

Private Housing (Tenancies) (Scotland) Bill

Written submission to the Infrastructure and Capital investment Committee

Peter Wood

I have several concerns with the proposed Bill especially as it seems to be effectively turning private landlords into social landlords given all the constraints being imposed. Furthermore, in no other area of business does a government enforce price controls on private companies. Does the government plan to enforce price controls on other types of business in the future such as suppliers of other goods and services? If not then why does it feel it should do so with Private landlords (who are effectively just private businesses)?

Putting these general points to one side I have 3 specific concerns, and fear they will result in unintended consequences if they are not addressed:

1) Grounds for repossession - tenant failing to pay for 3 consecutive months.

The current wording of the Bill allows for a tenant to stop paying rent for not just one but actually at least 3 consecutive months before there will be any real consequence, i.e. they can still stay in the property during this period, and then will probably not even pay a 4th month's rent while the Sheriff Court Order process is underway.

Meanwhile the landlord still has to pay the mortgage costs.

Will the Scottish Government ask mortgage lenders to be lenient on landlords who have fallen several months behind in their mortgage payments due to tenants being allowed to get away with not paying rent for at least 4 months?

Once the news gets out amongst tenants through social media (as it is bound to), that tenants can stop paying their rent 4 months before their planned exit date from a flat with little consequence, then the effects will be disastrous for private landlords.

The Bill as currently worded, encourages all the wrong behaviour amongst tenants and will be detrimental to the economy.

The net effect will be as follows:

- a) Landlords will start selling their property and invest outside Scotland. Whilst this may have the effect of lowering house prices in Scotland (which could be the thinking behind the Bill?) it will also vastly reduce the accommodation available and therefore have a detrimental effect on the economy and will lead to fewer rental properties on the market and hence a shortage of properties which surely is the exact opposite of what is needed.
- b) Mortgage companies will restrict lending to private landlords once they realise that there is a serious risk that landlords could fall well behind in their mortgage payments. This reduced amount of lending will also restrict the number of landlords who can obtain mortgage finance, and hence reduce the number of rental properties on the market, also therefore meaning a shortage of properties available to tenants.

The simple fact is that landlords will not be prepared to carry this risk and hence will just sell some or all of their properties....I am already starting to make contingency plans to do this now, and I know of several other landlords who are looking to do the

same. Whilst I know that the Scottish Government won't have any sympathy for landlords, (even those who act responsibly), I think the knock on consequences need to be thought through properly, as this will result in a shortage of rental properties.

In no other area of the business world is there a circumstance where the supplier has to continue to provide goods or services even though they know that the customer doesn't intend to pay.

My suggestion would be to rethink this whole part of the legislation and ensure that tenants adhere to the contracts they have signed. Where a tenant has rent arrears of more than 5 weeks then landlords need to be able to take steps to remove them from the property otherwise they will incur a very significant financial loss. They should not be allowed to remain in the property, not paying rent for several months afterwards until the point that they are forced to move out by a Sheriff.

By way of example, the current proposals would mean that on a large HMO property where the rent is say £2000 a month, the landlord stands to lose over £8000 and possibly even more.

2) The ending of Fixed Term tenancies

It's not clear to me what the driver is for this change, as there seems to be an assumption that landlords want to get rid of tenants at the end of a fixed term. I know of no landlords that operate in this way, as it is actually far more cost effective to hold on to existing tenants as this avoids the risk of a void period and also avoids incurring significant costs in finding and vetting new tenants.

A good example of an unintended consequence is as follows:

HMO Properties - Letting agents won't be able to advertise a flat to new students until the existing students have given notice. This is likely to mean that flats won't be advertised until the summer in many cases, which is too late for new prospective student tenants as they won't be around to search. Currently the landlord knows by February whether an existing group of students in a flat will either a) be staying on for the following year or b) plan to move out. The letting agent can then advertise the flat in Feb/March/April when it's convenient for students and then sign them up for the following September giving both the students and landlord some certainty.

However, in the proposed scenario an existing group of students may not get around to deciding on where they plan to live, or who to live with until towards the end of the summer term, and by the time they have given notice it means that the flat can't be advertised until the summer months. This situation will result in the following problems:

- a) Landlords risk missing out of signing up new student tenants. Typically this means that on a 4 bed HMO property the landlord loses over £20,000 if the flat is void for the next 12 months, yet they still have a mortgage to pay.
- b) Mortgage companies will quickly recognise this problem and impose much stricter buy to let rules in Scotland, meaning that far fewer flats are available to rent.

- c) Extra stress for students as they have to find flats at the last minute and often may not have enough time to join up with other friends to agree on a rental property.
- d) Because of the new timing, landlords will not be able to commit to making their properties available for Festival lets, hence reducing the supply of property for visitors to the capital.

3) Price controls.

The quality of rental property varies dramatically in Edinburgh. I for example, provide very high spec properties which are always fully compliant. However how will your team of rent assessors decide on what the right level of rent is on a property should a tenant appeal? Will they for example put all 3 bed properties in a given area in the same price bracket even though they vary so much in quality? If so then there will be no incentive for landlords such as myself to continue to invest in their flats and the overall quality of rental accommodation will drop to the lowest common denominator. I really think that this needs to be very carefully thought through or it will lead to unintended consequences.

Conclusion

In summary, Landlords seem to be being cast as the bad guys people who are just out to make tenants' lives miserable whilst making as much money as possible.

Whilst there may be a few such bad landlords, there are many others such as myself who play by the rules and provide high quality properties for tenants, backed by great service.

I really fear that many property owners like me will simply sell their flats to private buyers due to the new risks and costs involved thus creating an even bigger housing crisis.

Surely the legislation should be encouraging more landlords to offer more property to help increase the overall supply and hence keep rents down. The approach being taken with the legislation will have the opposite effect.

Peter Wood
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