

**Quarterly
Report
Quarter 2
2020**

**In Focus:
Regulation
and Management**

About the NRLA

The NRLA represents the interests of landlords in the private rented sector (PRS) across England and Wales. In April 2020, the merger between the two largest communities of landlords, the National Landlords Association and the Residential Landlords Association, was officially completed.

With both organisations combining, the NRLA has over 80,000 members, ensuring landlords have a unified voice in Whitehall and Cardiff.

We represent a growing community of landlords who trust and rely on us to deliver day-to-day support, expert advice, and government campaigning. They participate in our learning activities which makes them better landlords. We offer a range of high-quality services relevant to their needs.

Now, and in the future, we campaign to improve the private rented sector for both landlords and tenants, engaging with policymakers at all levels of Government. Our vision is to make the renting experience better for everyone involved in the private rented sector.

We continually campaign using evidence-backed positions to achieve this vision, we hope we can create an increasingly positive public perception around landlords. In doing so we reinforce the vital role landlords have in supplying homes across Great Britain.

The NRLA Research Observatory

The NRLA aims to provide high-quality research and analysis on the economic, social, and political issues facing the private rented sector.

This will be achieved through the NRLA in-house research team and through various projects commissioned to external research providers. Our activities seek to influence decision makers and translate into an improved renting experience for all stakeholders.

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Executive Summary

This report forms one part of the quarterly In Focus series for 2020. In Focus distils the policy research activity the NRLA undertakes with its members.

This Quarter 2 survey had 1,707 respondents, of which 1,645 responses (96.4%) were from currently active landlords.

Regulatory issues – Tenant Fees Act

The NRLA have frequently expressed concern that the impact of the Tenant Fees Act will be passing on of the greater fees landlords face to tenants.

Coronavirus makes it impossible to separate the impact of the Act on rents and rent change in this yearly review.

However, following on from previous surveys, landlords are continuing to switch away from their previous letting agents and looking at price as a key driver. Many landlords are opting to self-manage whilst others are moving to internet-based services.

Regulatory issues – licensing

Coronavirus has had a dramatic effect on local authorities' ability to manage licensing schemes. The key takeaway observation on licensing in this survey instead is on landlords' views on participation in such schemes.

Their willingness to do so is based on the proviso that those running such schemes can demonstrate they raise the experience of the Private Rented Sector (PRS) for all stakeholders.

Landlords are suspicious of licensing, believing it is a revenue generator rather than a serious mechanism for addressing key issues in the PRS.

Landlords wish to see proper evaluation and performance measures to justify the licensing fees they pay.

Tenant deposit providers

For many landlords, the adjudication services offered as part of tenancy deposit schemes are rarely, if ever, used. This itself shows the success of the initiative. However, when these services are required, satisfaction among landlords is somewhat underwhelming.

The responses to this survey are not dissimilar to those expressed last year in a similar survey. As on that occasion, though more in depth work is needed on the relationship between deposit providers and landlords, there are aspects of the service which many landlords feel could be improved.

Landlords and EIC requirements

Survey responses show that over three quarters of landlords who participated in the survey have undertaken an Electrical Installation Certification (EIC) test since 2016. Despite coronavirus, many landlords have been able to have their properties tested.

There are two, comparatively small groups of landlords who are of concern. Firstly, those who have had long term tenants and may be not be aware of the obligation to get their property certified. Secondly, a number of landlords have had safety tests and the safety of their property(ies) reviewed but have no certification.

In both cases a campaign of reminders and education maybe useful.

1. Introduction

1.1 About this *In Focus* report

This *In Focus* report draws on the NRLA's 2020 Quarter 2 survey. Each quarter the NRLAs Research Observatory asks a sample of members to participate in a topic-based survey.

From this survey key outputs include the *Landlord Confidence Index*. This provides a rolling snapshot of the motivations and behaviours of landlords. In addition, the NRLA publishes *In Focus* reports. These provide a commentary on the topics which influence the PRS and the landlords who supply homes across England & Wales¹.

