

# The work of the NLA



The National Landlords Association (NLA) is the leading representative body in the UK for private residential landlords. A not-for-profit organisation with members throughout the country, we exist primarily to protect and promote the interests of private residential landlords. We do this by seeking to influence public policy with a view to bringing about a healthy private-rented sector. We offer information, advice and support to private landlords to assist them in making a success of their lettings businesses, and we strive to raise standards, at the same time fostering a fair balance between the legitimate interests between landlord and tenant. The NLA recognises that the property in our members' portfolios is not solely an investment vehicle; it also represents a long-term commitment to provide homes for people disinclined or unable, to buy their own home. ▶▶

Formed in 1973 as the Small Landlords Association, the NLA exists to protect and promote the interests of residential landlords providing homes in the private rented sector throughout the UK. Based in Westminster, we provide a range of benefits and services to individual landlords with the aim of improving standards in rental accommodation.

Today the association enjoys a membership of over 13,000 individual members, drawn from all parts of the UK. We aim to represent these members' views to local and central government to ensure that their collective voice is heard and their interests safeguarded. In addition, more than eighty local authorities in England, Wales and Scotland have chosen to join the NLA as associate members.

## ▶▶ The work of the NLA *cont.*

Around 11% of the UK's households make up the private rented sector. This proportion is growing as a result of demographic changes, immigration and changes to the structure of the housing market over the last 20 years. As a result, public interest in the sector is increasing at the same time as it is becoming increasingly complex. This is why the NLA is striving to improve the sector's public image and improve relationships between landlords' representatives and key stakeholders. We believe the NLA is well placed to act as a bridge between policy makers and private residential landlords.

## Independent review of the private-rented sector

Late last year Communities and Local Government (CLG) announced the launch of an independent review of the private-rented sector. The NLA welcomes the Government's acknowledgement that the private-rented sector (PRS) makes an important contribution to the housing market and is an important tenure of choice for those not seeking home ownership. We are glad that the Minister for Housing recognises that the PRS offers 'convenience, flexibility and accessibility'. The NLA hopes that the review will highlight ways the sector can continue to improve the way that it meets increasing demand for high quality affordable homes.

The PRS is fulfilling an ever greater role in the wider housing market thanks to demographic changes and an increasingly mobile population. This has brought a number of issues facing private landlords into sharper focus and increased pressure on the sector to improve standards to meet the needs of changing society. It is the hope of the NLA that the review will highlight the progress made and facilitate constructive co-operation between the various stakeholders with an interest in the sector. The NLA is keen to enter into dialogue with all parties concerned. We hope this bulletin will help to foster discussion and co-operation.

## Unjustified renewal fees

A good relationship with a reputable letting agent can be very valuable in certain circumstances to even the most experienced landlord, particularly if the landlord lives some distance away from their rented properties. Good agents generally have exceptional local knowledge. They can be adept negotiators and well versed in housing policy. Whilst representing a significant cost to landlords, the services of an effective agent can simplify the process of letting residential property, helping to avoid voids. Agents can improve the management of privately rented accommodation and as such can be a cost-effective option for both landlord and tenant.

Where an agent provides full management for a tenancy on a landlord's behalf it is understandable and perfectly reasonable that full annual fees are charged at a rate reflecting the actual work undertaken. However, in London and the South East of England particularly, there is an issue with agents who provide introducer-only services and then charge excessive and, in our view, unjustified fees for renewing a tenancy – under the same terms and conditions - at the end of the fixed term. Agents providing an introducer-only service are entitled to charge a fee - typically around 10% of the rent receivable during the fixed term - to find and vet prospective tenants and set up the tenancy. Once the tenant has moved in, under this arrangement the agent's role ceases and the landlord assumes responsibility for all aspects of maintaining the tenancy. So far so good; however at the end of the fixed term tenancy these agents charge a renewal fee. This renewal is generally equal to the initial introductory fee but represents an absolute minimum of additional work on the part of the agent.

There is little justification for a repeat fee equivalent to 100% of the initial commission which included marketing the property and referencing applicants. The NLA has campaigned against this practice, which we believe is unfair and should not be condoned or allowed to continue. We therefore welcome the decision of the Office of Fair Trading to investigate the terms and conditions in letting agent contracts including provisions for unjust fees.

