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Reforming the PRS: Landlord views of the Renters' Rights Bill

LABOUR'S REWORKED RENTERS RIGHTS BILL IS INTENDED TO REPLACE THE FAILED RENTERS (REFORM) BILL AND WHILST IT REMAINS ESSENTIALLY THE SAME AS ITS PREDECESSOR, ITS IMPLICATIONS MAY BE MORE SIGNIFICANT FOR LANDLORDS.

The new Bill retains proposals to end Section 21 notices, end fixed-term tenancies, remove rent review measures, and introduce a new ombudsman service and private rented property portal, plus potentially move to French-style hardship tests for tenants.

Given the retention of these measures, the findings outlined in our Report remain current, which is formed of research from Propertymark member agents' landlords undertaken during March 2024.

Established worries from landlords remain unaddressed, and we believe more concrete guidance is necessary to secure landlord confidence.

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RESEARCH PAPER

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Introduction

Propertymark recently published the report *Reforming the PRS: Letting Agent Views of The Renters' Rights Bill*, which shared insights into the Bill from the perspective of letting agents.

The purpose of the report was to provide valuable evidence, from the perspective our members, which policy makers could use to help shape the Bill in its final stages, inform its implementation and minimise unintended outcomes. Building on that work, this companion report enhances those insights by providing additional views from perspective of landlords.

We initially wanted to understand the key concerns of landlords to further inform the Bill's passage. However, we recognise that if passed, the Bill will necessitate a range of significant changes, which will fundamentally alter how the sector operates. It is known from other domains that change on this scale can cause uncertainty, which can have 'deleterious effects' on attitudes (Cullen et al., 2014, p. 269), cause worry (Gu et al., 2020) and lead to resistance (Oreg, 2006). As these factors could contribute to unintended outcomes, we also seek to understand the scale of uncertainty surrounding the Bill. We do this by identifying the extent to which landlords are aware of and understand the Bill's key measures. Furthermore, as effective communication has been shown to minimise 'change-related uncertainties' (Bordia et al., 2004), we also seek to evaluate what can be done to improve this understanding.

The report begins with a contextual overview summarising the re-growth of the English PRS and the characteristics of the landlords that have been instrumental to this growth. We also include a short overview of the change management literature that

undergirds the research. Thereafter, there is an overview of the genesis of the Renters' Rights Bill including a summary of its key deliverables and an overview of the consultation and communications that have accompanied the Bill. Next, we discuss the research design, focusing on the research methodology and the respondent characteristics to indicate the representativeness of the data. We then explore landlords' views on the Bill over six subsections. The first subsection identifies the elements of the Bill that most concern landlords.

The next three sections seek to identify if landlords are fully aware of the Bill and its contents via landlord self-appraisal, and by examining the extent to which landlords have engaged with the guides that accompany the Bill. The fifth section reports landlord views on whether there is enough guidance and the sixth details where landlords would like to see additional guidance. Finally, we present our conclusions and recommendations.

The regrowth of the PRS

The English private rented sector has rapidly grown over the last two decades. The scale of the regrowth is significant and the sector is now home to around 4.6 million (19%) of English households (UK Government, 2023b).

This re-growth has been led by many private investors (landlords) who tend to own a small number of properties each and operate on a part-time basis. Bounded only by existing legislation and capital, this large and heterogeneous group of landlords make decisions, which impact the size of the sector, the type and condition of properties within in it, and the security of tenure for tenants.

We know something about the characteristics of landlords and their investments from the English Private Landlord Survey as well as via other industry and academic publications. However, landlords are a large and heterogeneous group and gaps in our knowledge base remain. Though the purpose of this report is to present landlord views on the Bill, it also more broadly contributes to our understanding of landlords.



THE CHANGE LITERATURE

The Bill represents the largest change to the English PRS since deregulation and will fundamentally change how the sector operates. There is no shortage of theories associated with policy change that could be used to guide this research.

