

## Insights

# RENTERS' RIGHTS BILL

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## SUMMARY

On 17 July 2024, the King announced a new Renters' Rights Bill ("**RRB**") to be introduced *"to give greater rights and protections to people renting their homes..."* The RRB has not yet been published however the background briefing note to the King's speech indicates that the RRB largely resurrects the Conservatives' Renters (Reform) Bill that did not survive the July snap election.

The headline points remain the same:

- Section 21 "no fault" eviction procedure to be abolished
- Eviction grounds to be expanded
- Decent Homes Standard to be applied to the private rented sector
- Fines on landlords for breaching the new rules
- Tenants able to challenge above-market rent increases
- Local Council's enforcement powers to be strengthened to drive out 'bad' landlords
- National landlord database
- Introduction of a Property Ombudsman to resolve tenants' complaints
- No unreasonable refusal to allow pets
- Illegal for landlords to discriminate against tenants on benefits or with children

## KEY DIFFERENCES TO NOTE

NEW PROVISIONS APPLYING 'AWAAB'S LAW' TO THE PRIVATE RENTED SECTOR

- The RRB will implement Awaab's Law, which previously applied to Registered Providers of Social Housing. It will require landlords to investigate and fix reported health hazards, especially relating to damp and mould, within a specific timeframe (to be specified in the RRB following a recently concluded Consultation on the implementation of this law).

## ABOLITION OF SECTION 21 ("NO FAULT") EVICTIONS LIKELY TO BE INTRODUCED SOONER

- Currently, landlords can use section 21 of the Housing Act 1988 to evict tenants without having a reason for doing so, as long as the landlord follows the correct procedural steps. Section 21 is often used by landlords even if there is a breach of tenancy, such as rent arrears, because it is quicker and more cost-effective for landlords to secure possession.
- Once section 21 evictions are abolished, landlords will need to prove that a possession ground applies, which a tenant can challenge, and a court hearing and evidence may be required to resolve the dispute.
- There are concerns that the courts do not have the capacity to handle the inevitable influx of possession claims. For this reason, the Conservatives proposed court reform before abolishing the section 21 eviction procedure, including a review of the operation and enforcement of possession proceedings.
- Labour has not, thus far, proposed any inquiry into the function of the courts, suggesting that Labour will not wait to introduce this radical change, which is consistent with their promise to ban section 21 evictions on "day 1". Perhaps it will be suggested that the new Property Ombudsman for the private rented sector will assist to resolve disputes following the introduction of the RRB, but that remains to be seen.

## NO REFERENCE TO ABOLITION OF FIXED-TERM TENANCIES

- The Conservatives' Renters' (Reform) Bill proposed replacing all fixed-term assured tenancies with a new system of open-ended 'rolling tenancies', with rent periods not to exceed one month.
- Scrapping fixed term tenancies is fraught with difficulties. For example, many head leases or facility agreements permit subletting on a (fixed term) assured shorthold tenancy basis only. There was uncertainty as to how the market would respond and whether landlords and lenders would permit subletting on open-ended tenancies, or whether the new rules would effectively render premises unable to be sublet or mortgaged.
- There is no mention of this proposal in the briefing note, so it is not clear whether this radical change will be retained or modified in the RRB.

- Aligning student tenancies with the academic year and providing student landlords with certainty that they will regain possession in a timely manner is crucial to a well-functioning student housing market. The Renters (Reform) Bill proposed a specific exception and new ground of possession for student lettings to avoid the uncertainty caused by the introduction of rolling periodic tenancies. However, there were concerns that the proposed exception was too limited, and the possession ground was not an adequate solution (as it would take time/costs to pursue a claim and student landlords would not have sufficient certainty that the premises could be re-let for the new academic year). For these reasons, the student housing sector will be particularly relieved if periodic tenancies are not introduced.

## IMPLICATIONS OF THE RRB

- Increased regulations and burdens, combined with high interest rates and tax disincentives against second homes, may discourage private individual landlords from investing in the rental sector and increase demand for rented housing from institutional landlords.
- The devil will be in the detail. We await the full text of the RRB to clarify the position regarding the timing of the section 21 ban, whether fixed term tenancies will be retained, the notice periods for certain possession grounds, and the role of the Property Ombudsman.
- Landlords will need to keep records of tenant breaches. Currently, section 21 evictions can be paper-based and relatively straightforward. The RRB will require evidence to prove that a possession ground applies, which means more hearings to resolve eviction disputes, which will inevitably lead to delays in recovering possession and an increased evidential burden particularly on landlords.
- More positively, Labour confirmed that no rent controls will be introduced. This had been a major concern for landlords and so Labour's confirmation provides increased certainty for investors in the private rented sector.
- The market sentiment seems to be pro-reform. However, any new legislation must create a functional market for both landlords and tenants. A balance must be struck. Over-zealously protecting tenants to the detriment of landlords, suppliers and investors will discourage landlords from entering the private residential sector. This could lead to reduced supply and inflated rents which strongly undermines the stated aim of the RRB - improving the position of renters.

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This article was written with trainee solicitor Sanjay Lohano.

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## MEET THE TEAM



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