

Living and Working Select Committee



The Emerging Private Rented Sector in Barking and Dagenham

1. Background

Research from the University of Cambridge¹ predicts that, as a result of the Coalition's housing benefit reforms, most inner-London boroughs are likely to become almost entirely unaffordable to low-income tenants on Local Housing Allowance by 2016. It is expected that Barking and Dagenham, along with other outer-London boroughs characterised by deprivation and unemployment, will remain affordable and people will move outwards to these boroughs in search of lower priced rents. The potential impact of the housing benefit reforms acted as catalyst for this scrutiny and led the Living and Working Select Committee (LWSC) to explore the condition of the private sector rented market more generally and seek assurances that the sector is able to deal with this challenge as well as growing problems around housing supply, affordability and the quality of lets available.

1.1 Introduction

The house is in such a bad state and I pay £830 per month for a two bed flat - I can't afford any better.

Private tenant, Barking and Dagenham

- 1.1.1 House prices, particularly in London have risen to the point where first-time buyers are unable to get onto the property ladder without a substantial deposit; this means that younger people are renting privately owned accommodation whilst they save to buy a home. The challenge to become a homeowner is compounded by increasing rents, as a result of the collapse of the housing market, making it more difficult to save, creating a vicious cycle. Even in Barking and Dagenham which has some of the lowest house prices, land values and private rent levels in the London it is incredibly hard to become a homeowner.
- 1.1.2 Potential first-time buyers are only one piece of a heated market made up of different competing groups which also includes students, immigrants, housing

¹ Centre for Housing & Planning Research – housing Benefit reform and the spatial segregation of low income households in London 2011

benefit claimants and professionals - Shelter estimate that 20 tenants are chasing each let.

- 1.1.3 The demand for private rented accommodation is such that opportunistic landlords are in a position to take advantage of, and profit from, this set of circumstances. The Council is becoming increasingly aware of bad practice by a minority of landlords and instances where tenants are living in poor conditions because they have limited options and do not know, or do not exercise their rights. During this review Members have looked at case studies where tenants have fallen victim to poorly drafted tenancy agreements, unfair charges, excessive or withheld deposits, illegal evictions, and properties in a serious state of disrepair.
- 1.1.4 This scrutiny aims to suggest ways to tackle bad landlords, empower and educate tenants, and make private rented accommodation more affordable.

1.2 Membership

1.2.1 The members of the LWSC that contributed to this review are as follows:

- Councillor J Channer Lead Member
- Councillor L Rice Deputy Lead Member
- Councillor S Ashraf
- Councillor J McDermott
- Councillor J Ogungbose
- Councillor T Perry
- Councillor H S Rai
- Councillor A Salam
- Councillor M Worby
- Councillor L Waker (from December 2011)

1.2.2 The Scrutiny Champion for the Select Committee was Darren Henaghan, Corporate Director of Housing and Environment, and the Select Committee was supported by Glen Oldfield, Scrutiny Officer.

1.3 Methodology

- 1.3.1 The terms of reference for the review are set out in Appendix E of this report.
- 1.3.2 Evidence was gathered in four formal Select Committee meetings held between 11 July and 8 December 2011 and several ad hoc informal meetings. The Select Committee received presentations, reports and other forms of evidence from a range of stakeholders, including:
- Bola Oladimeji, Project Development Officer, Advice Plus
 - Alan Benson, Head of Housing and Homelessness, Greater London Authority
 - Surinder Pal, Deputy Chair, Barking and Dagenham Landlord and Letting Agents Forum

- East London Housing Partnership
- LBBD Housing Officers
- Local private rented tenants
- Rachael Orr, London Campaigns Manager, Shelter
- Mary Stallebrass, Head of Private Rented Sector Policy, Department of Communities and Local Government

1.3.3 The LWSC also conducted a survey to gauge the satisfaction levels of tenants and uncover some of the problems they have encountered since renting in Barking and Dagenham. Headline findings from the survey can be found in Appendix D.

1.3.4 The final report was agreed by the LWSC on 19 March 2012, before being presented to Cabinet on 24 April 2012 for comment, and Assembly on 16 May 2012 for agreement.

1.4 What happens next?

1.4.1 If agreed, an action plan (with responsible officers and timescales) outlining the implementation of the recommendations will be drawn up and progress will be monitored. The first monitoring update will be received by the LWSC in approximately six months' time.