**We wish to see an end to excessive repeat commission charges. Where a renewal fee is appropriate it should simply reflect the actual work undertaken.**

## Local housing allowance



The Welfare Reform Act received Royal Assent on 3rd May 2007. This Act contained provisions for the nationwide introduction of Local Housing Allowance (LHA), replacing Housing Benefit. Implementation of the new rules will commence in April 2008, following trials in eighteen pathfinder local authority areas.

Local Housing Allowance is intended to increase choice for benefit recipients and encourage financial responsibility. The benefit recipient will receive their LHA directly from the local authority, it then being their responsibility to pay their rent. The NLA welcomes the intention to simplify the housing benefit system as well as the drive to provide tenants with greater choice and responsibility. The plans are laudable and highly desirable in many ways. Regrettably, however, we have some serious concerns about the way in which some local authorities will choose to implement the new regime, particularly in terms of inconsistencies in interpretation of the new rules.

We are concerned that there is no single definition of vulnerability, or a definition of criteria for determining whether an individual can be said to be vulnerable. If LHA is to be administered efficiently, accurate and quick identification of cases where recipients have difficulty in managing their finances is crucial so that direct payment to the landlord can be authorised before arrears accumulate. We regret that there is nothing in the new regulations requiring local authorities to have in place the flexible procedures that would enable them to do this.

**The NLA would like to see clear guidance issued to all local authorities requiring standardised definitions and procedures to help identify those in most need.**

## No-fault possession

The PRS is making an increasingly important contribution to the nation's economy. It provides flexible, affordable accommodation which facilitates mobility of labour, in turn contributing to economic growth. This was not always the case. Prior to the Housing Act 1988, rent control and indefinite security of tenure drastically curtailed the appeal of residential letting as an investment option. These artificial constraints had the effect of severely limiting the supply, and standard, of homes for rent.

Since 1988 legislation governing the letting of private residential property has sought to balance the need for landlords to be able to regain possession of their property with the need to provide decent homes for people who have to rent. The NLA believes that current legislation represents a fair and equitable legal framework for letting private residential property, with clear grounds for gaining possession available to the landlord should the tenancy not run according to plan.

Experience since 1988 shows that the current legal framework incentivises investment whilst providing much-needed homes. However in practical terms there are some measures that may allow for more effective implementation of the provisions of the Housing Act 1988, in particular with regard to the 'no-fault' possession procedure commonly referred to as Section 21. An NLA member survey carried out in April 2006 revealed that it had taken 47% of respondents three to six months to regain possession of their property. Some 21% said that it took six to nine months, and 8% had spent more than a year to gain possession by application to the courts. We believe this is unsatisfactory and that these delays, together with the associated costs show that the county court system rarely copes speedily and effectively with Section 21 applications. Not surprisingly, landlords have little confidence in the court system.

If landlords lose further confidence in their ability to end unsatisfactory tenancies and regain possession they are less likely to offer property to let. Landlords able to do so might leave the sector leading to fewer homes available for rent. Given that the PRS already houses a disproportionate number of vulnerable people the effect on those in greatest need could be serious.

**The NLA believes the government should examine ways of improving the current arrangements. Consideration should be given to removing jurisdiction for landlord-tenant matters, including possession, from the county courts and either placed within the remit of a properly-resourced specialist court or the residential property tribunal system.**



As the UK's leading representative body for private residential landlords the NLA takes the opinions of our members and other stakeholders very seriously. We believe that to serve our members effectively we have to take into account their needs and views as well as develop a detailed understanding of the sector in a wider context.

As someone likely to be interested in housing issues you will understand the importance of ensuring that the market is able to operate effectively and provide a variety of tenure and property types. Integral to this goal is a healthy, attractive private-rented sector. We would like renting in the private sector to be a tenure of choice.

Although improved significantly in recent years, the relationship between government and private landlords is not always as harmonious as it could be. We feel that greater strides towards improving the sector could be made if agencies were able to consult a single authoritative body representing all private landlords at the national level. The NLA is striving to be such a body and values your views on the issues raised in this bulletin.

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