

Scottish Tenancy Reform

Landlord Survey

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1. Introduction

The Residential Landlords Association (RLA) works closely with the Scottish Association of Landlords (SAL) on UK-wide issues to provide a common approach and share resources for the benefit of members.

In September 2019, RLA PEARL conducted a survey of SAL members to seek insight on the impact of tenancy and possession reforms on Scottish landlords. Specifically, the survey collected landlord and letting agent opinions of (i) the new Private Residential Tenancy regime and (ii) the introduction of a dedicated tribunal system. This dedicated system aims to provide both landlords and tenants with a fast-track to dispute resolution and where necessary, expediate landlord possession.

This opportunity-based survey was conducted online and received 88 responses, consisting of almost entirely of landlords and letting agents.

RLA PEARL produced and analysed the survey. The SAL provided marketing and promotion assistance for which the RLA is grateful.

2. Profile of respondents

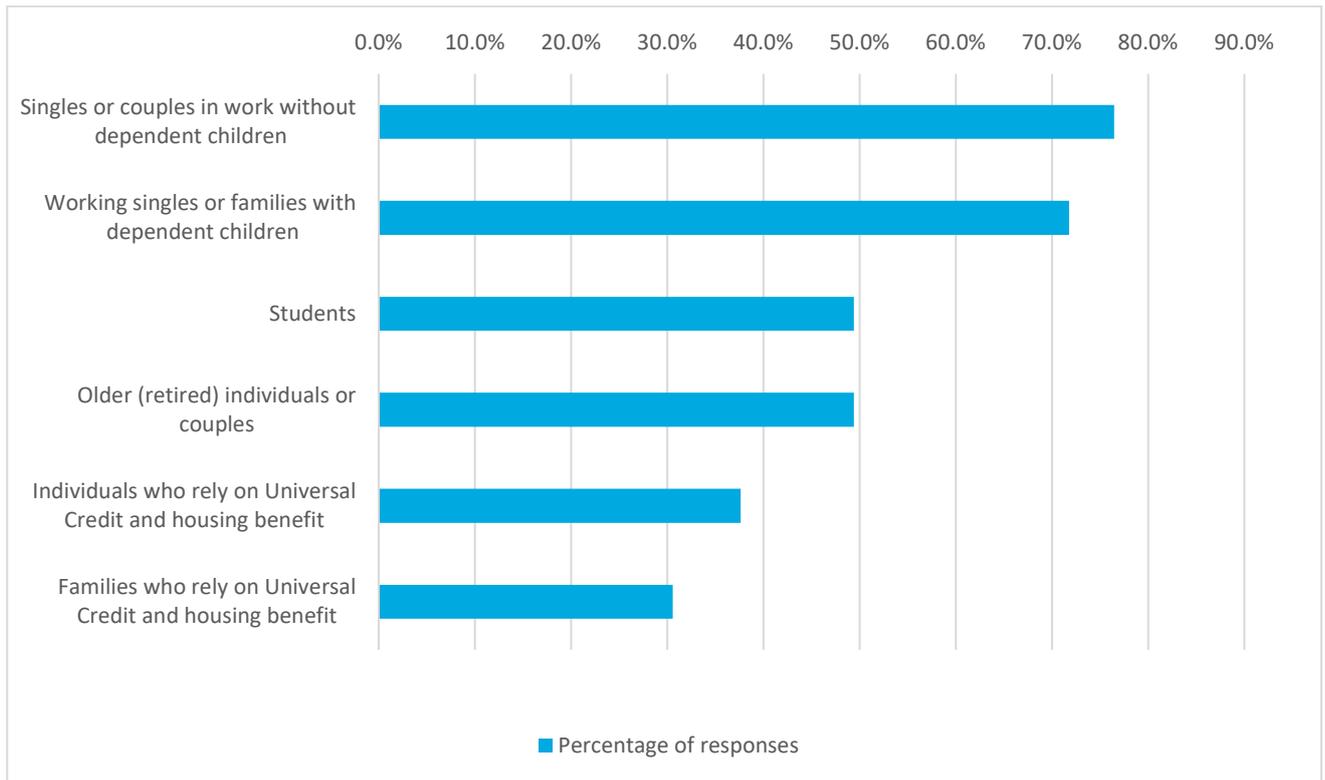
This section profiles survey participants:

- Landlords account for over 70% of the survey responses.
 - Almost two-thirds of these are landlords of multiple properties. This is a similar profile to the RLA's *State of the PRS* quarterly reports.
- Just over a quarter of the survey are representatives of letting agents.

