



Newham London

Private rented property
licensing in Newham
Successes of the scheme

www.newham.gov.uk/propertylicensing

Newham's vision: A professionally managed sector providing a viable attractive private rented sector offer with low levels of anti-social behaviour, providing a real choice for tenants and a fairer deal for both the landlord and the community.

Successes of the Licensing scheme

In January 2013, Newham became the first local authority in the country to introduce mandatory borough wide licensing of privately rented property. Since the scheme started in January 2013 Newham has made huge progress.

- 27,244: licence applications received by the 31 January 2013 discounted deadline
- 5,000: further properties licensed after we worked with landlords
- 1,525: properties inspected
- 18: of the worst landlords banned from managing their properties, bringing 150 properties back into professional management
- 700: landlords of concern on a one year licence and being closely monitored
- 346: prosecutions
- 162: cautions
- 33: Rent Repayment Orders started
- £3,110: average court fine
- £18k: highest fine so far

The private rented sector continues to be buoyant. Private rents in Newham have continued to increase in line with increases across London. The number of property sales in Newham increased by 38% in 2013 and house prices rose in line with house price rises across the country.

Unpaid Council Tax

Since the beginning of 2013, the licensing scheme has enabled us to collect an additional £600,000 in Council Tax. We estimate that in 2015/16, we will collect a further £1.3m from Houses in Multiple Occupation alone.

Income Tax evasion

Newham is now looking at new ways to work with HM Revenue and Customs (HMRC) to claw back unpaid income tax in the private rented sector for the public purse. Our calculations (verified by the independent think tank IPPR) estimate that the range of

unpaid income tax in the private rented sector in London is between £50.9m and £183.1m.

It's still early days, but the interim findings from an independent evaluation of licensing show:

- Unlicensed properties have higher levels of anti-social behaviour: The proportion of reported anti-social behaviour against unlicensed properties is more than double that against licensed properties.
- Properties that are unlicensed are significantly more likely to have complaints about waste in gardens than licensed properties.
- Tenants in licensed properties are more likely to be satisfied: Tenants' satisfaction with landlord service more than doubled after their property had been licensed. Whilst tenants in unlicensed properties were less likely to be satisfied, and more likely to be concerned about health and safety in their home.
- Tenants in licensed properties are better protected: Tenants' deposits are more likely to be protected in licensed properties than unlicensed – an increase of 20% when a property becomes licensed.



Newham's pilot property licensing scheme greatly improved the neighbourhood in Little Ilford



“Licensing enables local authorities to proactively manage their private rented market, tackle poor conditions and drive up professionalism in the sector.”

Shelter

The problem

As with many other places in the country, Newham’s private rented sector has expanded greatly over the last decade, doubling from 20% to 40% of the stock. But the sector has a weak and complex regulatory framework and the market is overheated.

The intense competition for cheap accommodation has led to some outrageous living conditions: Two men sleeping in a walk-in freezer; whole families – including children - living in a single room and not knowing the names of other people living in the house; people living in unheated sheds in back gardens. These kinds of cramped, unhealthy conditions and poor management practices inevitably lead to anti-social behaviour, with tenants unable to look after properties or dispose of waste properly and causing disturbances to neighbours.

The situation is morally and socially unacceptable but tackling these appalling conditions also makes financial sense. In Newham alone, around £100 million of public money is spent every year on the private rented sector via housing benefit, without any incentive for reinvestment.

In January 2013 Newham became the first local authority in the country to introduce a borough-wide licensing scheme for all private rented properties. Licensing enables the authority for the first time to identify and exclude criminal landlords and take a systematic approach to improving the sector. The scheme also requires all landlords to adhere to a basic set of management standards around levels of permitted occupation, tenancy management and property standards.

