

# Shelter

## Safe and secure?



The private  
rented sector  
and security  
of tenure

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# Introduction

Private renting in England has changed significantly over the last 20 years. The 1988 Housing Act deregulated the sector and introduced less secure assured shorthold tenancies. In the late 1990s, the buy-to-let boom saw an influx of new landlords yet, as this report shows, the proportion of privately rented housing stock in England is no bigger now than it was 20 years ago.

In 2005, assured shorthold tenancies account for nearly two-thirds of all private rental agreements. The majority of these offer less than 12 months' security of tenure. As a result, the ending of assured shorthold tenancy has now become the third most common cause of homelessness.

Private renters on assured shorthold tenancies pay more in rent than those with other types of tenancy and are more likely than average to be young, on low incomes, non-white and not in employment. More properties in the private rented sector are old, and in poor condition, than in any other sector. Private tenants are less likely, or less able because of frequent moving, to engage with their local communities.

This leaves a picture of the most vulnerable people, paying the highest prices for insecure tenancies in some of the worst properties in the country.

However, there is increasing recognition that a larger, more effectively managed private rented sector could play a much stronger role in meeting a range of housing needs, including those of key workers and people on low incomes. In its recent Five Year Plan for housing,<sup>1</sup> the Office of the Deputy Prime Minister (ODPM) describes private renting as 'a vital component of dynamic housing markets. It offers a flexible form of tenure to a wide variety of groups...'. The plan comes amid increasing evidence that, in many parts of the country, huge numbers of people are being priced out of the housing market. In many areas,

housing need has reached crisis levels, and record numbers of homeless households are living in temporary accommodation.

In 2002, the report of a Commission established by Shelter in partnership with the Joseph Rowntree Foundation<sup>2</sup> recommended a two-pronged approach for the sector, increasing investment and driving up standards through improved regulation. More recently, Kate Barker's report<sup>3</sup> highlighted the potential for the sector to help meet the shortfall identified in her review of housing supply.

Under the Housing Act 2004, there are initiatives underway to meet these challenges, including the Housing Health and Safety Rating System and licensing of the largest Houses in Multiple Occupation. Additionally, the Government has consulted on Property Investment Funds (PIFs) to encourage large-scale investment in the sector.

Security of tenure is also an issue attracting attention. A recent report from the Prime Minister's Strategy Unit<sup>4</sup> raised speculation that there may be plans for a policy to end tenancies for life in the social sector. Additionally, in 'Renting Homes'<sup>5</sup>, the Law Commission has consulted on and reviewed private and social renting, and made recommendations aimed at producing a more flexible and simple legal framework.

The Law Commission is expected to produce a draft bill based on these

1 *Sustainable Communities: Homes for all, a Five Year Plan from the Office of the Deputy Prime Minister, (ODPM), January 2005*

2 *Private renting: a new settlement*, Shelter, London (2002)

3 *Barker review of housing supply*, HM Treasury, March 2004

4 *London Project Report*, Prime Minister's Strategy Unit, July 2004

5 *The Law Commission Law Com No 284 (Executive Summary)*, 5 November 2005

recommendations in 2005. It has proposed that all tenancies will be either type one, offering a high degree of security of tenure, or type two, with no requirement for security. The Commission expects private landlords to use type two tenancies. The 'six-month moratorium'<sup>6</sup> for assured shorthold tenants would be abolished.

The most recent development in the sector is a strong commitment from Government to examine ways of making

greater use of private renting to help households avoid homelessness.<sup>7</sup>

Almost a quarter of Shelter's clients live in private rented housing and we have conducted extensive policy and campaigning work in the sector for many years. Shelter believes that security of tenure is key to encouraging a stronger, healthier private rented sector, and that insecure tenancies contribute to many of the problems currently facing the sector.

6 The rule that prevents a court from ordering possession on 'notice-only' grounds in the first six months of a tenancy

7 'Sustainable Communities: settled homes; changing lives. A strategy for tackling homelessness', ODPM London, March 2005

# Summary of research findings

## **Security for tenants in the private rented sector has declined significantly since deregulation.**

The private rented sector has undergone major change since deregulation in 1988. Assured shorthold tenancies have quickly become the most common type of tenancy, accounting for close to two-thirds of all private rental agreements. The vast majority, (around eighty per cent) of the assured shorthold tenancies agreed in the last three years, provided security of tenure for less than 12 months.

Privately renting households, including many families with children, are moving between properties with much greater regularity now than 20 years ago. This clearly suits some – many private renters are young, relatively affluent and move between properties for job-related reasons.

But, at the other end of the sector, one in seven households lives on less than £100 per week (a similar proportion to social housing) and lone-parent families are over-represented. The most common reason for households moving into private renting from other tenures is relationship breakdown.

Many moves are not instigated by tenants: 'the accommodation is no longer available' is one of the top three reasons people give for moving between privately rented homes. It appears to be particularly common among those moving from assured shorthold tenancies – over 50,000 households moved for this reason in 2003/4.

## **Deregulation, and the rapid increase in the use of less secure assured shorthold tenancies, has not led to any significant growth in the private rented sector.**

Deregulation, the introduction of less secure assured shorthold tenancies, and various initiatives to increase large-

scale investment, have been used by recent Governments as tools to achieve growth in the sector. Yet the proportion of households renting privately has remained at close to 10 per cent since the 1980s and there has been a decrease in the number of large, professional landlords over recent years. The development of Property Investment Funds (PIFs) aims to reverse the latter trend.

The rents paid by assured shorthold tenants are, on average, £20 per month higher than those paid by more secure assured tenants. Yet landlords using assured shorthold tenancies do not receive significantly more in rental returns or capital growth than those using assured tenancies. The buy-to-let boom, and financial deregulation, have encouraged many new landlords into private renting, but the sector has not grown, mainly because a similar number of landlords have sold up to take advantage of the huge rise in house prices.

## **Insecure tenancies contribute to greater transience and low social capital in the private rented sector.**

In Government surveys, private renters show relatively low levels of social capital. The increasing rate of households moving between properties in the sector (over 40 per cent of those with assured shorthold agreements moved in 2002/3) may be one of the underlying reasons. A quarter of private renters say they do not know anyone in their neighbourhood – more than four times the rate in other tenures. Households in the private rental sector are more likely to lack social support networks and less likely to be engaged civically, and with their local communities.

A recent study in Camden, north London, showed that private renters with assured shorthold tenancies are less likely than

those with more secure tenancies to vote and register with local services such as doctors and dentists. When the value of security of tenure to private tenants was measured in Government housing surveys, the vast majority of private tenants (86 per cent) said it was important to them.

