

# Impact of Coronavirus on Private Sector Tenants and Landlords

- The National Residential Landlords Association is the leading body representing private sector landlords in England and Wales. It has a membership of over 80,000.
- This paper draws on research to understand the impact that the coronavirus pandemic has had on tenants and landlords in the private rented sector.
- The NRLA commissioned the marketing research firm, Dynata, to understand the impact that coronavirus has had on tenants in the private rented sector. The fieldwork was carried out between 20th and 25th May 2020 and it is based on the responses of 2,027 tenants in England and Wales.
- The NRLA undertook a survey between 1st and 4th May 2020 to understand the impact of coronavirus on landlords. 4,566 current landlords participated in the survey.

## Tenant Finances



59% have not had their income affected during the coronavirus outbreak.

Younger tenants are more adversely affected than older ones, as are tenants in lower income brackets.



21% have been furloughed by their employer and covered by the Coronavirus Job Retention Scheme.

4% have made a new application for Universal Credit, which has been successful.



90% of tenants have paid their rent as usual since lockdown measures were introduced on 17th March 2020.

Tenants in London were less likely to have paid their rent as usual, but even here, 80% had continued to pay as normal.

## Landlords Supporting Tenants



82% of tenants said they have not approached their landlord or letting agent for support during the coronavirus pandemic.

17% had approached their landlord or letting agent for support such as for a rent deferral, a rent reduction or some other assistance. Of these, 74% received a positive response.

Only 4% had a request for support either refused or not responded to.

# Landlords Supporting Tenants - Case Studies

- Sian, a landlord in Manchester, has established a Whatapp group so her tenants can easily keep in touch with her and has sent them care packages with food.
- Ben, a landlord in Twickenham, pro-actively contacted his tenants before the lockdown encouraging them to get in touch if they needed support. For some tenants he has agreed to a proportion of rents and, or, arrears to be deferred.
- Other landlords have offered accommodation free or at a reduced rent to those working in the NHS whilst others are supporting vulnerable tenants. One landlord has tweeted that: *“My staff [are] compiling a list of elderly and vulnerable tenants, we have a lot, it’s what we do. Time to mobilise to help them in any way we can.”*

## Landlords Under Pressure

- 29% of landlords expect to face some level of financial hardship as a result of the virus.
- 24% of landlords stated they had unexpectedly become liable for unanticipated Council Tax payments as a result of the coronavirus.
- One-third of all landlords have experienced difficulties in gaining access to a property to undertake safety checks, maintenance and home improvements.
- One-third also reported difficulties getting contractors to attend a property. The main problems were sourcing those required to undertake work around gas safety certificates and property improvements.

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## Sustaining Tenancies

- From the start of the COVID-19 pandemic, the National Residential Landlord Association’s overarching priority has been, and remains, to provide landlords with the support they need to sustain tenancies and keep tenants in their homes during the crisis and its aftermath.
- Following the decision to allow households, including those in the rental market, to once again move property and view potential new homes, the Government is now considering how best to sustain tenancies ahead of a potential resumption of repossession cases.
- As it does so, the tenant survey conducted for the NRLA shows that the vast majority of tenants are

continuing to pay their rent as normal and have not requested any support from their landlord or letting agent. This challenges the narrative by some that tenants have either been unable to pay their rents or that there is likely to be a considerable spike in repossession cases in the rental market when restrictions begin to be eased.

## Renewals Up, Rents Down

- For the vast majority of landlords, the reality is that they would much prefer to keep good tenants in situ. Figures from Hamptons International show that in April, average rents on renewed tenancies fell for the second month in a row, down 1.1% year-on-year (1). This followed a picture in March, the first month that lockdown restrictions were in place, which showed that

70% of tenancies that were due to end were renewed, the highest renewal level recorded in any March since 2008 (2).

- This fits a long term pattern that shows that landlords prefer to keep tenants longer term wherever they possibly can:
  - The average length that a tenant has been in their current private rented home is now 4.4 years (3).
  - Fewer than 12% of private sector tenants have said that the main reason why their last tenancy ended was because they were asked to leave by their landlord or agent (4).
  - For their most recent tenancy renewal, 70% of landlords have said that they kept the rent the same (5).

## Preventing Rent Arrears

- Whilst our research shows that a majority of tenants have continued to be able to pay their rents as normal, a substantial proportion are relying on Government support of one form or another, especially the Job Retention Scheme, to enable this to happen.
- We remain of the view that tenancies are best sustained if they can continue as normal as is possible, with tenants able to continue paying their rent either from their wages and/or benefits. Provided appropriate support is put in place and maintained, and this is allied with clear communication between landlords and tenants, possession proceedings will remain a measure of last resort. We therefore welcome the Government's clear message that those who can should be paying their rent and that those struggling should speak with their landlord to discuss the situation and seek to reach an agreement on the best way forward.
- For those who are facing difficulty, we have welcomed the extension of the Government's furlough scheme, and the increase in the Local Housing Allowance to the 30th percentile. However, we believe that more should be done.

