

HOUSING LITIGATION UPDATE

Autumn 2019



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Foreword

Welcome to the Autumn 2019 addition of Housing Litigation update.

We start with a look at a relatively new piece of legislation, the Homes (Fitness for Human Habitation) Act 2018, before moving on to consider the Government's proposals to put an end to so called "no fault evictions" by repealing section 21 Housing Act 1988.

We then move on to look at the impact of the Public Sector Equality Duty on possession cases before moving on to consider whether an injunction preventing a landlord from evicting a tenant could affect a landlord's ability to commence possession proceedings.

We consider next a case looking at the importance of including all causes of action when issuing proceedings before looking at how to terminate a fixed term tenancy during the probationary period.

We end this edition with a look at the importance for landlords carrying out gas safety inspections every 12 months before ending with a question and answer piece on another relatively new piece of legislation, the Tenant Fees Act 2019.



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Homes (Fitness for Human Habitation) Act 2018

The much awaited Homes (Fitness for Human Habitation) Act 2018 (the Act) came into force on 20 March 2019. Introduced into Parliament as a Private Member's Bill by Karen Buck MP, the Bill quickly gained momentum after the tragic Grenfell fire disaster, receiving Royal Assent on 20 December 2018.

The Act amends existing provisions in relation to fitness for human habitation which had become meaningless given that the relevant legislation only applied to a house where the annual rent in London was £80 or less or £52 or less outside London.

The obligations imposed by the Act apply to:

- All new tenancies of a term of less than seven years granted on or after 20 March 2019 - this includes replacement tenancies; and
- All tenancies that begun as fixed term tenancies before the commencement date but become periodic after the commencement date.
- The Act will subsequently apply to all periodic tenancies in existence on the commencement date 12 months after that date, i.e. by 20 March 2020.

"The provisions defining what is and what is not fit for human habitation are contained in the amended Section 10 of the Landlord and Tenant Act 1985. "

These include whether the building is neglected and in a bad condition, where the building is unstable, serious damp problems, unsafe layout, insufficient natural light, insufficient ventilation, problems with the supply of water, problems with drainage or lavatories and difficulty in preparing and cooking food or washing up.

In addition, if the property is subject to any of the 29 hazards set out in Schedule 1 of the Housing Health and Safety (England) Regulations 2005, it will be deemed unfit for human habitation. These hazards include matters such as exposure to house dust mites, damp, mould or fungal growth, exposure to low or high temperatures, a lack of adequate space for living and sleeping, a lack of adequate lighting, exposure to noise and electrical hazards/exposure to electricity. A hazard is defined in section 2 of the Housing Act 2004 as any risk of harm to the health or safety of an actual occupier of a dwelling which arises from a deficiency in the dwelling or building in the vicinity.

The Act does, however, contain what are essentially defences:

- There is no liability where the issue has been caused by the behaviour of the tenant;
- there is no liability if the property is uninhabitable as a result of fire, storm, flood or other inevitable accident:
- there is no obligation to repair anything that the tenant is entitled to remove from the property:
- there is no obligation to carry out works or repairs which, if carried out, would put the landlord in breach of any other enactment; and
- there is no liability if a landlord requires consent from a superior landlord or third party but has been unsuccessful in obtaining this, having made reasonable endeavours to do so.

If a court finds that a landlord has in fact breached the Act, the landlord can be ordered to pay compensation to the tenant and/or to undertake works, including improvement works. There is currently no prescribed limit as to the amount of compensation payable by a landlord but, government guidance states that the factors that will be taken into account in this respect include the perceived harm that has been inflicted on the tenant, the longevity of the issue and the severity of the unfitness in the dwelling. A landlord may also be ordered to pay a tenant's legal costs.

The landlord is considered to be responsible for the hazard from when they are made aware of it by the tenant. However, any hazard located in common parts of a block of flats or in an HMO will make the landlord immediately liable. The landlord will then have a reasonable period of time in order to deal with the hazard and what is reasonable will depend on the circumstances. Once the landlord has been made aware of the hazard, and is not actively attempting to remedy it, the tenant will be able to take the landlord to court. It is then for the court to decide whether the landlord has dealt with the hazard in a reasonable time.