There were just 3 responses from individuals who were either former landlords or had some other interest in the PRS.

This survey focuses on the views of landlords and agents, but the first chart focuses on the tenants to whom this sample of landlords supply homes:

Chart 1.1: Which of the following groups do you presently let property to? (Multiple responses)



Base: all landlord and letting agent respondents

- Most respondents rent to singles or couples in work without dependent children (76.5%).
- Working singles or families with dependent children (71.8%) are also a key tenant group.
 - Students along with older retired individuals and couples are two groups of clients whose housing needs are met by around half of landlords (49.4% each).

2.1 Residential Tenancies

Participants were asked about tenants and tenancies:

- Almost 100% of respondents indicated they had a tenant signed under a new Private Residential Tenancy (PRT) (96.5%).
- Over three quarters of respondents have tenants on both Assured Shorthold Tenancies and Private Residential Tenancies (75.3%).

Firstly, most respondents are unfazed by Private Residential Tenancies:

- Almost two-thirds (60.0%) of landlords intend to carry on as a landlord and don't see the tenancies as a major barrier to their business plans.
 - However, over a third of respondents are reconsidering their options as a landlord/letting agent (35.3%) as a result of their introduction.

3. Tribunals and possession

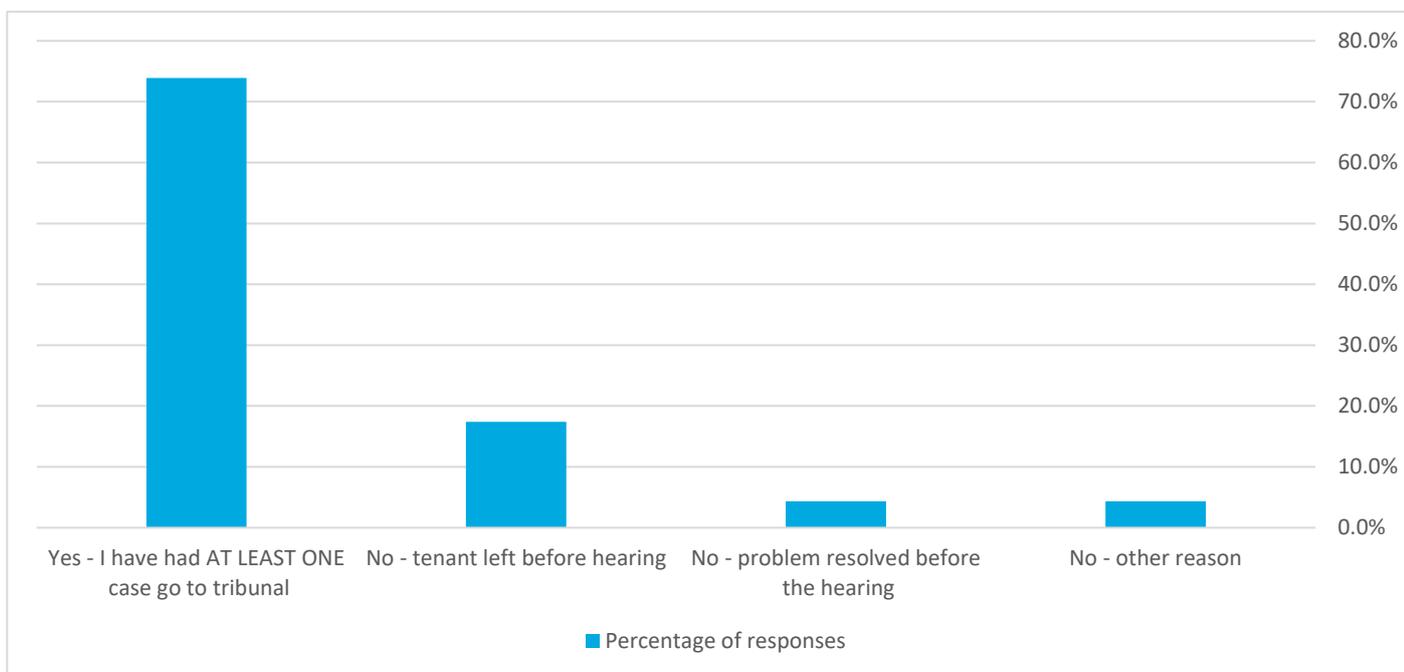
This section focuses on current landlords and lettings agencies who have tenants signed under agreements covered by the new legislation. Specifically, the impact of change on the landlord-tenant relationship.

