



**FIRST-TIER TRIBUNAL
PROPERTY CHAMBER
(RESIDENTIAL PROPERTY)**

Case reference : **CHI/19UD/F77/2023/0033**

Property : **4 Haggates Cottages, Witchampton,
Wimbourne, Dorset BH21 5BS**

**Applicant
(Landlord)** : **Crichel Properties (Management) Ltd**

Representative : **Savills UK Ltd**

**Respondent
(Tenant)** : **Mr P Langford**

Representative : **None**

Type of application : **Section 70 of the Rent ACT 1977**

Tribunal members : **Mr D Jagger MRICS
Mr J Reichel BSc MRICS
Mr S Hodges FRICS**

Venue : **Paper determination**

Date of decision : **26th July 2023**

DECISION

The Tribunal determines £760.50 per month is to be registered as the fair rent for the above property with effect from 26th July 2023 being the date of the Tribunal's decision.

The reasons for this decision are set out below.

Reasons

Background

On the 19th April 2023 the landlord's agent Savills, applied to the Valuation Office Agency (Rent Officer) for registration of a fair rent of £700 per month for the property.

The rent registered at the time of the application was £675 per month effective from 8th February 2021.

On the 9th May 2023 the Rent Officer registered a fair rent of £700 per month effective from the 10th February 2023. The rent increase imposed by the Rent Officer has not been "capped" or limited by the operation of the Rent Acts (Maximum Fair Rent) Order 1999 (the Order).

By a hand written letter dated 19th May 2023 from Mr Langford, the tenant objected to the rent determined by the Rent Officer and the matter was referred to this Tribunal.

The law

When determining a fair rent the Tribunal, in accordance with the Rent Act 1977, section 70, must have regard to all the circumstances including the age, location and state of repair of the property. It also must disregard the effect of (a) any relevant tenant's improvements and (b) the effect of any disrepair or other defect attributable to the tenant, on the rental value of the property. Section 70(2) of the Rent Act 1977 imposes on the Tribunal an assumption that the number of persons seeking to become tenants of similar dwelling house in the locality on the terms (other than those relating to rent) of the regulated tenancy is not substantially greater than the number of such dwelling houses in the locality which are available for letting on such terms. This is commonly called 'scarcity'.

In *Spath Holme Ltd v Chairman of the Greater Manchester Council (1995) 28 HLR 107* and *Curtis v London Rent Assessment Tribunal [1999] QB 92* the Court of Appeal emphasised

- (a) that ordinarily a fair rent is the market rent for the property discounted for 'scarcity' (i.e. that element, if any, of the market rent, that is attributable to there being a significant shortage of similar properties in the wider locality available for letting on similar terms - other than as to rent - to that of the regulated tenancy) and

- (b) that for the purposes of determining the market rent, assured tenancy (market) rents are usually appropriate comparables. (These rents may have to be adjusted where necessary to reflect any relevant differences between those comparables and the subject property).

The Rent Acts (Maximum Fair Rent) Order 1999 places a “cap” on the permissible amount of the increase of a fair rent between one registration and the next, by reference to the amount of the increase in the United Kingdom Index of Retail Prices between the dates of the two registrations. Where the cap applies the Rent Officer and the Tribunal is prevented from increasing the amount of the fair rent that it registers beyond the maximum fair rent calculated in accordance with the provisions of the Order and the mathematical formula set out in the Order.

By article 2(7) of the 1999 Order the capping provisions do not apply “in respect of a dwelling-house if because of a change in the condition of the dwelling-house or the common parts as a result of repairs or improvements (including the replacement of any fixture or fitting) carried out by the landlord or a superior landlord, the rent that is determined in response to an application for registration of a new rent under Part IV exceeds by at least 15% the previous rent registered or confirmed.”

Facts found without Inspection

The parties did not request the Tribunal to inspect the property and the Tribunal was satisfied this was not required and relied on information provided by the parties, Rightmove, Google Maps together with its expert knowledge.

The property is a semi-detached Victorian cottage forming one of six cottages located in a semi-rural area.

The accommodation comprises: living room, kitchen, three bedrooms, ground floor bathroom/WC rear garden and off-street parking.

There is oil central heating in the property with a new boiler installed in 2021. Timber single glazed windows.

Terms of the tenancy

The Tribunal prepared Directions on the 13th June 2023 which requested the Landlord to submit a copy of the tenancy agreement upon which it relies. The tenancy commenced on the 1st October 1980 and the Periodic Protected Tenancy makes the landlord responsible for structural repairs and external decoration. The tenant is responsible for internal decorations.