However, it is believed that the organisational change literature has something to offer. This literature suggests that change can cause uncertainty, which can have 'deleterious effects' on attitudes (Cullen et al., 2014, p. 269), cause stress (Bordia et al., 2004) and worry (Gu et al., 2020) and can lead to resistance (Oreg, 2006). This uncertainty can be reduced/removed via effective communication (DiFonzo & Bordia, 1999).

Inception of the **Bill**

The genesis of the Bill was the announcement by Theresa May (UK Government, 2019) of a 'new deal for renters' and thereafter a commitment in Boris Johnson's Conservative and Unionist Party Manifesto of 2019, which stated:

'We will bring in a Better Deal for Renters, including abolishing 'no fault' evictions and only requiring one 'lifetime' deposit which moves with the tenant. This will create a fairer rental market: if you're a tenant, you will be protected from revenge evictions and rogue landlords, and if you're one of the many good landlords, we will strengthen your rights of possession.'

The UK Government (2022b) Levelling Up White Paper followed and duly noted:

'We will publish a landmark White Paper in the spring to consult on introducing a legally binding Decent Homes Standard in the Private Rented Sector for the first time ever, explore a National Landlord Register and bring forward other measures to reset the relationship between landlords and tenants, including through ending section 21 "no fault evictions".'

Following a series of consultations, plans for reform were published in the White Paper - A Fairer Private Rented Sector (Department for Levelling Up, 2022). The Renters (Reform) Bill was introduced to Parliament on 17 May 2023.

As aforementioned, the purpose of the Renters (Reform) Bill is to 'deliver a fairer, more secure, and higher quality private rented sector for both tenants and landlords'.

The guide to the Bill states that its key deliverables are to:

1. Abolish section 21 'no fault' evictions and move to a simpler tenancy structure where all assured tenancies are periodic – providing more security for

tenants and empowering them to challenge poor practice and unfair rent increases without fear of eviction.

2. Introduce more comprehensive possession grounds so landlords can still recover their property (including where they wish to sell their property or move in close family) and to make it easier to repossess properties where tenants are at fault, for example in cases of anti-social behaviour and repeat rent arrears.

3. Provide stronger protections against backdoor eviction by ensuring tenants are able to appeal excessively above-market rents which are purely designed to force them out. As now, landlords will still be able to increase rents to market price for their properties and an independent tribunal will make a judgement on this, if needed. To avoid fettering the freedom of the judiciary, the tribunal will continue to be able to determine the actual market rent of a property.

4. Introduce a new Private Rented Sector Ombudsman which will provide fair, impartial, and binding resolution to many issues and prove quicker, cheaper, and less adversarial than the court system.

5. Create a Privately Rented Property Portal to help landlords understand their legal obligations and demonstrate compliance (giving good landlords confidence in their position), alongside providing better information to tenants to make informed decisions when entering into a tenancy agreement. It will also support local councils – helping them target enforcement activity where it is needed most.

6. Give tenants the right to request a pet in the property, which the landlord must consider and cannot unreasonably refuse. To support this, landlords will be able to require pet insurance to cover any damage to their property.