- Almost three quarters of respondents have not made a claim for possession of a property under the new tribunal system (72.0%).

The rest of this section focuses on respondents who HAVE made a claim for possession under the new tribunal system. The sample size was smaller for this section so conclusions should be drawn tentatively:

- Most claims under the new tribunal system were due to rent arrears.
- Those survey participants who gave a response stated that, in the main, cases have passed the sifting criteria:
 - Most but not all of these cases, once through the sifting process, go onto a hearing - evidenced in Chart 3.1.

Chart 3.1: Have any of your claims resulted in a tribunal hearing?



Base: all landlord and letting agents who made a claim

As shown in the chart above:

- Most respondents stated that at least one of their possession claims had resulted in a tribunal hearing.

Though not shown:

- Most respondents agree that the tribunal system is an improvement upon the previous court process (50.4%).

When asked about time saving - one of the suggested benefits of the system:

- A large proportion of respondents (86.7%) disagreed that the new system has shortened the time between application and resolution.

- Furthermore, almost two thirds of respondents (62.5%) disagreed with the proposition that the new process is now smoother and more efficient than the old.

Key Point:

Most survey participants have not made a claim for possession under this new system. Amongst those who have made a possession claim, most do so due to rent arrears and their case often makes it to the hearing stage.

The majority think the tribunal system is an improvement upon the previous court process. However, most of those who have made a claim do not think the new system has significantly improved waiting times or efficiency.

