



**GENERATION RENT**  
The national voice of private renters

# A QUEENS SPEECH FOR HOUSING:

What the new government can do  
to end Britain's Housing Crisis.

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# Foreword

**Ben Abrams, Chair, CWU Youth**



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Britain's housing crisis is a national emergency. If you want to know what a housing crisis means, it's when a person can't find a place to live that has decent conditions, secure tenure, is sufficiently near work and is affordable.

For one person or for a family, that's a crisis. But it's now a reality for millions of people. People living in substandard bedsits because that's the only way they can afford to be near work. People trying to raise their children without knowing when they'll next have to move house or change schools. People living in degrading conditions for fear of eviction if they complain. People spending upwards of 40% of their incomes on rent.

This is what a housing crisis looks like; it exists today and its severity is deepening daily. These people can't wait a generation for respite and we can't tell our young people that we are writing off their welfare for the next 25 years so that property developers can enrich themselves.

The party manifestos for the 2015 General Election contained a range of housing policies; some good and some bad. But none of the parties seeking to govern laid out a plan to solve the housing crisis. This paper outlines what is needed to end the housing crisis with no excuses.

Ending the housing crisis isn't difficult but it requires serious steps to be taken. There are only three prerequisites to creating a sustainable, beneficial housing market; regulation, investment, and the end of the nation's addiction to capital gain. But to deliver these steps we also need political leadership, which in housing has been absent for decades.

We have included in this paper a range of policies that would, together, end the housing crisis far faster than in a generation. But there are other policies that are worth considering too. What we're calling for is a commitment from the government that they will implement policies that meet these tests and they will axe initiatives that counter them.

Whatever the new government does, Britain needs a plan that solves the problem, not one that partially ameliorates it. And having no plan at all is untenable.

# Policy objectives

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Too often we see policy announcements that are designed to grab attention without having any clear objectives. This has resulted in a series of demand stimulus initiatives that are precisely the opposite of what is needed. Help to Buy, stamp duty relief and aid to developers simply drive up the price of land.

We want clear policy objectives against which initiatives are judged. Proposals that undermine the delivery of these objectives should be dismissed.

## 1. Regulation

Housing is an essential utility, yet while there is tough regulation in all other utilities, housing is not only poorly regulated but the regulators themselves are poorly funded and insufficiently able to enforce the regulations that exist. There should be a policy objective to make all housing decent and secure, particularly where consumers of housing have little or no choice of tenure.

Poor quality housing is a driver of costs in the NHS and insecure tenure inhibits the life chances of those living or growing up in those circumstances. Individuals, the taxpayer and society as a whole have much to gain from a rise in housing standards and security.

## 2. Residential land and property is too expensive

Land is a monopoly. No one is making any more of it, so anyone who controls access to land can make a profit from it far out of proportion of their efforts to improve it. Our housing market is characterised by year-on-year gains in capital value that have become an addiction for investors, landowners, homeowners and increasingly, businesses and public authorities.

While land prices and housing demand are high, it only makes sense for private developers to build homes for higher earning people, meaning most people will have to wait decades before housing is provided for the likes of them.

We need a clear policy objective from government that they will wean the nation off its addiction to capital gains in residential land and property.

## 3. Investment

The third policy objective should be a mission to find the money to invest in housing. Traditionally this has meant through tax or borrowing and these are appropriate sources for such investment, but new sources of funding should also be sought. What we cannot bear is a government whose housing ambitions are limited because of a lack of willingness to pay for them.

People who bought their homes cheaply in a past era were able to do so because of the lack of demand for private housing. This was driven by massive scale of taxpayer investment in public housing, meaning those homebuyers benefited massively from the taxpayer. It's time to return to a consensus where providing public housing is a central function of the state with a recognition that only the state can build quickly and only the state can build for those people at the bottom of the market whose need is greatest.

## 4. Leadership

The housing agenda in Britain has suffered from a chronic lack of leadership at a political level. The abolition of regional government, disinterest from national government and fear of NIMBYs at a local level have inhibited building the homes we need.