Consultation and Communication

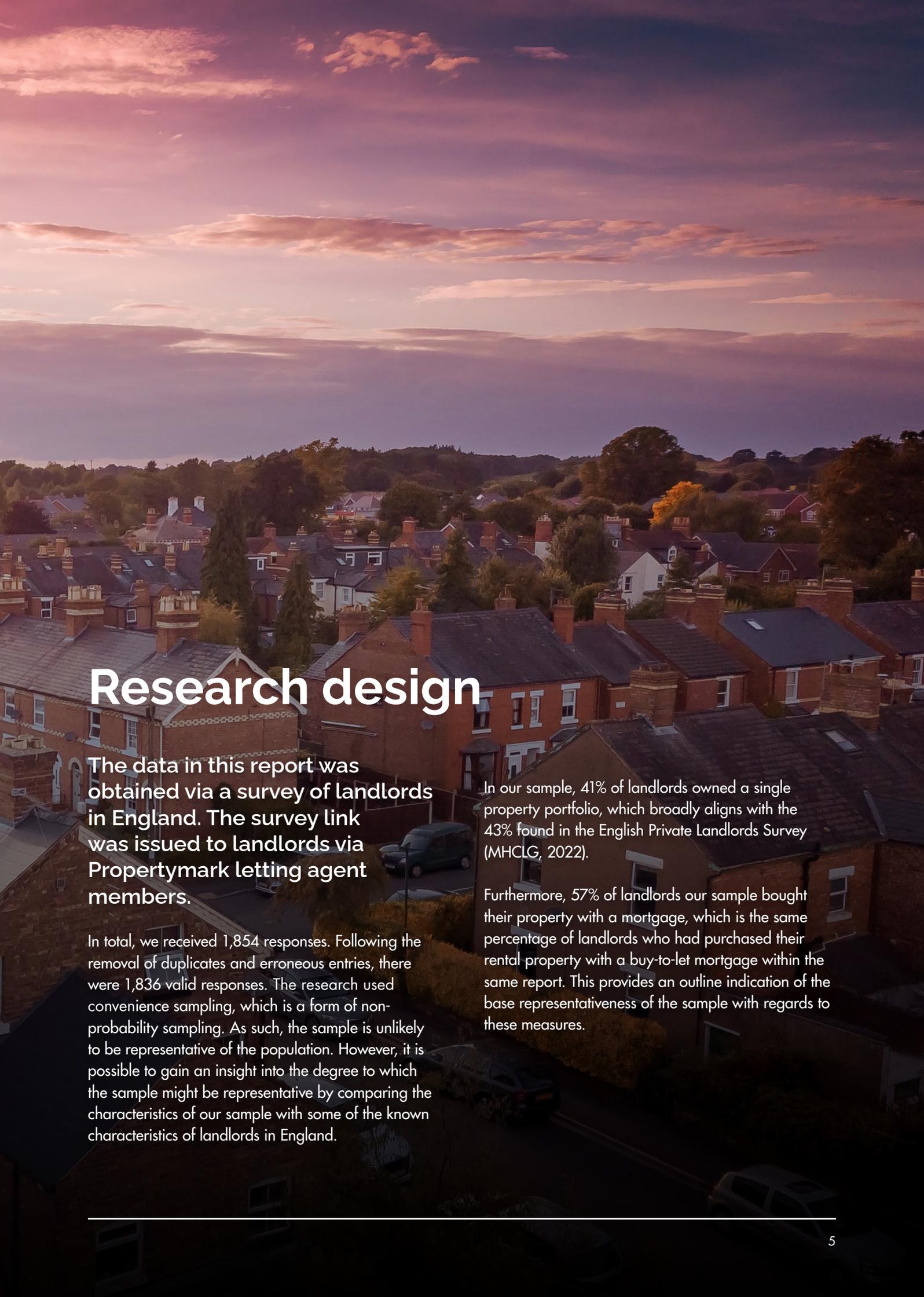
The consultation for the White Paper: A Fairer Private Rented Sector (Department for Levelling Up, Housing & Communities, 2022), was launched on 21 July 2019 and ended on 12 October 2019. The consultation received 19,697 responses.

This may initially appear like an impressive response, however, it should be noted that the government-backed tenancy deposit schemes alone have 3.9 million registered deposits against 438,000 landlords and agents (MHCLG, 2022). The number of stakeholders in the English PRS is therefore very large. Interest groups play an important, but incomplete role in reducing the consultation gap.

The White Paper further summarises the range of engagement activities that informed its creation including:

- Ministerial roundtables
- Direct discussions with tenants and landlords
- Discussions with local councils
- Consultations (including previous policy consultations)
- Individual stakeholder meetings and working groups

The 'direct discussions' with landlords appear to constitute 'several focus groups with landlords in January 2022'. However, it is not clear what percentage of the landlord population was included.