For Quarter 2 there are two main reports. This report focuses on *Regulation and Management* issues. It would be remiss however not to use the opportunity to further investigate the fall-out from the Covid-19 crisis and how this is affecting the PRS.

This quarter we have published a second *In Focus* report which highlights student landlords and the specific challenges they were anticipating in advance of the 2020/2021 academic year.

1.2 About this survey

This survey took place in June-July 2020. The survey targeted a subset of NRLA members – this subset was determined largely by organisational factors and limitations at the time of undertaking the fieldwork.

¹ Predominantly, although there are a few landlords from Scotland and Northern Ireland. Other participants in the PRS (for example representatives of letting agents, professional service providers and tenants) also contribute to selected parts of the survey. These are indicated where appropriate.

1.2.1 Survey responses

The survey received 1,795 responses. The responses were “cleaned” so that those who had answered less than the first 30% of the survey (which covered the questions that form the *Landlord Confidence Index*) were excluded from the final sample.

This left 1,707 respondents included in the analysis. Of these, 1,645 responses (96.4%) were from currently active landlords.

1.2.2 Presentation of the analysis

Please note the following – which reflect requests from members:

- Only a handful of questions will necessitate or require a response. Participants are generally free to ignore questions.
- Questions are often accompanied with a “does not apply” or “not relevant” option. These are excluded from the analysis – we endeavour to point out where this occurs and any change in the data once this group is incorporated into the results.
- We exclude (especially where a question invites multiple responses) options which elicited a low response from participants. This is done purely for reasons of clarity and space. Again, we do try and highlight where this occurs.

As a result of the above it should not be assumed the base (or denominator) for each question is identical. In this particular survey which focuses on legislation then, because of legislative differences in the Devolved Administrations, the base does differ quite significantly.

1.3 An introduction to licensing & regulation

This report looks at the responses of landlords (and in a few instances representatives of letting agencies) to a series of questions which have regulation or regulatory standards at their core.

The section considers the following regulatory issues:

1. The impact of the tenant fees ban on the operating model adopted by landlords.
2. The views of landlords towards tenant deposit schemes.
3. Electrical Installation Condition (EIC) Reports and whether landlords had found it difficult during lockdown²² to obtain an EIC Report for their property.

Landlords were also asked a small number of questions about their local licensing scheme (where one exists). Finally, the survey asked a small number of questions on the emergence of inventory services and the propensity of landlords to have these in their suite of time-saving mechanisms.

²² “Lockdown” which began during the end of March roughly coincides with period since the fieldwork for the Quarter 1 survey was concluded. By the time of the fieldwork for Quarter 2 was underway, lockdown restrictions were in the process of being lifted.