The Act provides for an implied covenant by the tenant to give access to a landlord or a contractor during reasonable hours of the day and on 24 hours' written notice. In an emergency, a landlord may be entitled to enter the property on shorter notice. As with any access issues, a landlord should keep a record of all attempts they have made in order to contact the tenant should further court action in this respect be necessary.

"Landlords should therefore ensure that as of 20 March 2019, any properties that they let under a new tenancy fully comply with the Act and that no relevant defects are present."

Thereafter, during the next 12 months, landlords should concentrate on ensuring that those premises which were let prior to 20 March 2019 are made fully compliant with the Act. Failure to do so may risk an influx of cases on and after 20 March 2020.

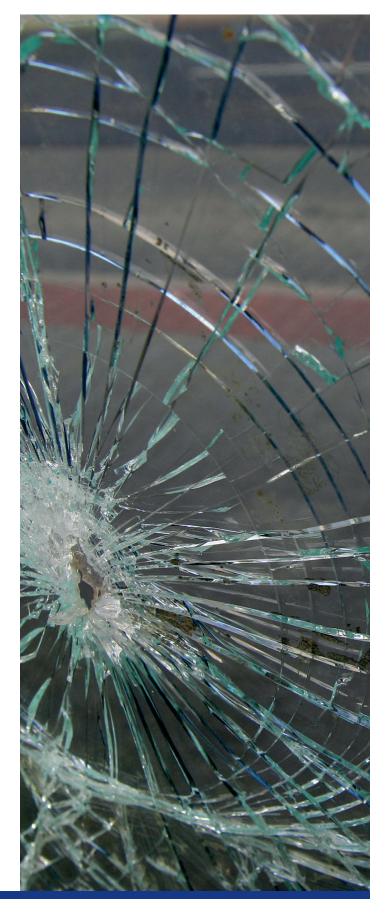
Finally, it will be prudent to review policies and procedures in order to ensure that the cases that will no doubt be issued by tenants' solicitors who already act in disrepair cases, are managed smoothly and efficiently.

The Government has issued guidance for landlords on the Act which gives a straightforward overview of the new provisions: https://www.gov.uk/government/publications/ homes-fitness-for-human-habitation-act-2018.



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A new deal for renting?

On 15 April 2019, the Government announced that it will put an end to so-called 'no-fault' evictions by repealing section 21 of the Housing Act 1988. In July 2019 the Government published its consultation 'A New Deal for Renting' which invited comment on this controversial decision.

This consultation was not about whether to abolish section 21 (the decision having been made), but how to abolish it. The deadline for responding to the consultation was 12 October 2019. At the time of writing the Government has not yet responded.

Assured shorthold tenancies (ASTs) under the Housing Act 1988 are the second largest housing tenure in England, housing 19% of all households (4.5 million households). The premise behind the consultation is that the housing landscape has changed since the Housing Act 1988 came into force and the use of section 21 to evict tenants without reason or avenue for challenge is no longer fair or transparent. Instead, clear reasons should be given for the decision to evict. Tenants should be able to rent with the certainty that they will not be asked to leave without fair reason. Landlords 'will be supported to provide the safe, secure, and decent homes the nation needs' and 'can swiftly take action when things go wrong, through a redress system that works, and works fairly'. This of course relies on such a system being put in place.

The intention is to abolish section 21 by removing ASTs from the Housing Act 1988. All future tenancies will be assured, either fixed-term assured tenancies or contractual periodic assured tenancies. But where the fixed term ends and the tenant fails to leave, the tenancy automatically rolls onto an assured tenancy and so the landlord would still need to seek possession if they required the tenant to vacate.

While the Paper refers to the possibility of including a break clause, in practice this would only be exercisable by the tenant and the landlord would still need to seek possession if the tenant refused to leave."

