with the number of complaints and serious issues raised are all too rare and tough enforcement activity only makes up a small proportion of local authorities' activity.¹¹

⁸ [http://england.shelter.org.uk/_data/assets/pdf_file/0009/378873/Shelter - Asserting authority - calling time on bad landlords.pdf](http://england.shelter.org.uk/_data/assets/pdf_file/0009/378873/Shelter_-_Asserting_authority_-_calling_time_on_bad_landlords.pdf)

⁹ Ibid

¹⁰ Ibid

¹¹ Ibid

In addition, the Housing Act 2004 also allows for councils to apply for selective licensing where:

- There is low housing demand and making a designation would contribute to the social and economic conditions of an area.
- There are significant and persistent problems of anti-social behaviour and making a designation will lead to a reduction in the problem.

However, many councils do not make sufficient use of these powers and some find that they are not able to meet the specific conditions despite identifying a clear need for selective licensing.¹² Councils up and down the country have told us that they find the conditions for being able to apply selective licensing overly bureaucratic despite being in the clear interests of the tenants, responsible landlords and communities concerned.

Case Studies: Families suffering from poor standards

Case study: A family of five suffer poor standards in Lancashire.¹³

Tracy Ann Harris, 38, a mother of four, suffered numerous problems since moving into a three- bedroom terraced property in Leigh, Lancashire in July 2010. Black spores caused by damp are visible on the kitchen tiles and the windowsill near the cooker, while the dining room carpet sticks to your feet. At one point, effluent leaked from pipes behind the upstairs toilet into the rooms below. The rent is £650 a month, of which £598 is covered by housing benefit.

Harris, who is housebound through ill health, believes the mould has affected her daughter, Elizabeth, nine.

"She keeps having all sorts of chest infections and problems with her breathing since moving in here and had to be off school,"

Tracey Ann Harris, Sunday Times, 5 February 2012

Her GP believes Elizabeth's living arrangements may have contributed to her condition.

Case study: A mother and son rent a home with extensive mould and damp problems.¹⁴

Mandy and her 14-year-old son Alex live in Woking. For the last few years they rented a house which had extensive mould and damp problems. After repeatedly complaining to her landlord about it, it took over a year before work was carried out, during which time both Mandy and her son suffered health problems.

¹² Beyond Decent Homes, CLG Select Committee Report

<http://www.publications.parliament.uk/pa/cm200910/cmselect/cmcomloc/60/60i.pdf>

¹³ Cold and damp in a landlord's goldmine, The Sunday Times, 5 February 2012

¹⁴ http://england.shelter.org.uk/news/may_2013/renters_health_at_risk

"Alex had so many chest infections, headaches and nausea. He had to have a month off school at one point."

"I have cystic fibrosis and living with damp problems meant I kept coming down with a lung infection that I'd never had before or since we moved out."

"Our landlord didn't seem to get that for us, the tenants, that property is our home, and a place we should be able to feel safe in, not in fear for our health."

Mandy, Shelter, 14 May 2013

Too many amateur landlords are unaware of their rights and responsibilities

While the number of criminal landlords is a small but dangerous minority, there are a large number of amateur landlords who through having inherited a property or other means are often "accidental". Often well meaning, many are unaware of their rights and responsibilities when letting out a property as home for another.

In many of these cases, these landlords are well intentioned but are failing to offer good standards to their tenants. After all, no formal training or licence is required of private landlords in England. In addition, because there is no easy way for local authorities to identify private landlords in their areas and which properties are privately rented it is difficult for them to support them and communicate with them regarding their rights and responsibilities.

There are nearly 1.4 million private landlords¹⁵ in England and the evidence shows that it is predominantly a small scale business. Individuals or couples comprise around three quarters of landlords and 44 per cent have only one rented property and a further 27 per cent only 2-4 properties¹⁶. With so many small scale landlords in the market it is hardly surprising then that many do not treat renting as a professional business or are not fully aware of their rights and responsibilities as landlords.