2. Review of regulatory topics

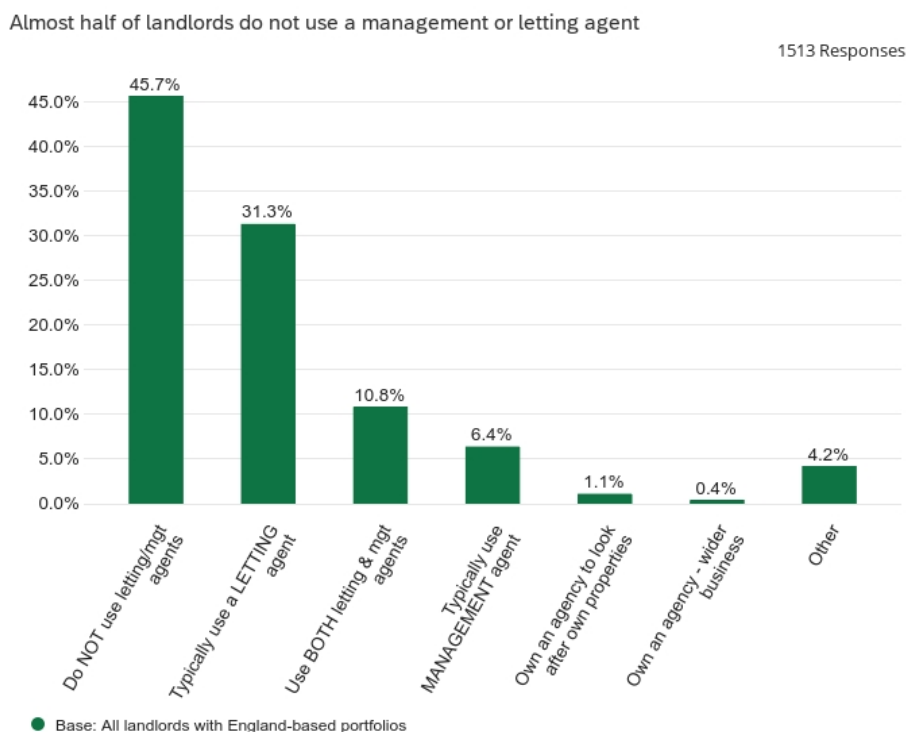
2.1 Influence of Tenant Fees Act³

The Tenant Fees Act bans most letting fees and caps tenancy deposits paid by tenants in the private rented sector in England. The NRLA have expressed concern that the impact will be greater fees on landlords which then have to be passed onto tenants. Coronavirus makes it impossible to separate the impact of the ban on fees on rents and rent change in this yearly review. However, a number of observations can be made:

Propensity to use agents

The graph below shows the relationship between landlords and agents:

Graph 2.1: How landlords with England-based letting businesses manage their portfolio



³ The Tenant Fees Act came into effect in June 2019. Its reach was England-only and so only the responses of landlords based in England are considered.

From the above chart:

- The largest group are those landlords who “do not use” either letting or management agencies (46%):
 - However when aggregated, a greater proportion of landlords use either kind of agent (or in some instances, both types).
 - Most of those replying “other” fit into one of the categories listed in the question.

Note that this pattern of response is broadly similar to those asked last year in the RLA *State of the PRS* survey which covered the same topics.

Differing patterns in the use of agents

As part of the research, there was a search for any evidence of differing patterns in the use of agents. Landlords whose properties are primarily based in London are more likely to use letting or management agents:

- The survey indicates 62.2% of London landlords use agents to let or manage at least most of their properties.
 - This compares to just 50.2% of landlords in the rest of England & Wales⁴.

In addition:

- Just over a third (39.5%) of landlords in England & Wales who have just a single property to let use agents, this compares to over half (55.1%) of landlords of multiple properties.

Changes in approach

The survey asked landlords with portfolios focused in England whether or not their approach to property management had changed as a consequence of tenant fee reform.

Of those who expressed a clear opinion:

- Three-quarters (74.6%) of landlords stated they had not made any changes.

⁴ Note the figures for just those landlords with “England focused” portfolios are near-identical

However, one quarter *have* made changes:

- Around half of this group – 13.1% of all landlords included here – had started to self-manage as a result of the Tenant Fees Act.
- About half as many (6.2% of all landlords) had switched to either an online service or a “more competitively priced” provider.
 - The remaining proportion used a mix of approaches across their portfolio.

Closer analysis shows older landlords (aged 55 or older) were less likely to have made a change in approach than those under 55⁵.

Changes over time

Note that in last year’s survey the RLA asked whether landlords *planned* to make changes (the survey was launched just as the Act became law). In that 2019 survey:

- About 30% of landlords planned to move to self-managing their properties.
 - This year 13% have said they have made this switch.
- Around a quarter of landlords stated they would change service provider
 - In 2020, around 6% have already done so (see above).

2.2 Licensing in 2020

Of course, 2020 has been dominated by the issue of coronavirus. The NRLA has done much work on Covid-19 through previous surveys⁶.