Under the new framework, a landlord will always have to provide a reason for ending a tenancy, such as breach of contract. The Government intends that any changes to section 21 legislation will be accompanied by enhanced grounds for possession under section 8, and a simpler, faster process through the courts.

The consultation discusses several changes to section 8 grounds including:

- introducing a new ground when the landlord wants to sell the property and widening the ground for wanting to move into it;
- amending the current mandatory ground 8 (rent arrears) so that landlords need two months' arrears on notice, and one month's arrears at the time of the hearing;
- strengthening ground 13 to cover tenants who routinely refuse access for repairs / safety checks; and
- the possibility of strengthening anti-social behaviour grounds.

Tenants would still be able to end the tenancy by giving sufficient notice to their landlord.

The prescribed information requirements for the valid use of section 21 (e.g. Gas Safety certificate, tenancy deposit information, EPC, and How to Rent) are intended to be applied to the section 8 process.

"The purpose of all of this is to deliver a fairer, more transparent tenancy and possessions regime, while creating a simpler, faster process through the courts. But can it deliver?"

The Paper states that the Government is working closely with the Ministry of Justice and the courts to reduce average case times. The Ministry of Justice is also looking to free up bailiff resources to help them prioritise possession cases to reduce delay in enforcement. A new online system to speed up and simplify the court process for landlords is intended, as is an accelerated process for possession for mandatory grounds (unless the tenant challenges it).

The changes are not intended to be retrospective, so any ASTs existing at the date the law comes into force will continue and the section 21 route for possession can be used. When the tenancy ends, it is intended that any new tenancy agreement will be assured.

The Government is minded to have the changes apply to both private and social landlords, but asks for views on this. In the case of the latter this has implications for fixed term tenancies introduced by the Localism Act 2011, starter tenancies and introductory tenancies, and demoted tenancies.

The deadline for responses to the consultation was 12 October 2019. Views were sought amongst other matters on whether there are any circumstances in which a landlord should be able to recover possession if a tenant is not at fault and how the court process could be improved.

This consultation was published on 22 July 2019. Two days later, Boris Johnson became Prime Minister resulting in a cabinet reshuffle. There is a new Secretary of State for Housing, Communities and Local Government, Robert Jenrick, and new housing minister, Esther McVey. It is not yet known how strongly the new cabinet will support the abolition of section 21. The outcome is therefore not clear, although it is notable that proposals have received crossparty support to date. If legislated, it is unlikely to come into force until at least late 2020.



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Public sector equality duty and possession orders

In the case of Forward v Aldywyck Housing Group Ltd (2019) EQHC (QB), Mr Forward was the assured tenant of Aldwyck Housing Group Limited (Aldwyck). Allegations of drug use as well as drug dealing from Mr Forward's property were recieved by Aldwyck.

As a result, Aldwyck issued possession proceedings under Grounds 12 and 14 of Schedule 2 of the Housing Act 1988. Mr Forward argued that he was vulnerable to exploitation because he suffered from a physical and mental disability and was therefore taken advantage of by drug dealers.

Aldwyck had not carried out a public sector equality duty (PSED) assessment under section 149 of the Equality Act 2010, before it issued proceedings.

The PSED requires a public authority, when exercising its functions, to have due regard to the need to (a) eliminate unlawful discrimination; and (b) advance equality of opportunity, and (c) foster good relations, between people with protected characteristics and those without.

The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, and sexual orientation.

At Trial, a possession order was nevertheless granted as the Trial Judge was not satisfied that Mr Forward was under a mental impairment and there was no link between his physical disability and the anti-social behaviour.

Mr Forward appealed to the High Court, where Mrs Justice Cheema-Grubb DBE found that even if the PSED assessment had been properly conducted, possession would still have been the outcome. The failure to have due regard to the PSED in a structured way was not a material error. It would be wholly unfair and disproportionate to allow the appeal because of errors in the Trial Judge's approach where entitlement to possession had been established.