**Many tenants feel that they are unable to get repairs carried out because of insecure tenancies and the fear of repossession.**

Properties in the private rented sector are more likely to be old and in poor condition than those in other tenures. In 2001, close to half of privately rented properties were estimated by the Government to be non-decent. Although landlords are legally obliged to ensure repairs are carried out, many private tenants are either unaware of their rights or unwilling to enforce them because they are worried about upsetting their landlord and having their tenancy ended. Evidence suggests that this is particularly common among those holding assured shorthold tenancies.

**The ending of assured shorthold tenancies is a major cause of homelessness, and can lead to repeat homelessness.**

In 2003, 17,500 assured shorthold tenancies ended in statutory homelessness. This accounted for 13 per cent of all homelessness acceptances; the third most common cause. The only factors more likely to cause homelessness are relationship breakdown, and friends or relatives no longer being able to accommodate, which the Government is less able to control. Evidence is emerging of a 'revolving door' of repeat homelessness in the private rented sector, commonly caused by tenancy breakdown.

**The private rented sector is used increasingly to meet rising housing need. More secure tenancies are key to this initiative.**

Some local authorities are making innovative use of the private rented sector to help tackle local housing need and homelessness. A secure period of at least a year is key to the success of the scheme run by Colchester Borough Council, a local authority with beacon status for homelessness. Some authorities have expressed concerns to Shelter about the negative impact a reduction in security of tenure would have on their ability to continue to implement these strategies.

Increasing emphasis is being placed on the use of the private rented sector in providing homes for homeless households. Without stronger security of tenure, this approach does not provide an adequate answer and it could lead to increases in homelessness and repeat homelessness.

# Background

## Assured shorthold tenancies and security of tenure

The private rented sector was deregulated in England and Wales with the introduction of the Housing Act 1988. This created assured, and assured shorthold tenancies, and ended the right to new protected, or regulated private tenancies. The Housing Act 1996 cemented assured shorthold tenancies as the main type of agreement in the private rented sector by making them the default tenancy when no written contract was given.

The assured shorthold tenancy is less secure than the assured tenancies that were also introduced in the Housing Act 1988 and the regulated tenancies that dominated the private rented sector prior to that time.<sup>8</sup> Assured shorthold tenancies can be periodic or set to a fixed term but, regardless, the landlord cannot take possession using any of the mandatory grounds until six months has elapsed. After this, landlords may repossess the property without proving any of the grounds necessary under the 1988 Act for assured tenancies or the Rent Act 1977 for protected tenancies. This means that tenants who have kept to all the terms of their tenancy and wish to continue living in their home can have their home legally repossessed, in the majority of cases, after little more than six months of a tenancy.

The lack of security provided by assured shorthold tenancies has a number of negative effects, which have been highlighted by Shelter<sup>9</sup> and other organisations:

- lack of stability – the private rented sector is becoming more transitional, with lower social engagement in communities and neighbourhoods
- less power for tenants to enforce their rights and bargain over rent levels
- increased opportunities for agents to collect fees for contract renewal from tenants and landlords
- increased homelessness and need for housing advice.

This report shows that these problems already exist, and that removing the minimum six-month period is likely to exacerbate them. In its response to the Law Commission consultation, Shelter called for a lengthening of the minimum secure period of assured shorthold tenancies from six months to 12 months.

## About the research

The aim of this report is to bring together existing evidence on the impact of security of tenure in the private rented sector. This remains an under-researched topic. The evidence that does exist illustrates clearly that a further reduction in security is likely to exacerbate the poor housing conditions, the risk of becoming homeless, the disempowerment and the low social capital seen in the private rented sector. The report also gives an overview of private renting and recent trends in the sector.

Most of the data and findings in this report are sourced from the Government's main housing survey, the Survey of English Housing. This is an annual study covering around 20,000 households, weighted to represent all households in England. Other sources are referenced individually. The second section of the report, Homelessness, includes an interview conducted with a local authority renowned for its work on homelessness. The rest of the report uses existing research data.

Shelter plans to conduct primary research on the subject of security of tenure in the private rented sector later in 2005.

8 There are tenancies in the private rented sector that offer a similar level of, or less, security than the assured shorthold tenancy. These include unprotected tenancies and those with resident landlords, but account for no more than 10 per cent of private rented sector tenancies

9 'Quality and Choice: A Decent Home for All, The Housing Green Paper, Shelter's final response', Shelter London (July 2000), for example

# Overview of the private rented sector and insecure tenancies

## Key points

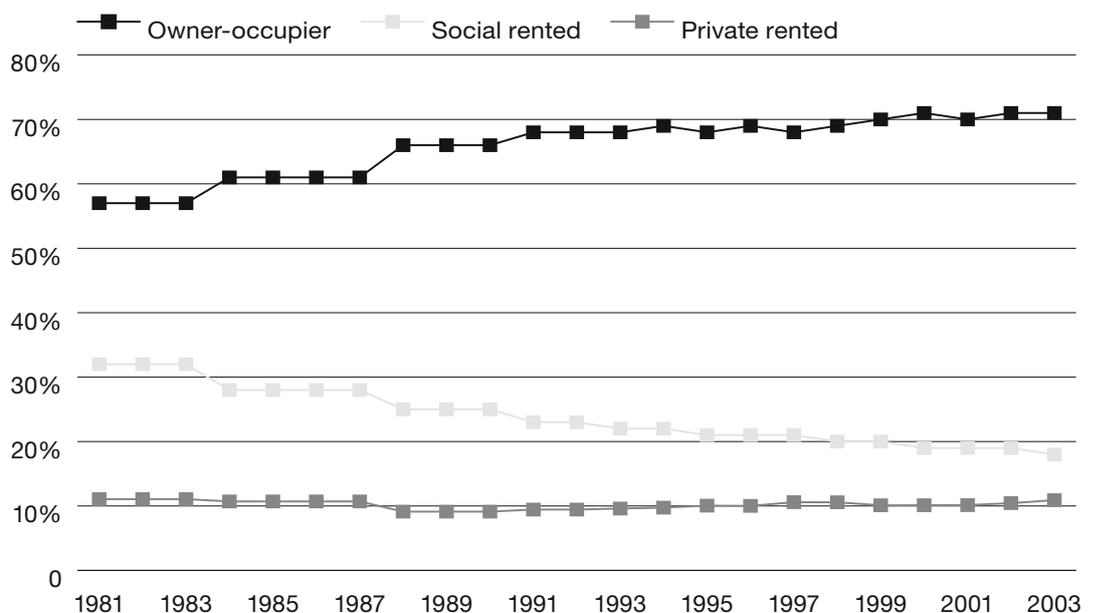
- Despite deregulation, buy-to-let and other initiatives, the size of the private rented sector has remained unchanged, at around 10 per cent of the total housing stock in England, since the 1980s.
- Assured shorthold tenancies, most of which provide little more than six months' security, have grown rapidly, and now constitute 63 per cent of the sector.
- Private renters are far more likely than households from other tenures to have moved in the last year. The rate of movement is even higher among those with assured shorthold tenancies, and has increased significantly since deregulation.
- Being compelled to move on because 'the accommodation is no longer available' is one of the three most commonly cited reasons for moving among those transferring between privately rented properties.
- Less secure types of tenancy do not yield significantly higher rental returns for landlords, despite the fact that, on average, assured shorthold tenants pay higher rents.