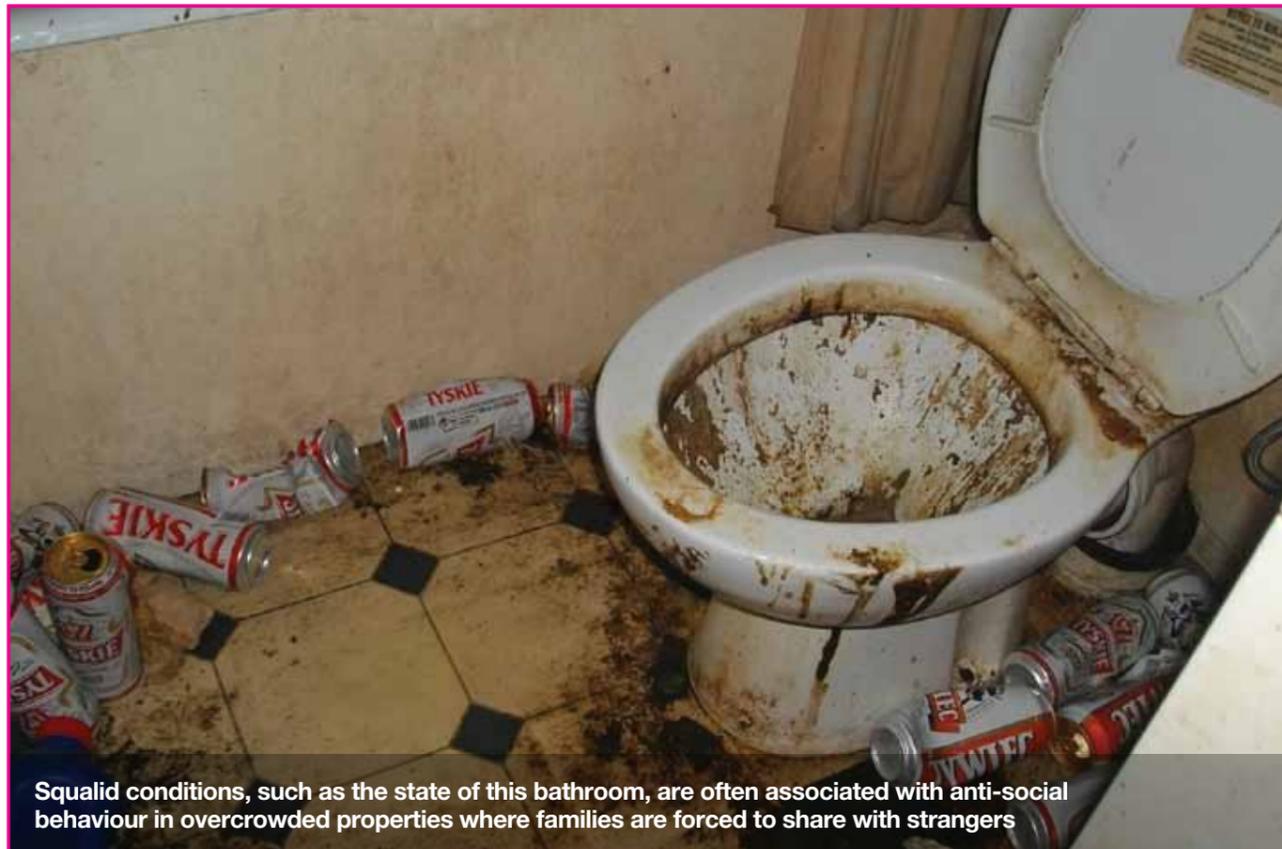
Why license?

A poorly regulated private rented sector has a real human cost not only for individual families but for the wider community too. Newham’s aim is to build resilience in the borough – helping residents and communities to thrive. This will only be possible when

residents have access to good quality and stable housing, and communities are free from anti-social behaviour.

Thanks to licensing, private tenants in Newham are now the most protected in England. They have a named contact (the licence-holder) who is responsible for the management of their property, they have a tenancy agreement and their deposit is protected. The licence-holder must manage the tenancy responsibly to avoid issues such as anti-social behaviour or unsafe living conditions.

The scheme is just as beneficial to landlords. Currently good landlords are undercut by those who flout the law and do not bother to manage their properties or tenancies properly. Licensing enables us to deal with the rogue landlords by refusing them a licence and/or through financial penalties. Licensing creates a level playing field that will help good landlords' businesses thrive. The better the sector becomes, the more people will come to Newham and put down roots here.



Squalid conditions, such as the state of this bathroom, are often associated with anti-social behaviour in overcrowded properties where families are forced to share with strangers

Prior to licensing, Newham used a variety of enforcement tools to try to drive up standards in the sector and deal with anti-social behaviour. We even offered free training to landlords who signed up to an accreditation scheme. Only 2.5% of landlords signed up over a 10 year period.

Landlords informed us they wanted to see a system that had a light touch for professional landlords but strong enforcement against those who do not play by the rules. We listened to their concerns, so licensing allows us to monitor standards and focus enforcement activity against those landlords who refuse to comply with housing law. Good landlords are left to get on with their business and only had to pay £150 for a five year licence at the launch of the scheme. That's less than 60p a week. Many landlords in Newham now support the scheme because they can see it's good for business to drive out the rogues who undercut them. For the bad landlords it's a clear message that they must clean up their act – or pay the price.

Building on the evidence

The council ran a successful pilot project on licensing – so we knew it would work.

Under the licensing pilot project:

- Incidences of anti-social behaviour reduced by 64%
- 121 homes underwent improved fire safety standards
- There was a 99% compliance rate of clearing waste from front gardens.

