

Blog

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Selective licensing government review summary

By Emma Lindley

The growth of the Private Rented Sector (PRS) since 2002 and concerns around affordability, quality and management are well documented and are increasingly a priority of voters and therefore politicians.

Since 2004, local authorities have been able to designate that all PRS properties in an area require a license, this is known as selective licensing. Originally introduced to help tackle concerns over anti-social behaviour and low housing demand, it was expanded in 2015 to include poor property conditions, high crime, high levels of deprivation and high migration.

As of 1 January 2019, selective licensing schemes were in operation in one or more areas of 44 English local authorities. Opinion Research Services were commissioned by Ministry of Housing, Communities and Local Government (MHCLG) to review the use and effectiveness of these schemes and give recommendations for positive change.

All but one local authority with a scheme in operation reported their schemes were at least 'fairly effective', with 41% considering them to be 'very effective'.

However, the evaluation identified that the effectiveness of schemes is often limited when they are implemented in isolation. Successful schemes tend to be those that are part of a wider, well planned, coherent initiative with an associated commitment of resources.

Whilst schemes allow local authorities to proactively focus resources on areas of concerns and generate revenue to contribute to the costs of doing so, the research highlights the difficulties local authorities experience in both identifying the true extent of the PRS and unlicensed properties. The report therefore recommends the introduction of a national registration scheme to overcome this issue of a lack of data on PRS properties and landlords.

This recommendation is also made in the Rugg Review 2018¹ and would cover both landlords and letting agent and all properties would have to pass an annual independent inspection to confirm fitness for letting.

¹ <http://www.nationwidefoundation.org.uk/wp-content/uploads/2018/09/Private-Rented-Sector-report.pdf>

The Rugg Review highlights that outside of selective licensing and other mandatory licensing schemes, there is no effective scrutiny of the PRS and as a consequence it falls to individual tenants to complain to local authorities about poor property standards, though often they are reluctant to do so for fear of eviction. The recently introduced Homes (Fitness for Human Habitation) Act 2018 gives tenants more rights in this area but it remains to be seen if these will outweigh their reluctance to make a complaint.

The Rugg Review considers a number of alternative approaches to improving standards in the PRS but considers that none provide a comprehensive solution:

- Increasing the use of letting agencies offers little guarantee of improvement, given widespread dissatisfaction with the practices of many letting agents, who may be as ‘amateur’ as the landlords they serve
- Build to Rent offers higher management standards where it is in the commercial interests of the developer
- Voluntary accreditation lacks effective market penetration
- Rogue landlord databases are an as yet unproven method for improving property standards
- Mortgage provider intervention is an as yet untested route to secure improvements in property quality and management
- It is unlikely that tax incentives can be sufficiently well targeted to meet the parts of the market that are the most problematic.

In Wales, the Housing (Wales) Act 2014 introduced the Rent Smart Wales registration and licensing scheme, that requires all PRS landlords operating in Wales to be registered and all landlords and agents letting and/or managing PRS properties to be licensed. A review² of the scheme for the Welsh Government found that this issue of identifying non-compliant landlords is still unresolved, as well as there being a lack of resources to enforce the scheme.

In response to the selective licensing review, the Residential Landlords Association (RLA) have also highlighted this point, arguing that:

“All it would become is a list of good landlords which brings us no closer to finding the crooks that operate under the radar.”

“Selective licensing has become a replacement for lost central government funding and provides no assurances to tenants about the quality of accommodation.”

² <https://gweddill.gov.wales/docs/caecd/research/2018/180607-evaluation-rent-smart-implementation-delivery-summary-en.pdf>

“Properties do not need to be inspected before a landlord is given a licence and the RLA has found that many councils are charging eye-watering sums of money for almost nothing in return.”

“Local authorities need the will and the resources to put real effort into finding the criminal landlords who never come forward to make themselves known.”

“That means using a range of information they can already access including council tax returns, information on tenancy deposits and benefit data to root out the minority of landlords who bring the sector into disrepute.”³

Whilst this review has concluded that selective licensing schemes are ‘fairly effective’ for almost all, there remains a significant challenge for local authorities to proactively identify all PRS landlords and properties in their area and have the resources to ensure they meet appropriate standards of quality and management. Evidence from elsewhere suggests that the proposed registration scheme is not the solution to this problem.

About the author

Emma Lindley is a housing professional with eight years’ experience in housing associations in the East Midlands, working in a variety of roles including managing a private sector leasing scheme, working with local authorities to bring empty properties back into use, delivering housing advice services on behalf of a local authority, co-regulation, providing a policy and research service for corporate and frontline teams, and responding to government consultations. Emma has been a HQN Associate since 2013 and is also chair of the CIH East Midlands board.

³ <https://www.propertyindustryeye.com/government-selective-licensing-review-backs-creation-of-national-landlord-register/>