Too often a localist agenda has been an excuse to allow millions of people to live in poor housing at high cost, but no one is prepared to stand up and say that opposition to a housing development is less important than the continued exploitation of the people who would otherwise live there. Policies that enable and support political leadership are essential to delivering all other beneficial housing policies.

In short, housing policies should deliver decent standards of conditions and security, a dampening effect on residential land and property, the funds to provide housing for those at the bottom end of the market and measures that enable political leadership on housing. Policies that don't support these objectives should be scrapped.

# Uniform minimum standards in housing

The perversity of different minimum standards in housing between the social sector and private landlords is that tenants in the private rented sector (PRS) end up paying significantly more money for significantly worse housing.

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With £9 billion a year being spent on housing benefit in the PRS, this poor quality, expensive housing is now a major provider for people in recognised need.

The regulatory disparity, however, means that each piece of residential land or property that becomes available is more commercially viable for a private landlord than for a social provider because they will make more money from it. This means that the private sector can outbid the social sector for land.

We propose a level regulatory playing field between the private and social sector and between the rental and sale markets. Whether for rent or for sale we believe every home should have a valid permit prior to occupation that certifies the home is fit for occupation under one of the following standards;

## a) New build

All new build homes should meet a single high standard, including meeting and EPC A-rating for energy efficiency

## b) Refurbishment

It should be recognised that refurbished homes and conversions may have built-in limitations and these should be accommodated in a lower standard, except where the building has previously met a higher standard. Nevertheless, this lower standard should still be high and include meeting an EPC C-rating for energy efficiency.

## c) Archaic

It should be recognised that historical buildings may be unviable for retrofitting to modern desired standards. However, a minimum standard for decent living should still be applied with a failure to meet these standards indicating an archaic property is unsuited for use as a home.

Every seller or renter of a home should be required to certify they meet one of these standard on each occasion the home is sold or let to a new tenant. The cost of certification should be met by the seller or landlord. The sanction for false or non-certification for sellers should be a fine payable to the buyer equal to the cost of bringing the home up to the minimum standard, and for a renter it should be a requirement to rectify and a repayment to the tenant of 100% of the rent received during the period when the home was falsely or not certified.

All homes should be covered by these minimum standards, including people on boats, caravans, converted offices, guardians of empty properties and lodgers of spare rooms.

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# Landlord licensing

All landlords should be required to register that they are a landlord, secure a permit or licence to be a landlord, declare all properties at which they are a landlord and

the rental incomes from each of those properties. They should also be required to state who manages the property for them if they do not do so themselves.

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## Funding enforcement

The first is that in addition to the current regime of fines to Courts and costs to enforcing Councils, an additional fine should be levied against landlords who breach that is paid to councils over and above the Council's costs.

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In applying these fines, housing enforcement moves from being an underfunded cost centre to being a revenue generating part of the Council, worthy of investment. Council tax payers would thereby benefit from housing enforcement rather than paying for it.

Our second measure would be a voluntary register of tenancies. Tenants should be able to voluntarily register the details of their tenancy on a database that checks against the national register of licensed landlords. The impetus for doing so should be a regime of punitive rent repayment orders where a landlord is in breach

of their obligations. By registering the details of their tenancy, tenants would create a dataset that could be checked for disparities against what the landlord is reporting, giving newly funded investigators and intelligence base for proactive enforcement.

While the costs of licensing would be met by the licensee, HMRC estimates £500 million a year of tax revenue is lost because of landlord tax avoidance. Generous rent repayment orders to tenants where landlords are in breach would stimulate full payment of taxes by landlords without additional costs to the state.

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## Abolish no-fault eviction

There is no need for the Section 21 “no-fault” eviction process. In a contract where a tenant is not at fault, they should be able to count on their home remaining secure except in the most extreme circumstances.

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These circumstances should not include the sale of the property. A rented property is both a person's home and a going concern as a business. If it is sold, the tenant's rights should not be affected.