1.4.2 When finalised and agreed, the findings of this report are to be publicised in the following ways:

- A downloadable copy will be made available from www.lbld.gov.uk/scrutiny
- A press release will be sent to local newspapers.
- A comprehensive summary of the report's findings will be sent to interested parties and relevant voluntary organisations.

2. Findings and recommendations

The LWSC has devised six recommendations based on the evidence collected during the review process; for ease of use, a list of recommendations can be found at Appendix B.

2.1 Private rented housing stock

Case Study

Client is married and lives in a privately rented property with his partner and their dependent child. Client works and receives some benefit to be able to make ends meet. Due to her immigration situation, his partner can neither work nor have recourse to public funds. The property was not decent when they moved in – due to a gas leak, they had to shut off the gas supply and they therefore had no gas. They also had no lighting. Although client reported the matter to the council who came and investigated, landlady did not carry out the repair in the property. Out of desperation, client withheld the rent to compel landlord to fix the house. He was then served with a notice of eviction and had to leave the property.

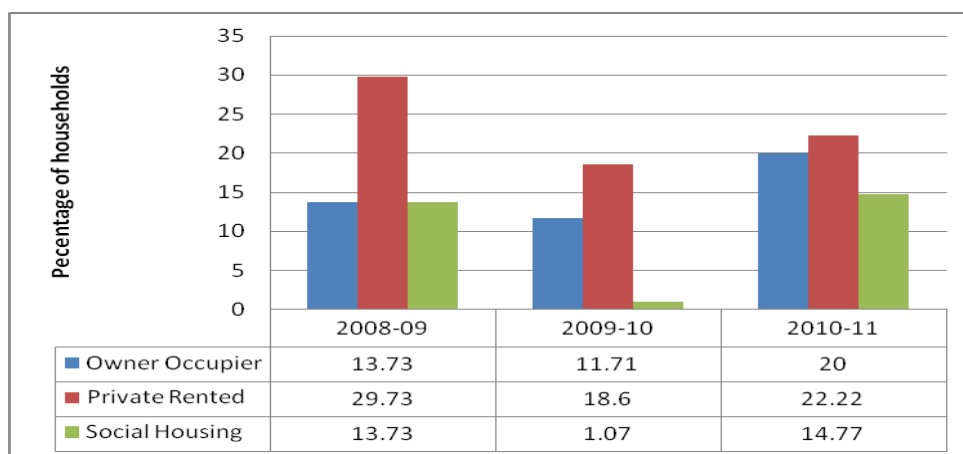
- 2.1.1 The Private Sector Housing Stock Condition Survey 2009 highlighted that some of the poorest conditions and the least thermal comfort are found in the rented sector. Even where landlords are good, the condition of stock generally can still mean that tenants are living in properties that have low energy efficiency ratings or disrepair. Other noteworthy findings from the Stock Condition Survey show that in Barking and Dagenham:
- 38% of private rental property is non-decent
 - 18% of households are in fuel poverty²
 - 90% of private rented accommodation fails to meet the Government's target for energy ratings for dwellings
 - 23.5% of private rented accommodation contains a category 1 hazard, such as a leaking roof or no heating
 - 10% of properties are in a state of disrepair.
- 2.1.2 Officers calculate that it would cost £30million to bring all private rented stock up to decent homes standard – a massive challenge, even before the Coalition Government's spending cuts.

I had to decorate myself. I have also had to deal with damp. The gas bills are sky high because of how poorly insulated the flat is.

Private tenant, Barking and Dagenham

- 2.1.3 The LWSC is assured that the Council is doing everything in its power to improve the condition of private rented stock. Members are pleased that the Council is focussing its efforts to alleviate fuel poverty (which is particularly high in the private rented sector – see fig. 1) as household incomes are squeezed during the recession. To address fuel poverty, free insulation is being offered to landlords in the Barking Town Centre Low Carbon Zone to encourage the installation of energy conservation measures and, through the Landlord Energy Saving Allowance, local landlords are able to obtain up to £1500 to spend on energy efficiency upgrades.

Fig. 1: Fuel poverty by tenure in Barking and Dagenham



2.1.4 Improving the private rented housing stock is a challenging agenda in the current economic climate, but it is not a lost cause. There are a number of initiatives that landlords can benefit from and the Council has a duty to see that awareness and take up of such offers is high. Through the London Landlords Accreditation Scheme and Landlords and Letting Agents Forum (which are discussed later on in this report) the Select Committee hopes that landlords are assisted to benefit from the range of initiatives that will result in tenants living in well maintained properties that meet decent homes and energy efficiency standards.