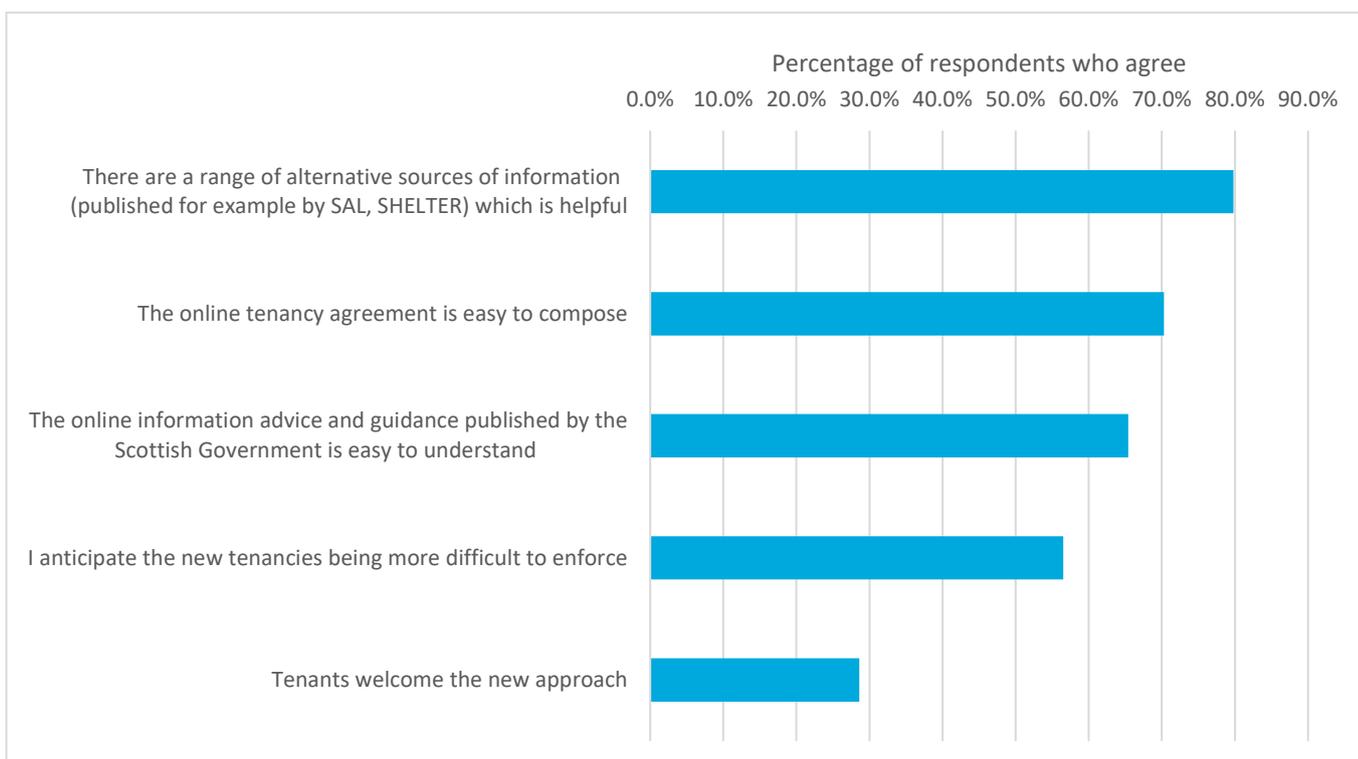
4. New tenancy agreements

This section focuses on the new tenancy agreements and respondents' views on different aspects of their implementation. Respondents were asked their views on the different facets of that legislation and whether they have sought assistance with the new processes the legislative change has brought.

4.1 Views on the new tenancies

We asked landlords and letting agents their views on the new tenancies by inviting them to agree - or disagree - with a number of statements:

Chart 4.1: What are your views of the new tenancies? Do you agree or disagree with the following statements?



Base: all landlord and letting agents

Key positives for the scheme were its simplicity and the range of useful advice on offer alongside the new system:

- Over three quarters of respondents agreed that there are a range of helpful alternative sources of information, published by for example SAL or Shelter (79.8%).
- Almost two thirds of respondents agreed that the Scottish Government's online advice and information was easy to understand (65.4%).
 - That said, around 20% of respondents found the Scottish Government's advice difficult to understand (21.4%).
- For the most part, respondents found the online tenancy agreement easy to complete (70.3%).

However:

- Over half of respondents *anticipate* the new tenancies being difficult to enforce (56.5%).

It is also worth noting:

- Only a quarter of respondents (landlords and letting agents) believed tenants would welcome the new approach (28.6%) - though over half of those asked were unsure of tenant reaction.

Key Point:

Most respondents found the tenancy agreement easy to compose and were relatively positive about the predicted reaction of tenants. Furthermore, accompanying resources provided by the Scottish Government and other organisations to assist with the agreements were found to be easy to navigate and helpful.

However, going forward, there are landlord concerns which have an impact on their confidence in the new system: over half of those asked stated they anticipate difficulty in enforcing the new tenancies.

4.2 Support requirements in composing new tenancy agreements

We asked respondents if they had required any assistance composing new agreements. Though most (67.9%) didn't, just over a quarter (28.6%) did seek support. Among this smaller group:

- The majority did so through the Scottish Alliance of Landlords (SAL) or other landlord organisations (62.5%).
- Respondents who sought external support largely did so due to confusion regarding the new process.

Key Point:

Most landlords and agents did not require support in completing an online tenancy agreement. It is encouraging for continued implementation that views have been so positive. It is not unreasonable to expect ease with the process to increase alongside its use.

5. Outcomes and impacts

This section outlines opinion of how these new tenancies have impacted upon the business and business models of landlords and letting agents. Survey participants were given the opportunity to show how their business has already changed, and how they expect further change in the future.

As a result of new tenancies:

- There was no clear pattern of tenants taking advantage of the new tenancies to curtail their residence and move more frequently.
 - This was a key concern of landlords while the new system was launched.

However:

- Almost half of respondents thought the new tenancies *would cause* a rise in rents (49.4%).
 - Over a third thought rents would stay the same regardless (35.3%).

When asked about their own decision about increasing rent:

Table 5.1: Will you be more likely to raise rents for your tenants as a result of these changes?

	Number of responses	Percentage of responses
Yes, more likely	36	42.3%
No, no more likely	40	47.1%
Don't know	9	10.6%
Total	85	100.0%

Base: all landlord and letting agent respondents

The table above shows:

- Around half (47.1%) of respondents stated they were not any more likely to raise rents due to these changes:
 - However, a similar level of respondents - over 40% of those who answered this question - stated they *would* be more likely to raise rents due to these changes (42.3%).

Though not shown:

- Approximately one quarter of landlords (24.3%) are more likely to market their properties as holiday or short term lets than there were 18 months ago.

Landlords and agents were also asked whether the new tenancies would lead to a more selective approach to choosing tenants now they had recourse only to a court-based system:

Table 5.2: Has the new legislation made you more selective in your choice of tenant?