This doesn't mean a landlord should not be able to remove a tenant who breaches the contract or the law. However, if a landlord wants to remove someone from their home for any other reason, that person should be properly compensated.

There are many ways you could implement flexibility into a no-fault process. Firstly, you could remove a defence against a no-fault eviction on payment of six month's rent, effectively meaning a landlord could statutorily “buy out” a tenant from a tenancy agreement on payment of this sum. Alternatively, you could force the landlord to give a tenant a year to find alternative accommodation, with the tenant able to leave at 2-weeks' notice at any time within that year.

This second approach would mean a person could plan their departure around work and family commitments and move when they have found a preferable alternative home rather than being forced to say yes to the first alternative that arises.

Both of these approaches could be implemented simultaneously. Within tenancy agreements, tenants should be given more freedom. The coalition government has already proposed protecting tenants who sub-let space in their home on a short term basis.

This could help many renters who experience temporary struggles to pay their rent. We support this and would also support protections in agreements for tenants who operate unobtrusive businesses in their homes, to reflect the fact that many self-employed people have no option but to rent.

# Rent control

Rents are high because demand is high compared to supply, and this is at an extreme wherever there is a thriving jobs market.

According to the English Housing Survey, private sector rents now average an exorbitant 40% of incomes, compared to housing costs of 20% for owner occupiers. This is a symptom of the exploitation of tenants and it directly affects housing conditions. People who simply cannot pay any more to live near a job have to compromise on living conditions, so affordability and living conditions go hand in hand.

There is also no real security of tenure without controls on rents. Without rent controls a landlord can raise rents to an unaffordable level, forcing a tenant to give up their tenancy, so controlling rent rises within a tenancy protects people from this. However, while landlords can evict a person without cause, whether that be at 6 months, a year or three years, a cap on rent rises within a tenancy becomes a financial incentive for the landlord to evict when possible. Furthermore, rents will catch up with the market between tenancies so there is no material dampening effect on rents where there is no cap between tenancies.

We have explored a range of rent control options and have concluded the arguments against these controls are false and without evidence. In most cases selective evidence is used to support a false argument. For example, it is often stated that rent control caused a lack of supply in the UK the second half of the 20th century. In reality there was a 35-year housebuilding boom in that time, despite rent controls existing. Conversely, we have a shortage of an estimated one million homes today despite the absence of rent controls.

This is not to say that all rent control implementations have been successful. We have been particularly struck with how a rent control system sitting alongside a free market system in the same geography can have perverse implications, for example in New York, where two different forms of rent control and a free market operate together. However, the evidence shows that rent control works successfully where it is ubiquitous, flexible and enforced. New York's problem isn't rent control, it's not having ubiquitous rent control.

Our proposal meets these tests. We propose capping rents at a "living rent" level to be determined by a living rent commission and approved by ministers, perhaps matching the Local Housing Allowance level, and specifying a cap for homes of various sizes. This cap should be applied to all residential properties, thereby meeting the ubiquity test.

However, we also propose flexibility, allowing landlords to breach this cap if they wish. This should be disincentivised through the application of a tax on rental income above the living rent level. The tax should be set at a level that recoups the total sum of Housing Benefit paid into the PRS each year – currently about £9 billion.

This income should be hypothecated for the building of public housing, which will have multiple effects. Firstly, the significant increase in the availability of public housing funded in this manner would reduce demand in the PRS, thereby lowering rents. This is important to balance out the flexibility of allowing landlords to charge above the living rent level – they can only do so if they fund a reduction of PRS demand and housing for those most in need.

The other major effects are a reduction of the Housing Benefit bill by two means. Firstly you are simply moving PRS HB claimants into public housing where HB is cheaper. Secondly, by reducing PRS demand and reducing rents accordingly, the residual HB claimed in the PRS will reduce.

Therefore, if the target receipts are to equal the total HB claim in the PRS each year, this number will reduce and landlords will find the rent tax reduces annually accordingly.

