

## Renters' Rights Bill

<b>Lead department</b>	Ministry of Housing, Communities and Local Government
<b>Summary of proposal</b>	The Government are introducing legislation to reform the private rented sector (PRS), to deliver a fairer, more secure and high quality PRS.
<b>Submission type</b>	Impact assessment (IA) – 16 <sup>th</sup> September 2024
<b>Legislation type</b>	Primary legislation
<b>Implementation date</b>	2025
<b>Policy stage</b>	Final
<b>RPC reference</b>	RPC-MHCLG-5360(1)
<b>Opinion type</b>	Formal
<b>Date of issue</b>	4 November 2024

## RPC opinion

<b>Rating<sup>1</sup></b>	<b>RPC opinion</b>
<b>Fit for purpose</b>	The department has provided suitable evidence to support the estimation of the EANDCB for those measures introduced and enacted by the Bill, although the department could provide further clarity on the counterfactual position. In the SaMBA, the department clearly identifies the proportion of SMB landlords operating in the PRS and does well to explain why they cannot be exempt.

## Business impact target assessment

	<b>Department assessment</b>	<b>RPC validated</b>
<b>Classification</b>	Qualifying provision	Qualifying provision (IN)
<b>Equivalent annual net direct cost to business (EANDCB)</b>	£33.0 million	£33.0 million (2019 prices, 2025 pv)

<sup>1</sup> The RPC opinion rating is based only on the robustness of the EANDCB and quality of the SaMBA, as set out in the [Better Regulation Framework](#). RPC ratings are fit for purpose or not fit for purpose.

<b>Business impact target (BIT) score</b>	£165.1 million	£165.1 million
<b>Business net present value</b>	-£1.001million	
<b>Overall net present value</b>	-£28.4 million	

## RPC summary

<b>Category</b>	<b>Quality<sup>2</sup></b>	<b>RPC comments</b>
EANDCB	<b>Green</b>	The department has provided suitable evidence to support the estimation of the EANDCB for those measures introduced by the Bill, although the RPC is concerned about the lack of quantitative analysis of the impact on landlords and the private rented sector (PRS) market and the department could provide further clarity on the counterfactual position. Primary legislation will be required to deliver the Bill and the IA states that there will also be a significant amount of secondary legislation. For measures that come into force directly as a result of the Bill, the department has provided a full assessment of the impacts. For measures which will be set out in secondary legislation, the department has provided an indicative Scenario 2 assessment.
Small and micro business assessment (SaMBA)	<b>Green</b>	The department clearly identifies the proportion of SMB landlords operating in the PRS and does well to explain why SMBs cannot be exempt from the new requirements. The IA also sets out a number of mitigations that would support SMBs.
Rationale and options	<b>Weak</b>	The department sets out the issues facing landlords and tenants in the PRS, including appropriate evidence. The IA outlines some options that have previously been tested in consultations and considers non-legislative options, but could provide further justification for how these do not address the problems under consideration. The explanation for why the preferred measures meet the objectives is weak and could be improved.
Cost-benefit analysis	<b>Weak</b>	The IA would be improved by including more detail of the steps taken to reach the monetised estimates, particularly for the impact on landlords

<sup>2</sup> The RPC quality ratings are used to indicate the quality and robustness of the evidence used to support different analytical areas. The definitions of the RPC quality ratings can be accessed [here](#).

and should provide a more indicative assessment of the non-monetised impacts. The IA should also further explain its use of some data sources throughout the analysis. The department makes use of many assumptions throughout the IA, however not all assumptions are clearly explained and the IA should test the potential impact of key risks through sensitivity analysis.

Wider impacts	<b>Weak</b>	The IA does not provide as assessment of the impact from the proposal on competition. Understanding the market dynamics would aid the analysis to assess how many landlords would leave the market, as a result of this proposal. The IA should detail how it expects the individual measures of the Bill to impact regions differently where there is variation and could benefit from considering the impact of the Bill on trade and investment.
Monitoring and evaluation plan	<b>Good</b>	The department states that impact, process and value for money evaluation will take place, but could benefit from further explaining how the proposed data sources will be utilised for these evaluations.

## Summary of proposal

The PRS has doubled in size since 2002, now representing 19% of all households. While most landlords provide a good service, the sector as a whole currently provides the least affordable, poorest quality and most insecure housing of all tenures, leading to poor outcomes for tenants and costs to the state. Landlords also face delays in evicting tenants who are at fault, and report frustration at being undercut by a minority who do not comply with regulations. The IA maintains that Government intervention is needed because tenants lack the bargaining power to effect change and primary legislation is required to reform landlord possession grounds and bolster enforcement against the worst landlords.