## The size of the private rented sector

Private renting was the most common tenure in England in the first half of the twentieth century. The sector declined rapidly in size, to around ten per cent of England's housing stock, in the early 1980s, and has remained around this

size since. This equated to just over 2.1 million households living in private rented accommodation in 2003. Chart 1, below, shows the trend in the proportion of households living in the three main housing tenures since 1981.

**Chart 1: Trend in tenure as a proportion of all households**



Source: Survey of English Housing, table S101 trends in tenure

The size of the private rented sector in the UK is small compared to many other developed countries. See table 2, below, for a guide to tenure sizes in other European countries.

The size of the private rented sector varies around England. It is largest in London and the South East. Big cities and seaside towns also tend to have higher proportions of private renters.

### Recent trends

The recent influx of property into the sector caused by the rapid expansion of buy-to-let (BTL) investment has been well documented:

'In pointing to the need for further investment in the sector, HM Treasury should not underestimate the extent to which BTL investors and their lenders have contributed and continue to contribute to reversing the long-term decline of the private rented sector through the largest investment in that sector for a century. In 1998, there were 28,700 BTL loans outstanding, with a total value of £2 billion.

By the end of 2003, there were 408,300 loans outstanding, with a total value of £39 billion.'<sup>10</sup>

Yet, despite deregulation, the buy-to-let boom, and other factors such as rising house prices, a more flexible labour market and an increase in one-person households, the sector has grown only marginally over the last 10 years. Around half a million households were added to the private rented sector between 1988 and 1995, but this was at a time of growth in the overall number of households. The last five years have seen small year-on-year increases in both the number of households and the proportion of households renting privately. However, this equates to only 90,000 more households in the sector in 2003 than in 1998.

The ODPM believes that the lack of growth in the sector has been caused mainly by the number of landlords who have sold their properties to cash in on rising house prices over the last decade.<sup>11</sup> Less secure tenancies have given landlords

**Table 2: Distribution of housing stock, by tenure, selected European countries**

Country	Tenure		
	Private rented (%)	Social rented (%)	Owner-occupier/ other (%)
Germany	49	6	46
France	21	17	62
Greece	20	0	80
EU-15 average	19	13	69
Italy	16	6	78
Sweden	16	22	62
Spain	12	2	86
The Netherlands	12	35	53
UK	10	20	70

Source: *Security of tenure in the private rented sector: A European cross-country analysis*, LSE and Shelter, 2005. Year of data collection varies from 1999–2003.

<sup>10</sup> The Council of Mortgage Lenders, response to the HM Treasury consultation paper *Promoting flexible investment in property (PFIP)* (2004)

<sup>11</sup> Housing in England 2000/1, ODPM (May 2002)

the flexibility to take advantage of these market fluctuations.

### Tenancy types

The data in table 3 below shows that the use of assured shorthold tenancies has increased rapidly since their introduction in 1989, and that they have accounted for more than half of all tenancies in the private rented sector since the late 1990s. The two most common types of tenancy in the sector prior to deregulation – regulated and those not accessible to the public (ie tied) – have fallen significantly over this period. The proportion of assured tenancies, which provide greater security of tenure than assured shortholds, has halved since the early 1990s.

The reduction in assured shorthold tenancies in 2002/3, shown in table 3, is thought by the ODPM to be caused mainly

by difficulties with the questionnaire and sample, which have been resolved in the provisional 2003/4 data.

Analysis of assured shorthold tenancies set up between 2000 and 2004 reveals that most (71 per cent) were originally set for a fixed term, and the remaining 29 per cent were periodic.<sup>13</sup> Three-quarters (74 per cent) of fixed-term assured shorthold tenancies agreed in this period were for less than 12 months. This means that the vast majority, around 80 per cent, of the assured shorthold tenancies agreed in the last three years, provided security of tenure for less than 12 months. The data does not show how many of these were set for six months, but it is reasonable to assume that most were.

In 2003, the majority of Shelter's clients who lived in the private rented sector (69

**Table 3: Distribution of tenancy types among private renters in England in the last three years, then selected years back to 1988**

Tenancy type	Assured shorthold	Assured	Regulated	Not accessible to the public	Resident Landlord/ landlord/ other	Total private rented tenancies
<b>2003/04</b> <sup>12</sup>	1,470,000 (63%)	219,000 (9%)	138,000 (6%)	347,000 (15%)	175,000 (8%)	2,350,000
<b>2002/03</b>	1,129,000 (51%)	384,000 (17%)	127,000 (6%)	355,000 (16%)	227,000 (10%)	2,221,000
<b>2001/02</b>	1,233,000 (58%)	272,000 (13%)	117,000 (5%)	308,000 (14%)	200,000 (8%)	2,129,000
<b>1997/98</b>	1,165,000 (52%)	321,000 (14%)	205,000 (9%)	349,000 (15%)	216,000 (10%)	2,255,000
<b>1990/91</b>	143,000 (8%)	357,000 (20%)	590,000 (33%)	482,000 (27%)	214,000 (12%)	1,787,000
<b>1988</b>	0	0	1,071,000 (59%)	508,000 (28%)	236,000 (13%)	1,814,000

Source: Survey of English Housing, provisional results, ODPM, 2004

<sup>12</sup> Data for 2003/4 are provisional

<sup>13</sup> Periodic assured shorthold tenancies offer security of tenure for the first six months only

per cent) held assured shorthold tenancies. This equates to 16 per cent of all Shelter's clients – a higher proportion than any other category. Only around seven per cent of all households in 2003 held this type of tenancy, showing that people with assured shorthold tenancies are disproportionately likely to seek housing advice from Shelter.

