

Consultation

Proposed Fair Rents (Scotland) Bill LSL Property Services plc (LSL) Group submission

Introduction

LSL Property Services plc (LSL) Group companies operate in three principle markets – estate agency, financial services and, surveying and valuation services. The estate agency network is one of the largest in the UK and comprises established high street brands including Your Move, Reeds Rains and Marsh & Parsons (which brings the LSL Group exposure to the prime and outer Central London property markets). LSL’s estate agency network’s branch services include residential sales, lettings and property management. LSL’s financial services businesses include PRIMIS and Embrace Financial Services. LSL’s e.surv brand is one of the country’s largest providers of surveying and residential valuation services. The LSL Group also operates asset management businesses (LSL Corporate Client Department, St Trinity and Templeton LPA), which provide repossession and asset management services to multi-property landlords and corporate clients.

Within LSL’s Estate Agency Division, there are 13 businesses that operate in the lettings market.¹ All of these businesses are members of a recognised professional trade organisation.² The LSL Group includes one of the largest property management networks in the UK and its businesses are involved in the management of and finding tenants for, more than 75,000 rental properties.³ LSL’s Corporate Client Department supports national and global institutions - by mitigating risk and driving the performance of their private rented sector (PRS) portfolios. The LSL Group also includes PRSim, a consultancy and property management business for institutional investment.

¹ The LSL Group businesses/brands operating in the lettings market are: Your Move; Reeds Rains; Marsh & Parsons; LetCo; together with nine agencies that operate under LSL’s ‘LSLi’ banner (Intercounty, JNP, Frosts, Goodfellows, Davis Tate, Lauristons, Hawes, Lawlors and Thomas Morris)

² ARLA PropertyMark or National Approved Letting Scheme (NALS)

³ LSL internal data

LSL is opposed to the provisions contained in the proposed *Fair Rents (Scotland) Bill*. Scotland has a strong and effective legislative framework that underpins the rental sector. The Private Housing (Tenancies) (Scotland) Act 2016 regulates rent increases in a clear and workable manner. The draft proposal misdiagnoses the problems in the Scottish rental market and fails to address: key issues with the administration of Universal Credit (UC); the freeze in Local Housing Allowance (LHA); and the impact of short-term lets such as Airbnb. LSL believes that the proposals would be highly detrimental to tenants and the rental sector, and would result in declining property standards and a fall in the number of rental properties that were available.

LSL welcomes the opportunity to respond to the consultation on the *Proposed Fair Rents (Scotland) Bill*.

QUESTIONS

ABOUT YOU

(Note: Information entered in this “About You” section may be published with your response (unless it is “not for publication”), except where indicated in **bold**.)

1. Are you responding as:

on behalf of an organisation? – in which case go to Q2B

2B. Please select the category which best describes your organisation:

Commercial organisation (company, business)

3. Please choose one of the following:

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

Data protection declaration

X I confirm that I have read and understood the privacy notice attached to this consultation which explains how my personal data will be used.

Rent cap

1. 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

LSL is fully opposed to the capping of private sector rent increases annually across Scotland at one percentage point above inflation. LSL believes that the proposed rent cap is unnecessary and that if it were to be introduced it would have a detrimental effect on tenants and the rental market.

Clear, transparent and workable protections from frequent rent increases were introduced under the Private Housing (Tenancies) (Scotland) Act 2016. These require the landlord to provide the tenant with three months' written notice prior to a rent increase and permit a maximum of one increase a year. If the rent increase is too high, the tenant can contact a rent officer and apply for adjudication on the figure.

LSL believes that it is important to understand the value that landlords place on having long-term tenants in a property. Across the Your Move branch network in Scotland,⁴ only a small minority of landlords request a rent review. Since the introduction of the Private Residential Tenancy (PRT) in December 2017, 897 properties have been eligible for a rent review. Of these, only 38 landlords have requested a rent review.⁵

The introduction of an annual rent cap across Scotland would be highly damaging. LSL believes that such a measure could significantly reduce the quality of rental properties. Landlords would be deterred from making any improvements beyond those required by law. LSL believes that should these measures be introduced, the number of rental properties will fall. The cumulative compliance burden, together with concern that they will be unable to recoup costs may lead to many landlords

⁴ Your Move has 21 branches in Scotland

⁵ LSL internal data

leaving the sector and a significant reduction in the number of properties available to tenants. Prospective landlords are likely to be unable, or unwilling to enter the sector. These measures could make securing a buy-to-let mortgage very difficult. They are also likely to fuel a significant increase in short-term lets such as Airbnb, which could further reduce the availability of properties to let within the residential lettings sector.