The department considers three options within the IA:

- **Option 1** – do nothing;
- **Option 2** – a collection of non-legislative interventions across the various policy areas; and
- **Option 3** – to legislate and introduce a range of new requirements, and future powers to be taken, through the Bill (preferred). These include abolishing section 21 ‘no fault’ evictions, introducing a new Private Rented Sector Database

and Ombudsman, and driving significant improvements to conditions including by applying a Decent Homes Standard and extending 'Awaab's Law' to the PRS.

This IA builds on the core measures in the previous government's Renters (reform) Bill, updating the proposal with the addition of measures to tackle 'rental bidding' and the extension of Awaab's Law to the PRS. The RPC previously opined on the 2023 Renters (Reform) Bill, issuing an opinion for this Bill which rated the IA fit for purpose and validating an EANDCB of £19.9 million<sup>3</sup>. This updated IA estimates an increased EANDCB of £33.0 million, reflecting an adjustment on familiarisation time and use of updated input data in the analysis of the pets and tenancy reform measures.

The primary costs considered include the familiarisation costs to business (such as landlords and letting agents) as well as local authorities, various time costs for business and local authorities associated with new administrative requirements, various fees to be paid by business, potential foregone rental income for landlords, and the costs to local authorities of enforcing the new requirements. Meanwhile the IA also discusses a range of benefits, primarily for tenants, such as a reduction in rent increases, rates of eviction and involuntary moves, as well as increased housing quality and other associated benefits.

## EANDCB

### Primary and secondary impacts

Primary legislation will be required to deliver the Bill and the IA states that there will also be a significant amount of secondary legislation, including for the Ombudsman and PRS database measures. For measures that come into force directly as a result of the Bill, the department has provided a full assessment of the impacts. This therefore appears to constitute a Scenario 1 assessment for primary legislation, in accordance with RPC guidance, although the IA could benefit from clarifying which of the impacts (which have been fully identified and assessed) will require secondary legislation.

For measures which will be set out in secondary legislation (Ombudsman and PRS database), the department has provided an indicative Scenario 2 assessment. This involves estimating and monetising the (sometimes direct) impacts, but not including the figures in the headline EANDCB. The IA could benefit from further justifying why these estimates are not included in the EANDCB, as this would have produced a

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<sup>3</sup> Note that these estimates are not directly comparable as 2023 Renters (Reform) Bill uses a 2020 present value base year, and the estimates from this IA use a 2025 present value base year. The EANDCB estimate for this IA is £27.8 million using a 2020 present value base.

Scenario 1 estimate, something departments should, wherever possible, aim to achieve.

### **Direct and indirect impacts**

The IA sets out the expected impacts for each measure (in the relevant annexes), identifying who shall face these impacts, as well as including the department's assessment of whether they are direct or indirect. However, the IA could benefit from clarifying the classification of some costs associated with the tenancy reform measure. For example, although not-monetised, the IA could benefit from explaining why the additional time costs for landlords from defending Section 13 rent increases are classified as direct, as well as the cost from reduced landlord income from more arrears before eviction, as both impacts appear to involve an additional step between the measure being implemented and the impact taking place. Although these impacts are currently non-monetised (not impacting the EANDCB estimate), the classification could be adjusted or further justified.

### **Counterfactual**

The IA could also benefit from ensuring the impacts from the preferred option have been calculated relative to the counterfactual scenario. In the tenancy reform measure the IA states that Section 13 notices currently apply to an assured tenancy in certain circumstances. The department should therefore ensure that the estimated impacts from landlords needing to use Section 13 notices (such as time taken to complete the notices) are only the additional impacts from new Section 13 notices, although these will likely underpin the majority of the benefits. Similarly, the IA should clarify that gathering evidence is not required under the existing process of Section 21 notices, and is new for use of Section 8 grounds. This will ensure the monetised impact of time taken by landlords to evidence evictions prior to using Section 8 only reflects the additional cost relative to the existing use of Section 21 evictions.

### **Future assessments**

The department indicates that further IAs will be produced, as appropriate, for any related secondary legislation, specifically for that required to fully implement the PRS database and Ombudsman policies. Furthermore, the IA states that the Decent Homes Standard and Awaab's law measures are subject to consultation, and the department will prepare a full impact assessment in advance of their implementation. The RPC would expect to see a more detailed qualitative and quantitative cost-benefit analyses for these measures as well as for the IAs accompanying the relevant secondary legislation enabled by the Bill.