Research design

The data in this report was obtained via a survey of landlords in England. The survey link was issued to landlords via Propertymark letting agent members.

In total, we received 1,854 responses. Following the removal of duplicates and erroneous entries, there were 1,836 valid responses. The research used convenience sampling, which is a form of non-probability sampling. As such, the sample is unlikely to be representative of the population. However, it is possible to gain an insight into the degree to which the sample might be representative by comparing the characteristics of our sample with some of the known characteristics of landlords in England.

In our sample, 41% of landlords owned a single property portfolio, which broadly aligns with the 43% found in the English Private Landlords Survey (MHCLG, 2022).

Furthermore, 57% of landlords our sample bought their property with a mortgage, which is the same percentage of landlords who had purchased their rental property with a buy-to-let mortgage within the same report. This provides an outline indication of the base representativeness of the sample with regards to these measures.

Current state of the PRS

Before exploring the potential impact of the Bill, it is necessary to understand the environment in which the Bill, if passed, will be enacted.

Propertymark's regular Housing Insight Report publication (pictured) provides a monthly commentary on the state of the market and has reported that demand has outstripped supply for some time.

Furthermore, our report Reforming the PRS: Letting Agent Views of The Renters (Reform) Bill, found that landlords are leaving the sector leading to the reduction of supply in key markets. The supply and demand imbalance is having an impact on rents, which were already under pressure due to rising costs.



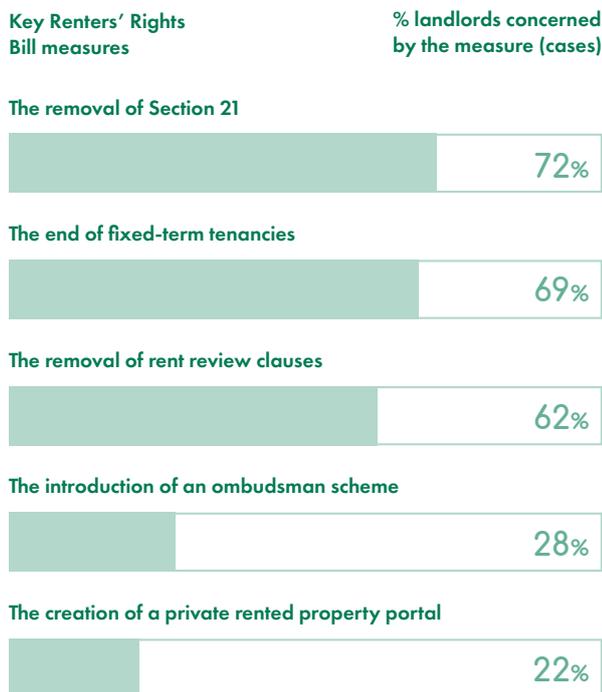
www.propertymark.co.uk/news-reports/housing-insight-report.html

Landlord views on the Renters' Rights Bill

WHAT MEASURES CONCERN LANDLORDS THE MOST?

As it stands, the Bill necessitates a range of changes which will fundamentally alter how the sector operates. Change on this scale can cause uncertainty and this can lead to worry and resistance. We asked landlords what areas of the Bill caused them most concern. As can be seen in Table 1, landlords were most concerned by the potential removal of Section 21 notices and the end of fixed-term tenancies. This is not entirely unexpected.

