

# Fair Rents (Scotland) Bill

## Introduction

A proposal for a Bill to protect private sector tenants by introducing measures to limit rent increases and to increase the availability of information about rent levels. The consultation runs from 15 May 2019 to 6 August 2019. All those wishing to respond to the consultation are strongly encouraged to enter their responses electronically through this survey. This makes collation of responses much simpler and quicker. However, the option also exists of sending in a separate response (in hard copy or by other electronic means such as e-mail), and details of how to do so are included in the member's consultation document. Questions marked with an asterisk (\*) require an answer. All responses must include a name and contact details. Names will only be published if you give us permission, and contact details are never published – but we may use them to contact you if there is a query about your response. If you do not include a name and/or contact details, we may have to disregard your response. Please note that you must complete the survey in order for your response to be accepted. If you don't wish to complete the survey in a single session, you can choose "Save and Continue later" at any point. Whilst you have the option to skip particular questions, you must continue to the end of the survey and press "Submit" to have your response fully recorded. Please ensure you have read the consultation document before responding to any of the questions that follow. In particular, you should read the information contained in the document about how your response will be handled. The consultation document is available here: [Consultation document](#) [Privacy Notice](#)

I confirm that I have read and understood the Privacy Notice attached to this consultation which explains how my personal data will be used

## About you

Please choose whether you are responding as an individual or on behalf of an organisation. Note: If you choose "individual" and consent to have the response published, it will appear under your own name. If you choose "on behalf of an organisation" and consent to have the response published, it will be published under the organisation's name.

on behalf of an organisation

Which of the following best describes you? (If you are a professional or academic, but not in a subject relevant to the consultation, please choose "Member of the public".)

*No Response*

Please select the category which best describes your organisation

Commercial organisation (company, business)

**Optional: You may wish to explain briefly what the organisation does, its experience and expertise in the subject-matter of the consultation, and how the view expressed in the response was arrived at (e.g. whether it is the view of particular office-holders or has been approved by the membership as a whole).**

Simply Let is a letting agency regulated by RICS, licensed by ARLA Propertymark and, latterly, registered with the Scottish Government (LARN 1812020) as required by statute. We operate to high professional standards and, while our prime contractual responsibility is to our landlord clients, we also owe, and fulfill, a

Please select the category which best describes your organisation

duty of care to our clients' tenants. We strive to promote professional standards throughout the PRS and both the firm's directors have been invited to give evidence to The Scottish Government of matters relevant to renting in Scotland.

Please choose one of the following:

I am content for this response to be published and attributed to me or my organisation

Please provide your name or the name of your organisation. (Note: the name will not be published if you have asked for the response to be anonymous or "not for publication". Otherwise this is the name that will be published with your response).

Simply Let

Please provide details of a way in which we can contact you if there are queries regarding your response. Email is preferred but you can also provide a postal address or phone number. We will not publish these details.

## Aim and approach - rent cap

Q1. Which of the following best expresses your view of capping private sector rent increases annually across Scotland at one percentage point above inflation (measured according to the Consumer Price Index (CPI))?

Fully opposed

**Please explain the reasons for your response.**

Rental values are governed, not by inflation, but by the operation of market forces. They are set by the balance of supply and demand in local areas. When supply is restricted and demand is strong, upward pressure causes rental values to rise as tenants compete for a limited range of housing. Conversely, when there is oversupply and demand is weak, rental values will fall as landlords are obliged to reduce rents in order to attract a tenant. Constraining the effect of these market forces by imposition of a rent cap will strain the market, giving rise to different effects (rent being unable to rise to its natural level) One such effect is likely to be landlords selling up in favour of more financially attractive forms of investment. Another is likely to be an increase in demand, further straining the market as supply shrinks. With returns held artificially low, new landlords are unlikely to come forward to meet this increasing demand. It is important to realise that renting needs to work financially for landlords otherwise they will transfer their investment elsewhere. This is particularly the case with "professional" landlords investing through choice, and such landlords are likely to be the ones operating to high standards and with the higher quality properties. It should be understood that market dynamics are local. Scotland is an amalgam of local markets each behaving differently according to local circumstance. It follows that a national approach is inappropriate - a fact which was acknowledged by the introduction legislation for local Rent Pressure Zones under the Private Housing (Tenancies) (Scotland) Act 2016. Experience has shown that statutory control of rents leads to reduction in supply, as reasoned above. The Rent Act 1965, which introduced regulated tenancies throughout UK with rents set by Rent Officers led to a steady decline in the numbers of private properties

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available to rent, a decline reversed only by The Housing (Scotland) Act 1988 which again deregulated rents.