	Number of responses	Percentage of responses
Yes, I have been more selective	53	62.4%
No, I've been no more or less selective	28	32.9%
I have not yet had to find new tenants under the new Private Residential Tenancy regime	3	3.50%
N/A - my role means I do not select tenants	1	1.20%
Total	85	100.0%

Base: all landlord and letting agent respondents

- The table above shows almost two thirds of respondents stated they have been more selective regarding their choice of tenant due to this new legislation (62.4%).

Key Point:

The analysis above highlights some of the key downsides of the changes in Scotland's PRS.

There is strong evidence in this survey that landlords and letting agents could become more selective with tenants. In addition, a large proportion of landlords stated they were more likely to raise rents.

Finally, a considerable proportion of respondents stated they will be moving away from traditional long-term lets. Instead, this group will opt for marketing their property as holiday or short term lets.

Landlords and letting agents were asked about the impact of tenancy changes on their longer-term business goals:

Table 5.3: As a result of the recent tenancy and enforcement changes, is it becoming harder to achieve your income/growth objectives as a landlord?

	Number of responses	Percentage of responses
Yes, recent changes do make it harder	41	48.2%
No, recent changes have made no difference	33	38.8%
Not relevant - I am not a landlord	10	11.8%
Other	1	1.2%
Total	85	100.0%

Base: All landlord and letting agent respondents

The above table shows:

- Around half of respondents (48.2%) believe recent changes have made it harder for them to achieve their income/growth objectives.
 - The *number* of respondents stating these recent changes had made no effect on their objectives was not that much lower however.

Though not tabulated:

- Most respondents have not changed their portfolio over the last eighteen months (52.4%).
 - For those that had, changes in Scottish legislation represents the largest reason for making such adjustment - but the actual number of landlords stating this is small.

There are several additional observations on what landlords and letting agents expect will emerge from the new system:

- Although most (50.4%) landlords and letting agents feel the new tribunal system is an improvement:
 - Almost two thirds of respondents do NOT think the reforms of no-fault terminations have been a benefit to landlords (63.6%).
 - Over 40% of landlords (44.2%) do not think the reforms will make it easier to take possession from difficult tenants.
 - Only around a quarter (24.5%) believe the reforms will make the possession process smoother.
 - Many (41.8%) feel the PRS will not be strengthened as a result of changes.

Key Point:

There is some evidence to suggest that, despite positive comments on the new system, changes in legislation could have a detrimental effect on the PRS. For example, around half of the landlords in this small survey indicated they were now finding it harder to meet their business objectives as a result of these changes.

More work would be needed to differentiate between correlation and causation regarding landlord disenchantment and the new system in Scotland. A much greater sample would also be needed before the effects could be quantified.

6. Summary of views

6.1 Summary of research

This section summarises the views collected on the recent legislative reforms and the impact on businesses or clients. Below are some of the key observations drawn from the survey:

- Most respondents agree that the tribunal system is an improvement upon the previous court process (50.4%).
- There was praise for the simplicity of the new system and the quality of available support services and service providers.
- Fears about tenants taking advantage of open-ended tenancies and moving more frequently have so far yet to be realised.

However:

- Almost two thirds of respondents do NOT think the reforms of no-fault terminations will be beneficial to landlords (63.6%).
 - Over 40% of landlords (44.2%) do not think the reforms will make it easier to take possession from difficult tenants.
 - Only around a quarter (24.5%) believe the reforms will make the possession process smoother.

It should be noted that most landlords and agents (72.0%) who responded to this survey had yet to make a claim for possession.

6.2 Concluding remarks

Landlords and letting agents in Scotland made the following positive comments about the new system:

- Respondents largely recognise that the tribunal system is an overall improvement;
- The resources provided to assist with the process are easily accessible and useful.

It is too early to draw concrete conclusions about the overall effect of change:

- The most negative views put forward by landlords focused on the *potential* impact of changes (for example enforcement) and so could be considered speculative.
 - This does not mean however that these comments should be disregarded.

Responses to the survey indicate that landlords and letting agents have several concerns regarding the changes introduced to the Scottish system:

1. There are clear concerns about the impact of change on the possession process.
2. The overall effect of change on their business and achieving their business goals:
 - Around a quarter of landlords *may* switch into the short-term/holiday let market as a consequence of these reforms.

It is possible to suggest that several of the concerns expressed by around half the landlords surveyed could be resolved over time: as (i) the process improves and (ii) experience replaces perception (though either of these of course could work in the other direction).

Finally, the small sample size makes definitive conclusions difficult. It goes without saying further investigation is required to assess the impact of changes on a more appropriate scale.

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