Table 1: Measures within the Renters (Reform) Bill which concern landlords the most



Source: Propertymark

ARE LANDLORDS FULLY AWARE OF THE BILL AND ITS CONTENTS

As the Bill seeks to change the law, it is couched in technical language that may be inaccessible to some. It is therefore reasonable to assume that few landlords will have read the Bill itself. However, the UK Government has published guidance to the Bill in accessible language via a series of webpages. The first guidance note (Guide to the Bill) provides some background to the Bill and a general overview of the Bill's measures. The subsequent guidance notes provide more details on specific measures as follows:

- Tenancy Reform: Renters (Reform) Bill
- Private Rented Sector Ombudsman: Renters (Reform) Bill
- Privately Rented Property Portal: Renters (Reform) Bill
- Renting with Pets: Renters (Reform) Bill

As the Bill represents the largest change to the PRS since deregulation, it is reasonable to expect that landlords would have read this guidance². To verify this and to understand the extent to which they are fully aware of the Bill and its contents, we asked landlords if they had read, not read or partially read the guidance notes that accompany the Bill.

As can be seen in Figure 1, only around one-quarter of landlords (24%) claimed to have fully read the guidance notes that accompany the Bill. However, 77% had not read or had only partially read the guidance³. This raises questions regarding the robustness of the Bill's communication and consultation process, but also the extent to which landlords proactively engage with legislation. Regardless, it does not bode well for future implementation and compliance.

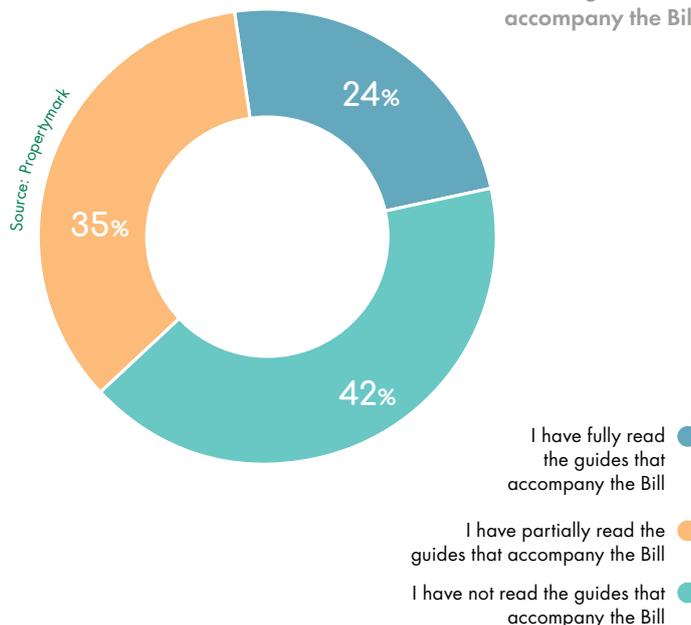
² It is acknowledged some landlords will obtain their information from other sources (including for example, Propertymark and Propertymark member agents).

³ Any difference in percentages are due to computer rounding.

Continued...

Whilst all landlords should ideally be fully aware of the Bill's contents, future compliance risks will be considerably reduced for landlords in England who use a letting agent to manage their properties.

Figure 1: The % of landlords who have read, not read or partially read the guides that accompany the Bill



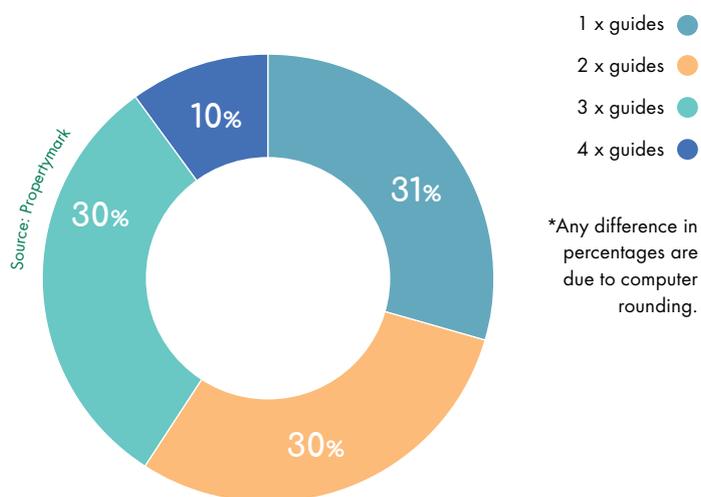
WHAT PARTS OF THE GUIDANCE DID LANDLORDS READ?