This proposal is the single largest cost we are proposing to apply to landlords, and depending on the level set for the living rent, it could be 20-25% of rental income. We have been told that this would push up costs to landlords that would either be passed on to tenants, lead to a reduction in money spent on maintenance of properties, or would drive landlords out of business altogether, reducing PRS supply. All of these assertions are either false or potentially beneficial.

Firstly, there will be no reduction on the funds spent on maintenance because we are in parallel proposing tough measures on conditions that would prevent this from happening. That said, the logic is utterly flawed as it implies that in a free market the conditions would be perfect. This is not true in the current market, which is free and where the PRS is the tenure in least good condition compared to owner occupation or the social sector.

On the matter of passing costs onto tenants, that is a fallacy that dominates current political thinking. Rent levels are not related to costs. Rents are set by landlords according to supply and demand. Therefore landlords are already charging the market rent and if they charge more, they will have fewer tenants interested in their properties.

An easy way to illustrate this fallacy is the prospect of a landlord who pays off their mortgage. Presuming that mortgage had been £800 per month, there is no evidence that any such landlord ever chooses at that point to reduce the rent they charge by £800 per month. This is because rents are a matter of supply and demand, not of cost.

However, the suggestion that some landlords would leave the sector is valid. This is not, however, a problem. Firstly, a landlord who leaves the sector sells their investment - they don't demolish it - and furthermore, if being a landlord is a less attractive option, fewer of the potential buyers will be landlords.

This means that the number of properties for sale would increase and the number of potential buyers would reduce, meaning house prices would reduce. Far from being an undesirable effect, this is one of the policy objectives we are seeking, but the effects would be focused more on landlords than on owner occupiers in general.

There is an argument that this would reduce housing supply, yet this too is a fallacy. This presumes the PRS is a hermetically sealed market, when it is not. If residential land and property has a downward price pressure, then it becomes more viable to build public housing on that land. Therefore, increased costs in the PRS could support an

increase in housing supply, in particular where it is needed most – where there are jobs.

Having said that, the pressures on landlords are overstated. The total income received by landlords each year is about £77 billion per year, roughly £17,000 per household – only about half of which is rent, the remainder being capital gain. So a 20% rent tax (on the whole rental income – though we are suggesting it should be only above a living rent level) would reduce this income by £1,700, meaning the investment is still a very good place to invest your money – particularly as very few landlords have to spend so much personal time being a landlord that they have to give up their day jobs. If there were an equal effect dampening the capital gain, the cost would be £3,400 per landlord, still leaving them with a worthwhile return.

The effect on so-called “accidental landlords” will be even less, because these landlords are far more likely to have inherited their properties and less likely to have mortgage payments limiting their cash availability. For those landlords who do have limited cash, banks should be encouraged to provide vehicles for landlords to transfer capital gain to cash.

According to the Council of Mortgage Lenders there are only 1.46 million buy-to-let mortgages among 4.75 million tenancies. The implication of this is that 3.29 million tenancies are in the hands of landlords who have no mortgage or corporate landlords.

The final essential element is enforcement. We propose using the method illustrated above in the section on enforcement. If all landlords are required to register their rental income by tenancy in a national register, and if tenants are voluntarily able to register their details and payments, then disparities can be investigated. The application of a one-year rent repayment order to tenants on discovery of non-payment of taxes (plus costs, plus the payment of the taxes) would provide an incentive for tenants to register their details and a punitive punishment for landlords who breach, with very little cost – if any – to the public purse.

# Banking regulation

Our proposals on banking regulation are simple. Firstly, all contract terms in buy-to-let (BTL) mortgages that inhibit tenant rights should be outlawed as unfair terms. Secondly, the Receiver of Rent process should be put on a statutory footing. A corporate landlord should be established by BTL lenders, either collectively, individually or through contracted agencies, to take over the properties of landlords who default on their mortgages.