Mr Forward appealed again to the Court of Appeal where it was held that just because a landlord failed to conduct a PSED assessment, it did not mean that a possession order should automatically be set aside. If, having carefully considered the facts of the case, a court decides that it is highly likely that the decision in the case would not have been substantially different even if a PSED had been done, then the order will not be set aside. Furthermore, it was not for the Court of Appeal to substitute its view for that of a lower court, unless there has been some error of law.

"This case should not be taken as a sign to social landlords that they can avoid undertaking a PSED. "

However, it does confirm the fact that technical defences which lack actual merit can and will be defeated. It is nevertheless wise for social landlords to take heed of their duties in order to avoid costly arguments in court.



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Injunctions preventing possession?

The question of whether an injunction preventing an eviction could affect a landlord's ability to commence possession proceedings was considered by the High Court in Brown v Tyndale (2019) QBD.

The case concerned an application by the landlord to set aside an injunction obtained by his tenant, which prevented the landlord from evicting or removing the tenant. In response, the tenant made an application to adjourn this hearing.

By way of background, the tenant had obtained a without notice injunction preventing the landlord from evicting him from his property, following the landlord's attempt to remove the tenant's possessions and change the locks, as the landlord had not obtained a possession order to do so. The landlord was not present at the return date hearing, claiming that he had not been served with notice of this hearing by the tenant. Consequently, the landlord made an application to set aside the injunction order and claimed that he wanted to issue possession proceedings. In response, the tenant applied to adjourn the matter so that he could instruct Counsel.

The matter was heard by Robert Francis QC. On the point of the adjournment, the court refused the tenant's application as the tenant was aware of the hearing and had the opportunity to obtain legal advice. In addition, the court did not feel that the tenant was prejudiced by not having Counsel representing him at this hearing as he had conducted himself well.

In respect of the injunction, the fact that an injunction was in place did not prevent the landlord from commencing possession proceedings. The court therefore varied the existing injunction on terms that the order would not prevent the landlord from pursuing possession of the premises or issuing possession proceedings and that the tenant would pay £800 per month whilst he was in occupation of the property.

There was also an issue in respect of whether the tenant had occupied the property under an assured shorthold tenancy. The Court concluded that this point could not be dealt with at the hearing due to a lack of evidence. The matter was subsequently transferred to the County Court.

It is important to note that both parties were unrepresented during these proceedings and there is an argument that proceedings should have been commenced in the County Court.

It is clear from the court's approach that not setting aside the injunction would no doubt have prevented the landlord from attempting to evict the tenant from the property without going through the proper court process.

"The case clearly reinforces to landlords, particularly those that have not sought legal advice, the importance of going through the appropriate court procedures when obtaining possession of a property."



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Second bite of the cherry? Cause of action estoppel

The High Court decision of *Moorjani v* Durban Estates Limited & Anor (2019) EWHC 1229 (TCC) is an important decision, which considered cause of action estoppel and the importance of properly pleadings statements of case to include all causes of action.

Mr Moorjani (Moorjani) leased a flat on the third floor of Ivor Court and had previously issued a claim in 2011. The Particulars of Claim in his 2011 claim pleaded disrepair in relation to the whole of building. However, Moorjani was awarded damages in respect of the third floor of the building only.

Moorjani, along with three other long lessees of flats in the building, issued a further claim in 2018 in respect of disrepair to the building, claiming for a period prior to 2011 as well as for the time since then.

The claim was bought against Durban Estates (Durban) as Defendant 1, which was the freehold owner of the building until 2011 and Ivor Court Freehold Limited (ICFL) as Defendant 2, which purchased the freehold and had owned the building since.

Durban Estates sought to strike out the claim on the basis of cause of action estoppel and on the principle derived from Henderson v Henderson (1843) 3 Hare 100, 67 ER 313.

Cause of action estoppel is a doctrine which prevents claimants from pursuing the same claim twice."

Should a case have received a final determination already, no further proceedings can be brought in respect of the same subject matter. Durban Estates argued that cause of action estoppel should prevent the claim for disrepair to the building in the current litigation as this had already been pleaded in the 2011 proceedings and had already been determined in those proceedings.