## Proposals to Support Tenant Incomes

### Benefit Reforms

- Ensuring the Local Housing Allowance can fully cover rents, as called for by the Housing, Communities and Local Government Select Committee.
- Either ending the five week wait for the first payment of Universal Credit or converting the existing advance provision from a loan to a grant.
- For a temporary period at least, enabling the housing element of Universal Credit to be paid directly to the landlord giving them and their tenants' certainty about rent payments.

### Spanish Style Hardship Loans

- An alternative model, for those households in temporary but acute need of support, and where the traditional benefit model may be inappropriate, would be a hardship loan type scheme for tenants struggling to pay their rents.
- Such a loan scheme would overcome the difficulties faced by households for whom existing housing support payments are insufficient to meet their housing costs during the crisis, but expect to be able to recover their financial independence in the short to medium term.
- An example of this approach is the model adopted in Spain. Loans for tenants needing them are guaranteed by the government and incur no interest. There are no costs for the tenants and the loans are expected to be re-paid within 6 years, or in exceptional cases, 10 years. Tenants can only apply for a maximum of 6 months' rent and it's a 'finalista' loan, meaning that it can only be used to cover rent payments and it is paid directly to the landlord, not to the tenant (6). We note that this is an option developing cross-party support.

# Post Lockdown: Reopening the Rental Housing Market

- We support the development of a pre-action protocol (PAP) for the private rented sector. When the moratorium is lifted on repossession cases, such a protocol will formalise what we have already been encouraging landlords to do, namely to seek wherever possible, to sustain tenancies and reach agreement on the repayment of any rent arrears arising from the pandemic. We are approaching tenant groups to establish if agreement can be reached between the NRLA and them on joint guidance for landlords and tenants about how to ensure such discussions have maximum chance of success.
- The NRLA is not blind to the concerns being expressed that without prohibiting use of section 21 and ground 8 of section 8, landlords could simply ignore the pre-action protocols. However, we do not believe that this is an accurate assessment of the impact of the PAP. The sanctions for not complying with the PAP, including the adjournment of claims, are sufficiently onerous to ensure procedural rigour.
- Furthermore, we do not believe that simply suspending these grounds entirely would be workable, not least because section 21 is often the most effective way of dealing with anti-social tenants and those who might be committing domestic abuse. The Government has rightly acknowledged that an essential requirement to ending section 21 is the kind of widespread reform to other possession processes and the courts envisaged in the Renters' Reform Bill.
- On this point, it is crucial that long-term reform of the possession procedures and processes available to the private rented sector are assessed and designed with the long-term in mind, not simply as a response to the current crisis. Housing legislation affects the lives of millions of households and hundreds of thousands of businesses and must be drafted to provide decades of confidence, accounting for a myriad of circumstances.

- **The NRLA believes that the courts should be satisfied that all reasonable steps have been taken to comply with the pre-action protocol before landlords can be granted the ability to repossess a property using section 21 or ground 8 of section 8. The courts should then have the power to adjourn cases where such efforts have not been made to allow discussions to take place first between the landlord and the tenant.**
- Such adjournments are likely to represent many months of delay and associated costs for landlords. We therefore believe that the PAP has sufficient 'teeth' to ensure procedural justice.
- The NRLA has taken legal advice from JMW Solicitors which has indicated that the current pre-action protocol for social landlords (7) would also provide protections for tenants from private landlords seeking to circumvent it. Our legal advice has concluded:

*"There is little doubt that the PAP can be made to apply to the main forms of possession claim brought by private landlords, those being claims for possession under S21 and for rent arrears using a section 8 notice citing ground 8. It is unquestionable that the PAP, like all pre-action protocols, is, as the Court of Appeal stated in *Jet2Holidays Ltd v Hughes & Anor (2019)*, integrated into the litigation framework. They are not to be followed slavishly but their spirit and broad intent must be complied with. To suggest that a private landlord could ignore the PAP with impunity is an unsustainable proposition. If landlords find themselves with tenants in arrears as a consequence of coronavirus then, following the PAP, they would be required to enter into a reasonable discussion to seek to have those arrears paid by instalments. This obligation is not avoided by the use of an S21 as this would still be served on the basis of rent arrears and so the PAP would apply. Lying about the reasons for serving a S21 would be a serious breach of the PAP and would amount to a contempt of court. A failure by a landlord to engage reasonably with a tenant would rapidly become clear to the courts as the process of*

*engagement is required to be shown to them as part of the PAP. This would likely then lead to adjournment of the claim for the landlord to comply with the PAP."*

## Prioritising Possession Cases

- As the courts begin to hear possession cases again, we are calling for clear guidance about the types of cases that should be prioritised. These should include cases where:
  - Tenants have been committing anti-social behaviour causing misery for fellow tenants and neighbours and instances where tenants might have been committing domestic abuse.
  - Cases where possession proceedings began before the lockdown but were subsequently paused. Our research finds that 9% of landlords had an outstanding possession claim under either Section 8 or Section 21 routes prior to suspension of court possession cases.
  - Cases where rent arrears were building before the lockdown began.

**For further information please contact Ben Beadle, Chief Executive of the National Residential Landlords Association, by emailing [ben.beadle@nrla.org.uk](mailto:ben.beadle@nrla.org.uk) or ring 07825 378993**

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