Case Studies: Amateur landlords...

Poor standards and an "accidental" landlord lead to the death of a young mother

Thirza Whittal, aged 33, from Cornwall

A young mother of two, just 33 years of age had just made her dream move to Cornwall. Six days later, she was found dead by her young daughter. Electrocuted in the bath because of a faulty heater. An inquest, held by deputy Cornwall coroner Andrew Cox, heard that the cottage belonged to a villager, who had inherited the property from her mother in 1986. An electrician who was asked to inspect the cottage, told the hearing that it was

"Not electrically safe".

Jonathan Keam, This is Cornwall, 9 July 2009

¹⁵ DCLG National Landlord Survey, 2010, <http://www.communities.gov.uk/publications/corporate/statistics/privatelandlordssurvey2010>

¹⁶ DCLG National Landlord Survey, 2010,

Mrs Whittall, he explained, had been electrocuted because of a faulty electric oil radiator which had shorted, causing the bath, water, taps and waste pipe, which were not earth-bonded, to become live. Tests established that the taps carried a 175-volt charge – sufficient to kill someone. The Coroner, who recorded a verdict of accidental death, said:

"The property has since been rewired at a cost of £4,000."

Andrew Cox, This is Cornwall, 9 July 2009

Regrettably, this does not help Mrs Whittall. In a statement after the inquest, Fred Whittall said:

"As we have learned to our cost, a fault in an electrical installation is every bit as dangerous as a faulty gas supply. Steps should be taken to ensure that the same standard of care is required in relation to all potential hazards at a property so that no other family should suffer as we have."

Fred Whittall, This is Cornwall, 9 July 2009.

Poor standards are linked to tenancy instability

Instability in private rented tenancies also reinforces poor standards as we found in our report on stability in the private rented sector.¹⁷ Many tenants are reluctant to complain because their landlords could either raise their rent or simply evict them under Section 21 of the Housing Act.

A Citizens Advice Bureau report, in a survey of environmental health and tenancy officers, found that at some point, all private renters are put off seeking assistance with problems due to the fear of endangering their tenancy.¹⁸ Indeed, the two month's notice required to remove a tenant without cause under Section 21 is far shorter than the time it takes for most councils to reach the binding enforcement stage of their enforcement powers. Shelter has found that the fear of retaliatory eviction is a key factor in the underreporting of bad landlords.¹⁹

Poor standards have wider costs

It has been estimated that the annual costs of poor housing, across all sectors, to health could be up to £2.5 billion. There are also costs to criminal justice, and lost earnings that result from young people's exam results being affected by the impact of poor housing²⁰.

¹⁷ http://www.labouremail.org.uk/files/uploads/8bca86ae-619e-06c4-954f-edec511f1991.pdf?utm_source=taomail&utm_medium=email&utm_campaign=10229+NEWS+FROM+LABOUR%3A+Labour%27s+Private+Rented+Housing+policy+document+&tmtid=43338-10229-2-15-332864

¹⁸ Citizens Advice Bureau, 2007. The tenant's dilemma

¹⁹ http://england.shelter.org.uk/_data/assets/pdf_file/0009/378873/Shelter_-_Asserting_authority_-_calling_time_on_bad_landlords.pdf

²⁰ Friedman D (2010) Social Impact of Poor Housing, London: Ecotec

Calls for reform to private renting

Phil Buckle, Director General of the Electrical Safety Council.

"The Electrical Safety Council welcomes the commitment to drive up standards in the Private Rented Sector. With increasing numbers of people renting privately, it is imperative that proper measures are in place to ensure their safety. People should feel confident that they are safe in their homes, regardless of the tenure of their property."

Graham Jukes, Chief Executive, Chartered Institute of Environmental Health (CIEH):

"The private rented sector is an increasingly important source of housing for vulnerable people. Changes taking place in homelessness and welfare benefit rules will increase the reliance of vulnerable households on low cost private accommodation. Standards of management vary enormously in the sector and the highly publicised instances of rogue landlords demonstrate that there is a particular problem of upholding acceptable standards in some parts of the sector.

