

Preparing for the Renters' Rights Act

An Action Plan for Forward-Thinking Landlords



EXPERT
ADVICE
INSIDE



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Hello,

I'm Damien Cooke, Managing Director at Cooke & Co.

If you're reading this, it's most likely because you're a landlord asking yourself one key question: what will the Renters' Rights Bill mean for my property portfolio?

You may be feeling confused or concerned (or both). So hopefully this guide will clarify the situation for you and put your mind at ease.

As you probably know, the Renters' Rights Bill is now entering the final stages of the parliamentary process and is likely to become the Renters' Rights Act within a short timeframe.

The legislation will herald a new era for the private rented sector in England and will bring many challenges for landlords. There will be new laws to abide by and additional costs.

Yet there will also be opportunities for positive-thinking landlords in Thanet who are committed to maintaining high standards and creating better quality tenancies.

And as some landlords will exit the market, demand for available rental properties will be high. Landlords will be able to choose from the best quality tenants. Rents and yields may well appreciate as a result.

At the time of writing, the eventual shape of the Renters' Rights Act has still yet to be finalised by the legislators. However, in this guide, we will summarise what the key planned changes to the law are likely to be. And we will suggest actions you might consider taking now to help you prepare and ensure a smooth transition to the new regime.

We hope you find this guide useful. If we can assist in any way with your property letting and management needs, please do not hesitate to contact us.

We're here to help.



Damien Cooke MNAEA MARLA
Founder and Managing Director
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Disclaimer: The information in this guide does not constitute legal or financial advice. Until the Renters' Rights Act is passed into law, all these details are subject to change.

All tenancies will be periodic tenancies

! Important to know

- Assured shorthold tenancies (ASTs) for fixed terms will be abolished.
- All tenancies will be periodic tenancies. These will roll over from month to month.
- Tenants will be able to leave with two months' notice.

👍 Are there any positives?

- Tenants will have greater security of tenure while the impact on landlords with good, long-term tenants should be low.



📅 Action to take

- Existing tenancies are expected to automatically convert to periodic tenancies when the Act comes into force. Be aware of what this means for you.
- Focus on attracting good, long-term tenants. This should minimise the risk of greater tenant turnover and void periods.

New rules on advance rent, and on guarantors



! Important to know

- Landlords will only be able to request one month's rent in advance and on signing of the tenancy. (As well as a deposit of up to five weeks rent.)
- We are awaiting confirmation, but within the documents I have seen there were discussions around a Guarantor cap, with talk of their liability being capped to six months' rent and their no longer being liable after the death of a tenant.

👍 Are there any positives?

- This rule should have a low impact on landlords who do not usually require advance rent and deposits in excess of these amounts.

📅 Action to take

- Ensure that your arrangements for taking advance rent and deposits are compliant. Consider if suitable landlord insurance could help address the risks of rent arrears or reliance on guarantors.

Possession grounds will change, and be reformed

! Important to know

- Section 21 'no fault' evictions will be banned. Landlords will require specific grounds, as defined in the new law, to evict a tenant.
- There will be a reformed Section 8 evictions process. Grounds for possession will be defined more clearly. They will be either mandatory or discretionary for a court to decide. They will have notice periods between two weeks and four months, depending on the ground.
- Landlords will be able to regain possession of their property if they wish to sell it or move in themselves. (However, not within the first 12 months of a tenancy, and four months' notice must be given.)

👍 Are there any positives?

- The impact of this change may be less than many people have suggested. Most landlords evict tenants very rarely.
- It should, in theory, be easier to evict tenants who break their tenancy – particularly in the case of rent arrears or antisocial behaviour.
- You can still sell your property and exit the market should you wish to.

📅 Action to take

- Ensure that you are attracting and retaining good tenants. We can advise on finding the best tenants for your property.

Introduction of a private rented sector database

! Important to know

- Landlords will need to register with a new PRS database. A fee will be payable.

👍 Are there any positives?

- Poor landlords are likely to be negatively impacted. Good landlords should benefit.

📅 Action to take

- Details of the database have not yet been released. Keep up to date with developments and be ready to register once it opens.



Introduction of an ombudsman, and a redress scheme

! Important to know

- Landlords will have to join the new ombudsman scheme. A fee will be payable.
- Tenants will be able to take complaints to the ombudsman. The ombudsman will be able to order landlords to put things right, pay compensation or overturn them.
- Landlords will not be able to take complaints to the ombudsman.

👍 Are there any positives?

- While tenants will be able to complain more easily, it may be easier and cheaper to resolve complaints. Legal action may be avoided.



📅 Action to take

- Details of the new scheme have not yet been made available. Follow developments closely and be ready to register once it opens.

The right to have pets



! Important to know

- Tenants will have the right to ask to keep a pet. Landlords will not be able to refuse unreasonably.

👍 Are there any positives?

- Landlords will still be able to refuse unreasonable requests.
- Landlords will be able to insist on suitable insurance to cover against pet damage, which the tenant will pay for.

📅 Action to take

- Begin to formulate a 'pet policy'. Consider to what extent your property is suitable for pets and what type of pets.



A ban on rental discrimination

! Important to know

- Discriminating against prospective tenants, for example, by refusing to consider tenants on benefits or those with children, will be banned.

👍 Are there any positives?

- It will still be legal to decline prospective tenants if you feel the property is unsuitable for them or if they fail affordability or referencing checks.

📋 Action to take

- Formulate a marketing/application policy to ensure you do not discriminate against prospective tenants. We can advise on this.



Extended local authority enforcement powers

! Important to know

- Local authorities will have more powers to investigate breaches of housing law and demand information.
- Civil penalties will increase to a maximum of £7,000 for initial breaches and up to £40,000 in more serious cases.
- Rent repayment orders will be available for more breaches of the law, and for up to two years of rent.
- Company directors and superior landlords will be liable in some cases.

👍 Are there any positives?

- The impact should be low for good landlords who are compliant. Bad landlords are more likely to be pushed out of the market.



📋 Action to take

- Inspect your property regularly and review your systems to identify any issues. Take expert advice where necessary.

The Decent Homes Standard in the private rented sector

! Important to know

- This sets minimum property standards, and already applies to the social rented sector. It will apply to private rented property too.
- A new law called Awaab's Law will require landlords to deal with damp, mould and other defects in a timely way.

👍 Are there any positives?

- Rising property standards should benefit compliant landlords. They will be able to attract good tenants and may earn enhanced rents.



📋 Action to take

- Inspect your property regularly and rectify any issues promptly.

A ban on rental bidding



! Important to know

- It will be illegal to encourage prospective tenants to pay above the initial asking rent by engaging in a 'bidding war' with other tenants.

👍 Are there any positives?

- Landlords who set their rent at the right level should not be impacted.



📋 Action to take

- Set rents at the optimum level now. We can provide guidance on this.

Need to know more?

We've a dedicated team of experts ready to help landlords with any questions they may have about the bill. Call us today if you need advice on preparing for this and any other regulatory changes.