

**Homes for Wales:
A White Paper for Better Lives and Communities
Response by the Building Societies Association**

1. The Building Societies Association (BSA) represents mutual lenders and deposit takers in the UK including all 47 UK building societies. Mutual lenders and deposit takers have total assets of over £375 billion and, together with their subsidiaries, hold residential mortgages of over £235 billion, 19% of the total outstanding in the UK. They hold more than £250 billion of retail deposits, accounting for 22% of all such deposits in the UK. Mutual deposit takers account for 34% of cash ISA balances. They employ approximately 50,000 full and part-time staff and operate through approximately 2,000 branches.

2. The BSA welcomes the opportunity to respond to the Welsh Government's White Paper on the future of housing in Wales.

Key points

3. We welcome the opportunity to comment on the Welsh Government's first housing strategy. We support the holistic approach to housing taken in the White Paper and welcome further discussion as the Welsh Government moves to implement the proposals.

4. We support improvements to the private rented sector. We question whether a register of landlords and accreditation of letting and managing agents is the most appropriate way of improving consumer experience and would urge the Welsh Government to undertake a full cost-benefit analysis prior to developing the policy any further. Other measures including clearer information to consumers on deposits and charges and longer leases would also help consumer experiences of the private rented sector.

5. We welcome the development of the co-operative housing model and better definition of community land trusts. These models can help to provide affordable housing for communities and also help to support self-build housing. In areas where demand for housing outstrips supply, community land trusts and co-operative housing can play a valuable part in accommodating those who might otherwise have to move elsewhere to find housing.

Question 1: Do you support our ambition to make improvements to the whole housing system?

6. We welcome the Welsh Government's approach to considering the housing system as a whole, rather than tackling individual elements in isolation. We welcome the vision of improving homes and local environments, regardless of housing tenure, and the recognition of the importance which housing plays in people's lives.

7. The projections of housing need published by Government and by groups such as How Many Homes¹ show a striking increase in the number of households

which will be formed in the future and consequently the additional number of homes which the UK needs to build. We are therefore broadly supportive of initiatives which will help meet housing need through building new homes and bringing empty ones back into use. We support the extension of the 95% guarantee scheme for new build properties (NewBuy) to Wales.

Question 2: Do you have any comments on the proposals for legislation and/or the issues being considered for legislation?

a) To improve the private rented sector, including landlords, lettings agents and managing agents

8. We believe that it is important to consider the private rented sector as a whole, rather than focusing just on the regulation of landlords and agents. The availability of mortgages to landlords and the vehicles for institutional investment are two key factors which will affect the supply of properties to the private rented sector in the near-to-medium future. From the consumer's perspective length of leases; charges and deposits; regulation of letting agents; and helping tenants move on to become owner occupiers (if that is what they aspire to do) will be important.

9. We agree with the point in the consultation that the sector needs to grow, although not at the expense of building new affordable housing. The flow of funds to private landlords in the form of buy to let mortgages has a major impact on the supply of properties in the private rented sector. We have been concerned about the potential impact on the flow of funds to the buy to let sector posed by the proposed European mortgage directive. The Directive on Credit Agreements Relating to Residential Property (to give it its official name) proposes that buy to let mortgages become subject to mortgage regulation under the same regime as residential owner-occupied mortgages and while we can see the merit in this proposal for some EU states, it is not appropriate for the UK where a mature market already exists. It is still unclear whether buy to let mortgages will be captured within the scope of this directive and so we should remain mindful that much of the supply to the private rented sector is provided by private landlords who could be adversely affected by this type of regulation.

10. On length of leases, we believe that there should be alternative mainstream options to the Assured Shorthold Tenancy Agreement (AST) to provide tenants with security of tenure and landlords with security of income. Rights, including the right to remain for a longer period in the property, must be balanced with responsibilities, including keeping up-to-date with rental payments and keeping the property in good condition. We see interesting models on the continent where the longer a tenant is resident in a property, the longer the notice period either side must provide if they wish to terminate the agreement. We strongly support the proposal for an information leaflet for tenants setting out their rights and responsibilities.

11. Charges levied by letting agents and deposits when arranging a lease are clearly still areas of confusion and possible malpractice. Much of the problem stems from the lack of transparency surrounding the charges which may be levied when a tenant applies to rent a property. Many charges may be justifiable, but we would advocate clearer information for tenants on what may legally be charged and for what they should expect to pay. Statutory deposit schemes have gone some way to protect consumers from difficulties obtaining the return of a deposit and to raise standards in inventories, but such schemes must work for all tenants including those at the more vulnerable end of the market whose choice may be limited and who may feel they are not in a position to demand that their deposit is paid into a scheme.

12. We support the aim of professionalising those acting in the private rented sector and believe there is merit in examining this question of whether landlords and agents should be regulated. But it is essential to consider the impact this would have on cost to the letting agent, the landlord and the tenant and in turn whether it would make the sector less attractive to landlords and the subsequent effect that this may have on the housing market.

