

Consultation Title	<b>Fair Rents (Scotland) Bill</b>
Date	<b>6<sup>th</sup> August</b>
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Scottish Land & Estates is the voice of rural businesses throughout Scotland. We are a membership-based organisation representing a wide range of rural businesses, including farmers, foresters, tourism operators, housing providers, leisure companies, and renewable energy providers.

Our members provide a wide range of economic, environmental and social benefits which are vital to the success and survival of communities throughout rural Scotland. They play a critical role in ensuring sustainable, healthy and empowered rural communities, providing housing, employment and a wide range of economic, environmental and social benefits.

**1. Which of the following best expresses your view of capping private sector rent increases annually across Scotland at one percentage point above inflation (measured according to the Consumer Price Index (CPI))?**

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- Fully supportive
- Partially supportive
- Neutral
- Partially opposed
- Fully opposed
- Unsure

We would be very concerned about the introduction of a cap on private sector rent increases across Scotland.

The introduction of Private Residential Tenancies increased security for tenants and removed flexibility for landlords. A key part of the Act are the rules on restricting rent increases to once every 12 months and the removal of the no fault ground.

In addition, this capping seems to work against the current proposal for improving energy efficiency standards and moving towards low carbon fuel options. The Rent Pressure Zone Guidance states that any improvements relating to energy efficiency will be "considered on a case by case basis". Significant improvements will be required to improve the general condition of housing in Scotland. It is unfeasible for property owners to carry these out with no guarantee they can get funding or recoup these costs through rent. The Energy Efficiency Regulations are still being consulted on, and no rental cap should be considered until more details are available.

We acknowledge that landlords can apply to increase the rent above the annual cap if they have undertaken substantial repairs. However, this does not include any repairs or maintenance done to ensure their property meets the Repairing Standard. A significant amount of work will need to be carried out in advance of properties under agricultural tenancies coming within the scope of repairing standards in 2027. Currently, the farmhouse and associated cottages are leased out on very low rents. Landlords and farming tenants will not be able to make substantial repairs and not be able to recoup any of these repairs through rent.

Some properties in rural areas are let out for less than £6 a week or on a rent-free licence, thereby not becoming a PRT. These are particularly common in houses in poorer condition which the tenant wishes to refurbish. If this tenant leaves and the landlord intends to rent the property out on a PRT, they will want to put a reasonable rented level. However, the bill currently suggests that if a property has been rented out previously, then the rent cap would be in place.

Rental caps have been tried before in the UK, and this caused a decrease in supply and resulted in landlords being reluctant to maintain or make improvements to their properties. It is widely acknowledged that the condition of housing across Scotland needs to be improved and changes to repairing standards as well as the introduction of minimum energy efficiency standards should aid this.

Finally, we note that the suggestion for the rental cap is CPI +1 % whereas it is RPI which includes the costs of housing. Typically rent increases are calculated using RPI so the decision to use CPI + 1% seems inconsistent.

**2. Which of the following best expresses your view of providing that, when tenants appeal their rent, rent officers and the First-tier Tribunal would be able to either lower or maintain the rent but not increase the rent?**

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- Fully supportive
- Partially supportive
- Neutral
- Partially opposed
- Fully opposed
- Unsure

SLE supports the ability of tenants to appeal their rent if they feel it is unfair. However, we are concerned that if tenants have a guarantee that their rent could be lowered, then all tenants will appeal their rent. This could result in the private rented sector having the same number of appeals as Non-Domestic Rates. Dealing with these appeals will create a significant amount of work for the local authority and could have an impact on landlord and tenant relationships. The appeals system must be fair for everyone and introducing a system that is geared entirely towards the tenant will disincentive landlords. The outcome of an appeal should not be restricted, and we are concerned that this type of system would be in violation of ECHR. Other rental appeal systems such as agricultural rents which are taken to the Land Court function the same way as the current private rented sector and there are no concerns with the fact that following an appeal rents can rise as well as fall. We feel that the problems referred to in the proposed Bill stem from a lack of robust data. Therefore, gathering this data should be the primary purpose of any new legislation instead of a secondary benefit.

**3. Which of the following best expresses your view of expanding the landlord registration scheme so that landlords must input the rent that they charge when they register, and update the system when the rent changes?**

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- Fully supportive
- Partially supportive
- Neutral
- Partially opposed
- Fully opposed
- Unsure

We appreciate that rent officers and local authorities feel that there is a lack of data regarding average rent prices and that this has an impact on their work. However, the proposed expansion to the landlord register is too much of a blunt instrument. A similarly located pair of houses, one in excellent and one in very poor condition, may rent for dissimilar sums but the only public comparator available would then suggest the very poor house/landlord would be the better of the two. This would present a misleading situation and updating would be involve further administration and checks. This proposal also does not take the fact that tenants may consider the amount they pay for rent confidential

information and may not want this to be publicly available. Therefore, while we feel data to aid rental officers and local authorities needs to be collated the proposed expansion of the landlord register is not the correct vehicle to deliver this. Rental data does already exist and forms a key part of local housing strategies. Furthermore local agencies and other professionals understand the private rental market in their areas and this information could be used by local authorities.