Landlords were subsequently asked, which of the guidance they had read. Unexpectedly, a small percentage of those who noted that they had read the published guidance (3%) had not in fact read all of the guidance notes available.

Amongst landlords who claimed to have partially read the guidance, around one-third had read one guidance note (31%), with similar proportions having read either two or three (30% and 30% respectively). Just 10% had read four.

The guides clearly held different levels of interest for landlords and as might be expected there is a degree of correlation between the guides that landlords read and the areas of the Bill that they are most concerned about.

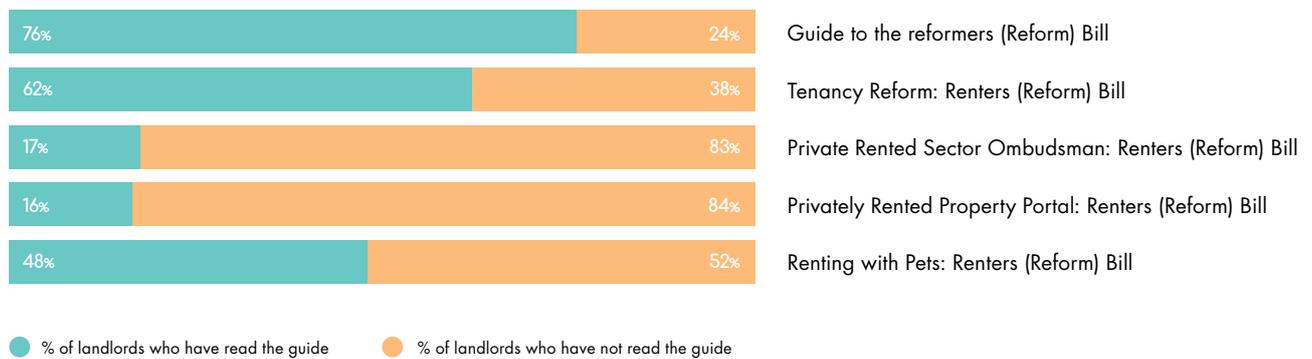
Figure 2: The number of guides read by landlords who had claimed to have partially read the guides



Almost three-quarters of the partial reader cohort read the Guide to the Renters (Reform) Bill, which is encouraging (Figure 3). Almost two-thirds (62%) had read the Tenancy Reform: Renters (Reform) Bill guidance, and just under a half (48%) had read the Renting with Pets: Renters (Reform) Bill guidance.

However, it is surprising that relatively few landlords had read the remaining guidance about the introduction of an ombudsman (17%) and property portal (16%). It could be argued that these measures could have an equal or broader impact on landlords than some of the others.

Figure 3: The % of landlords who have read each guide



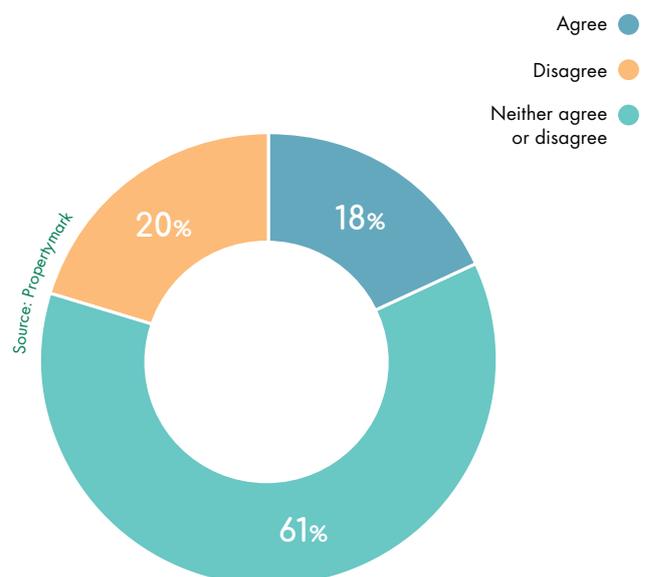
Source: Propertymark

DO LANDLORDS FULLY UNDERSTAND THE BILL?