### Landlords<sup>14</sup>

The increase in buy-to-let mortgages means that landlords are less likely to be full-time professionals with big property portfolios. In 1994, 37 per cent of landlords held fewer than five properties. By 2001, this had increased to over half (53 per cent). In 1994, landlords were fairly evenly split between private individuals/couples/groups (47 per cent) and companies/organisations (50 per cent). By 2001, nearly two-thirds (65 per cent) were private individuals/couples/groups. Only nine per cent of these private individuals/couples/groups described being a landlord as their full-time occupation.

Landlords are also more likely to be inexperienced. In 1998, just 3 per cent of landlords had been in the sector for less than two years; this had risen to 11 per cent by 2001.

The increase in the proportion of inexperienced landlords is a concern to Shelter, given the complexity of housing law and level of commitment often needed to manage and maintain property. When professional help, such as from an accredited property management agency, is employed, these problems should be minimised. However, little more than half (51 per cent) of landlords had employed an agent, and 42 per cent had never had any professional contact with a local authority. A minority of landlords used other sources of guidance, such as trade bodies and landlord forums (15 per cent each).

It is often assumed that it is financially advantageous for landlords to use less secure assured shorthold tenancies. Table 4, below, shows that there is little difference in rental returns or capital growth for landlords whether they let on assured shorthold tenancies or on more secure assured tenancies.

**Table 4: Rates of return in the private rented sector, by tenancy type, 1998**

	<b>Mean income (net rental) return</b>	<b>Capital growth</b>
<b>Assured Shorthold</b>	7.3%	3.8%
<b>Assured</b>	7.2%	3.9%
<b>Regulated</b>	4.8%	3.4%

Source: Crook, Kemp, with Barnes and Ward (2002) *Investment returns in the private rented housing sector*, British Property Federation (BPF)

The level of rental returns for different types of tenancies is remarkably similar, despite the Survey of English Housing estimating that assured shorthold tenants paid at least £20 per month more in rent than assured tenants. The rate of vacant dwellings in the private rented sector is more than double that in other tenures. A major cause of the discrepancy between the average rents paid by tenants and the average rental returns received by landlords is likely to be properties lying empty between assured shorthold tenancies, although the data does not allow analysis at this level.

The evidence here shows that less secure tenancies are no more profitable to landlords than more secure, assured tenancies. It should be possible to

<sup>14</sup> The source for the landlords section is the English House Condition Survey 2001, Private landlords survey, ODPM (December 2003), except table 4 which is referenced above

implement a secure tenancy structure that benefits both tenants and landlords. Shelter believes that further exploration of tenancy options of this type is essential to the development of the sector.

#### Tenant/household profile

Table 5, below, shows that privately renting households tend to be younger and to move

more frequently than those in other tenures. The sector contains a higher proportion of Black and Minority Ethnic households than other tenures. Although average household income is higher in the private rented sector than the social sector, the proportion of households with an income of less than £100 per week is very similar.

**Table 5: Selected demographic indicators by tenure, including assured shorthold tenancies in the private rented sector, where available.**

Tenure	Assured shorthold tenancies <sup>15</sup>	All private rented sector	Social rented sector	Owner-occupier	All tenures/households
<b>Indicator</b>					
<b>Proportion under 35</b>	60%	49%	22%	14%	19%
<b>Proportion one-person households</b>	35%	34%	43%	24%	29%
<b>Proportion lone parents</b>	9%	10%	19%	4%	7%
<b>Proportion with more than one family unit in household</b>	n/a	20%	5%	5%	6%
<b>Average (median) gross weekly income</b>	£330	£339	£185	£513	£405
<b>Proportion income less than £100 p/w</b>	14%	11%	12%	3%	6%
<b>Proportion claiming Housing Benefit</b>	22%	23%	62%	n/a	n/a
<b>Proportion not employed or retired<sup>16</sup></b>	23%	20%	35%	6%	13%
<b>Proportion ethnic group not 'White'</b>	n/a	16%	13%	6%	8%
<b>Moved in the last year</b>	43%	39%	10%	6%	10%
<b>Moved more than 10 miles away from last home (of those recently moved)</b>	35%	35%	16%	28%	27%

Sources: Survey of English Housing 2002–4, ONS Labour Force Survey 2002/3, DWP Family Resources Survey 2002–3, ODPM website

<sup>15</sup> The data for assured shorthold tenancies in the private rented sector is based on tenancy groups rather than households. The ODPM estimates that in 92 per cent of cases these are one and the same, so the data is comparable

<sup>16</sup> The groups included in this figure are unemployed, full-time students and other economically inactive

Incomes of privately renting households are spread far more evenly than those in other tenures. The proportion of private renters in the bottom two income bands (less than £200 per week) is similar to that in the highest two (more than £600 per week), whereas in the owner-occupier and social rented sectors, incomes are clustered in the top two and bottom two bands respectively.

Table 5 shows that private renters with assured shorthold tenancies are particularly likely to be young and to have moved within the last year.

The likelihood of having moved in the last year is higher in the private rented sector than in other sectors, and this likelihood has increased significantly since the sector was deregulated. In 1984, 24 per cent of those renting privately reported a move within the last year, compared with 43 per cent in 2003. Other tenures have seen no such change, suggesting

that the introduction of assured shorthold tenancies has contributed to increased transience in the sector.

Frequent moves in the private rented sector are common among lone parents and families with children. Around a third of these household types moved in 2002.

The majority (57 per cent) of privately renting households resident for less than a year have come from another privately rented property. A fifth are newly formed households. Six per cent (just under 50,000 households) of those entering private renting, came from the social sector. Households moving out of social housing are more likely to rent privately than to buy.

Table 6, below, shows the main reasons for households moving into private renting, broken down by their previous tenure. Three years of data have been aggregated to boost the sample size. Job circumstances are the most common

**Table 6: Reasons for moving into private rented accommodation, by previous tenure. Top three reasons in each tenure shown in bold.**

Reason for moving	Tenure prior to moving into private renting				
	All tenures	Private rented	Social rented	Owner-occupier	New household
<b>Change job/nearer job</b>	<b>22%</b>	<b>23%</b>	12%	<b>24%</b>	<b>21%</b>
<b>Wanted larger home</b>	<b>10%</b>	<b>14%</b>	13%	4%	3%
<b>Divorce or separation</b>	<b>9%</b>	3%	<b>14%</b>	<b>40%</b>	1%
<b>Accommodation no longer available</b>	8%	<b>14%</b>	5%	0%	2%
<b>Other personal</b>	8%	7%	<b>14%</b>	<b>7%</b>	9%
<b>To live independently</b>	8%	5%	2%	2%	<b>22%</b>
<b>Move to better area</b>	8%	9%	<b>19%</b>	6%	3%
<b>Marriage or cohabitation</b>	6%	5%	1%	2%	<b>13%</b>

Source: ODPM, Survey of English Housing, three years' data aggregated (2000–2003)

reason for moves into private renting, mentioned more than twice as often as the next most common reason – wanting larger accommodation.