## SaMBA

The department clearly identifies the proportion of SMB landlords operating in the PRS and does well to explain why SMBs cannot be exempt from the new requirements, due to the overwhelming presence of SMBs in the sector. The IA also sets out a number of mitigations that would support SMBs. However, the IA could be strengthened by providing more detail on the different issues that SMB landlords could face in complying with the new requirements compared with their larger counterparts and relating the mitigations specifically to these issues.

### Medium-sized business (MSB) exemption

In addition to the existing SaMBA, the IA should also assess the potential impact of the proposal on medium-sized businesses (with 50-499 employees). The IA could benefit from providing details of any disproportionate impacts, targeted exemptions or suggested mitigations for medium-sized businesses.

## Rationale and options

### Rationale

The department clearly sets out the issues facing both landlords and tenants in the PRS, including appropriate evidence to support the establishment of the current state of the PRS and the arguments made. In addition, the IA articulates what the objectives of the Bill, and the respective interventions are. The rationale for intervention could have been strengthened through the inclusion of evidence and learnings from other countries facing similar issues in the PRS and/or where similar reforms have been made, as well as utilising evidence from the consultations referenced throughout the IA.

### Options

The IA does well to discuss the policy development process that has been undertaken for the various interventions, as well as outlining the spectrum of options that have previously been tested in consultations. The department has included a non-regulatory option and notes non-regulatory interventions that have already been implemented. The IA states that this non-legislative option has not been taken forward, as these interventions would not tackle the underlying market failures. However, the IA could benefit from expanding on the reasoning behind this, explicitly explaining why the non-legislative interventions (such as approving other housing redress schemes, funding HMCTS and MoJ and increasing the housing supply) do not address the problems under consideration.

# Cost-benefit analysis

## Methodology

The IA would be improved by including more detail of the steps taken to reach the monetised estimates so the calculations can be followed by the reader. For example, in the tenancy reform measure, it is unclear how the department has calculated the 6.3% figure for tenants who only moved as a result of the end of a fixed term, as well as the 1.2% estimate of private rented households who would be evicted via section 21 in a given year. Furthermore, although the IA notes that replacing fixed term tenancies with periodic tenancies could result in both fewer moves (from tenants that moved solely due the existence of fixed terms) and increased moves (from households opting to leave earlier than they would have done), the analysis appears to be skewed towards the former effect. In particular, the impact of a reduction in services for household moves is calculated based on the number of avoided moves, the proportion of tenants who only moved as a result of the end of a fixed term. This does not take into account tenants who would now have the freedom to move earlier and more frequently due to periodic tenancies, resulting in an opposing increase in the services required for household moves.

The IA would also benefit from clarifying some parts of the cost-benefit analysis for the Ombudsman measure. For instance, it is not clear why the annual registration fee has been divided by 10 and the department could provide some clarity on why staff costs to run the Ombudsman have not been included in the analysis, and whether these are funded by the fees paid by landlords.

The IA states that, under the decent standards measure, it is possible that some PRS dwellings will not face additional costs above existing obligations (if all costs come under existing obligations) but will still receive a wellbeing benefit for tenants. Although the department states that it is not possible to estimate the specific proportion of benefits attributed to landlords addressing existing requirements, the IA should ensure that any future estimate of wellbeing benefits only reflect those for standards that were not previously met.

Throughout the IA, some impacts remain non-monetised, such as the costs from meeting requirements on the speed of repairs in Awaab's law and the additional income for letting agents from being able to offer services to register landlords on the PRS database. Although the IA has provided some discussion on these, the cost-benefit analysis should be enhanced by a more indicative assessment of these costs.

Furthermore, the IA has not adequately considered the potential costs, as well as impact upon the quality of private rental housing, of making the PRS market more illiquid. For example, if landlords are less able to evict tenants (as a result of the abolishment of section 21 evictions), as well as less able to invest in the quality of the property to compete in the market and attract higher rents, then it is likely that these landlords would only invest to the minimum regulatory standard and quality of the rental housing stock could fall, which must be considered alongside the growing need for new, in particular affordable, housing. However, it should be noted that these impacts would most likely be indirect and therefore would not factor into the EANDCB of the Bill IA.

The department's approach to estimate the scale of impact upon landlords is through considering the average effect felt across the entirety of the PRS. However, given the impacts are likely to be borne by a subset of the PRS market as opposed to the entirety of it, the expected impacts would be more substantial for this smaller number of properties. Therefore, the IA should consider the marginal effect on the those that will be the target of the interventions. Additionally, the IA would be further improved by considering whether the same landlords will be affected by all of the proposed measures, or whether different measures will predominantly affect separate cohorts of landlords.