## Rent level appeals

Q2. Which of the following best expresses your view of providing that, when tenants appeal their rent, rent officers and the First-tier Tribunal would be able to either lower or maintain the rent but not increase the rent?

Fully opposed

**Please explain the reasons for your response.**

As explained earlier rents must be able to respond to market pressures if negative effects on quantity and quality of housing supply are to be avoided. Further, while in our experience tenants are generally responsible and mindful of their landlords' interests, if there is no potential downside for a tenant in appealing a rent increase, then the possibility of adventitious appeals is clear.

## Landlord registration scheme

Q3. Which of the following best expresses your view of expanding the landlord registration scheme so that landlords must input the rent that they charge when they register, and update the system when the rent changes?

Partially supportive

**Please explain the reasons for your response.**

It would be beneficial for there to be a reliable source of evidence of rents passing in Scotland to inform debate and the formulation of legislative proposals. We remain to be convinced however that local authority resourcing issues can be overcome in the manner anticipated in the paper.

## Other options - Rent Pressure Zones

Q4. Which of the following best expresses your view of tackling the problem of rents rising significantly faster than inflation by making it easier for a local authority to apply to create a Rent Pressure Zone (RPZ)?

Fully opposed

**Please explain the reasons for this response.**

The Private Housing (Tenancies) Act 2016, appropriately, sets pre-conditions for local authorities to apply for the introduction of a Rent Pressure Zone, including support from wider local stakeholders. This is important if local economies are to be optimised and wider local needs taken into account. We do not

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therefore support any weakening of the RPZ application requirements. As has been explained earlier, linking rent levels to inflation is a false premise. Market dynamics, not inflation, is the driver.

## Financial implications

Q5. Taking account of both costs and potential savings, what financial impact would you expect the proposed Bill to have on:

	Significant increase in cost	Some increase in cost	Broadly cost-neutral	Some reduction in cost	Significant reduction in cost	Unsure
<b>Government and the public sector</b>	X					
<b>Businesses (including landlords)</b>		X				
<b>Individuals (including tenants)</b>	X					

**Please explain the reasons for your response.**

Reduction in the supply of private rented housing is likely to put greater demand on the social rented sector. Tenants unable to secure rented accommodation would require to be housed by local authorities, with resulting implications for budgets. Expense would be incurred in extending Landlord Registration IT systems to accommodate rent information, and these additional responsibilities on Landlord Registration teams will have a cost implication. Landlords will potentially face, not so much additional cost, but rather sub-optimal returns. Diminution in the supply of rented housing will put upward pressure on starting rents for new tenancies, making renting more expensive for tenants. Landlords who do not currently increase rents mid-tenancy (as in our experience is often the case, may elect instead to apply the inflation-linked increase annually.

Q6. Are there ways in which the Bill could achieve its aim more cost-effectively (e.g. by reducing costs or increasing savings)?

We cannot see any.

If we may widen the response, the most effective way of maintaining rents at an affordable level would be to invest in significantly increasing the supply of social housing. The supply of social housing shrunk drastically following the introduction of right-to-buy legislation and the absence of any balancing new construction. Private landlords are lauded by government for fulfilling that supply shortage, but this is no substitute for a properly funded investment programme.

The supply of adequate housing should be regarded as an infrastructural necessity. Without such adequate supply, local economic performance is sub-optimised and social wellbeing hampered.

## Equalities

Q7. What overall impact is the proposed Bill likely to have on equality, taking account of the following protected characteristics (under the Equality Act 2010): age, disability, gender re-assignment, maternity and pregnancy, marriage and civil partnership, race, religion or belief, sex, sexual orientation?

Neutral (neither positive nor negative)

Q8. In what ways could any negative impact of the Bill on equality be minimised or avoided?

By not proceeding to introduce the Bill.

## Sustainability

Q9. Do you consider that the proposed Bill can be delivered sustainably, i.e. without having likely future disproportionate economic, social and/or environmental impacts?

No

**Please explain the reasons for your response.**

It will disrupt the Private Rented Sector, potentially driving out responsible investor landlords who provide quality accommodation and shifting the balance towards the more marginal unskilled landlords whose properties often tend to be of poorer quality and who may either not be aware of, or who deliberately neglect, their statutory responsibilities. This will frustrate businesses seeking to recruit professional staff (such staff requiring good quality safe accommodation) and will potentially reduce the quality of the renting experience for tenants.

## General

Q10. Do you have any other comments or suggestions on the proposal?

It fails to acknowledge the contribution made to the private rented sector by responsible landlords and fails to recognise that many landlords act fairly towards their tenants, may be operating on very small margins and do require an economic return on their investment. One major repair, such as a boiler replacement, can eliminate an entire year's trading surplus for a landlord.

Also, it would be beneficial to pay due regard of the effects of previous instances of rent control.