Tenant's improvements and Condition

The tenant has stated that during the term of the tenancy he carried improvements to the kitchen and shower room. Based upon the photographic evidence the property is generally in an unmodernised condition with evidence damage to the internal walls.

Evidence

The Tribunal had copies of the Valuation Office Agency correspondence including the rent registers effective from 8th February 2021 and 9th May 2023 together with the calculations for the most recent registration.

In a bundle of documents, the landlord's agent provided a completed Reply form, the tenancy agreement and comparable evidence for the neighbouring cottages.

The tenant states he is a mature pensioner who has lived in the village all of his life. He states that he is unable to afford such a rental increase. He advises that he has been a good tenant and has maintained the property in excellent order. He opines that such factors should be reflected in the rent.

Valuation

In the first instance the Tribunal determined what rent the landlord could reasonably be expected to obtain for the property in the **open market** if it were let today in the condition that is considered usual for such an open market letting.

The Tribunal used its expert knowledge in the area, together with the helpful evidence provided by the landlord's agent. Based upon this evidence, the Tribunal considers that the subject property, if finished to a reasonable standard would be likely to attract a rent let on an assured shorthold tenancy of **£1,300** per month.

The Tribunal must now **adjust that hypothetical net rent of £1,300 per month** to allow for the differences between the terms of this tenancy, the unmodernised condition, the lack of white goods, carpets and curtains and the tenants decorating responsibilities (disregarding the effect of tenant's improvements and any disrepair or other defect attributable to the tenant).

The Tribunal has considered very carefully the information prepared by the Rent Officer together with the evidence from the parties.

Using its own expertise, the Tribunal considers that a deduction of 35% should be applied to take into account the terms of the tenancy, the condition of the property at the commencement of the tenancy, the lack of white goods, carpets, curtains and minor damp staining to walls. This provides a deduction of £455

per month from the hypothetical rent. This reduces the figure to £845 per month.

It should be noted that this figure cannot be a simple arithmetical calculation and is not based upon capital costs but is the tribunal's estimate of the amount by which the rent would need to be reduced to attract a tenant.

Scarcity

The Tribunal then went on to consider whether a deduction falls to be made to reflect scarcity within the meaning of section 70(2) of the 1977 Act. The Tribunal followed the decision of the High Court in *Yeomans Row Management Ltd v London Rent Assessment Committee*, in which it was held that scarcity over a wide area should be considered rather than scarcity in relation to a particular locality.

In the Tribunal's opinion there should be a deduction of 10% for scarcity as it is considered demand outweighs supply of rented properties in the area. This provides a figure of £84.50 and therefore reduces the rent to **£760.50 per month**.

Conclusion

The capping provisions of the Rent Acts (Maximum Fair Rent) Order do not apply and therefore the capping figure in accordance with the attached calculations does not pertain.

Therefore, **£760.50 per month** is the fair rent to be registered limited by the Rent Acts (Maximum Fair Rent) Order 1999 with effect from the **26th July 2023** being the date of the Tribunal's decision.

Detailed calculations for the capped maximum fair rent are provided to attached this decision. This calculation for this figure is based upon the indexation of the Retail Price Index (RPI) during the period of the two rent assessments. During the past 12 months, the RPI has increased dramatically due to the cost-of-living crisis and therefore this rental calculation has escalated significantly.

The rental figure determined by the Tribunal exceeds that proposed by the landlord. Such figure is the maximum rent payable. However, the landlord is under no obligation to charge the full amount.

D Jagger MRICS Valuer Chair

26th July 2023

RIGHTS OF APPEAL

1. A person wishing to appeal this decision to the Upper Tribunal (Lands Chamber) must seek permission to do so by making written application by email to rpsouthern@justice.gov.uk to the First-tier Tribunal at the Regional office which has been dealing with the case.
2. The application must arrive at the Tribunal within 28 days after the Tribunal sends to the person making the application written reasons for the decision.
3. If the person wishing to appeal does not comply with the 28 day time limit, the person shall include with the application for permission to appeal a request for an extension of time and the reason for not complying with the 28 day time limit; the Tribunal will then decide whether to extend time or not to allow the application for permission to appeal to proceed.
4. The application for permission to appeal must identify the decision of the Tribunal to which it relates, state the grounds of appeal, and state the result the party making the application is seeking.