### **Data and evidence**

The IA utilises data from a variety of sources, including the English Housing Survey, previous government consultations and reports and studies conducted by non-government organisations (such as the Building Research Establishment). However, the IA could benefit from further explaining its use of these data sources in the cost-benefit analysis. For example, the IA makes use of modelling from the Building Research Establishment to estimate the cost of remediating dwellings that have failed the decent homes standard (£8.6 billion) but should provide more detail on how this estimate has been derived, particularly as this cost underpins the monetised costs of the decent homes standard measure. The department should also provide some clarity on the evidence source behind the estimation of four hours required to gather the evidence used for an Ombudsman case.

Furthermore, the department could consider using the most recent 2023 Annual Survey of Hours and Earnings (ASHE) data, rather than the 2022 dataset to underpin the familiarisation costs.



## Risks and assumptions

The department makes use of many assumptions throughout the IA, however not all assumptions are clearly explained. For example, the IA would be strengthened by better explaining the source, and appropriateness of the familiarisation assumptions made in the IA, explaining the origin of the assumption on the familiarisation time (6 hours) that landlords will require.

In the section presenting the overall monetised impact for the measures in the Bill (including enacting and enabling policies), the department include some sensitivity analysis exploring the effect on the social NPV from different levels of success, with respect to the increase in newly safe homes in the PRS. Additionally, the IA notes the uncertainty surrounding some of the evidence used in the analysis, such as the level of housing stock in the PRS, but could be improved by testing the potential impact of these risks through sensitivity analysis. Furthermore, the department states that it is not possible to provide a robust estimate of the possible cost pass-through effect from landlords to tenants, but could provide an indicative estimate to demonstrate the extent to which this could occur, as this is highlighted as a potential risk throughout the IA. The department presents costs and benefits in ranges throughout the IA but could be improved by explaining the origin of these high and low ranges.

## Wider impacts

The department has conducted an equalities impact assessment, detailing the proportion of groups with protected characteristics who are likely to be impacted by the reforms. The department applies this to both tenants and landlords, concluding that the Bill will have a net benefit to all tenants living in the sector, including those with a protected characteristic.

The IA also considers the geographical disparity that exists in the housing sector, stating that London renters spend more per week on rent than those in any other region, whilst the highest rate of non-decent homes is in the North-West. The IA also explains how a low rental price growth in the North East means landlords are less likely to improve dwelling standards. It could, therefore, be concluded that there is little overall regional disparity for the problems that exist within the sector, but the IA could benefit from clarifying this. Alternatively, in light of the specific findings from this assessment, the IA could detail how it expects the individual measures of the Bill to impact regions differently where there is variation (such as rental price and quality of homes).

The IA should also consider the impact of the Bill on trade and investment. In particular, the IA does not consider the impact of the reforms on the attractiveness to investors who may be looking to enter the industry.

The IA has considered the impact to the public sector, such as the costs to local authorities and the to be established ombudsman. The IA would be improved by considering whether the social housing sector would benefit from the expected improvements in the PRS as a result of the reforms.

## Monitoring and evaluation plan

The IA states that the department expects to commission an initial five-year evaluation to assess the reforms and that the evaluations will build on the department's existing long-term housing sector monitoring work. The department states that impact, process and value for money evaluation will take place and outlines the focus of these evaluations, listing the outcomes they will measure. These outcomes are similar to the overall policy objectives, although the IA could benefit from ensuring the objectives link more directly. The IA would also benefit from confirming whether the five-year evaluation will take the form of a post-implementation review.

The IA outlines the current housing data sources that are available (such as the English Housing Survey and the English Private Landlord Survey) and the ad hoc data expected to be collected through a longitudinal survey of private tenants. The IA could benefit from further explaining how these data sources will be utilised for the impact and process evaluations that have been proposed. In particular, the IA could provide further specific detail on the nature on the qualitative and quantitative data expected from stakeholders, including key research questions and expected metrics.

The department identifies that it will be challenging to separate changes which would have happened irrespective of the legislation, but could benefit from detailing how it plans to adjust the evaluation to address this. This would allow the department to accurately evaluate the effectiveness of the proposal and measure the success of the objectives.

### Regulatory Policy Committee

For further information, please contact [regulatoryenquiries@rpc.gov.uk](mailto:regulatoryenquiries@rpc.gov.uk). Follow us on Twitter [@RPC\\_Gov\\_UK](https://twitter.com/RPC_Gov_UK), [LinkedIn](#) or consult our website [www.gov.uk/rpc](http://www.gov.uk/rpc). To keep informed and hear our views on live regulatory issues, subscribe to our [blog](#).

Committee member Stephen Gifford did not participate in the scrutiny of this case to avoid a potential conflict of interest.