All tenants of defaulted landlords should receive assurances that their tenancies are secure and the

Receiver of Rent should be responsible for all the obligations associated with being the landlord of the property. As we highlighted above, transfer of ownership should not be a ground for eviction, even if that is due to foreclosure.

We believe an effect – in addition to enhanced tenant security – will be to raise slightly the risk of lending into the BTL sector, reducing the availability of BTL mortgages and having a dampening effect on residential land and house prices.

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# Consumer protection

Landlords and letting agents have huge market power over tenants because of the gross disparity between supply and demand.

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## 1. Ban letting agent fees to tenants

Tenants are not the customer of the agent and fees to tenants pervert the otherwise fair market between agents and landlords. No fees should be chargeable to tenants, including credit checks and inventory fees. This would also create a more efficient market as tenants have lower costs associated with moving, and they would be less impeded from moving out of lower standard homes.

## 2. Income discrimination

Landlords and agents should be barred from requiring information on income, occupation or benefit status. Independent credit checking agencies should be allowed to ask this information but should be barred from reporting any information to the agent or landlord other than confirmation of whether the tenant can afford the rent.

## 3. Home information

- a.** Landlords and agents should be required to display on advertising what the utility and council tax costs are per month.
- b.** Landlords and agents should be required to display on advertising the size of the home advertised in square

metres, indicating how much space is secure and private and how much is shared with other households/tenants.

## 4. Fit person

Landlords and agents should be required to declare to potential tenants their convictions related to being a landlord or agent.

## 5. Deposits

- a.** Landlords and agents should be required to report on the deposits they have taken in the past, the deductions they have taken from those deposits, whether those deductions were through negotiation or arbitration, and the length of time after the end of the tenancy that it took to return the deposit.
- b.** Deposit protection should be reformed so that arbitration is standardised and that tenants automatically receive their money within two days of the end of the tenancy unless the landlord institutes a claim against the deposit.
- c.** Protected deposits should bear interest to the tenant.

## Housing & infrastructure investment bank

Tenant deposits total more than £3 billion and yet tenants receive no material benefit from this money. We propose that this is used to capitalise a Housing and Infrastructure

investment bank, returning profits to tenants. Furthermore, tenants should be able to top up their deposits with further savings, attracting an ISA-style tax free return.

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## Housing grant distribution

We have outlined above how to use a rent tax to increase housing grant from the current £1.13 billion to more than £10 billion. We believe this should be allocated in an intelligent way through a challenge fund where the winners of each round are the Councils, Housing Associations, or

potentially private developers, who can provide the most homes at social rents with the best quality and as part of a sustainable community. Mixed developments with good links to jobs and local infrastructure should be the preferred outcomes.

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## Community-led regeneration

Regeneration of ageing estates is essential for raising housing standards and increasing housing stock.

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However, too often residents on estates are left behind through a lack of recognition that these are their homes and communities that are being demolished and redeveloped.

Protection for tenants should be placed on statutory grounds, ensuring that every tenant, whatever their tenure and whoever is their landlord, has the option

of returning to their community on the same or better terms than when they were decanted.

But this should only be a backstop protecting people. The government should produce guidelines on creating resident-led regeneration, and meeting these guidelines should be a pre-requisite for receiving housing grant funding.

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## A Secretary of State for Housing

We don't believe that any significant assault on the housing crisis can be achieved at speed without leadership. We are calling for the appointment of a Secretary of State for Housing, responsible not just for the house building budget but for housing benefit, building control, planning and construction skills.

We believe that someone's career should hang on their success in this role and rather than merely "attending" cabinet, they should have the levers to effect change and to deliver this agenda.

## Planning reform

Because of the lack of political leadership in housing, most people are unaware of their impact on other people's welfare.

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Most people opposing planning applications have no idea that this means the continued exploitation of others.

We support a liberalisation of planning restrictions that reflects the urgency of the housing crisis. In particular preferential assessment must be given for any proposal incorporating 40% of units or more at social rent levels (presuming this is an increase in number over any lost homes due to the development) or 60% or more units at living rent levels or secondary housing market disposal as described above. Liberalisation should also include "fast track" approval, though not a waiver of regulations on build quality or decency standards.

