

REGULATION OF THE PRIVATE RENTED SECTOR IN ENGLAND USING LESSONS FROM IRELAND

Challenging issues of affordability, security and property management have raised interest in regulation of the private rented sector in England. This study aims to inform policy development, comparing the effectiveness of different forms of regulation in Ireland with existing approaches in England.

Key points

- Tenancy registration in Ireland, and landlord licensing in some parts of England, are effective ways of collecting more accurate information about the size, composition and geography of the sector.
- A core component of landlord licensing in England is an assessment of the management capabilities or practices of landlords, to enforce property standards. In Ireland, this is not part of their mandatory tenancy registration. Capacity to enforce standards is required.
- Incentives are important to encourage regulatory compliance amongst landlords. In Ireland and England, compliance with registration or licensing conditions can be encouraged through eligibility for tax relief or restrictions of powers for those who fail to comply.
- There is support for forms of registration in England that can help communicate information and policy change to landlords, as well as providing education and training to improve management practices. New forms of registration could use existing infrastructures, such as tenancy deposit schemes, to consolidate contact points for landlords.
- Longer-term tenancies with protection from eviction can increase feelings of security, but these can be undermined by lack of affordability and poor property conditions.
- Low-income tenants often struggle with accessing and keeping tenancies in the private rented sector, suggesting a role for support schemes that work with landlords to help tenants with these issues.

The research

By Dr Tom Moore (University of Sheffield) and
Dr Richard Dunning (University of Liverpool).

APRIL 2017

BACKGROUND

The recent growth of the private rented sector (PRS) in England has raised interest in regulation of the sector, in response to issues of affordability, tenure insecurity, and concerns over property management and standards. In particular, there are heightened concerns about the suitability of the sector for low-income tenants, leading to calls for longer tenancies, greater protections from eviction and regulation of landlords.

This research aims to inform policy development through study of Irish private rented sector regulation. In Ireland, there is a regulatory system involving long-term tenancies of up to four years, with eviction protections, mandatory registration of tenancies with a statutory body, a dispute resolution service for use by landlords and tenants, and limitations on the frequency of rent increases. The study also researched the current regulatory system in England, looking at four local authority areas. The research provides in-depth insights into the strengths and limitations of tenancy registration and landlord and low-income tenant experiences of different forms of regulation. It identifies lessons for future regulation of the PRS in England.

Registration, licensing and improved market understanding

In Ireland, landlords must register tenancies with the Residential Tenancies Board, creating a database of who lets a property, its location, and the rent being charged. This database has improved public understanding of the private rented sector in Ireland, shown by the creation of a public Rent Index that provides up-to-date information on prevailing rent levels. In England, landlord licensing schemes improved understanding of the composition and geography of the local-level private rented sector, which in turn supported local authority enforcement of property standards. There is still a need, however, to improve understanding of the sector nationally in England. This is particularly important as rents are to be included in official inflation measures, and new forms of registration or more flexibility for local authorities to issue licensing schemes could help improve the accuracy of this data.

The differences between Irish registration and English licensing

The main limitation of the Irish tenancy registration system was its divorce from tackling property standards, with no compulsion on landlords to demonstrate compliance with standards at registration. This, however, is a core component of selective landlord licensing schemes in England. Where licensing has worked effectively in England, it has been due to appropriate and complementary levels of enforcement capacity. This suggests it is not only the regulatory law and expectation of registration or licensing that is important, but also effective and ongoing enforcement of other property and management regulations.

The importance of incentives

Incentives are an important mechanism to encourage landlords' regulatory compliance. In Ireland and England, compliance with registration and licensing conditions can be encouraged through eligibility for tax relief or restrictions on the use of certain powers for those who fail to comply. Eligibility for mortgage interest tax relief in Ireland is dependent on tenancy registration, while some English local authorities incentivise licensing compliance by refusing 'no fault' eviction powers to those who fail to comply.

Incentives continue to be important in Ireland, where more advantageous tax relief is available for landlords who let to low-income tenants for a minimum of three years, through the Housing Assistance Payment programme. There needs to be greater consideration of how incentives could improve the sector in England, particularly given recent punitive taxation changes that have been unpopular with landlords and could result in disinvestment.

Education and communication

In England, a high proportion of landlords lack knowledge of core management responsibilities or standards. One way of overcoming this may be forms of light-touch mandatory registration that can help communicate information and policy change to landlords, and provide opportunities for education and professional development. There was concern about creating new forms of bureaucracy. Any new regulatory measures could make use of existing infrastructures, consolidating contact and registration points for landlords – for instance, tenancy deposit schemes. Key to the effectiveness of this, however, would be a consideration of how compliance with this can be incentivised, given the poor levels of engagement found in voluntary accreditation schemes.

Longer-term tenancies and evictions

Compared to England, Ireland has longer tenancies with stronger protection from evictions built in for tenants. Longer tenancies have advantages: landlords can only evict according to strict conditions and criteria, and tenants can take cases to the dispute resolution service where they fail to abide by this. There is a risk, however, that some landlords, even in spite of the illegality, can still evade these conditions. In addition, despite tenants having theoretically stronger rights, there is often a lack of awareness, or reluctance amongst tenants to exercise these. The reluctance is often related to the wider housing market conditions in Ireland, where a shortage of affordable and high quality accommodation leads to an acceptance of poor quality housing and fears of displacement and retaliatory eviction if tenants exercise rights or raise complaints.

Tenancy access and sustainment

Low-income tenants have problems with accessing and sustaining tenancies in the private rented sector. In addition, the speed and scale of change in the sector creates challenges for landlords in adapting to the range of households that they may now house. There needs to be improved marketing of and support for projects supporting low-income tenants and their landlords with tenancy access and sustainment, for instance schemes that reduce deposits costs and risks. In addition, programmes such as the Housing Assistance Payment (HAP) in Ireland may offer lessons on improving access and security for low-income households. HAP offers landlords more generous tax relief for letting property that is compliant with standards to low-income tenants for a minimum term of three years.

Conclusion

Regulation of the PRS can have a positive effect on the experiences of low-income tenants, but it is not the only policy response required to improve the standard and image of the sector. There is a need for a layered, multi-faceted approach to the management of the PRS, including incentives to encourage landlord compliance, enforcement capacity to tackle standards, and measures to support low-income tenants affected by tenure access, insecurity, and affordability. This will involve not just regulation, but coordinated policy solutions that balance the interests of tenants and landlords to improve the reputation and living experience of the private rented sector.

About the project

This research involved interviews and policy workshops with 55 stakeholders in England, including representatives from landlord and letting agent bodies, housing charities, tenant groups, landlords and local authorities; 12 interviews with similar stakeholders in Ireland; and 24 interviews with low-income tenants living in Dublin. The research was undertaken between October 2015 and June 2016.

FOR FURTHER INFORMATION

The full report, **Regulation of the private rented sector in England using lessons from Ireland** by Dr Tom Moore and Dr Richard Dunning, is available as a free download at www.jrf.org.uk

Read more publications at www.jrf.org.uk
Other formats available
ISBN: 978-1-911581-04-8

Joseph Rowntree Foundation
The Homestead
40 Water End
York YO30 6WP
Tel: 01904 615905

email: info@jrf.org.uk
www.jrf.org.uk
Ref: 3257