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Llywodraeth Cymru
Welsh Government

Eich cyf/Your ref PO/JB/210/2025
Ein cyf/Our ref PO/JB/210/2025

John Griffiths MS
Chair of the Local Government & Housing Committee
Senedd Cymru

6 May 2025

Dear John,

I confirmed back in December when I responded to the Committee's recommendations following your inquiry into the Private Rented Sector that I would write to the Committee with regards Recommendation 6.

My officials held a workshop with stakeholders in March to explore the feasibility of enabling tenants who are subject to no-fault evictions to retain the last two months' rent of their tenancy as compensation for the financial and wellbeing impact of a forced move.

I attach a copy of the findings.

Yours sincerely,

Jayne Bryant AS/MS
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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.



Welsh Government

Further response by the Welsh Government to Recommendation 6 of the Local Government and Housing Committee's report into the Private Rented Sector

02/05/2024

In response to Recommendation 6 of the Committee's report into the PRS, the Welsh Government agreed to "explore the feasibility of enabling tenants who are subject to no-fault evictions to retain the last two months' rent of their tenancy as compensation for the financial and wellbeing impact of a forced move". This therefore provides an update on these considerations.

To inform our considerations, a stakeholder workshop was undertaken on 18th March 2025, which included representation from the following organisations:

- Generation Rent
- National Residential Landlords Association
- Propertymark
- Shelter Cymru
- Tai Pawb
- TPAS Cymru

Discussions were also held at an official level with colleagues who liaise with the Department of Work and Pensions, to understand potential impacts in respect of Universal Credit/Housing Benefits.

During the stakeholder engagement, there was recognition of the additional costs tenants face in securing and moving to a new rental property. The engagement also highlighted various risks and potential unintended consequences of such a measure. A summary of these is outlined below.

Potential to undermine the policy objective of a 6 month notice period and lead to an increased risk of homelessness

Under the Renting Homes (Wales) Act 2016 the notice period for a no-fault eviction (now known as S173 notice) was extended from 2 months to 6 months. The notice is only able to be served after an initial 6 months, which gives a tenant certainty of at least 12 month occupation of a property.

The purpose of providing a 6 month notice period was to provide as much time as possible for a tenant to be able to look for and secure alternative accommodation.

Under the measure outlined in the Committee's recommendation, a tenant would only benefit from not paying rent 4 months into the notice period. There is therefore a potential risk of tenants choosing to delay securing alternative accommodation in order to benefit from not paying the last 2 months of rent. This would significantly undermine the policy intention of the 6 month notice period. It could result in tenants not having secured alternative accommodation at the end of the notice period and presenting to homelessness services as a result.

Increased rent costs for all tenants

Landlords hold properties in different ways and for different purposes (e.g. business, pension or asset to pass onto children), but regardless of the purpose, all landlords have costs they have to meet in order to pay for or maintain their rental properties.

There is therefore a risk that any landlord required to forego two months of rental income would likely look to cover all (or a significant part) of 12 months of rent over 10 months to ensure that their costs are met – therefore increasing monthly rental costs. As such, the measure proposed in the Committee’s recommendation risks the unintended consequence of a general increase in rents across the private rented sector in Wales. This would impact on all tenants and could see those on low incomes or in receipt of housing benefit pushed into rent arrears.

Mortgage/Lending rules and potential impacts on the supply of PRS properties

The Bank of England’s Prudential Regulatory Authority (PRA) introduced certain regulations affecting the way the buy to let mortgage market is governed. This includes a rental coverage ratio of 140% for standard buy to let properties and an income stress test to demonstrate that landlords can afford to make payments should interest rates rise to 5.5%.

As highlighted above, in order to meet these lending rules landlords with a buy to let mortgage may be forced to increase rents to ensure all costs are met.

There is also a risk that any factors which could impact on a landlord’s ability to cover their cost liabilities would be considered a risk by lenders and factored into the interest rates and terms and conditions of any loans. This would adversely impact on landlords seeking to acquire properties, potentially from other landlords or as new supply. This in turn could result in a reduced supply of PRS properties in areas of high demand.

Implications for low-income tenants in receipt of benefits

Under Department for Work and Pension (DWP) rules, in order to receive Housing Benefit, or a housing element of Universal Credit, a person must have a legal liability to pay rent. Therefore, any legal requirement for the last 2 months of rent to be waived in particular circumstances would likely be viewed as there being no legal liability to pay rent.

Benefit recipients are required to notify DWP of any change in their circumstances, and therefore if a tenant notified DWP at the end of month 4 they were no longer required to pay rent for the next 2 months, that element of funding would be stopped. This could result in issues for the tenant in passing any credit checks for a new property, as their income and ability to meet rental payments would be impacted.

If a landlord was receiving direct payment, but had waived the legal liability to pay rent, then they could also face potential claims for repayment from DWP.

Whilst a tenant's entitlement could be re-instated after the 2 month period, it would not commence immediately. This is because any notification of changes will take effect in the following month. Therefore, even if a tenant was able to secure an alternative property and pay a deposit, they could fall immediately into rent arrears as they may not be able to meet the first month's rent.

In circumstances where claimants are still on housing benefit and have not yet transferred across to Universal Credit, the impact could be more acute. In such circumstances where the legal liability to pay rent has been waived and housing benefits are stopped, a claimant would, upon seeking to resume claiming support, be moved over to Universal Credit without any of the protections that would have been afforded to them under a managed process. Therefore, they could see the amount of financial support reduce. This could place pressure on an individual to make up any shortfall or place them into rent arrears.

Such an approach is therefore likely to have the unintended consequence of benefitting tenants with higher disposable incomes and/or savings and adversely impacting low-income tenants.

Existing support for those struggling to pay additional rent or a deposit

Local authorities currently utilise discretionary homelessness prevention funding to support tenants in preventing or relieving homelessness. This can include covering a deposit or assisting with the first month's rent. This helps to overcome that initial challenge of facing double costs during a Section 173 notice period that would prevent a tenant from being able to secure alternative accommodation.

Conclusion

Given the various risks identified and the potential adverse impacts these would ultimately have on tenants, the Welsh Government does not consider it feasible to take forward the measure outlined in the Committee's recommendation.