Rent level appeals

2. 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

LSL is fully opposed to limiting rent officers and the First-tier Tribunal to lowering and maintaining rent. It is conceivable that a rent officer and the First-tier Tribunal may increase rent only very rarely, however in the interest of parity, this option should be retained.

Landlord registration scheme

3. 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?

Fully opposed

LSL is fully opposed to 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. LSL believes such a requirement would be prohibitively expensive, difficult to enforce and may drive some landlords to operate outside the regulated sector.

LSL believes that the Scottish landlord registration scheme⁶ can offer valuable piece of mind to tenants as they know that the landlord has registered with the local authority prior to the property being let. Extending the registration scheme to include rental data would be burdensome on local authorities and divert the limited resources that are available from the crucial task of pursuing rogue landlords. LSL believes that such a system would be costly to implement and difficult, if not impossible, to enforce. There would also be inevitable questions about the validity of the data. Landlords may omit rent increases or record them inaccurately. It may also lead to some landlords leaving the regulated sector, which would be highly detrimental to tenants.

Other options - Rent Pressure Zones

4. 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

LSL is fully opposed to making it easier for a local authority to apply to create a Rent Pressure Zone (RPZ). LSL believes that rather than rushing to introduce further legislation it is important to allow sufficient time for recent reform to take effect and then assess its impact. The Private Housing (Tenancies) (Scotland) Act 2016 only came into force in December 2017, it is therefore too early to fully assess its impact. In due course, it could be helpful to establish a working group, comprising local authorities, tenants' groups, landlords, agents and other interested parties to review RPZs.

LSL believes that it is important to better understand the significant impact of Airbnb on parts of the Scottish rental market. Introducing rent caps would not address the increased rents and declining rental stock caused by the growth of the Airbnb. A narrow focus on rent caps or RPZs misses the systemic problems in the Scottish housing market – insufficient properties and an ever increasing Airbnb sector.

⁶ <https://www.landlordregistrationscotland.gov.uk>

Financial implications

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

(a) Government and the public sector

Significant increase in cost.

(b) Businesses – including landlords

Significant increase in cost.

(c) Individuals – including tenants

Significant increase in cost.

LSL believes that the proposed Bill would result in significant cost to government, the public sector, tenants and landlords. The proposals would increase administration and enforcement costs for local authorities and divert resources from other activities - such as ensuring compliance with existing housing legislation.

Landlords would find it increasingly difficult to recoup the expenses incurred in maintaining and upgrading properties, and would accrue additional administrative costs. LSL believes that less property maintenance and improvement work may therefore be undertaken, which would be detrimental to tenants.

LSL believes that if the proposals were to be introduced it could result in landlords exiting the rental market and a potentially significant reduction in rental stock. This would clearly disadvantage tenants. It would increase demand for social housing and may result in local authorities placing individuals and families in costly and suboptimal temporary accommodation.

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

LSL believes that Scotland already has strong and effective housing legislation. The proposals misdiagnose the problems affecting the rental market and prescribe a 'solution' that would be detrimental to tenants and the rental sector.

Many tenants in the PRS have been adversely affected by the introduction of Universal Credit (UC). LSL believes that problems with the administration of UC should be addressed and Local Housing Allowance (LHA) rates be uplifted to provide sufficient support to those in private rented accommodation.⁷

The proposals fail to consider the impact of Airbnb lets on sectors of the rental market. LSL believes that in many locations, Airbnb is contributing to increased rents and declining rental stock. It is crucial that the extent and impact of such short-term lets is better understood and addressed.

Equalities

7. 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?

Negative

LSL believes that should the proposals be introduced they would cause a reduction in the quality and volume of rental properties.

9. 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

⁷ The Scottish Government Social Security Committee published a report *Social Security Support for Housing* in June 2019 – The report flagged a number of problems with UC, including: delayed payments; communication between the DWP, landlords and tenants; and the LHA payment rate <https://sp-bpr-en-prod-cdnep.azureedge.net/published/SSC/2019/6/12/Social-Security-Support-for-Housing/SSCS52019R07.pdf>

LSL believes that the proposals would be likely to have disproportionate economic, social and potentially environmental impacts.