The principle derived from Henderson v Henderson prevents a claimant from bringing a further claim in respect of matters which ought to have been claimed for in a previous claim. Durban Estates argued that even though Moorjani was claiming under a different cause of action, the 'new' cause of action should be struck out as it should have been claimed for in the pleadings in the previous claim.

Moorjani argued that the judgment in the initial claim awarded damages in respect of disrepair to parts of the third floor of the building only, and that it was not an abuse of process or re-litigation to now claim for damages to the building overall.

The Technology and Construction Court (TCC) struck out Moorjani's claim on both counts. The TCC adjudged that the County Court in 2011 had considered the pleadings and evidence before making the judgment. Although the judgment by the court awarded damages only for the third floor, the disrepair claim for the entire building was considered.

The TCC also decided on Moorjani's claim against the second Defendant, ICFL. Moorjani had claimed that ICFL had also shunned their repairing obligations, allowing the common parts of the building to fall into disrepair.

ICFL had in fact begun a substantial and expensive programme of repairs when they took over the block and had sought to recover the cost of the expenditure from the tenants by way of increased service charge contributions. Moorjani had already disputed the service charge, which led to ICFL applying to the First-Tier Tribunal (FTT) under section 27A of the Landlord and Tenant Act 1985. Moorjani brought a counter-claim in the FTT proceedings against ICFL for 'historic neglect' on the basis that ICFL had delayed in carrying out the necessary works. The FTT dismissed the counter-claim and held that ICFL were entitled to a reasonable time after acquiring the freehold to start the works and that there had been no undue delay.

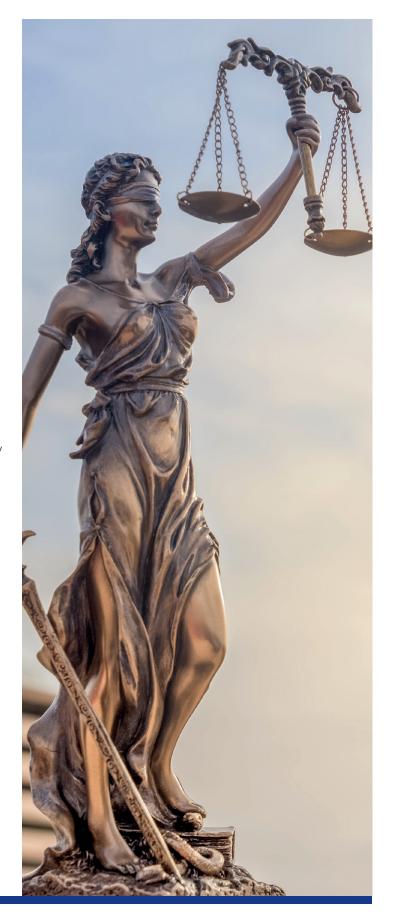
ICFL argued that due to the FTT's decision in rejecting Moorjani's counterclaim, the current claim in the TCC for disrepair was an abuse of process and should be barred. The TCC agreed and struck out the claim against ICFL on the basis of cause of action estoppel.

"The decision in Moorjani highlights the importance of pleading claims carefully. A claimant should consider and include in proceedings all relevant issues and possible causes of action and grounds of claim. Failure to do so may stop a claimant from bringing a claim based on alternative causes of action in the future."

In addition, the case highlights the risk of bringing subsequent proceedings and revisiting issues for time periods that have already been covered in a previous claim. Landlords and their solicitors should be alive to attempts by solicitors representing tenants to claim, even for different causes of action, for periods that have already been covered in earlier proceedings.



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How to terminate a fixed term tenancy during the probationary period

Guidance has been handed down as to whether 6 months' notice is required in order to determine a fixed term tenancy during the probationary period. Livewest Homes Limited v Sarah Bamber (2018) EWHC 2425 (QB) centres around how the landlord should go about terminating this type of tenancy.

The tenant, Ms Bamber, was granted a fixed term tenancy of seven years, which included an initial 12 month probationary period. During that probationary period, a break clause could be served to terminate the tenancy.