The proportion of those moving from owner-occupation into private renting because of divorce or separation is strikingly high, at 40 per cent.

Closer examination of the reasons for moving into private renting by previous tenure reveals that ‘accommodation no longer available’ is one of the top three reasons for moves between privately rented homes. This suggests that as many as one in seven (around 60,000) moves

between privately rented properties, are forced on tenants each year.

Additional data from the ODPM shows that ‘accommodation no longer available’ was the second most common reason for moves from properties rented privately on assured shorthold tenancies. This data should be treated with some caution, as it is based on only one year of figures as opposed to the three-year aggregates used in table 6, on page 14. It does, however, estimate that in 2003/4, over 50,000 private tenants experienced a forced move into another privately rented property from one that was rented on an assured shorthold agreement.

# Homelessness

## Key points

- The ending of assured shorthold tenancies in private renting causes a disproportionately high amount of statutory homelessness.
- The ending of assured shorthold tenancies in private renting is the third-largest cause of homelessness, behind relationship and family breakdown.
- Each year, Shelter helps thousands of privately renting clients with assured shorthold tenancies in emergency housing need.
- A case study of a council with beacon status for homelessness revealed that tenancies with less than a year's security were not considered an adequate housing solution. Research into repeat homelessness is in its early stages, but 'tenancy breakdown' is estimated to be the reason behind a third of these cases.
- The private rented sector is being used increasingly by local authorities to provide homes for homeless households. Without greater security of tenure, the private rented sector cannot provide a sustainable solution for homeless families and, far from being a solution to homelessness, could simply increase it.
- Further reduction to security of tenure would make the sector even less effective as a housing solution.

Local authorities record the levels of and reasons for statutory homelessness acceptances on a regular basis. This data is collated and published quarterly by the ODPM.<sup>17</sup> Chart 7, on page 17, shows that 'loss of an assured shorthold tenancy' has increased as a cause of homelessness in line with the use of these types of tenancy in the private rented sector over the last ten years. It has been the third most common cause of homelessness since 1995, and accounted for over 17,500 cases (13 per cent of all homelessness acceptances) in 2003.

It is reasonable to assume that more than 90 per cent of the cases where the loss of an assured shorthold tenancy caused homelessness (see Chart 7) relate to the private rented sector. This is because the number of private tenants with these tenancies is more than ten times greater than the number of tenants in the social

rented sector with similar starter or introductory tenancies.

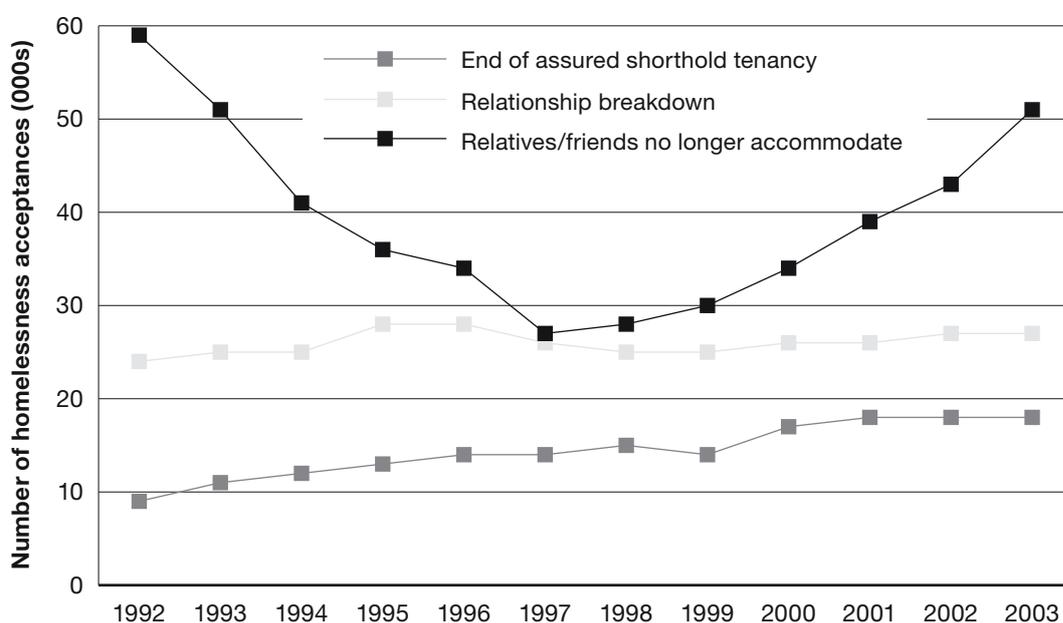
Even if the proportion of homelessness acceptances caused by the loss of an assured shorthold tenancy is adjusted slightly downwards, to around 12 per cent, to include a small number of cases in the social rented sector, it is still disproportionately high, because only around seven per cent of households in England rent privately with these tenancies.

Only 'Friends/parents/relatives no longer able to accommodate' and 'Relationship breakdown' cause more cases of statutory homelessness than the loss of an assured shorthold tenancy, factors that the Government is less able to influence than security of tenure.

Regional analysis of Government homelessness data from 2001/2 carried out by Shelter for *More than a number*,<sup>18</sup>

<sup>17</sup> This process is known as the P1E return, and regular findings are published by the ODPM in the *Homelessness statistics – policy briefing series*

**Chart 7: Trends in the top three causes of statutory homelessness**



Source: ODPM quarterly P1E returns, Table 633 Homelessness statistics, ODPM website

shows that the ending of an assured shorthold tenancy is the reason for loss of last accommodation in a higher-than-average proportion of homelessness acceptances in London, and in the East, South West and the South East of England.

An emergency housing situation was involved in 41 per cent of the problems reported by Shelter clients with assured shorthold tenancies in the private rented sector in 2002/3 ('Homelessness', 19 per cent, 'Landlord possession action', 13 per cent, 'Seeking accommodation', 9 per cent). This equated to over 11,000 problems involving the risk of homelessness for Shelter clients with assured shorthold tenancies.

