

# So simple, so obvious, so why is it not this way?

<http://www.property118.com/index.php/solving-the-housing-crisis/31803/>

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By Mark Alexander, landlord and founder of Property118

## **An open letter to Housing Minister Mark Prisk MP – “*Solving the Housing Crisis*”**

Dear Sir

The combined housing provision of Local Authorities and Registered Social Landlords (e.g. Housing Associations) now provides no more UK homes than the Private Rented Sector.

Given that the UK Private Rented sector has matured significantly since the Housing Act was implemented in 1988 many landlord and tenant groups feel that a review is necessary.

On behalf of over 1 million Private Rented Sector landlords and over 4 million tenants living in their properties I ask you to set up a working committee to look into issues affecting this huge sector of the UK economy and to consider the amazing legacy you are in a position to leave with a reform of the Landlord and Tenant Act.

At the macro level the issues are:-

1. Increasing supply of safe accommodation whilst containing costs and the balance of supply and demand
2. Dealing with criminal operators and providers of substandard accommodation

### **Increasing supply of safe accommodation whilst containing costs and the balance of supply and demand**

The Private Rented Sector has proven that with the right level of incentive it can provide significant help in solving the housing crisis. However, reform is necessary to deal with the three fundamental requirements for Private Rented Sector landlords:-

1. For rent to be paid on time
2. For properties they provide to be respected
3. For neighbours to be respected

Many private landlords feel they are discriminated against.

An example of this discrimination is that Local Authorities and Registered Social Landlords are paid rents directly for benefits claimants. In the Private Rented Sector, benefits are paid to tenants and it is



then up to the landlord to collect the rent. For a person whose business is not in the provision of housing the differences may not appear significant. However, given that most landlords operate on a profit margin of circa 20% of rent a none payer of just two rent can easily result in over one full year of lost profits. Recovery of this money from benefits claimants is rarely a commercially viable option. Small landlords are small businesses and very few are able to withstand losses of this nature.

Once simple yet fundamental issues such as this are addressed more private sector investment will pour into the PRS.

The cost of renting safe residential accommodation is rising due to scarcity, i.e. supply and demand. Correct this and strip out unnecessary levels of bureaucracy and provision of supply will grow.

## **Law abiding citizens are being discriminated by the PRS**

Landlords who have lost faith in providing accommodation to benefits claimants are now turning to group operators such as Group 4 Security which are offering guaranteed rent and to return properties to landlords in good condition after a period of 5 years. However, these terms are only offered to landlords who are prepared for their properties to be let to asylum seekers and ex-offenders. The law abiding population are therefore disadvantaged. This is creating bad feeling and criminal ghettoisation and it could be argued that such conditions actually incentivise crime such as the 2011 riots!

Over 170,000 landlords and associated professionals subscribe to this Forum and its newsletter, many of the higher level discussions occur offline. For example, I am in regular contact with a number of European Park Home operators, each of which will be far more interested in pouring substantial investment into the PRS and joint ventures with local authorities if simple issues such as the above can be addressed. They don't want to manage crime ghetto's and nobody wants them to exist in their area. However, a model exists whereby in areas with the highest demand for low cost accommodation (e.g. London and the South East), detached modern prefabricated units can be provided for rent at less than the the cost of single persons LHA allowance and local authorities could be cut into a profit share even at this level if they were to provide land on peppercorn terms. The calculations to arrive at these claims include the cost of taking a brown or greenfield site and putting in all mains services as well as the costs of the pre-fabricated units. Clearly the investor operators of such developments will have similar concerns as local populations. They would much prefer to provide this affordable accommodation to low paid working tenants than creating ghetto's of asylum seekers and ex-offenders. Why therefore, does the structure incentivise the opposite?

## **The solution?**

### **Treat Private Rented Sector Landlords as equals to Local Authorities and Registered Social Landlords.**

Landlords provide a service and good landlords deserve respect and equality. Where a tenant is not paying or behaving anti-socially landlords need similar rights to that of an Innkeeper, Hotelier, Hostel or Guest House Owner, i.e. the ability to have a person removed and, where necessary, arrested if services are not paid for or when a guest in their property is causing damage or behaving anti socially. In the same way that squatting is no longer a civil offence and is now a criminal offence, similar protection needs to be given to the basic needs of small businesses operating as landlords.

### **Dealing with criminal operators and providers of sub-standard accommodation**

A small minority of people providing residential accommodation are criminals. Good landlords would like to see these people put out of business as it taints their reputations. A simple law making it a criminal offence for a person to provide residential rental accommodation without a licence (which is no more costly or difficult to obtain than a Consumer Credit Licence) is all that is required. A framework could be created similar to the points system for motoring offences to deal with criminal and fringe offences. If the licence cost no more than a TV licence and every landlord needed just one, regardless of the number of properties owned, this would generate over £145 million to police the sector (£145 per licence X an estimated 1 million landlords). Simplification of the laws to deal with enforcement could allow for an established body such as Trading Standards and, where necessary the Police, to take action as opposed to clogging up the Court systems.

## **Summary**

The issues I have outlined above are obviously not a detailed solution. However, I believe the points raised are representative of a significant amount of the frustration that both landlord and tenant groups are having with the PRS and the way it currently operates.

Yours faithfully

Mark Alexander

Founder of Property118.com



### **About Mark Alexander**

Mark and his family have been investing in property since 1989, initially in the Norwich area but more recently across the length and breadth of England. Mark created Property118.com as a social network for landlords with a vision of becoming the UK's largest online property community and the best respected property services directory and landlord news. [Mark's experiences and strategies as a landlord are shared here](#) Email - [mark@property118.com](mailto:mark@property118.com)

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