The tenancy agreement stated:

- 2.1 "Break clauses": We may end the fixed term of the tenancy in the following circumstances. These are called "break clauses".
- 2.1.1 During the starter period, or extended starter period, we may give you two months' written notice ending the tenancy..."
- 2.2 Format of notices: A notice under clause 2.1 may be in any written form.

The landlord received complaints of anti-social behaviour and so a notice was served under clause 2.1.1 which also described itself as a section 21 notice. After expiry of the two month notice period, possession proceedings were commenced.

Ms Bamber defended the proceedings and argued that the notice served by the landlord meant that her tenancy was no longer a fixed term tenancy for a term certain of not less than two years. She argued that she ought to have been given six months' notice under section 21(1B) of the Housing Act 1988 (the Act). This argument was rejected by the judge at first instance. Ms Bamber appealed to the High Court.

"On appeal, it was reconfirmed that the landlord was not required to give six months' notice under section 21(1B) of the Act. "

Instead, the High Court said that serving the notice meant that Ms Bamber's tenancy became a statutory periodic tenancy pursuant to section 5(2) of the Act. The requirements of section 21 of the Act did not apply. Ms Bamber appealed to the Court of Appeal.

The Court of Appeal held that the landlord was only required to give six months' notice where the tenancy had come to an end by effluxion of time. In situations like Ms Bamber's where the tenancy was being terminated early, six months' notice was not required. Applying what would seem to be a common sense approach, it said that the purpose of giving a tenant an additional six months' notice is to give tenants who remain in a property at the end of the fixed term the opportunity to re-house themselves.

This is a reassuring decision for landlords who would otherwise be faced with tenants being given additional protection despite contractually agreeing to early termination if certain criteria (which often include breaches of tenancy terms) were satisfied.



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The importance of gas safety inspections every 12 months

In Kaur v Griffith (unreported) the County Court considered whether a possession order obtained via a section 21 notice was still valid despite the gas safety inspection taking place after the required 12 month period.

Ms Griffith was granted a six month fixed term assured shorthold tenancy on 6 December 2016, which became a statutory periodic tenancy on 5 June 2017. Ms Kaur, the landlord of the property, later served a section 21 notice on Ms Griffith and successfully obtained possession of the property.

Ms Griffith sought to set aside the order for possession, arguing that she had not been provided with the gas safety certificates for the property. Ms Kaur maintained that a first gas safety certificate was handed to Ms Griffith when she signed the tenancy on 6 December 2016, and Ms Kaur stated she had handed a further gas safety certificate to Ms Griffith at a later inspection on 21 January 2018. Ms Griffith denied receiving either of these certificates.

At the hearing, Counsel for Ms Griffith argued, amongst other things, that the gas safety inspections were carried out over 12 months apart and Ms Kaur was in breach of 36 (3) of the Gas Safety (Installation and Use) Regulations 1998 and Regulation 2 (1)(b) of The Assured Shorthold Tenancy Notices and Prescribed Requirements (England) Regulations 2015, therefore rendering the section 21 notice invalid.

At the hearing, the judge accepted that the second gas safety inspection should have been carried out by 6 December 2017, but found the inspection was not until 21 January 2018. This meant that Ms Kaur's inspection was over a month late which invalidated the section 21 notice served. The possession order was set aside by the Judge.

Although this is a County Court case and is therefore not binding, the case serves as a useful reminder to landlords of the importance of ensuring that gas safety checks are carried out within 12 months of the last inspection.

Failing to adhere to this requirement will affect the validity of a section 21 notice. Regulation 36 (6) of the Gas Safety (Installation and Use) Regulations 1998 states tenants must be given a record of the inspection of such gas appliances. within 28 days of the inspection taking place. The regulations go on to state that appliances must be checked for safety within 12 months of being installed and at intervals of not more than 12 months since they was last checked for safety.



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Q&A on the Tenant Fees Act 2019

The Tenant Fees Act 2019 came into force on the 1 June 2019 and this is what landlords. including housing associations, need to know:

Q) When did the Tenant Fees Act 2019 (the Act) come into force?