**4. Which of the following best expresses your view of tackling the problem of rents rising significantly faster than inflation by making it easier for a local authority to apply to create a Rent Pressure Zone (RPZ)?**

- Fully supportive
- Partially supportive
- Neutral
- Partially opposed
- Fully opposed
- Unsure

RPZs were introduced at the end of 2017. More time is needed to judge the effectiveness of these zones. We appreciate that since their introduction no zones have been put in place, but we feel more analysis needs to be done to substantiate the reason why no successful application has been made instead of immediately altering the criteria. The specific problems surrounding RPZs needs to be managed appropriately and realised before the system is reformed or a cap introduced. The methodology that was published at the introduction of RPZs noted that identifying potential zones was more complicated than suggested because rent rises vary according to the demand for specific sizes and types of private rented sector housing in particular locations. This latter point is not mentioned by the proposed Bill which has suggested an all-encompassing approach.

**5. Taking account of both costs and potential savings, what financial impact would you expect the proposed Bill to have on:**

	Significant increase in cost	Some increase in cost	Broadly cost neutral	Some reduction in cost	Significant reduction in cost	Unsure
Government and the public sector	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Businesses (including landlords)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Individuals (including tenants)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

We are very concerned that the regulation surrounding the private rented sector is making it less and less attractive for landlords to rent out their properties. The introduction of PRTs gave more security, stability and predictability for tenants. The principle of this is sound, but it removes flexibility for landlords. Landlords are much more cautious about letting out their property because of the removal of the no-fault ground. Introducing further regulation will only disincentive landlords from renting out their properties, and the loss of accommodation will outweigh the potential financial gain for tenants.

New regulations concerning energy efficiency and repairing standards will mean that landlords will be expected to incur high costs over the next 5 to 10 years. If landlords feel there is too much regulation and expense to meet these standards, then they will remove their property from the rental market. While this could mean an increase in available housing on the market, the nature of properties that will require significant investment to meet these standards means. That means these properties will not be suitable for affordable accommodation and will increase pressure on housing demand.

Introducing a rent cap and changing the appeal process will generate a lot of work for the Government and the public sector. It remains unclear how this extra cost will be met, both in terms of funding and staffing requirements. There are currently several consultations related to the private

rented sector, and it is crucial the legislative changes and new regulations work in tandem. Therefore, we would advise no further regulations are proposed until the impact of the most recent changes are understood.

We also feel that while some tenants will benefit from a reduction in rental costs this will only be a benefit to a small number of people as a wider potential financial gain will be nullified by the subsequent loss of accommodation.

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**6. Are there ways in which the Bill could achieve its aim more cost-effectively (e.g. by reducing costs or increasing savings)**

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We feel it is important to recognise that rising rents can be more suitably linked to the housing shortage we are experiencing in Scotland than to rogue landlords arbitrarily raising their rent each year. We feel it would be more cost-effective to tackle the multitude of issues such as restrictions on building, complex planning rules, poor infrastructure, remoteness and increased regulation and costs which are contributing to Scotland's housing shortage. Furthermore, we are concerned that the introduction of rent control will exacerbate the housing shortage because many private landlords will no longer feel able to meet all the new legislation. We feel the focus should be on the housing market, encouraging more private and public investment, as well as an assessment of where it would be appropriate to relax planning restrictions.

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**7. What overall impact is the proposed Bill likely to have on equality, taking account of the following protected characteristics (under the Equality Act 2010): age, disability, gender re-assignment, maternity and pregnancy, marriage and civil partnership, race, religion or belief, sex, sexual orientation?**

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- Positive
- Slightly positive
- Neutral
- Slightly negative
- Negative
- Unsure

We believe that this Bill will have a negative impact certain types of tenants because the cumulative affect of all the recent regulatory changes means that landlords have become much more cautious about risk. Therefore when selecting new tenants they will seek to minimise risk and this may reduce the number of houses that are available for young tenants

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**8. In what ways could any negative impact of the Bill on equality be minimised or avoided?**

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We are very concerned about the detrimental impact this bill would have on the supply of rented accommodation and in turn the consequences this could have on the protected characteristics under the Equality Act 2010. We do not feel the Bill's current approach is completely isolated from the wider policy context and therefore we have not been able to identify any ways in which the negative impact of the Bill could be minimised or avoided.

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**9. Do you consider that the proposed Bill can be delivered sustainably, i.e. without having likely future disproportionate economic, social and/or environmental impacts?**

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- Yes
- No
- Unsure

No, we do not believe the current proposals outlined in the Bill cannot be delivered sustainably. The most sustainable approach to resolving the underlying housing supply issue is to focus on sustainable investment into supporting the building of new rental housing and to make sure current legislation, such as landlord registration, is enforced. This bill will deter and potentially limit future investment. The bill mentions European models of rental control and the rights this gives tenants but makes no mention of the full economic, social and environmental impact of these controls. If this bill is considered it is crucial that detailed assessments of its impacts needs to be undertaken.

**10. Do you have any other comments or suggestions on the proposal?**

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We understand that some rural areas are very popular, and rents can be high. However, out with areas that are in a commutable distance from major urban centres, rents have a ceiling, and there is not an issue with high rental increases. We agree that there are problems with high rental increases in certain areas, and we support the principle that these need to be addressed. However, a blanket approach to regulation could be immensely damaging to the private rented sector. Introducing further powers, while existing powers have not yet bedded in or been properly assessed would not make for efficient legislation and is likely to have unintended consequences, particularly in the more fragile rural economies. Proper evidence-based consideration is required rather than rushing into a quick fix solution which will create further problems. We feel that the Bill does not recognise the economics of the housing market. When there is a lack of supply there will be a greater demand, and this will cause rents and house prices to be higher. Capping rents will not solve this problem and we would encourage the committee to consider steps which take a positive approach to addressing the housing supply crisis such as incentivising and supporting appropriate development.