

Scrapping Section 21 and reforming the PRS

[Analysis](#) Thu 14 Nov 2024



Having passed its second reading in the House of Commons in October, and due to become law by summer 2025, **Kate Rigby, partner in Rosling King's dispute resolution team**, analyses what impact the Renters' Rights Bill will have on the rental market and that of the rights of both tenants and landlords.

Summary

The Renters' Rights Bill^[1] (the "**Bill**") introduced by the Labour Government on 11 September 2024, is intended to make substantial changes for the rental market. The Bill passed its Second Reading in the House of Commons on 9 October 2024, with 424 MPs voting in favour and only 104 MPs voting against the Bill. The Housing Minister, Matthew Pennycook, stressed the importance of ending rental bidding wars and ensuring protection for renters, stating that "*if landlords think they can get around this bill... they're wrong.*"

Deputy Prime Minister, Angela Rayner, also supported the Bill, and said "*I am determined to get this Bill in to law as soon as possible. The thousands of children and families living in unsafe housing or under the cruel threat of a Section 21 eviction notice have been waiting far too long already.*"



Now that the Bill has passed its Second Reading it will move to Committee Stage where detailed examination of the Bill will take place. The impact of the legislation, once fully passed, will be felt far and wide and whilst undoubtedly increasing rights of renters and ensuring improved conditions and certainty, will cause some landlords to evaluate the cost of these changes and how it impacts their property investments.

Proposed abolition of Section 21 Evictions

Currently, Section 21 of the Housing Act 1988 ("**HA 1988**") enables private landlords to terminate a tenancy agreement without having to provide any reason and/or establish fault on the part of the tenant, commonly known as 'no-fault' evictions. A Section 21 notice requires the landlord to

provide the tenant with two months' notice to leave the property and if the tenant does not leave, it is mandatory for the court to make a possession Order.

One of the main changes proposed in the Bill is the abolition of Section 21 Notices. Landlords will no longer be able to evict tenants from their properties at short notice and without a valid, legally defined reason. The tenancy will end only if the tenant chooses to leave the property by providing two months' notice, or if the landlord has a valid reason, as defined by law under Ground 8, Schedule 2 of the HA 1988. Such grounds for terminating the tenancy are being expanded and will include the landlord wanting to sell the property, redevelop the property, landlord/family moving into the property and where the tenant is at fault, including where a tenant commits antisocial behaviour, has damaged the property or is in significant rent arrears.

The grounds to evict a tenant for rent arrears are being widened and the tenant will have to have at least three months' rent arrears, as opposed to two months, both at the time the notice is served and at the time of the possession hearing. Furthermore, the notice period for the rent arrears will be increased from two weeks to four weeks.

Rent Increases

Under the Bill, landlords can only increase the rent once a year, which must align with market rates by serving a 'Section 13' notice, setting out the new rent and giving at least two months' notice of it taking effect. The Bill introduces a prohibition on landlords asking for, or accepting offers, above the advertised rent price which will ultimately stop rental bidding wars.

Tenants will be able to challenge unreasonable rent increases which exceed the market rate at the First-tier Tribunal, who will determine what the market rent should be. The government's aim is essentially to prevent backdoor means of eviction, while ensuring that rents can be increased to reflect current market rates.

Non discrimination against Tenant's Pets, Families and those receiving Benefits

The Bill is intended to make the market fairer by preventing landlords from discriminating against tenants who have children or receive benefits. The Bill will ensure that terms in mortgages and superior leases, which restrict the letting to private tenants who do not have children or do not receive benefits, have no effect. As such, if tenants do have children or are in receipt of benefits, the lender or landlord cannot claim a breach of contract even if the contract expressly prohibits this.

In addition, tenants will have the right to request to keep pets in their homes, and landlords will need a good reason to refuse such request.

Awaab's Law and the Decent Homes Standard

Awaab's Law, introduced in July 2023 as part of the Social Housing (Regulation) Act and setting out the governments' new guidance on the health risks of damp and mould for social housing landlords, will now apply to private rentals whereby landlords must fix serious hazards in their properties, such as dampness or mould, within a set timeframe, otherwise landlords will risk certain penalties.

The Decent Homes Standard, first introduced in 2000 by the government to ensure that all social housing meets set standards of decency, will also apply to private rentals, ensuring properties are safe and habitable. If a privately rented property fails to meet the requirements under the

Decent Home Standard, the local authority will be able to take enforcement action, such as the issue of civil penalties of up to £7,000.

Assured Tenancies and Leases over Seven Years

In accordance with the HA 1988, long leases can currently be deemed as Assured Tenancies in certain circumstances, as such, the Court would be mandated to grant a possession Order where there are significant arrears. The Renters' Rights Bill proposes that any lease with a fixed term over seven years can no longer be an Assured Tenancy. This will put an end to the issue of mandatory possession claims for rent arrears in long leases where ground rent is payable which exceeds certain limits.

The Private Rented Sector Database

What was previously called the 'Property Portal' will now be renamed as the 'Private Rented Sector Database'. All landlords of assured and regulated tenancies will be legally required to register themselves and their properties on the database or face financial penalties and/or criminal prosecution.

Commentary

The Bill is expected to become law by the summer of 2025 and understandably, whilst tenants' delight, landlords are concerned about how the proposed changes will affect their ability to manage and/or recover their properties. With the private rented sector becoming increasingly over-regulated, it is likely that many landlords will leave the market or turn to less regulated and more profitable sectors, such as Airbnb's, which may impact the housing crisis further as there will be fewer properties being available for rent. In addition, whilst Section 21 notices still exist, we may see an increase in possession actions in the short term.