A) 1 June 2019. The Act applies to all tenancies signed on, or after, this date.

Q) Who is affected by the Act?

A) All landlords, including social housing providers, are prohibited from charging tenants fees for anything which is not categorised as a "permitted payment" in Schedule 1 of the Act.

The ban applies to all assured shorthold tenancies, student accommodation and most licences. It does not apply to assured non-shorthold tenancies or where a property is let to a company.

Q) Does the Act apply to letting agents?

A) Yes it does. The prohibitions that apply to letting agents are detailed in section 2 of the Act.

Q) Does the Act apply in Wales?

A) The Act only applies in England. Scotland introduced a similar ban in 2012, Wales introduced a ban with effect from 1 September 2019 and in Northern Ireland fees are still permitted.

Q) Why was the Act introduced?

A) To minimise the additional costs tenants have to pay especially when entering into a tenancy for the first time. It is estimated the ban will save tenants up to £700 for each move.

Q) Does the Act apply to current tenancies?

A) No, the Act only applies to tenancies granted before 1 June 2019 from 31 May 2020. This means that landlords and letting agents can continue charging fees in relation to pre 1 June 2019 tenancies but only where they are required to be paid under the terms of the tenancy agreement. From 1 June 2020, the ban will apply to all tenancies regardless of when they were granted.

Q) What is a permitted payment?

A) Details of these are contained in Schedule 1 of the Act and are:

- Rent;
- Tenancy deposits. These are capped at five weeks' rent if the annual rent is less than £50,000 and six weeks rent if the annual rent is more than £50,000. A tenancy deposit in excess of this is considered to be a prohibited payment;
- Holding deposits. These are capped at one week's rent. A holding deposit in excess of this is considered to be a prohibited payment;
- Payments in the event of default. Under section 4 of Schedule 1 of the Act, "relevant defaults" for the purposes of the Act are:
 - Loss of key or other security device. Only costs reasonably incurred to get access to the property and arranging a replacement item can be charged, and only if the charge is evidenced in writing (for example, receipts) and given to the paying person;
 - Where a tenant fails to pay rent after 14 days of it being due. Section 4(5) of Schedule 1 states that the annual percentage rate that can be charged is 3% above the Bank of England base rate. This fee can only be paid to either the landlord or the letting agent, not both;
 - Payment for variation, assignment or creation of a new contract between the parties. This payment is limited to £50 or the "reasonable" costs of the landlord/letting agent in connection with undertaking such work. Any excess is considered to be a prohibited payment;
 - Payment on termination of a tenancy at the tenant's request before the expiry of a fixed term or without giving a period of notice where the tenancy is periodic;
 - Payments in respect of council tax, television licence or utilities. For the purposes of the Act, "utilities" means electricity, gas or other fuel or water or sewerage only; and
 - Payments in respect of communication services. For the purposes of the Act, "communication services" mean telephone (other than a mobile), internet, cable or satellite television. The charges for such services should be reasonable as any excess will be a prohibited payment.

Q) What is the impact of the Act?

A) It is predicted rents will increase to compensate for the ban. However, landlords will need to keep their rents at a level that ensures they are competitive to avoid long void times. Letting agents will need to decide whether to increase their fees to landlords. If they do, it could make them less competitive and the lettings market could contract as a result.

Q) What are the implications of a breach?

A) Trading Standards has enforcement powers. Action can be taken against any landlord/letting agent who breaches the Act which could lead to a fine of up to £5,000 in respect of a first breach.

If there is a further breach within five years, Trading Standards can prosecute in the Magistrate's Court. Alternatively, they can impose a fine of up to £30,000. Local Authorities are able to keep the fines and this may be an incentive for robust enforcement. A fine will not amount to a conviction.

Q) Where can I obtain further information?

A) The Government has introduced statutory guidance for enforcement authorities, guidance for landlords, letting agents and tenants, together with a glossary of terms. This documentation can be found at www.gov.uk.



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