2.2 Collecting intelligence

2.2.1 The private rented market is constantly evolving and the Council needs to understand how this market is impacting on other areas of housing services and vice versa. The Select Committee understands that as back office functions are cut it is harder to find the money and human resources required to gather intelligence and conduct comprehensive surveys.

2.2.2 However, having up-to-date analysis is crucial in order for the Council to shape policy, adapt services and intervene as necessary. Therefore the Select Committee would like the Council to continue to closely monitor trends and developments in the private rented market to maintain oversight of an expanding and complex area.

Recommendation 1:

The LWSC recommends that the Private Sector Housing Team continues quarterly surveys of the private rental sector to include landlords, lettings agencies and private tenants and reports six monthly to LWSC.

2.3 Empowering and educating tenants

Case Study

Client is married with two children. Both parties work full time. Client signed an assured short hold tenancy in January 2011 with estate agents, Holland and Taylor for £950 per month. Due to insufficient funds for a deposit, Client also agreed to

pay the final rent, a month in advance. In June, Client notified the agent of plans to leave the property at the end of August and received a response from the estate agent acknowledging the notice. Estate agent advised Client that a £200 administrative charge will be deducted from extra £950 paid in July and the balance held as a deposit, which was contrary to the original agreement. Estate agent demanded an additional £950 from Client for rent falling due in the final month.

(Source: Citizen's Advice Bureau Case Study)

- 2.3.1 Through the evidence provided to the LWSC by Advice Plus (an arm of the Citizen's Advice Bureau) and Shelter, Members are aware that there is a small group of landlords operating in the borough who deliberately or unwittingly exploit tenants. Among other offences, these landlords harass tenants, demand unfair charges, withhold deposits and illegally evict tenants.
- 2.3.2 The LWSC has included further case studies, like the one above, that were presented by the local Citizen's Advice Bureau in Appendix C of this report to help illustrate the struggles tenants face when dealing with this type of landlord. The Select Committee was appalled by some of the experiences private tenants shared with us. Throughout the report we have used examples taken from the responses to a survey we conducted during the autumn of 2011:

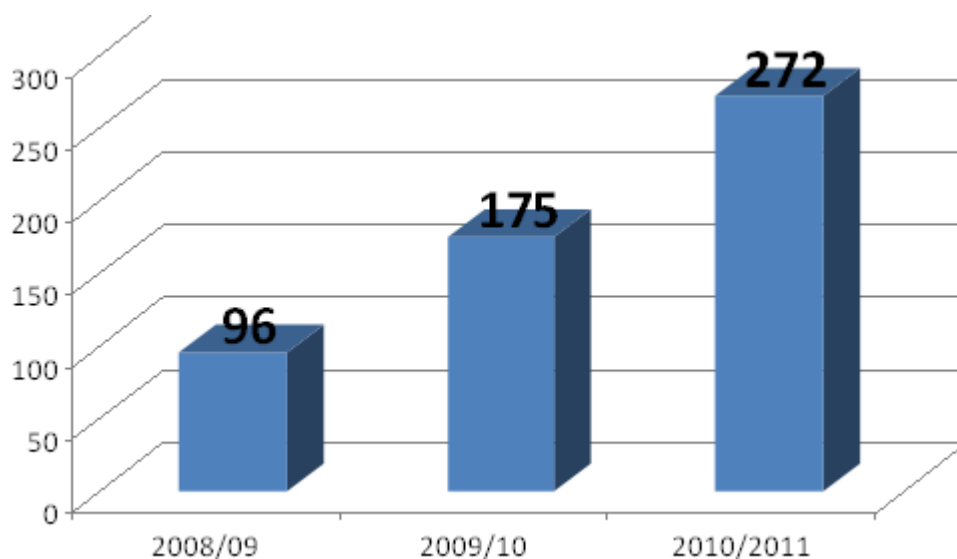
I have had no central heating for three years, the landlord refuses to fix it as he can't afford to. Both my front and back exterior doors are bowed and let in extreme amounts of draught.

Private tenant, Barking and Dagenham

The Landlord tried to get me out when he first purchased the property. There was lots of harassment, noise at night, large strangers calling at all hours. I also received threatening letters and had the water cut off for 9 days.