Landlords were asked to what extent they were confident in their understanding of the proposed changes associated with the Bill (Figure 4). Around 1 in 5 landlords (18%) agreed that they understood the Bill and approximately the same proportion disagreed (20%). The vast majority (61%) neither agreed nor disagreed. This suggests that 81% of landlords were not confident that they understood the Bill or at the very least, were not entirely confident. This is alarming but not unexpected given that most landlords hadn't read or had only partially read the guidance. The finding also further supports earlier concerns regarding the sufficiency of the communication, consultation and engagement activities that have accompanied the Bill.

If the Bill is implemented, landlords whose properties are managed by Propertymark member agents will receive professional support to assist with implementation and compliance. However, it remains to be seen if the UK Government plan to provide further guidance, will be sufficient to support self-managing landlords.

Figure 4: The extent to which landlords are confident that they understand the proposed changes associated with the Renters' Rights Bill



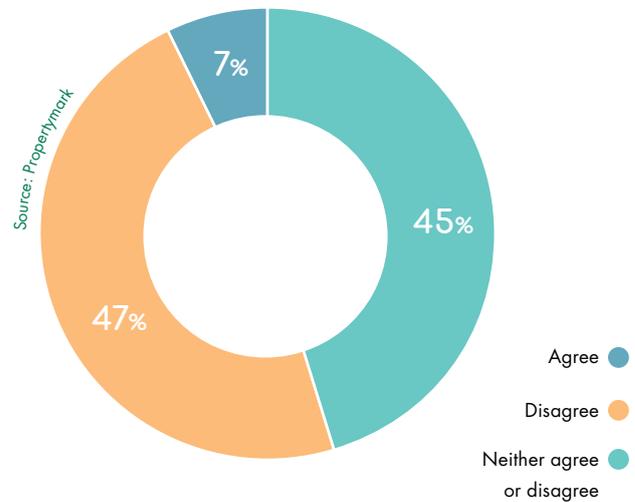
IS THERE ENOUGH GUIDANCE?

The survey asked landlords to what extent they agreed that there was sufficient UK Government guidance on the changes proposed by the Bill. Just 7% agreed and almost half disagreed (47%) (Figure 5).

Amongst those who had fully read the guides, 52% disagreed that the guidance was sufficient. This suggests that the guides are falling short in the level of detail landlords require to help minimise uncertainty.

Amongst landlords who had not read the guides, 42% disagreed. This could suggest some issues regarding the promotion of the guidance, although it may also reflect a lack of proactive engagement by landlords, as found in other studies.

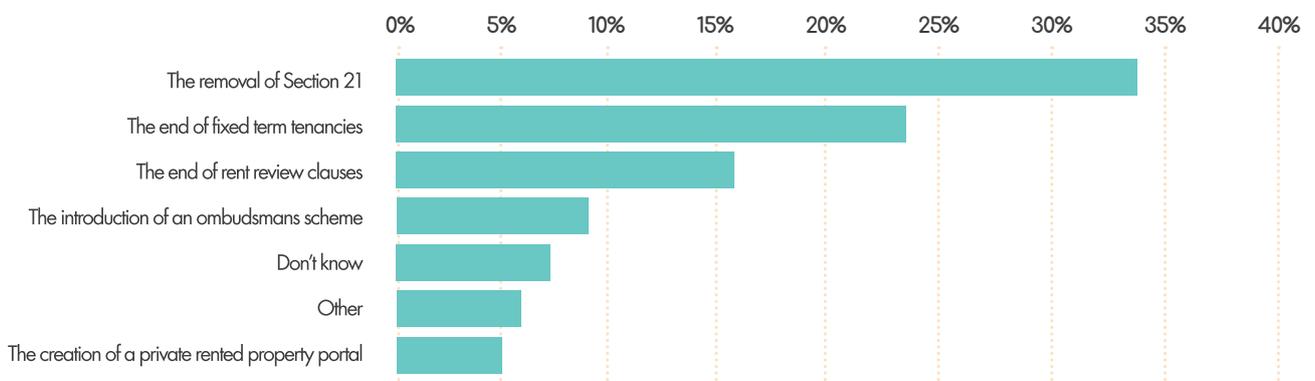
Figure 5: The extent to which landlords agree that there is sufficient guidance on the changes proposed by the Bill