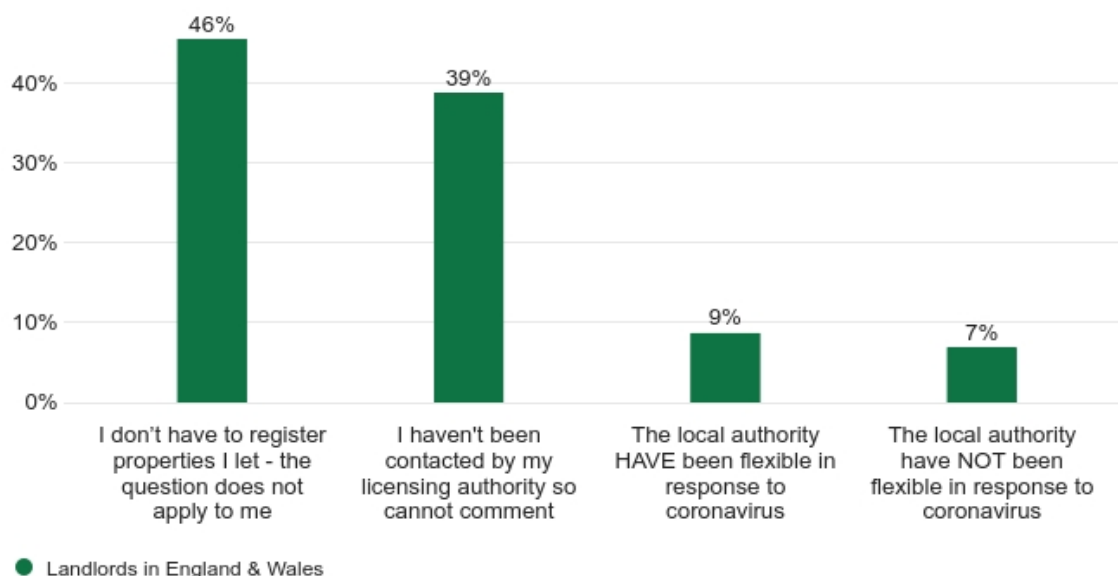
This particular survey looked at whether licensing authorities had supported landlords during the crisis:

⁵ There is also some evidence that those landlords who feel “more confident” about achieving their goals as landlord were more likely to have changed their approach to property management. The direction of any causality is open to debate. The cell counts underpinning the statistical relationship are also getting smaller.

⁶ See <https://www.nrla.org.uk/research/special-reports> for more information.

Graph 2.2: What landlords had to say about licensing authorities in respect to coronavirus

A lack of contact in this unique circumstance may be indicative of a positive, flexible response
1575 Responses



Almost half of landlords (45.6%) do not have to register their properties – and so the question is irrelevant.

For those that do:

- By far the largest group were those landlords who had not been contacted at all by their licensing authority.
 - Being left alone in this instance may well itself be a positive.
- For those that had been contacted – over half (55.9%) stated their licensing authority had demonstrated flexibility in response to Covid-19.

The survey went on to ask further questions of those landlords who are required to register at least some of their properties in a licensing scheme:

One key question was whether or not landlords had succeeded in obtaining a waiver or deferment of licensing fees as a result of coronavirus.