- 2.3.3 Sadly, the experiences dotted through this report are becoming more commonplace in Barking and Dagenham. The Citizen's Advice Bureau has seen the number of people coming to them for advice on tenancy issues rise from 96 to 272 in the space of three years (see fig.2).

Fig. 2: Clients living in Privately Rented Accommodation that have sought advice at the CAB from 2008 – 2011



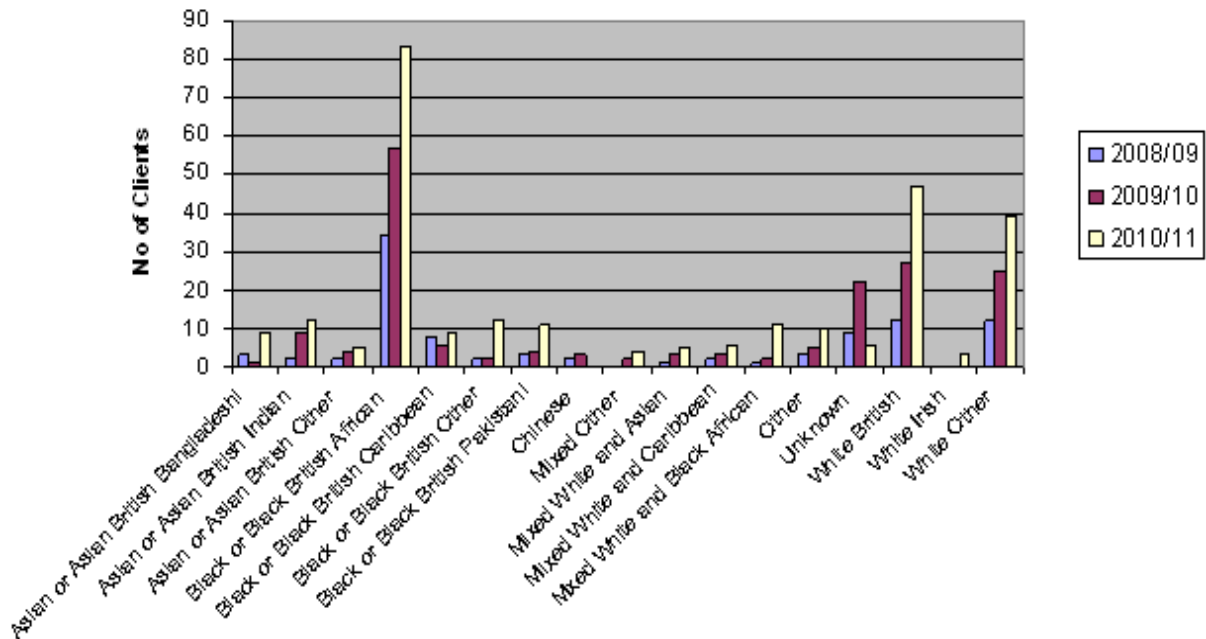
2.3.4 The rise in people seeking advice highlights the growing troubles tenants face in securing fit-and-proper rents. Although more people are seeking out advice, they are very much in the minority. The survey conducted by the LWSC for this review revealed that 81.5% of private renters did not get any advice before signing the tenancy agreement.

I wasn't told how much rent was until I signed the tenancy agreement.

Private tenant, Barking and Dagenham

2.3.5 Interestingly, of those who do seek advice on tenancy matters from the Citizen's Advice Bureau, the majority (as shown in the graph below – fig.3) were from a black African or black British ethnic background. Perhaps one of the reasons for this is because information on tenancy issues is not in the appropriate format or is not available at the right location to reach this group of the community. One of the recommendations made to the Select Committee by the Citizen's Advice Bureau was for local agencies to invest in translation services as people with English as a second language find it harder to understand the measures that exist to protect them from abuses by landlords. The Select Committee would like assurances that the information and advocacy services that exist within the borough are sensitive to the needs of all groups within the community.

Fig. 3: Clients who have sought housing advice (2008 -2011 by ethnicity)



2.3.6 The LWSC believes that the Council has a responsibility to residents to ensure that tenants are informed and alert to bad practice so that they can secure good lets. Information about how to protect a deposit, the notice period a landlord must give to evict, the repairs a landlord has a duty to carry out, and where to go if a tenant is experiencing problems should be widely known. Well educated tenants are able to make better decisions and are empowered to defend their rights; this lightens the burden on the Council and other agencies to intervene or engage in enforcement activity.