### Repeat homelessness

The collection and analysis of data on the frequency of, and reasons for, repeat homelessness, is in its early stages.<sup>19</sup> Only 74 local authorities recorded detailed information on it in 2003. From April 2004,

all local authorities are required to collect this information, so it should be possible to assess the impact of assured shorthold tenancies on repeat homelessness later this year.

So far, analysis indicates that 'tenancy breakdown' accounts for around a third of cases of repeat homelessness, although this includes reasons other than loss of an assured shorthold tenancy in the private sector, such as loss of a local authority tenancy or rent arrears.

The findings earlier in this report link increasing movement around the private rented sector and a high rate of forced relocation because 'the accommodation is no longer available' to assured shorthold tenancies. The longer a household stays in private renting, the greater the risk of losing the home, particularly if the household is among the two-thirds with an assured shorthold tenancy.

18 Meth, Wigglesworth (2003) *More than a number: analysis of ODPM homelessness statistics: financial year 2001/2*, London: Shelter

19 The ODPM defines repeat homelessness as any person/household that has been accepted as unintentionally homeless and in priority need more than once in any two-year period

Households losing their privately rented home because an assured shorthold agreement has ended, are likely to return to private renting on similar tenancies. We are concerned that insecure tenancies may be driving a 'revolving door' effect in parts of the private rented sector.

### **Local homelessness strategies**

Many local authorities have identified a key role for the private rented sector in their homelessness strategies, drawn up following implementation of the Homelessness Act 2002. The ODPM's guide: *Homelessness Strategies: a good practice handbook*, suggests that local authorities consider some of the following initiatives:

- registers of suitable private rented properties
- rent deposit and guarantee schemes
- rent in advance schemes
- help with claiming Housing Benefit
- tenancy support and dispute mediation.

The ODPM's Homelessness and Housing Support Directorate<sup>20</sup> gives the following guidance to councils to help them address homelessness caused by the loss of assured shorthold tenancies:

The use of home visits, landlord mediation officers and tenancy support officers can help to enable potentially homeless households to remain with their existing private landlords, through negotiation, mediation and practical solutions (such as clearing a debt or providing support with budget management).

Landlord accreditation schemes, landlord forums, and rent deposit schemes can all be effective in securing an improved supply of properties in the private rented sector for homeless, or potentially homeless, households.

### **Innovation in the private rented sector**

Colchester Borough Council was awarded Beacon Council status in 2003, for its approach to dealing with homelessness. Innovative use of the private rented sector constitutes a key part of its strategy and its initiatives include:

- A long-running rent and deposit guarantee scheme, helping over 1,300 single homeless people secure privately rented homes.
- Building working relationships and trust with local landlords.
- Implementing a 'spend to save' philosophy and encouraging advisers to spend money on preventing homelessness to save the greater potential costs to the household and local authorities if a home is lost.
- Recognising the connections between services (eg housing, Housing Benefit, social services) in tackling homelessness and ensuring close joint working.
- Identifying and pursuing cases of empty homes that have the potential to house homeless households.

Shelter spoke to Phil Harris, who at the time was housing needs and options manager at Colchester Borough Council. We asked about the role of assured shorthold tenancies and security of tenure in both the set-up and current running of the Colchester scheme. We also asked how the changes proposed by the Law Commission, particularly the abolition of the six-month minimum assured shorthold tenancy, might impact on their work in the future. He told us:

**'The landlords we work with are required to meet our criteria on factors such as safety, state of repair, affordability and a willingness to take**

20 ODPM (2003) *Achieving positive outcomes on homelessness*

21 Hawkey (2003) *What works: local authority housing advice*, ROOF magazine, September/October 2003 edition, London: Shelter

on tenants on low incomes or Housing Benefit. They must also be able to offer security of tenure for at least 11–12 months, with the expectation that, unless there are serious problems, the tenancy will be extended beyond that. We have built strong relationships with the landlords on our scheme and we all now agree that having one tenant for five years is nearly always better than having five tenants who stay for only one year each.

The possible removal of the six-month minimum term for assured shortholds is a significant concern. On a national level this could undermine much of the good work that has made the private rented sector a vital part of many homelessness strategies and, if it offers even less security than at present, the sector is likely to become even less suitable for families in the future.

On a local level, we hope and expect that the strength of the relationships we have built with local landlords will mean that they will have no desire to deviate from the current 11-12 month secure period arrangement. If this proves not to be the case, however, we will have to consider working with landlords offering as little as a six-month period of security. We really don't want to have to do this, and don't expect to, but the change in the law could force us to.

Thinking more widely, the proposed changes to security of tenure in the private rented sector will, if implemented, have a significant impact on the demand for social housing, and advice and assistance. This is a real concern.'

Local authorities such as Colchester have recognised that secure private rented homes are essential for tackling homelessness, and they work only with landlords providing tenancies that are secure for 12 months. Innovative schemes such as this are likely to be harder to manage if there are reductions to security in the private rented sector.

The Government is considering legislative change to encourage wider use of the private rented sector to provide homes for homeless households. Without greater security of tenure, the sector does not provide an adequate solution to homelessness, and a reduction in security would be a step backwards in achieving lasting housing solutions for homeless families.

# Living conditions and disrepair

## Key points

- The stock of privately rented housing is older and more likely to be in poor condition than housing stock in other tenures.
- One in five tenants is dissatisfied with the way repairs are carried out.
- Lack of security of tenure can inhibit private tenants from enforcing their rights.
- Close to one in five private tenants paying a deposit received none of it back at the end of the tenancy.

Tenants in the private rented sector are living in worse conditions than people in other types of tenures. Less secure tenancies can mean that landlords are less likely to carry out repairs and tenants are less likely to enforce their rights.

Tables 8a and 8b show that the condition of privately rented stock is the worst of the three main tenure types in England.

The relative old age of private rented stock appears to be the most likely reason for its poor condition. 51 per cent of property in England built before 1919 is non-decent, compared with 37 per cent of property built 1965–1980, and just 1 per cent of property built after that.