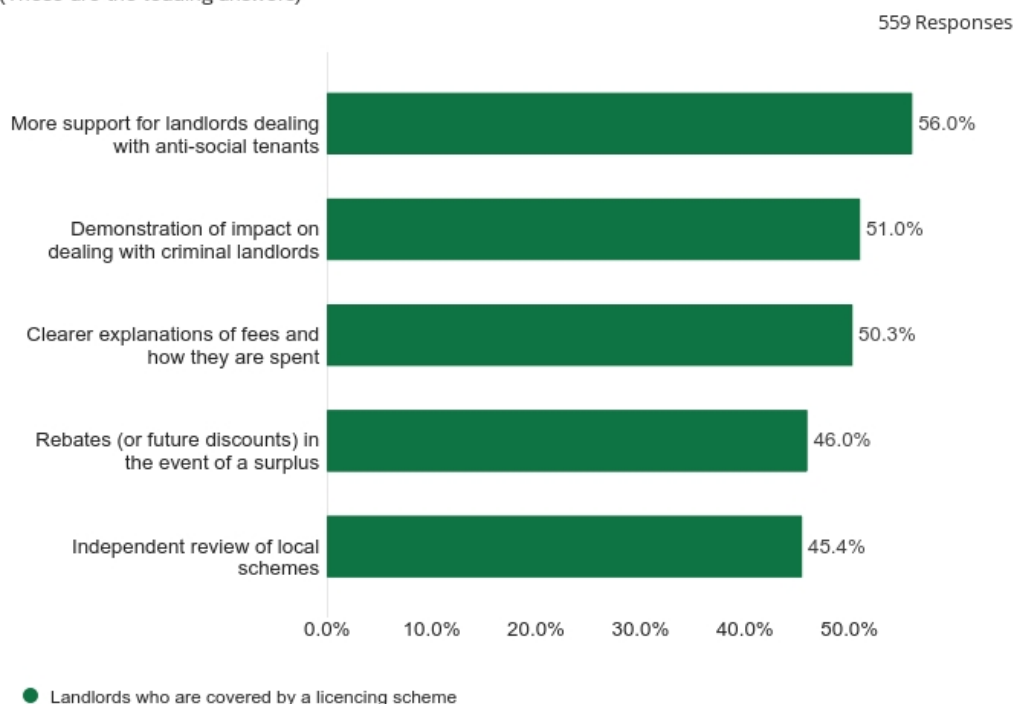
- Over 85% (85.5%) of landlords stated they had not sought any kind of deferment and carried on meeting their licensing obligations as normal.

Views on improving licensing schemes

Landlords covered by local (and in the case of Wales, nationwide) licensing schemes were asked how these schemes could be improved. This is a repeat of a question posed to RLA members in a similar survey last year. The results here are consistent with that survey:

Graph 2.3: Landlord views on improving local licensing schemes

Landlords felt the following measures would improve - by raising confidence in - local licensing schemes.
(These are the leading answers)



The above are the top five responses landlords gave when asked what measures they would like to see introduced to enhance licensing schemes (multiple responses allowed). What the responses show reflects a constructive, ‘critical friend’ attitude among landlords.

The results show support for schemes would be enhanced if there was a clear demonstration of impact. To maintain confidence in these licensing schemes, landlords wish to see benefit in key areas of housing and neighbourhood management.

- For example, landlords are keen for licensing to be used as an approach to enhance the Private Rented Sector.
 - This can be done through supporting landlords in dealing with nuisance tenants.
 - It can also be achieved by demonstrating an impact on the prosecution of criminal landlord behaviour.
- Landlords seek transparency over how these licensing fees are used
 - Local authorities could use clear evaluation to demonstrate (and celebrate) success to its major contributors/stakeholders.

3. Views on tenant deposit scheme providers

Over 80% of landlords in the survey take a standard deposit from tenants. Those that protect the deposit with a tenancy deposit scheme were asked to assess the service levels of their (unnamed scheme provider). Again, this is a question put to members of the RLA last year in a similar survey. The responses are tabulated below

Table 3.1: Landlord views on elements of service quality from tenancy deposit provider services

Service elements	452 Responses				
	Very good	Quite good	Average	Quite poor	Very poor
Time taken to resolve disputes	15.3%	20.9%	37.7%	13.7%	12.5%
Time taken to refund deposits	27.0%	23.1%	31.9%	8.8%	9.1%
Your experience of the response to enquiries	16.0%	23.5%	35.8%	12.8%	11.9%
Explanation of any adjudication	17.1%	20.1%	37.2%	12.9%	12.7%

Overall, the views of landlords are positive but not overwhelmingly so:

- For each service element those landlords rating the service “Very/Quite Good” exceeded those rating the service “Very/Quite Poor”.
- Only for deposit refunds did the positive ratings exceed 50% of respondents.