WHAT GUIDANCE DO LANDLORDS WANT?

To identify the existing knowledge gaps in more detail, landlords were asked, which aspect of the Renters (Reform) Bill they would most like to see additional guidance on. Unsurprisingly, landlords largely seek guidance on the areas where they have concerns.

Figure 6: Where landlords would like to see more guidance



Source: Propertymark

Conclusion and recommendations

In our letting agent report, we found several agents had concerns relating to the Bill. This companion reports finds that landlords also have concerns. In particular, landlords are worried about the proposed removal of Section 21 and the end of fixed-term tenancies. It is not unexpected that landlords are concerned about changes that impact their rights of possession.

As with any large-scale change, there is a need to inform those affected to minimise uncertainty and its effects. One way of doing this is through effective communication. Policymakers did make attempts to reach landlords via consultations and focus groups. However, landlords are part of a large and heterogeneous group and as such, they can be relatively difficult to reach. The guidance which accompanies the Bill is therefore a pivotal communication method for raising awareness and understanding of the Bill amongst the landlord population.

To measure existing levels of understanding, we sought to identify the extent to which landlords had read, not read or partially read the guidance. Whilst acknowledging that other data sources are available, we find low levels of engagement with this guidance. Concerningly, 77% had not read or had only partially read it. We subsequently identified that landlords tended to read guidance on the topics which they were most concerned about and therefore, where their level of uncertainty was the greatest.

Overall, landlords were not confident in their understanding of the changes proposed by the Renters (Reform) Bill. This suggests high levels of uncertainty whilst also validating our approach. Our findings should be a major concern for policymakers, particularly with regard to implementation and future compliance levels. Generally speaking, it would be preferable for landlords to be better informed prior to the Bill reaching its final stages.

To help policymakers achieve this and to reduce uncertainty, we have identified the key aspects of the Renters (Reform) Bill where landlords would most like to see additional guidance.

Key recommendation

 **Policymakers should revisit the findings of our main report (Reforming the PRS: Reforming the PRS: letting agent views of the Renters (Reform) Bill and consider our recommendations therein.**

In particular, policymakers should consider actions designed to professionalise the property sector as well as to attract new and retain existing landlords within the sector.

Specific recommendations

1

UTILISE PROPERTYMARK AGENTS TO SUPPORT THE IMPLEMENTATION OF THE BILL

Our members, the UK's largest group of professional letting agents, are well placed to support the implementation of the Bill. The UK Government's implementation plans should signpost landlords seeking guidance and support to our members.

2

REVIEW/IMPROVE THE CONTENT OF THE GUIDANCE

The guidance has not been updated since May 2023. As the Bill has moved on in this time, it would be worth revisiting and reviewing the guides. The guidance should be further developed according to the UK Government's latest position on each measure.

3

IMPROVING THE REACH OF THE GUIDES

The guides should be communicated to landlords directly. This could be achieved by, for example, issuing the URL for updated guidance directly to landlords via the three deposit protection schemes. Propertymark is also willing to support issuing updated guidance to landlords via our member agents.



4

IMPROVING COMMUNICATION GENERALLY

The PRS Database and Property Portal should be expanded to include qualification, registration and regulation requirements for property agents.

The PRS Database and Property Portal must include a mechanism to allow regular communication with letting agents and landlords about consultations and legislative updates.

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