

Generation Rent

Submission to Treasury Call for Evidence on Rent a Room Relief

There are several points we would like to make in response to the Treasury's call for evidence:

- We are concerned that the Rent a Room Relief could be abused by landlords who are renting out a property which is not their primary residence, or are engaged in other illicit activities such as operating without a licence or letting their property as a holiday let, taking their property out of the longer term rental market.
- We are concerned that the legal framework governing lodger arrangements is being abused by landlords who do not live in the property they are letting out – whether they are benefiting from the Relief or not.
- With proposals to expand the property redress system to include all landlords, there is an opportunity for the government to start a comprehensive register of all let residential property. This should include spare rooms and short term lettings as well as tenancies, and would help the authorities enforce laws and incentives more effectively.
- The most common complaint we hear about being a lodger is that one's security deposit is not required to be protected in a national scheme. This could be one way that the tax relief could be "earned".

About us

Generation Rent represents the UK's private renter population. As most renters are assured shorthold tenants, lodgings account for only a small part of our work. Most of our understanding of the sector arises from anecdotal reports from renters whose experience of being a lodger or licensee has been problematic.

The sector

Rooms let out in a landlord's own home occupies a strange place in the rental market. With wider shortages of supply, it provides extra slack at the margins that provides a low-cost place to stay to those who need one and can be flexible. It can also have social benefits – if the landlord and lodger enjoy each other's company.

However, in very few cases would the lodger prefer to be in that situation. Most people would rather have their own place, especially if they plan to stay in a town for longer than a year. That said, many are desperate and lodging is their only affordable option.

For the landlord it is not ideal either. Allowing a stranger to start living in one's home – even if they pay – can be a daunting prospect and many may well decide not to do so if they had to declare their income and pay tax on it. Without the Relief we may have less slack in the market.

However, the answer to high rents and homelessness is not to increase the number of spare rooms. It is to build more self-contained homes that people on low incomes or with complex needs can afford to rent, and to encourage more professional long term lettings.

We don't have our own data, but it is interesting to see that the number of lodgers has not increased a great deal since the 1990s – currently at 62,000 according to the 2014-15 English Housing Survey (PRS Report Annex Table 3.1). That said, 532,000 were in "another type of let". [Separate figures from Santander in 2013](#) suggest that there are as many as 1.7m households with lodgers.

Concerns of lodgers

One difference between lodgers and tenants is that the latter are entitled to have their security deposit protected in a government-approved scheme. Lodgers will very often have to pay a deposit, but if they cannot retrieve it when they move out their only redress is through the small claims court. We believe this should be changed.

The other main difference is where the lodger occupies their room under a licence to occupy. Given the inherently different nature of a landlord's relationship with a lodger compared with a tenant – particularly the fact that the property is also the landlord's home – it is appropriate that there be a different form of agreement governing the arrangement. However, it is critical that the rights and responsibilities of the landlord and the lodger are set out clearly at the start.

The existence of licences to occupy creates problems, however. The main difference between licences and tenancies is the exclusive right of occupation of the room(s) one is paying for. If a renter has a licence, there is an assumption that the landlord is allowed to enter their room without permission. They also have less security of tenure – e.g. a shorter notice period if the landlord wishes to take the room back.

These licences are used for houses of multiple occupation where the landlord does not live in the property. Their legality in this scenario is questionable. [For example](#) if an occupier has an agreement with the landlord over which room is theirs, and a key to lock it, the law might consider them a tenant rather than a lodger (or licensee).

However, the validity of a licence to occupy might never be challenged, and residents could be asked to leave with very little notice and with little sympathy from the courts. Licences might be appropriate for lodgers but can make the lives of HMO residents even more precarious.

HMO regulations may provide some protection for the tenant if the landlord's compliance is called into question by the local authority. However, there is a loophole that might expose tenants to exploitation.

Whether or not they live in the property, landlords can squeeze as much rent as possible out of their properties while also avoiding contact with the authorities. This entails converting a property into rooms with en-suites and hotplates without planning permission, and then treating them as self-contained units thus avoiding the need to obtain an HMO licence. [The Sunday Times reported on this practice in Hanworth, west London, in 2017.](#)

The tenants of such properties may be on licences to occupy and completely invisible to the authorities even though they are at a higher risk of living in an unsafe home. Being invisible means that the landlord might claim the Relief – even though this is not permitted by the scheme.

Potential for abuse of Relief

There are various scenarios where a landlord could claim the Relief illicitly:

1. They claim to be living in one property, are registered there for council tax and receive post at the address, but actually let it to tenants (whom they may treat as licensees) and live elsewhere – often receiving rent in cash. Tenants have contacted us to report concerns about this behaviour.
2. They let out rooms in their home but do not declare all their income. They might even have so many lodgers that they would need to register as an HMO, but do not. Identifying these types of homes is especially difficult, [as Greenwich Council has recently discovered.](#)

3. They let out their entire home for longer than is permitted under planning law. There is a limit of 90 days a year on these short term lets in London but evidence that many property owners are flouting this. Airbnb may have committed to preventing this practice, but there are many other sites providing a similar service.

We recognise that many landlords simply evade tax by not registering as a landlord with HMRC.

Opportunities for change

If the Rent a Room Relief is to continue then it should be made more difficult for landlords to abuse, while also rewarding efforts to protect the interests of lodgers.

Any changes should be aligned with other work that the Ministry of Housing is carrying out to incentivise longer tenancies, regulate letting agents and register all landlords. We believe that effective regulation will only be possible if all landlords and letting agents are required to register every property they let out. This would allow authorities to ensure that anyone benefiting from incentives is entitled to do so.

Given the rise of short-term holiday lets and the potential for desperate renters to find themselves in precarious housing, this registration regime should also cover lodger arrangements, holiday lettings and property guardian schemes. It could thereby specify what type of agreement is permitted for each type of let – with a licence to occupy available only for lodgers.

One benefit of registering all let property is that tenants would be able to check independently with government how many rooms were being let by their landlord, whether they were claiming Rent a Room Relief and what kind of agreement (and therefore rights) they should expect.

We would prefer to see government go further, with full licensing of landlords in order to ensure that properties are up to standard before being let.

In order to qualify for Rent a Room Relief, a landlord should have their spare room(s) registered, they should protect their lodger's deposit, and they should have a formal agreement which makes clear the lodger's rights.

This would give the lodger more assurance over their accommodation. It would also let residents of a property discover if their absent landlord was illegally claiming Rent a Room Relief; the system should include protections, say, from eviction, if they then reported their landlord to the authorities.