

## HM Treasury consultation - Statutory Debt Repayment Plan

### Response from Propertymark

August 2022

#### Background

1. Propertymark is the UK's leading professional body of property agents, with over 17,500 members representing over 12,800 branches. We are member-led with an executive Board of practicing agents who we work closely with to ensure that we uphold high-standards of professionalism and are able to advocate for legislative change on behalf of the sector. Rent arrears is a major concern of many landlords and managing agents and we hope our response can highlight any risks that these proposals can have on the housing sector and those seeking to rent.

#### Summary

2. Propertymark welcomes this opportunity to respond to the HM Treasury's Statutory Debt Repayment Plan Consultation. We acknowledge that housing debt is classed as a "discretionary non-eligible debt" and the policy intent is for as wide range of debts as possible to be included. However, we have two concerns. Firstly, although housing debt can be included in the plan, an individual may decide not to do so as this will lengthen the period over which rent arrears are paid, which could lead to issues with the landlord potentially not renewing a tenancy agreement. Secondly, delays to rent payments could put landlords at risk of falling into mortgage arrears, which would put them at risk of repossession, potentially causing the tenant to become homeless. HM Treasury will need to be aware of the risks associated with delaying housing debt payments, as this could impact the private rented sector and prevent people on plans to rent property.
3. Any new legislation must take into consideration the impact that it will have on landlords. Our research into the current private rented sector alongside regular meetings with letting agents across the UK has highlighted that stock is at very low levels and many landlords are leaving the sector. In June 2022, we published our findings into our A shrinking private rented sector? Report which concluded that 53% of buy-to-let properties sold in March 2022 had left the PRS and we had seen a 49% reduction in properties available to rent per branch in March 2022

compared to March 2019<sup>1</sup>. Any legislation that landlords perceive as a risk to their business will further reduce the availability of homes to rent.

4. We do however feel that there are positive implications within these proposals. Having a debt plan approved by a debt advisor will provide reassurances to the agent and the landlord that debt will be repaid. Maintaining a tenancy is often a better solution for the agent and landlord than evicting them through a potentially lengthy and costly court process. We do urge however that any debt repayment plan must include provisions for agents and landlords to evict a tenant if they continue to incur debts, even where a statutory debt repayment plan is in place.

### **Questions – Eligibility**

#### **Question 3: Do you agree with the approach to debtor eligibility?**

5. We generally agree with the debtor eligibility, including provisions for joint plans for any two eligible people who share at least one debt – as this will allow two unrelated people who share a property to pay their arrears through one plan. We are also pleased to see that steps have already been taken to safeguard the system from abuse with debtors being only eligible if they have not been subject to another plan within the most recent 12 months. That being said, we urge the HM Treasury to consider further conditions for ineligibility for debtors who regularly require debt repayment plans. HM Treasury should consider setting a maximum number of repayment plans before rent payments are no longer considered eligible debt.

#### **Question 4: Do you agree to the approach to qualifying debt?**

6. We agree with the direction proposed by HM Treasury that housing debt may be excludable as this could lead to a landlord not renewing an individual's tenancy. However, we urge that this should be at the discretion of the property manager and a decision made once the tenant, debt advice provider and property manager have fully explored all potential options. This would help the debt advice provider propose a solution that would meet the needs of all parties without the need for agents or landlords to issue a Section 8 eviction notice for rent arrears.

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<sup>1</sup> [A shrinking private rented sector | Propertymark](#)

**Question 5: Should debt already due to be repaid under a pre-existing payment arrangement or payment plan be treated as non-eligible debt?**

7. We urge HM Treasury to consider that housing debt should be considered non-eligible if a debtor has housing debt due to be repaid under a pre-existing payment arrangement or payment plan. This will provide reassurances to agents and landlords that tenants are unable to move out from a property to which they still owe rent to another and potentially game the system to reduce the amount of rent they have to pay.

**Questions – Protections in a plan**

**Question 10: Do you agree with the proposed protections of the plan?**

8. In order to prevent non-compliant tenants from taking advantage of the protections from the debt repayment plans, we urge that HM Treasury considers enacting protections once the final debt repayment plan has been agreed with the relevant letting agent or landlord. In addition to preventing debt repayment plans from being used to delay rent payments, providing reassurances that protections will come into effect after plans have been agreed by all parties will help encourage more agents and landlords to agree to plans.