2.3.7 There were two ways in which the Select Committee thought that education and empowerment could be achieved:

2.3.7.1 Information pack

There is a wealth of information available from organisations such as Shelter and the Citizen’s Advice Bureau about tenant rights. The Department of Communities and Local Government has also produced many informative guides for a range of issues that affect private renters.

Making people aware of their rights and the ways in which they can complain to change their circumstances is crucial - otherwise bad landlords will continue to act with impunity. The LWSC would like to see tenants, particularly those on low income or considered vulnerable, have access to high quality information that clearly spells out their rights, what they can expect from their landlord, and how to seek redress if they are living in poor conditions or are subjected to illegal practice.

Research from Shelter suggests that the fear of eviction is pervasive among lower income renters and as a result tenants are reluctant to complain about harassment, poor living conditions or unfair tenancy agreements. Information packs should therefore actively encourage tenants to complain and explain that a landlord is not able to punish, harass, or threaten any tenant that wishes to challenge their landlord.

Recommendation 2:

The LWSC recommends that the Council, in partnership with the Citizen's Advice Bureau, produces an information pack about private tenant's rights to people applying for Housing Benefit. This should be extended to cover those applying for tenancies in Lettings Agents too.

2.3.7.2 Private tenant's forum in the borough

The London Borough of Camden supports and funds an independent organisation run by and for private tenants. The Camden Federation of Private Tenants works closely with the Council to push for improvements to private tenants' housing conditions and for stronger tenancy rights. The Federation provides information, support and basic advice to tenants and campaigns at all levels to promote private tenants' rights.³

The Federation has 150 paid members but everyone in Camden is able to access the services and information provided. Through its outreach work, which has been recognised by Camden Council as adding value to the local housing agenda, the Federation has helped roughly 400 people in the last year. The intelligence gained by the Federation has been used in the development of Camden's housing strategy and a number of referrals have been made to the enforcement team so that action can be taken to punish bad practice.

As this section of the housing market grows, the Select Committee feels that a similar service may be required for Barking and Dagenham. Although setting up and administering an organisation similar to Camden's would be quite resource intensive, if there is an appetite locally for tenants to perform this role, the Council should lend what support it can. Therefore, the Select Committee would like officers to look more closely at the work being done in Camden and conduct a feasibility study to see if something similar would work in Barking and Dagenham and what resources the Council could commit to get such a project off the ground.

Recommendation 3:

The LWSC recommends that the Council explores the viability of establishing a private tenant's forum in the borough.

2.4 Landlord Accreditation

Case Study

Client is a married international student living in a three bedroom privately rented accommodation with his partner and his four dependent children. Client works part time and does not have recourse to public fund. Client had a fixed assured short hold tenancy agreement with the letting agency. His landlady endlessly tried to force him out of her property. Client's landlady began by repeatedly calling client and his partner on their house phone. The landlady then had new barrel locks fitted to back and front doors without the consent of the Client. Authorised by the estate agent, client called a locksmith to gain entry and fit new locks. Landlady wants to evict client on the ground that he refuses to terminate his contract. Reportedly, landlady has always been awful to her former tenants.

(Source: Citizen's Advice Bureau Case Study)

- 2.4.1 The London Landlords Accreditation Scheme (LLAS) is a pan-London scheme, launched in 2004. The Scheme helps to raise standards and recognise good practices in the private rented market. Through participating in the Scheme, landlords and agents have an opportunity to gain the wide range of skills and knowledge necessary to make renting a successful business and improve the condition and operation of the rented market. Although it costs £110 per year to become and remain accredited, members of the scheme are entitled to funding and grant that would not otherwise be available. Members of the scheme also benefit from a range of discounts on things such as builders, merchants, insurance, and fire safety equipment.
- 2.4.2 Barking and Dagenham has more than 220 accredited landlords and the Council has done much to encourage landlords and agents to join the scheme which is widely publicised at the borough's annual landlord day. By having a large pool of known landlords that comply with good practice the Council will be able to be more efficient and target its enforcement to unaccredited landlords.
- 2.4.3 The LLAS will probably not help to combat rogue landlords as it would not be in their interest to join the scheme, but it might attract and reform amateur landlords who unwittingly fail to follow good practice. Advice Plus, who gave evidence to the LWSC, estimates that 60% of private landlords have no relevant experience or qualifications to rent property.
- 2.4.4 The Select Committee hopes that the majority of landlords become accredited under the LLAS. More accreditation will make it easier for tenants to find good private landlords who will provide high standard accommodation and help the Council to identify good and bad practice.
- 2.4.5 Barking and Dagenham has also established a Landlords and Letting Agents Forum with free membership; this group discusses wide ranging matters including energy saving advice, tenancies and local housing allowance. The forum is seen by Council officers as a useful consultee on policy issues and a driver of improvements in this sector.