Market forces and competition cannot alone ensure adequate management quality. The excess of demand over supply for rental property at the bottom end of the sector neutralizes the discipline that consumer choice would otherwise impose. Furthermore, alongside the limited security of tenure that an assured short hold tenancy gives, there is additionally a risk of retaliatory eviction should tenants complain about anything.

This is why it is so important for there to be a strong regulatory framework, with sufficient numbers of housing inspectors able to intervene where there are hazards harmful to health or serious wrongdoing."

David Montague, CEO of L&Q, the leading housing association:

"With rising house prices and limited investment in social housing private rent is becoming the only available tenure for a growing number of people. At L&Q we believe that these people deserve a fair deal, and that means affordability, security and quality.

"By expanding carefully into the private rented sector housing associations and other responsible landlords can change the market. We look forward to working with others to help increase supply and raise standards across the country."

Duncan Shrubsole, Director of Policy and External Affairs, Crisis:

"The private rented sector is vital to meeting our housing needs and provides a good home for many. Too many properties, however, are in a poor condition and at worst dangerous with a serious impact on health, hygiene and the welfare of individual's and households.

“For too long the private rented sector has lacked political attention and focus. We have long-called on central government and local councils, working with landlords, tenants and others, to take a lead and drive up standards, starting with tackling the worst properties and those landlords who unfortunately do not fulfil their responsibilities. Improving property condition and management is good for tenants, good for public health, good for meeting our environmental objectives and good for those landlords whose reputation has been tarred by the failures of others. With ever more people reliant on renting privately we need to consider all the options and work towards ensuring the sector provides a quality home for everyone.”

A private rented sector with decent homes for all

The private rented sector provides decent homes for many renters but with so many non-decent homes and too many bad landlords preying on vulnerable tenants, the private rented sector is not working for working people. Labour is looking at how we could do things differently and change the way the market operates. We need real change in the private rented sector so that renters can expect good standards and be protected from bad landlords. We also want to assist the many well-meaning landlords who generally treat their tenants well but are not fully aware of their rights and responsibilities.

Labour is exploring a range of measures at the national and local level to ensure we have a private rented sector that works for all. These measures would need to operate at a number of levels to ensure we have minimum standards nationally, strong enforcement locally and clear proposals to stamp out bad landlords once and for all. Options include:

- **A national register of private landlords** designed to assist local authorities to identify private landlords and to assist in the distribution of information to, and communication with, landlords. We will also consult on how the register might be used to assist in ensuring landlords meet their tax obligations. HMRC has measured that buy-to-let and other private landlords are evading over half a billion pounds in tax due on their rental income.²¹
- **A new national private rented property standard.** Designed to drive up standards across the sector, this new benchmarking system would include current minimum legal standards for instance on deposit protection and energy efficiency requirements and also other measures including on property conditions and commitments on response times and repairs. It could be linked with the incentives outlined below and which would only be offered to private landlords that are properly registered, including with HMRC.

²¹ Measuring tax gaps 2012, P32: <http://www.hmrc.gov.uk/statistics/tax-gaps/mtg-2012.pdf>

- **Local Enforcement.** Local Authorities feel that there is too much bureaucracy and red tape in their way if they want to step in and protect tenants, good landlords and their wider communities by introducing selective licensing. For these reasons, we will review the conditions through which local authorities can establish a licensing scheme. This could include liberalising the conditions from the current tests to where introducing licensing would improve the local environment through improved property management; provide significantly more good quality properties that are professionally managed for those renting; and reduce anti-social behaviour
- **Tougher sanctions for bad landlords:** We want to ensure that operating as a bad landlord does not pay. That's why we will look at the level of penalties including sentencing guidelines. We will also assess, together with the industry, how we can stamp out the process of retaliatory eviction. And we will explore landlords found of serious criminal behaviour being removed from the National Register of Private Landlords and no longer, therefore, being able to operate as a landlord.