Prior to licensing borough-wide the council consulted extensively with residents, stakeholders, private sector tenants, landlords and letting agencies. 74% of residents and 76% of private tenants supported the scheme.

Data from 2012 shows incidences of anti-social behaviour in the private rented sector were higher than other tenures:

- A whopping 35.6% of Housing in Multiple Occupation (HMOs) had incidences of anti-social behaviour.
- 12.7% of other private rented sector properties had incidences of anti-social behaviour
- Compared to only 9% in council properties and 7.5% in owner occupied properties.



A better understanding of our private rented sector

As well as improving the private rented sector for tenants and the community, the scheme has also demonstrated how little accurate information was previously available on the workings of the sector.

Prior to licensing, Newham estimated we had around 4,000 landlords. In fact it is more like 21,000 landlords and 76% of them only have one property in the borough. The landlord community is even larger and more fragmented than we first thought.



The landlord of this property where a mum and her young two children were living, was served an improvement notice. The sink, stairs and bathroom were all fixed and fire safety conditions adhered to

Support for licensing

“ARLA believes more stringent regulation of the private rented sector is required; particularly for letting agents. In places like Newham it will help to drive out the landlords and agents who do not look after their properties and blight communities. Local authorities must work with local businesses to ensure that additional regulation is not an onerous burden and will benefit all involved in the sector. Overall, councils and agents are on the same page - we all want a professional sector that treats people fairly, offers high quality properties for tenants and a good return for landlords.”

David Cox (Managing Director, Association for Residential Lettings Agents (ARLA))

“Given the complex avoidance measures used by some landlords in Newham, a system which enables the council to pursue those involved is a good thing. And, the cost, estimated by Newham on its introduction at around 8p per day over five years, is in the circumstances a reasonable price to pay.

“I believe we need to be very careful about wholesale licensing schemes. They should not be seen as an easy way for all councils to bring in money from legitimate landlords. If other councils follow Newham’s lead with licensing, they must be able to identify serious problems such as the overcrowding and illegal tenancies and occupation which I have seen myself in the borough. And they must have the financial resources to deal with the break-up of overcrowded properties. If that’s the case, then licensing may well be one of the ways of tackling problems which bring the private rented sector - and the vast majority of landlords who are doing their bit to provide good homes for those who need them - into disrepute.”

Alan Ward (Chairman of the Residential Landlords Association)

“I agree that the principles of licensing were a sound idea for Newham due to the massive rental market that has come to exist. I have seen the changes in Newham personally. The market has evolved to brighter areas with high achieving people renting nice flats but there is a large section of greedy landlords who have unscrupulous morals. This is hopefully being cured with the licence. The decision to license can only be judged by the local governing body. The council gets five years to either drive out the poor landlords/agents or educate them to be better.”

Toby Scrutton (Scrutton Estates Limited, Residential Property Investors and the largest private landlord in Newham with 350 properties)

“McDowalls are one of the oldest agents in Newham and we are proud to support the efforts being made within the borough to tackle rogue landlords and their so called letting agents. The good agents have had to constantly live with the bad press associated with rogue landlords and their agents which are often seen highlighted in the media whilst the good agents who act professionally are rarely praised in the same way. Now within Newham action is being taken and the good landlords and agents have nothing to fear by licensing but those who cut corners, ignore best practice and drive down standards now have something to fear.”

Chris Baker (Director and Owner of McDowalls Surveyors Limited, estate agency letting agency and property managers operating in Newham since 1880)

“Newham Police, and the communities they serve, have enjoyed the benefits and significant by-products that joint enforcement operations with Newham Council have delivered as they target private rented sector properties where the landlord has not licensed. The large number of private rented sector properties in the borough had led to an increase in anti -social behaviour (ASB) in neighbourhoods and further associated crime. Working in partnership, licensing has been an effective tool to deal with ASB and we have also been able to uncover criminal activity - including dangerous dogs, brothels, drug offences, immigration offences, and fraud. There is no doubt that licensing is helping to improve the private rented sector for tenants and making Newham neighbourhoods safer and better places to live.”

Superintendent Ian Larnder (Newham’s Acting Borough Commander)

“Licensing enables local authorities to proactively manage their private rented market, tackle poor conditions and drive up professionalism in the sector. It helps local housing standards enforcement officers to identify privately rented properties in their area, allowing them to develop more targeted, resource effective, proactive inspection and enforcement programmes. Licensing also provides local authorities with a vital dissemination channel through which to provide landlords with educational resources and training. Rather than restrict local authorities’ ability to bring in licensing schemes, Government should consider extending the criteria to allow schemes to be brought in for areas where there are poor conditions and the demand for privately rented homes is high.”

Shelter (National housing charity currently running “Fixing Private Renting” campaign)