In 2003 in England, close to 900,000 privately renting households lived in

**Table 8a: Indicators of stock and living conditions in England, by tenure**

Tenure	'Non-decent' <sup>22</sup>	Fail thermal comfort	Fail disrepair	Fail fitness standard <sup>23</sup>	Fail modernisation
Private rented	49.4%	40.4%	17.1%	10.9%	4.3%
Owner-occupier	29.4%	23.1%	8.0%	3.2%	1.5%
Social rented	37.7%	30.1%	7.5%	4.3%	4.6%

Source: English House Conditions Survey, 2001

**Table 8b: Indicators of stock and living conditions in England, by tenure (continued)**

Tenure	Energy efficiency below average <sup>24</sup>	Built pre-1919	Vacant	Overcrowded (below bedroom standard <sup>25</sup> )
Private rented	19.3%	39.2%	6.2%	4.2%
Owner-occupier	8.4%	21.5%	1.9%	1.3%
Social rented	7.7%	6.4%	3.4%	4.7%

Source: English House Conditions Survey, 2001; Survey of English Housing, 2002/3

22 A standard set by the Department for Transport, Local Government and the Regions in 2000, aiming to ensure all public sector housing meets standards on disrepair, facilities and thermal comfort by 2010. The four columns to the right are the constituent parts of this standard

23 This is a test of fitness for human habitation. It is due to be replaced by the Housing Health and Safety Rating System in 2005

24 Properties scoring below 30 on the SAP energy efficiency rating system, where the mean average is 51

25 The bedroom standard is the most widely accepted measure of overcrowding, and factors the ages and relationships of household members into a calculation of how many rooms are required by the household

property built prior to 1919. More than half (52 per cent) of these held assured shorthold tenancies.

Shelter's clients living in the private rented sector with an assured shorthold tenancy are more likely than those with other tenancies to report a problem with dampness or disrepair. These problems accounted for six per cent of all problems reported by Shelter clients with assured shorthold tenancies in the private rented sector, compared with 2.5 per cent of problems reported to Shelter by clients of all tenures in 2002/3.

### **Tenants' perspectives on landlords and repairs**

The Landlord and Tenant Act 1985 clearly obliges landlords to keep their property's structure, exterior and installations in a good state of repair. Specific wording in tenancy agreements may contain additional obligations for the landlord but cannot absolve them of these basic responsibilities.

The Survey of English Housing asks households a series of questions about their satisfaction with their home and landlord. This shows that households in the private rented sector are the least likely of the three main tenure types to be 'very satisfied' with their accommodation. Just over a tenth (11 per cent) of privately renting households are dissatisfied (either 'slightly' or 'very') with their accommodation. This is unsurprising, given the relatively poor condition of the stock.

Satisfaction with landlords and repairs is generally slightly higher among privately renting households than among those living in the social sector. There are, however, some significant causes for concern in the private rented sector.

- One in ten households were 'very' or 'fairly' dissatisfied with their landlord.

- Just under one in five (18 per cent) of households felt that their landlord 'takes no account at all of tenants' views'.
- Around one in six (16 per cent) of households felt that their landlord was bad ('fairly' or 'very') at keeping them informed of things that affect them as tenants.
- Over one in five (21 per cent) of households were dissatisfied with the repairs and maintenance carried out on their property.
- The main reasons for dissatisfaction with repairs/maintenance centred on them being carried out too slowly (36 per cent) or not at all (26 per cent, rising to 42 per cent among those who were 'very dissatisfied'). A lesser proportion (six per cent) was dissatisfied with the quality of the work.
- Only a quarter of those dissatisfied with repairs/maintenance 'tried to enforce their rights'.
- A third of those not trying to enforce their rights 'didn't think it was worth the effort', and one in six (16 per cent) 'didn't know they had rights'.
- Just over a fifth (21 per cent) of tenants did not try to enforce their rights because they did not want to 'cause trouble with the landlord'. A further five per cent felt that their tenancy would be ended if they tried to get repairs carried out.

Data on these issues by type of tenancy agreement in the private sector is not readily available. However, qualitative research<sup>26</sup> has shown that assured shorthold tenants are unlikely to enforce their rights to repairs because landlords can retaliate by repossessing their homes. This is also acknowledged by many organisations advising private tenants. The two following case studies illustrate some

26 Houston, Barr, Dean, University of Glasgow (2001) *Research on the private rented sector in Scotland*, Scottish Executive

of the conditions faced by private tenants approaching Shelter:

'Sarah holds an assured shorthold tenancy. The gas boiler broke down within a month of her moving in and was not repaired until six months later. The landlord lets himself and workmen in without notifying the client. There are other harassment and disrepair issues.'

'There is major disrepair at the Martin family's [privately rented] property. Raw sewage and live wires are noticeable. Mr Martin has asthma, back problems and a hernia. He has fallen through the rotting floor.'

### **Rent levels**

Tenants with assured shorthold tenancies pay, on average, a slightly higher rent than assured tenants and a far higher rent than all other types of tenancy in the private sector. The mean average rent for assured shorthold tenants in 2002/3 was £122 per week and nearly half (47 per cent) paid more than £100 per week in rent, before services and Housing Benefit.

Nearly a quarter (23 per cent) of privately renting households receive Housing Benefit.

### **Deposits and fees**

A third of private tenants who paid a deposit on their last privately rented property did not receive it back in full. Just over half of these (18 per cent of all private rented sector tenants paying a deposit) had none of their deposit returned.

In the majority of cases (55 per cent) where the deposit was not returned in full, the reason given by the landlord was either damage to the property (27 per cent) or that it required cleaning (28 per cent). In 16 per cent of cases, the landlord gave no reason.

Just under half (48 per cent) of privately renting tenants not receiving their full

deposit back, felt that 'the landlord should not have withheld any of the deposit'.

Around a quarter (24 per cent) felt that 'the landlord was justified in withholding some of the deposit [but not as much as he/she did]'

The increase in the rate of movement around the private rented sector discussed earlier, means that low-income households are increasingly likely to be required to supply a deposit, and the likelihood of deposits not being returned is increased.

In the financial year 2002/3, Shelter dealt with 854 cases where clients felt they had had their deposit withheld without good cause. This prompted Shelter to campaign for legislation to regulate the taking and returning of deposits in the private rented sector.

As a result of the successful campaign by Shelter and Citizens Advice, the Government has included a Tenancy Deposit Scheme in the Housing Act 2004. This scheme will help ensure that thousands of tenants who are ripped off by unscrupulous landlords will have a much better chance of getting their money back. It is expected to come into force in July 2006.

Around half of landlords use agents for the letting and/or management of their property. Many agents charge fees to begin tenancies and renew fixed terms. These fees are charged to tenants and landlords alike, and the increase in use of less secure assured shorthold tenancies has provided more opportunities for agents to collect fees.