As part of the package for reforming the private rented sector, we have already set out how Labour will work with the sector to develop a range of possible incentives that will form part of a "something for something" deal for landlords. We will explore a range of potential options, such as supply of renters from local housing registers to reduce the risk of voids, direct payment of housing benefit to private sector landlords and an improved legal process for evicting renters who fail to pay rent and commit anti-social behaviour, including damage to the property.

Labour innovation in practice

Newham: After a successful Neighbourhood scheme focused on enforcement activity to drive up standards and tackle anti-social behaviour, Newham Council have introduced the first ever borough-wide licensing scheme of private sector landlords. This will allow them to drive up standards for tenants, drive out the bad and protect the reputations of the many good landlords. Newham's borough wide property licensing project effectively imposes basic management obligations on all landlords including the requirement to have a registered manager for all rented dwellings.

Newham Case study:

Enforcement squads are now scouring Newham's streets for private rented properties that have not been licensed - with criminal landlords facing fines of up to £20,000 per property. The council has already completed eight days focusing on rented properties that are breaking the law. Officers and the police have visited more than 100. The first 20 housing prosecutions against rogue landlords are already on the way to court.

Newham is the first council in the country to implement a pioneering scheme to license all private properties. It has the capacity to prosecute more than 500 rogue landlords over the next 12 months. A hit list of all rented properties in the borough that are operating without a licence has been drawn up.²²

Oxford: The only local authority in the UK to require every HMO throughout its area to be licensed. The successful self-financing scheme involves an active process of intervention, tackling poor management, exploitation, and poor condition stock. The scheme is of benefit to tenants, landlords and the council.

Oxford Case Study:

Rogue landlords in Oxford have been fined more £55,000 as part of a crackdown on HMOs by the city council. Thirty-four landlords have been successfully prosecuted or issued a formal caution since new rules on Houses of Multiple Occupation came into force in January 2011. In total, landlords have been ordered to pay £55,834 in fines by the courts.

Mohammed Abbas, 38, of Barns Road, Cowley, became the 34th to be successfully prosecuted at Oxford Magistrates' Court. Abbas admitted six offences dated May 28, 2012, including failing to have a licence for an HMO, failing to protect occupants from injury because of structural conditions and not keeping the house in good decorative order.²³

Case studies: learning from experience abroad

Germany: Most PRS properties in Germany are owned by small landlords and they are charged a lower rate of tax on rental income. Property that is rented out is taxed as an investment. This means that landlords can deduct the mortgage interest, allowances for depreciation and expenses incurred on the administration and the refurbishment of a dwelling from their total taxable income.

²² <http://www.newham.gov.uk/News/2013/February/Newhamprivaterentedpropertylicensingsthathetheenforcersgoin.htm>

²³ http://www.oxfordmail.co.uk/news/10250807.New_rules_see_rogue_landlords_fined_55k/

Multiple comparisons: In Australia, Denmark, Finland, France, Germany (see above), Netherlands, Norway, Spain, Switzerland and the USA – all allow landlords (some with limits) to offset their rental losses against other income.

INCENTIVE TYPE	DESCRIPTION	EXAMPLES
Rent increases allowed for improvements to property	Occasionally regulated; owners cannot charge for essential repairs.	Germany, Austria, France, UK, Australia, Belgium, Denmark, Ireland, and the Netherlands
Rent control removed with sufficient upgrades	If landlords sufficiently improve their property, it can be removed from rent stabilisation.	NYC
Extra rent increases allowed for certain kinds of improvements	Energy-saving improvements may allow greater charges from landlords	Germany and France
Refurbishment subsidies (general)	Government payments to landlords who improve their property (typically paid to offset forgone rent increase)	Denmark, Finland, Some Netherlands, Some Spain, some NYC, some USA
Refurbishment subsidies (energy-saving in particular)	Specific, often exclusive, payments to improve energy efficiencies.	Australia, Austria, Germany