2.5 Licensing landlords?

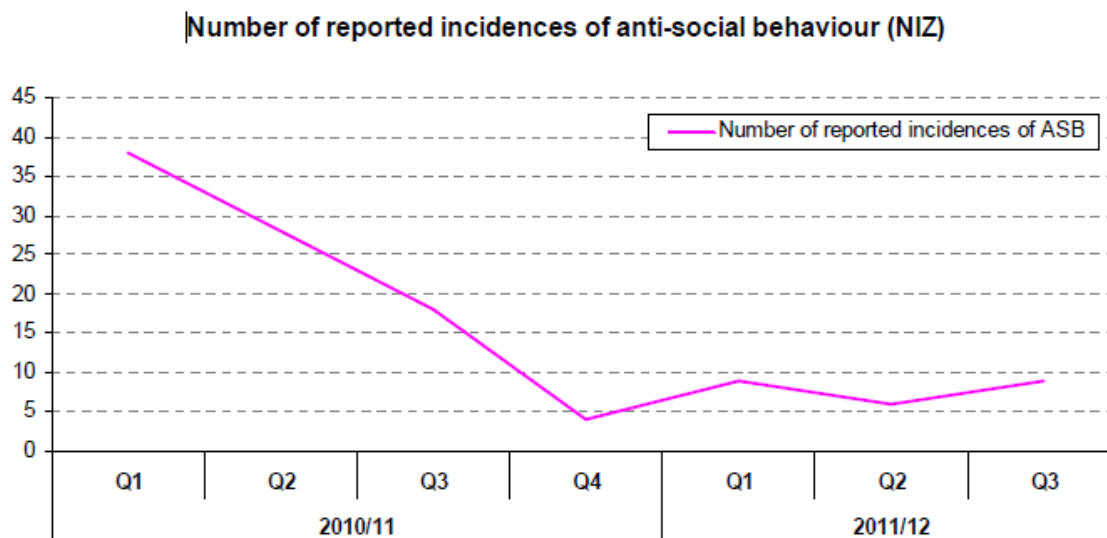
The landlord refuses to fix any disrepair, is rude and abusive and has no regards for my welfare or that of the children. The landlord visits without notice and jumps the fence if I don't let him in!

Private tenant, Barking and Dagenham

2.5.1 Beyond accreditation, the next step to tackle bad practice among landlords would be a mandatory licensing scheme. The London Borough of Newham is pursuing a major policy initiative which, if agreed, would see the Council exercise regulatory control across the whole of the private rented sector (35,000 properties).⁴

2.5.2 A pilot of a Neighbourhood Improvement Zone (which included selective licensing) was conducted in Little Ilford Ward (Newham); it showed that licensing made a clear and positive impact on that community. Through better management of properties in this area over the two years the pilot ran there was a significant fall in reported incidents of anti-social behaviour (including unlicensed street trading, prostitution, fly-tipping, littering and unauthorised trade waste).

Fig. 4: Impact of Neighbourhood Improvement Zone pilot on Little Ilford Ward (London Borough of Newham)

