

Burnley Council  
Town Hall  
Manchester Road  
Burnley  
BB11 1JA

Date  
26.11.2018

Dear Sir or Madam,

By email

### **Selective Licensing consultation**

Thank you for the opportunity to respond to the above consultation.

We have read through your consultation documents, and though we appreciate the issues that the Council have mentioned and the effect they can have on tenants, landlords and the housing market, the RLA is opposed to the scheme and has many general objections to Licensing overall.

To identify a particular area for the introduction of licensing highlights a belief that the area has numerous issues, potentially blighting its reputation. There is also a danger that the issues that the scheme seeks to address are simply moved elsewhere, as difficult or vulnerable tenants are moved on.

### **Fees**

Licensing schemes do little but alienate lawful landlords by burdening them with additional costs, while criminal operators continue to ignore regulations and avoid these additional costs.

Good landlords will apply for licences and, likely, pass the cost on to tenants in the form of increased rents, doing nothing to address affordability, while the worst landlords – the criminal operators – will simply ignore the scheme, as they do many other regulations. The proposed standard licensing fee, even with discounts, is an unnecessary financial burden to put on landlords. To avoid financial difficulties for those landlords, the council, if it continues the scheme, should increase the level of discount available to reputable landlords as the current level of discount is not high enough.

## **Pressure on non-selective licence areas**

Landlords, especially those with other properties outside the licence area will become risk-averse in terms of the tenants they let to. Tenant problems such as anti-social behaviour are impossible for the landlord to address alone and landlords will not wish to risk a breach of licensing conditions that may affect their ability to let properties elsewhere. Some may seek to evict already challenging tenants. This could mean additional costs to other council services, as they pick up the pieces created by the disruption to the lives of already vulnerable tenants.

## **Impact of Taxation Reform**

According to our research lab PEARL, the impact of the government's changes to taxation for private landlords has been noticeable, with 70% of landlords reporting that the changes to mortgage interest relief would reduce their profitability as a business, with 62% of landlords reporting this would reduce their profitability by at least 20%. To mitigate the negative impact of these changes, the majority of landlords (67%) reported they would increase the rents. 43% of landlords reported they had increased rents in the past 12 months, with 31% of these landlords reporting this was due to the changes in Mortgage Interest Relief.

However, 50% of landlords planned on increasing rents in the next 12 months, with 77% of landlords reporting this was due to the tax changes.

These findings show that landlords are planning to take action to mitigate any negative impact of these changes, with either higher rents or reduced portfolio sizes. These consequences do not help tenants, rather it is likely tenants will come under greater financial strain as a result. The additional fees for a Selective Licence will potentially put landlords into further financial difficulty, which could lead to them exiting the sector altogether.

## **Impact of Welfare Reform**

In March 2018, live service of UC was rolled into the Barking & Dagenham borough. According to research done by PEARL, 61% of landlords that let to tenants on Universal Credit have experienced their UC tenants going into rent arrears in the past 12 months. This is over double from 27% of landlords in 2016, and a significant increase from the previous year where it was 38% of landlords. PEARL also found out that the amount owed by Universal Credit tenants in rent arrears has increased by 49% in comparison to the previous 12 months. This has increased from £1,600.88 in 2017 to £2,390.19. Rent arrears for Universal Credit tenants are likely to be driving homelessness, with 28% of landlords regaining possession of their property from a UC tenant and the primary reason being rent arrears (77% of landlords).

The significant increase in rent arrears for both 'UC' tenants and 'legacy' Housing Benefit tenants also points to much wider issues than just the implementation of Universal Credit. The findings suggest that the freeze to LHA rates since 2016 and that LHA rates had not increased with market rents between 2010 and 2016 is likely to be driving the increase in rent arrears for tenants that claim benefits.

### **Condition of 40-minute driving distance**

The condition that the manager must be within 40 minutes of the licenced property, is an arbitrary distance, excessive and such matters should be dealt with after the licence has been granted. Many landlords can run their businesses without being a 40-minute drive away from the property in question and such a condition serves as a barrier to good landlords, therefore the council should remove this condition.

### **Existing Enforcement Powers**

There are over 140 Acts of Parliament and more than 400 regulations affecting landlords in the private rented sector.

Councils should fully use the enforcement powers already granted to them by the Housing and Planning Act 2016, ranging from civil penalties, rent repayment orders, banning orders and the introduction of a database for rogue landlords and letting agents, rather than rely on Licensing Schemes to regulate landlords in addition to these powers. The Council has also not taken into consideration the amount of informal enforcement activity undertaken between local authorities and private landlords.

Additionally, Burnley Council has access to the Controlling Migration Fund, which allows local authorities to tackle local service pressures associated with any recently increased migration, which includes tackling rogue landlords and driving up standards.

The Tenant Fees Bill will also introduce a lead enforcement authority to provide guidance and support to local authorities regarding the enforcement of letting agent requirements.

### **Government review on Selective Licensing**

On 20<sup>th</sup> June, the government formally announced that they will be carrying out a review of Selective Licensing to assess its use and effectiveness by a independent commissssioner to gather evidence on the effectiveness of the scheme. The results of this review will be published next Spring. Taking this into consideration, the council should await the outcome of this review.

### **Government review of HHSRS**

On 26<sup>th</sup> October, MHCLG formally announced that is it to review the HHSRS, which will consider whether it should be updated. Ministers have also outlined further details of the review into carbon monoxide alarm requirements in the home, to help ensure people remain safe carbon monoxide poisoning. The review will also look at whether to introduce minimum standards for common health and safety problems in rental accommodation in order to keep renters safe. The council should await the outcome of this review and any additional legislative powers that may follow from parliament on completion of the review in early 2019.

### **Conclusion**

There are alternatives to licensing. The RLA supports a system of self-regulation for landlords whereby compliant landlords join a co-regulation scheme which deals with standards and complaints in the first instance, while those outside the scheme remain under the scope of local authority enforcement. More information can be supplied if



required. We also support the use of the council tax registration process to identify private rented properties and landlords. Unlike licensing, this does not require self-identification by landlords, making it harder for so-called rogues to operate under the radar.

Ti provides local authorities with a new tool to help differentiate between properties which are privately rented, HMO and those that are owner occupied or socially rented. Ti can also be used to pinpoint properties that are likely to have serious hazards. The technology can be used to assist with policy makers and managers to understand the 'make up' and changes in housing stock across a borough and how it relates to other policy areas, such as anti-social behaviour, and provides a vital insight into landlord behaviour and helps prevent crime and fraud, such as council tax evasion. It is developed in partnership with council teams to ensure the maximum benefits of Ti are delivered, and to ensure compliance with GDPR, no sensitive data is taken away and all analysis can be completed within the council's digital environment.

Such a scheme can be used as an alternative for Selective Licensing for Burnley council, as it could be used as more of an effective tool to identify and target properties in bad conditions and act against criminal landlords.

Further information can be found at this link: <https://metastreet.co.uk/blog/tenure-intelligence-to-predict-tenure-and-housing-issues.html>

Should licensing be approved by the council, the option of co-regulation with the RLA could be considered. Liverpool City Council introduced city wide licensing in 2015; as part of this the RLA were allowed to introduce a co-regulation scheme for landlords in the city. Co-regulation involves a full written code of conduct, which details the procedures and processes in place to deal with contractual and other matters as part of the overall scheme. The benefits of co-regulation for a local authority is targeted enforcement making the best use of more limited resources, reduced workload due to reduced number of complaints being managed by the authorities, easier identification of bad/criminal landlords, control over the scheme requirements to suit local needs and stronger links with the landlord community.

Yours faithfully,

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