**Question 15: Do you have any further comments on or concerns about the protections and flexibilities provided by the SDRP?**

9. Yes, we have three further comments to make. Firstly, HM Treasury should be aware that the removal of Section 21 “no fault” eviction notices as outlined in the UK Government’s White Paper, A fairer private rented sector<sup>2</sup>, will make it more difficult for landlords to evict tenants who have no intention of paying their rent. The protections will need to be designed in such a way that helps legitimately struggling tenants to pay their rent while limiting the possibility for non-complaint tenants to delay already lengthy and expensive court procedures. If tenants can take advantage of these protections, we could see additional landlords exit the market and a further reduction in the size of the private rented sector. Secondly, HM Treasury should also be aware that any changes to the amount of rent being paid, and time taken will require a new assured short-term tenancy agreement to be written. This can be a lengthy process for those

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<sup>2</sup> <https://www.gov.uk/government/publications/a-fairer-private-rented-sector>

involved and puts further strain on letting agents. Thirdly, we would recommend that mediation becomes part of the process, that the tenant, landlord and debt adviser meet before any protections are put in place. This would show willingness on behalf of both the tenant and landlord to mediate and compromise, providing both parties with the confidence to come to a mutually beneficial arrangement before needing to take the case to court.

### **Questions – starting a plan**

#### **Question 22: What information do you consider needs to be provided to creditors as part of a provisional plan?**

10. Alongside the information that HM Treasury is already considering including within the provisional plan, we would like to see a history of debt included. This would help letting agents and landlords see if a tenant has a history of being unable to pay rent, which could indicate they are abusing protections, especially if they do not have a history of incurring other debts.

#### **Question 23: Are the grounds for objection that have been proposed suitable and sufficient?**

11. Ideally, we would recommend mediation between landlords, agents, tenants and debt advisers in order to ensure that plans can be agreed by all involved. The only additional ground for objection that we would like to see is the frequency of the tenant occurring rent arrears, which may be discretionary based on their circumstances and their willingness to address their current debts. We strongly urge HM Treasury to consider allowing the agent or landlord the ability to object to plans that reduce payments by less than 10% as this could prevent some landlords from being able to make mortgage payments.

### **Questions – During a plan**

#### **Question 25: Do you consider that the proposed mechanism for implementing payment breaks is appropriate?**

12. Any payment break must be made in discussion with the letting agent or landlord to explore alternative solutions, especially as a delay in a month's rent could put the tenant in over two-months' rent arrears and or lead to a landlord not renewing their tenancy. HM Treasury should

consider its own research into the private rented sector, which highlighted 43% landlords only owned one property and 75% landlords funded their first rental property through a mortgage<sup>3</sup>. Considering that 35% landlords are also retired, any breaks in rent payments could be unaffordable for a large section of the private rented sector in England and Wales.

**Question 26: Is the creditor review mechanism a sufficient route for creditors to challenge plans they deem to be unfair, unsuitable or inaccurate?**

13. As mentioned earlier, a system of mediation between all parties involved would help reduce challenges to plans and accelerate the process of finding a solution that is in everyone's best interests. We feel that the creditor review mechanism, combined with mediation, would be a sufficient route for creditors to challenge plans.

**Questions – Ending a plan**

**Question 30: Do you agree with the proposed grounds for both mandatory and discretionary revocations? Are there any grounds for revocation that you consider have not been captured?**

14. HM Treasury should consider including all mandatory grounds for repossession under Section 8 of the Housing Act 1988 as mandatory revocations. This will prevent any debtor from taking advantage of the system by abusing the protections of the repayment plan in order to stop enforcement action taken against them. For example, if a tenant incurs rent arrears or engages in anti-social behaviour, they may be able to apply for a Repayment Plan in order to stop any action taken against them, or abuse the protections offered by the plan. By expanding revocation grounds to include grounds that would allow for a landlord to regain access to the property, we can ensure that a property can still be repossessed if a tenant violates their contract.

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<sup>3</sup> [English Private Landlord Survey 2021: main report - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/94422/English_Private_Landlord_Survey_2021_main_report.pdf)