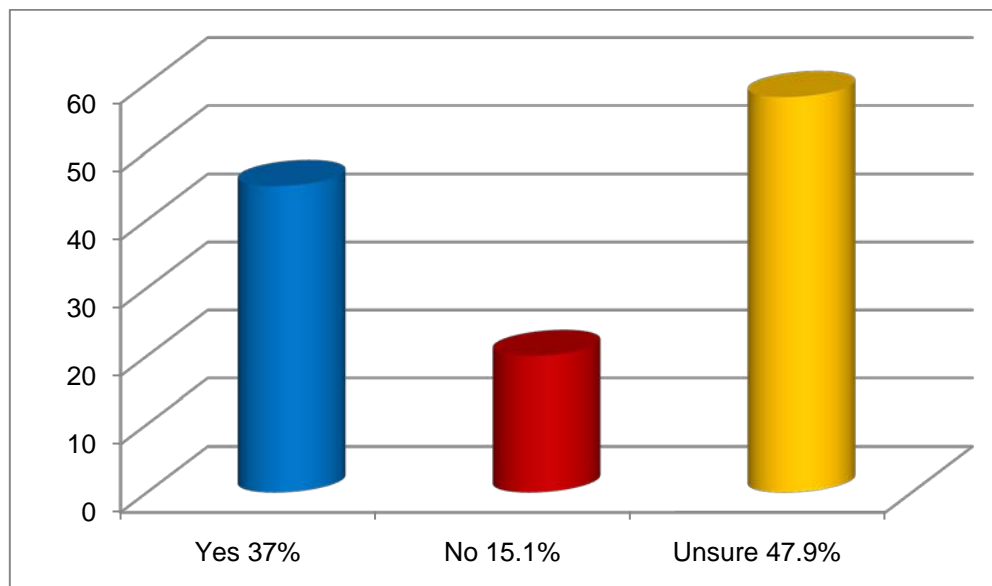


2.5.3 As well as a reduction in anti-social behaviour and enviro-crime, it is hoped that the licensing scheme in Newham will force landlords to comply with specified standards resulting in tenants living in better conditions with fairer tenancy agreements. A subsidiary aim of selective licensing in Newham is to build 'community resilience' in neighbourhoods and attempt to reduce population churn. The survey conducted by the LWSC showed that in Barking and Dagenham, 47.9% of private rented tenants did not know whether their tenancy would be renewed (see graph overleaf). As local

⁴ Progress with borough wide landlord licensing, London Borough of Newham (Cabinet, 23 February, 2012)

councillors we want to see strong, stable communities where residents consider the borough as their long term home. Having lets that are affordable and secure long term is very important, especially because more families are living in private rented accommodation.

Fig. 5: When your current tenancy agreement runs out, is it likely to be renewed? (LWSC Survey, 2011)



2.5.4 Newham's Cabinet will be receiving a further report on the next steps for implementing its borough-wide licensing scheme on 24 May 2012; this report will include the outcomes of the second phase of the consultation process and demonstrate the need for borough-wide selective licensing.

2.5.5 The Select Committee is interested to know if selective licensing could work in Barking and Dagenham and whether this degree of regulation (or red tape) is required to address similar problems of anti-social behaviour, bad property management, and security of tenure in this borough. Further information from officers on licensing schemes would be welcome before members commit to such action.

Recommendation 4:

The LWSC recommends that the Council gives consideration to a scheme for targeted, area based, mandatory licensing and continues to promote accreditation for private landlords.

2.6 The benefits of the Affordable Rent Product for LBB

We only wanted a one bedroom flat but we couldn't get one suitable as the standards were dreadful. We had to increase our budget and sell some of our possessions to afford to rent. In the end we got a very small two bedroom place for £840 per month which is way too expensive.

Private tenant, Barking and Dagenham

- 2.5.1 In order to maintain affordable housing development in the face of spending cuts, the Government has introduced a new tenure of housing, "Affordable Rent," where rents can be charged at up to 80% of local market rent. In this new model the Government sees the higher levels of income produced by higher rents as allowing a social housing provider to borrow more, thereby making up for the grant reduction.
- 2.5.2 Because of Barking and Dagenham's specific circumstances (land holdings which are suitable for residential development; comparatively affordable local rent levels, and a large programme of estate renewal) it is in a unique position to exploit the Affordable Rent Product to bring forward new development which will include lower social rent level homes in a range of rent levels and, where appropriate, homes for sale.
- 2.5.3 It is understood that the use of the Affordable Rent Product has been earmarked for the redevelopment of the estate renewal sites at Goresbrook Village, Leys and Gascoigne. The Select Committee regards the Affordable Rent Product as a good solution to develop affordable housing in the current climate and would like to endorse future uses of this approach.

Recommendation 5:

The LWSC recommends that the Council supports the selective use and development of the Affordable Rent Product in the borough for specific areas where the application of this type of tenure will yield maximum impact.