It should be noted that between one-third (deposit refunds) and two-thirds (adjudication) of landlords had never had recourse to use the service from their deposit scheme provider.

- This lack of use may itself be some indicator of the success of these schemes and providers.

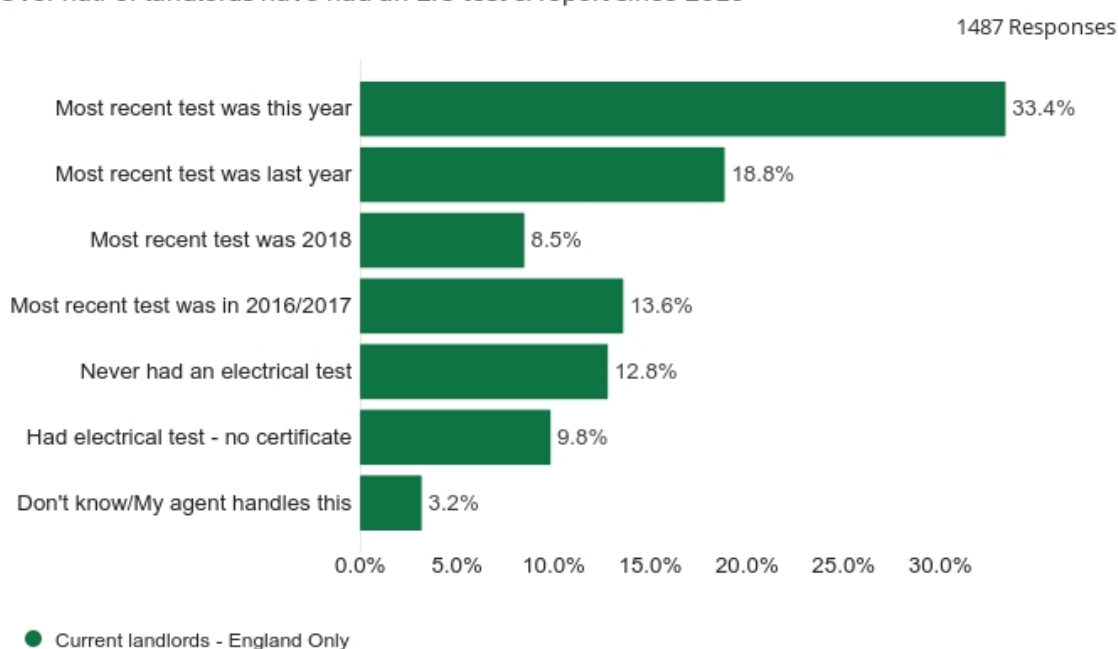
4. EIC condition reports

The *Electrical Safety Standards in the Private Rented Sector (England) Regulations 2020* place an obligation on private landlords to ensure that electrical installations in the private rented sector are safe. These new Regulations require landlords to have electrical installations in their properties inspected and tested by a person who is qualified and competent, at least every 5 years⁷.

The graph below shows the proportion of landlords whose properties have undergone an Electrical Installation Certification (EIC) test and report.

Graph 4.1: Landlords & EIC reports

Over half of landlords have had an EIC test & report since 2019



⁷ See <https://www.gov.uk/government/publications/electrical-safety-standards-in-the-private-rented-sector-guidance-for-landlords-tenants-and-local-authorities/guide-for-landlords-electrical-safety-standards-in-the-private-rented-sector>

The above chart shows over three quarters of landlords have undertaken an EIC test since 2016:

- Over half of landlords had gone through the process since 2019.
- However, over 60% (60.7%) of single property landlords have not had an EIC test since 2019.