Developers of housing or other infrastructure projects should be free to fund a council tax rebate to residents affected by a planning approval. This rebate should be part of the planning application proposal and publicly announced.

Shelter has undertaken a study that shows that people's minds are not changed by the offer of financial rewards as they are seen as bribes. But this should not be the intent of such rebates. The intention should be to activate those people who do support development or who simply support the rebate, ensuring councillors can make balanced planning decisions rather than short-sighted decisions in reaction to disproportionately vocal opposition.

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## Secondary, bubble-free housing market

We support an implementation of a £1 billion fund for developing a secondary housing market that is not subject to normal price pressures.

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We support an implementation of a £1 billion fund for developing a secondary housing market that is not subject to normal price pressures. This should be a revolving equity fund that is used for developing housing increases in capital value only by a regulated percentage, equivalent to a bank savings rate.

These homes should be sold at cost price rather than market price and without any means testing. This would be between 20-40% below the market price and the Help to Buy scheme should be restricted in application to homes in this secondary housing market, because the demand stimulus can't be translated into price pressure.

Because the purchaser has not paid a market price this justifies banning a market return, so not only is the sale price regulated but there will be an absolute rent cap of perhaps 5-7% of the regulated value, with punitive penalties for breach.

The £1 billion equity fund is therefore replenished through private mortgages and can be continuously recycled into providing ever more permanently affordable homes for sale and for rent that are never subject to market pressures. This revolving equity fund could be used to stimulate new Community Land Trust developments.

# Afterword

**Alex Hilton, Director, Generation Rent**



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'This is how to end the housing crisis. People need to know whether their government is prepared to act on their behalf or not.'

This programme is what ending the housing crisis looks like. These are actions that can be taken immediately that will provide funds for public housing, protection for tenants, begin to wean the nation off its addiction to capital gain and support the leadership we need at national and local level to take on this challenge.

We're not saying these are the only policies that meet this test, but they are a package that would do so and which would have an instant and growing beneficial impact.

Our concern is that – to date – we have seen no other plan to solve this crisis. There are plans to fiddle around the edges and even plans to make it worse, but none that provide a solution and to do so with urgency.

There is no longer any room for excuses and no more time for delay; this is how to end the housing crisis. People need to know whether their government is prepared to act on their behalf or not.

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# Acknowledgements

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# Summary

## The plan to end the housing crisis

### Policy objectives:

- Consumer protection through regulation.
- Weaning the nation off its addiction to capital gain in residential land and property.
- Investment in public housing.
- Political leadership.

### Policies that deliver the objectives:

- A Secretary of State and Ministry for Housing, including housebuilding, Housing Benefit, building and planning control, housing conditions, consumer rights in tenancy and construction skills.
- Rent Control. A nationally set Living Rent level with landlords taxed on their rental income above that level.
- £9 billion boost to social housing funded through the rental income tax (above) and streamlined distribution of housing grant.
- The abolition of no-fault eviction.
- Uniform minimum housing standards across social and private sector housing, with a national register of landlords.
- Additional fines on rogue landlords payable to Councils to fund enforcement and rent repayment orders to tenants to incentivise reporting of landlords.
- Planning liberalisation where it will deliver social or low cost housing in sustainable, mixed communities.
- A secondary, bubble-free housing market where homes are sold at cost price rather than at market price.
- Regeneration of estates based on community aspiration and vision and the protection of tenant rights in regeneration programmes.
- A £3 billion Housing and Infrastructure Investment Bank, capitalised with tenancy deposits and returning profits to tenants. ISA-style tax breaks for tenants who top up their savings.
- Consumer protections for tenants including ban on letting agent fees, outlaw income discrimination, transparency on essential information and deposit protection reform.
- Bank regulations to outlaw mortgage terms that inhibit tenant rights.