2.6 Street purchases

- 2.6.1 A shortage of housing supply against increasing demand is a major factor in increasing rents, but it also diminishes the power tenants have in their relationship with landlords to challenge poor standards and rent increases. For those renting at the lower end of London's private rented sector, the problems of affordability and lack of choice mean tenants are likely to have to settle for property in poor condition. Households on low income find it difficult to afford decent privately rented accommodation, which becomes a major housing issue when no social housing alternative is available. A combination of the large scale sale of Council housing under the Right to Buy Scheme, an increasing population, rising rents and the current economic situation has put massive pressure on the demand for social housing.

- 2.6.2 Street purchases, whereby the Council purchases property on the open market to add to its social housing stock, are a possible answer to the shortage of social housing locally, and one which all members would undoubtedly support as it adds to the Council's stock. Unfortunately the scheme is very challenging financially as the Council lacks the capital to make street purchases. Despite this the LWSC believes that officers should explore the feasibility of making street purchases and channel any surpluses from the Housing Revenue Account towards this initiative and others that help to increase the Council owned social housing stock.

Recommendation 6:

The LWSC recommends that a scheme of street purchases is adopted to provide more Council housing stock.

2.7 Conclusion

- 2.7.1 From the evidence this Select Committee has collected, it is clear that a small group of bad landlords are unscrupulously taking advantage of the current market conditions at the expense of tenants. There are three key challenges to overcome before the emerging private rented sector in Barking and Dagenham becomes less frenetic and open to bad landlords and lettings agencies. Firstly, it is unlikely that the demand for private rented accommodation will become less frenetic as potential first-time buyers will continue to be trapped renting until favourable loan-to-value mortgages return or house prices fall further. Secondly, the decent homes agenda has stalled in the face of cuts to grant, so living conditions are also unlikely to improve unless landlords are pro-active in carrying out works. Thirdly, again because of government cuts and a long and painful recession, new housing is not being built quickly enough meaning that demand is outstripping supply further tipping the balance of power in favour of landlords.
- 2.7.2 In these difficult circumstances it falls to the Council, in partnership with other agencies, to intervene and create safeguards to protect residents until circumstances in the private rented sector improve. The Council can empower tenants by providing information and advocacy and it can provide soft regulation through landlord accreditation schemes and perhaps even mandatory licensing in certain areas. The Select Committee would like the Council to continue to encourage good practice and send a tough message to bad landlords that poor practice will not go unpunished. The Select Committee hopes that it has raised the profile of this issue among Members and that the recommendations will contribute to achieving more accessible, affordable, and secure rents for tenants.

2.8 Beyond Barking and Dagenham

- 2.8.1 Many of the problems outlined in this report are universal and are being experienced by tenants across London and the UK. The Select Committee would therefore like to share its research more widely and suggest solutions that could be adopted at a regional or even national level. To this end, the Select Committee will be sending this report to the Greater London Authority and the Department of Communities and Local Government to note, asking for them to give consideration to the following recommendations:

2.9 Regional

Recommendation:

The LWSC recommends that a London-wide lettings agency is formed to improve the security of tenure and affordability across the capital. As highlighted in this report, security of tenure is a major issue for private tenants who are uncertain how long their tenancy will last. The uncertainty surrounding tenants' futures and rising rent prices are leading to a high population churn which undermines strong communities and a sense of place.

Recommendation:

The LWSC recommends that all London boroughs set up private landlords and tenants forums to recognise that Londoners increasingly need information and advocacy as in most areas private renting is the most common form of tenure.

Recommendation:

The LWSC recommends that there is a London-wide cap placed on rents to ensure that Londoners are not pressured into moving away from their homes and communities in search of more affordable rents. Such a measure would level the playing field and prevent rogue or amateur landlords from exploiting an unregulated market.

2.10 National

- 2.10.1 The LWSC would like the Coalition Government to take notice of, and act upon, the recommendations outlined in Shelter's policy document '[Asserting Authority: Calling Time on Rogue landlords](#)'. Through the Evict Rogue Landlords campaign Shelter is lobbying for clear guidelines for the courts about punishing rogue landlords, raising the maximum fines for landlord offences, funding to prosecute large-scale persistent rogue landlords, and legal measures to protect tenants against retaliatory eviction. As well addressing these judicial issues, Shelter is calling for local authorities across the UK to step-up their enforcement, support tenants in bringing complaints against landlords, and work with private landlords to incentivise best practice.

Recommendation:

The LWSC recommends that, as a matter of urgency, the Government conducts a review of the legislation that exists to protect private tenants from abuses. The Select Committee would like to see a national consumer rights body established for tenants to help deal with problem landlords, bringing them to justice where necessary.