The final point above does not necessarily mean single property landlords are falling foul of legislation. It also indicates many landlords having a low turnover of tenants.

Nevertheless, targeted reminders of their obligations heading towards April 2021 - when *all* rented homes require certification - may be opportune.

There also remains a few landlords (12.8%) who have not yet undertaken an electrical test

- At the time of the survey not all tenancies were covered by the requirement to do so. Again, a campaign of reminders may be beneficial.
- It is the 10% who have had a test – but no certificate – who may be more likely to be [unwittingly] falling foul of regulation.

Impact of Covid-19 on EICs

Finally, a separate question to landlords enquired whether Covid-19 had resulted in difficulties obtaining an EIC condition report:

- For over three quarters of landlords (75.9%) there had been no impact of the virus on their EIC plans.
- The remainder however – one landlord in four – did report some problems including difficulties arranging work, getting access to property and finding someone qualified to undertake the work.

5. Summary

The Tenant Fees Act has started to change the way properties are managed

There have been warnings that the introduction of the Tenant Fees Act could lead to increased rents and a structural change in the letting/management agency industry. Whilst these changes have not been “instant”, it is clear landlords are changing their management models.

There could still be some way to go before the market finds a new equilibrium between landlord and agent service provision. Younger landlords, and landlords with portfolios based in London are those groups which are most likely to have adapted to the Act through change.

Landlords accept licensing standards as a “new normal”

Whether by choice or not, local authorities appeared to pull back from the enforcement of local licensing and regulations during the Covid-19 crisis. Landlords have acknowledged this flexibility. Landlords were also likely to maintain standards and obligations even though enforcement has not been as rigorous as it was pre-lockdown. Landlords also continued to pay necessary fees when due during lockdown. Their responses indicate the commitment of landlords to the necessary standards.

As responses elsewhere in this survey show, landlords *are* supportive of standards and the need for standards.

To maintain confidence in licensing, there must be transparency and clarity

A consistent pattern of views is now being collected by landlord surveys on the topic of local licensing. We know, from member contact, that landlords will oppose the introduction of new licensing schemes, or where existing schemes are deemed to have failed to deliver their objectives. However, where licensing is introduced and operated well, landlords have a resigned acceptance.

It is clear that they do expect and want to see results. The challenge is for those who introduce a licensing scheme to go on to demonstrate revenues have been well spent.

The objective of licensing which is common across all schemes is to raise the quality of experience for all PRS stakeholders – this includes addressing difficulties common in mixed tenure neighbourhoods.

Regular updates and transparent, independent evaluation and demonstration of impact is essential in maintaining landlord confidence in licensing. This is not an unreasonable request given the funds which flow into the coffers of those local authorities which run licensing schemes.

Tenant deposit schemes have yet to secure the full confidence of landlords

Compared to a similar survey run by the RLA last year, this year's review of the resolution services offered by deposit schemes show slightly lower levels of satisfaction.

The difference is itself not substantial. It may well be that, given a large proportion of landlords do not need to use these services, the deposit schemes more often than not do an effective job.

Our research however is starting to show a consistent pattern among users. More research is needed to get beneath these broad satisfaction indicators. However, there is evidence to suggest deposit schemes could improve their service quality towards landlords.

Landlords are progressing with EIC certification

Despite coronavirus over one third of landlords have had EIC reports undertaken during 2020. This underlines the commitment of landlords to maintaining standards. There are however a not insignificant proportion of landlords who have had difficulties in getting scheduled EIC-activities undertaken as a result of Covid-19.

There are two key groups of landlords who may need reminding of their legislative obligations:

Firstly, a small proportion of landlords have had electrical tests but with no certification. Secondly, landlords who let just one property are much less likely to have had an electrical test since 2019. This may often be simply a product of having a low turnover of tenants.

Both these groups may appreciate reminders of their obligations in the run-up to April 2021.