Research undertaken by Shelter in 1999 showed that tenants were being charged up to £280 for a tenancy agreement and reference check, and up to £120 to renew a fixed-term tenancy.<sup>27</sup> An investigation by *The Guardian* in 2004 revealed that tenants

<sup>27</sup> *Fixed-Term Tenancy Renewal: Shelter's Campaign for Bedsit Rights* (Dec 1999)

are still routinely subject to 'administration charges' of between £35 and £180; 'credit reference fees' of between £40 and £120; 'inventory fees' of as much as £80 and 'renewal fees' of between £35 and £100.<sup>28</sup>

In the English House Conditions Survey 2001, nearly one in five (17 per cent) of landlords felt that the level of fees they paid to agents was unreasonably high.

### **Harassment**

Over half (56 per cent) of all problems with 'landlord harassment/illegal eviction' reported to Shelter in 2002/3 were from clients with assured shorthold tenancies in the private rented sector: 1,215 cases.

<sup>28</sup> *Let and Hindrance, The Guardian, 15 May 2004*

# Social capital

## Key points

- A quarter of all private tenants say that they do not know anyone in their neighbourhood.
- Private rented households are less likely to have good social networks and to become civically engaged.
- Tenants with assured shorthold tenancies appear less likely to vote, and to engage with local services such as doctors and dentists.

In recent years, research has developed our understanding of social networks, and the extent to which people engage civically and with their communities. This is often referred to as social capital. The

General Household Survey (2000) of over 7,000 people included a section on social capital. This data has been split in many ways, including tenure, although not by tenancy type.

**Table 9: Selected indicators of social capital by tenure**

Indicator of social capital	Private renter	Social renter	Owner-occupier	All tenures
<b>Feel they can influence decisions that affect their area</b>	20%	23%	27%	26%
<b>Have taken action to solve a local problem</b>	20%	24%	29%	27%
<b><i>Not civically engaged</i></b>	25%	20%	13%	16%
<b>Speak to neighbours three days a week or more</b>	35%	60%	49%	50%
<b>Don't know anyone in the neighbourhood</b>	25%	6%	4%	6%
<b><i>Neighbours look out for each other and do each other favours</i></b>	34%	42%	58%	53%
<b><i>Satisfactory friendship network</i></b>	59%	66%	67%	66%
<b><i>Satisfactory relatives network</i></b>	34%	59%	52%	52%
<b>Been a victim of crime in last 12 months</b>	20%	18%	14%	15%

Source: *People's perceptions of their neighbourhood and community involvement*, Social Capital module of the General Household Survey 2000, Coulthard, Walker, Morgan (2002). Italicised attributes are a score derived from multiple questions; see source for more details

Table 9, on the previous page, shows that tenants in the private rented sector compare unfavourably on many indicators of social capital. Most strikingly, a quarter of all private tenants say that they do not know anyone in their neighbourhood – more than four times the average across all tenures. The scores for privately renting households are particularly low on other factors relating to neighbourliness, such as talking to and looking out for those who live nearby.

The relatively low social capital scores among private tenants can, in part, be explained by the more young, single and mobile profile of the sector. The data has been analysed further using logistic regression, isolating the impact of tenure on social capital scores, and disentangling it from the influence of variables such as age, income and household type.

This analysis reveals that tenure is a stronger influence on social support and civic engagement than gender and socio-economic group. The only criteria that appear to drive social capital more strongly are age and region.<sup>29</sup> It is likely, therefore, that the Government's proposed reduction in security of tenure will hamper its efforts to build cohesive, sustainable communities.

### **Case study: social capital among private tenants**

The Camden Federation of Private Tenants surveyed respondents from a mixture of local authority, private rented and owner-occupied housing. It examined issues of social capital among nearly 200 Camden residents, and split tenure by tenancy type.

Households with assured shorthold tenancies scored lower than those with

**Table 10: Comparison of community engagement among holders of assured shorthold tenancies and other types of tenancy**

<b>Community engagement indicator</b>	<b>Assured shorthold tenancy</b>	<b>Other tenancies</b>
<b>Registered with a doctor</b>	86%	89%
<b>Registered with a dentist</b>	63%	77%
<b>Registered with a library</b>	60%	67%
<b>On the electoral roll</b>	51%	78%
<b>Voted in last general election</b>	32%	57%
<b>Voted in last local election</b>	26%	59%
<b>Involved in a local group or organisation</b>	16%	34%
<b>Able to name neighbours</b>	60%	70%
<b>Talk regularly to neighbours</b>	47%	58%
<b>Agree that 'length of tenancy affects my sense of community'</b>	70%	62%

Base: 185 respondents (57 assured shortholds, 128 other tenancies, which were mainly regulated or assured tenancies in the private rented sector, local authority tenancies and home owners).

29 It was not possible to include poverty measures via the index of multiple deprivation in this analysis

other tenancies on the nine indicators of community engagement shown on table 10. The difference seems particularly marked in voting, and involvement in local groups or organisations. The majority of respondents also agreed that the length of a tenancy affects the 'sense of community'. See table 10 on the previous page.

The Camden survey also indicated that around a third of those with an assured shorthold tenancy who had not registered with local services would do so if they had a longer tenancy term. The majority of all respondents (61 per cent) felt that six months was 'too short' for a tenancy.

### **Importance of security of tenure**

Security of tenure is highly valued by private renters. The Survey of English Housing in 2001, which was based on a large sample, found that the vast majority (86 per cent) of private renters said it was 'very' or 'fairly' important to them. More recent data is not available, because the question has been removed from subsequent Surveys. Given that the Law Commission is proposing substantial reform to tenancies in the sector, including the abolition of the six-month minimum assured shorthold tenancy, we recommend that this question is reinstated in the Survey of English Housing and that the value of security to tenants continues to be monitored.

# Conclusion

Insecure tenancies are responsible for many of the problems facing the private rented sector. They contribute towards:

- the risk of becoming homeless
- actual homelessness and repeat homelessness
- the poor condition of private rented properties
- transience and low social capital among private tenants.

Assured shorthold tenancies do not yield greater returns for landlords than more secure assured tenancies, and the sector has not grown significantly since their introduction. Shelter believes that secure tenancies have a key role in improving and growing the private rented sector.

Rather than reducing security for private renters, we believe priority must be given to exploring secure tenancy options for the benefit of tenants, landlords, and for wider social and community cohesion.

Greater emphasis is being placed on the use of the private rented sector to address homelessness, but without greater security of tenure, this is a dangerous approach. Far from being a solution to homelessness, insecure private tenancies could drive increases in homelessness and repeat homelessness.

If the sector is to respond to rising housing need, work is needed urgently to explore more secure tenancy options that will benefit both tenants and landlords.

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