13. We do not necessarily agree with the statement that for “good landlords ... registration and accreditation should pose no problems” as the system proposed will certainly have an impact on all landlords – good and bad – through administrative requirements and additional costs imposed. Further thought must be given to what a fit and proper test for landlords will comprise, for example will it include a CRB check and if so, which convictions would preclude people from becoming a landlord and at what point do they become spent? What would happen to tenants currently residing in properties owned by landlords not judged to be fit and proper? Would landlords judged not fit and proper be allowed to pass responsibility on to a spouse for example, and get around the requirements this way? If there are joint owners of a rented property must both be subject to a fit and proper test and what would be the procedure if one party fails? Developing a policy on these issues, assessing cases, enforcing decisions and providing methods of appeals is likely to add a considerable layer of cost for landlords on top of paying for the fit and proper test itself.

14. We believe that the use of codes of conduct for landlords and agents may be a useful tool, but enforcement of the codes is likely to be costly. We strongly suggest that a full cost-benefit analysis should be undertaken on the impact of developing codes of conduct; enforcing them; undertaking disciplinary action against those who fail to meet them; and putting in place the required appeals procedures. We do not believe that the scheme will be “self-financing, with a modest fee for registration, and in time, for re-accreditation” given the required levels of administration to set up and run such a complex scheme.

15. With regards to the proposals to use the accreditation scheme to promote the Green Deal and other energy efficiency initiatives, we believe that it is important to tackle the energy efficiency of the private rented sector, particularly as we are likely to see those living in this tenure grow in the future. We do not believe that the Green Deal will be sufficient to make the necessary changes in the private rented sector and more must be done to tackle the issues of consent needed to make energy efficiency improvements in the private rented sector which currently pose barriers to take up the green deal for rented properties.

b) To prevent homelessness and end family homelessness by 2019

16. We are broadly supportive of the proposals to tackle homelessness, but believe that more should be done to prevent homelessness at its root cause rather than dealing with its effects.

17. The BSA's report; A Joined-Up Approach to Preventing Repossession² examined what can be done to help struggling mortgage borrowers remain in their homes. Admittedly, a small proportion of those who find themselves homeless do so because of having their home repossessed, but we believe that it is worth putting in place measures to reduce this number even further. The full report can be downloaded from the BSA website, but in summary, we believe that a safety net comprising four elements should be put in place to protect mortgage borrowers: lender forbearance; Government schemes; flexible tenure; and insurance.

18. The requirements for lender forbearance should apply more than just to mortgage lenders; consumers should be able to approach all creditors including second charge and unsecured loan companies, mobile phone providers and utility companies in the knowledge that they will be treated sympathetically and offered forbearance options.

19. Government funding for preventing repossession schemes should focus on Support for Mortgage Interest (SMI) and interest should be paid at the rate incurred by the borrower with a charge secured against the property so that Government can recover all or part of the funds spent when the borrower's situation improves, or the property is sold.

20. More should be done to investigate the feasibility of extending flexible tenure – where a consumer part owns, part rents their property – outside the social housing tenure. This would allow struggling homeowners to release equity from their homes when necessary and potentially pay a lower monthly sum than might otherwise be the case.

21. Insurance which pays out a sum of money to cover mortgage payments in the event that the bill payer is unable to do so has become associated with the payment protection insurance (PPI) mis-selling episode. Unfortunately, discourse surrounding PPI has distracted from the fact that an insurance product to help meet mortgage payments can be a valuable product for many consumers and would help prevent homelessness caused by repossessions. There is a part for Government to play in encouraging homeowners to consider what provisions they can make for the eventuality that they lose their source of income and to consider insurance as a part of these provisions.

c) To provide local authorities with a discretionary power to levy a higher rate of council tax on long-term empty properties

22. We are broadly supportive of providing local authorities with discretionary power to levy a higher rate of council tax on properties which have been empty for longer than one year teamed with the “houses to homes” programme to encourage owners to bring properties back into use. We note that the Welsh Government will consult further on possible exemptions to the policy and would urge these to include situations where an owner is attempting to sell a property but is unable to do so because, for example, of a depressed housing market.

d) A statutory duty on local authorities to provide sites for Gypsy and Traveller communities

23. We have no comments on these proposals.

e) Defining Community Land Trusts

24. We believe that there is a place for community land trusts to play in meeting housing need. Community land trusts can play a part in providing affordable home ownership and provide plots for those wishing to build their own home. We are supportive of the community land trust model particularly when combined with mutual home ownership.

f) Enabling a new co-operative housing tenure to aid developments

25. As per the response to e) above, we are supportive of co-operative housing and community land trusts. Enabling a new form of co-operative housing should include steps by the Welsh Government to raise awareness of the mutual housing model and its benefits. Consumer awareness of the advantages of community land trusts and co-operative housing models will play a key part in their success. We would urge the Welsh Government to involve lenders in the development on their thoughts on community land trusts and co-operative housing in order to ensure a realistic and workable model is reached.

g) Requiring local authorities to produce and regularly update Local Housing Market Assessments

26. We welcome better information on local housing markets, but have concerns about the resource implications which will be placed on local authorities. It may be more efficient to produce a centralised assessment of housing need with input from local authorities as necessary.

h) Tenancy reform to improve the way that the housing system works for housing organisations, landlords and tenants alike

27. We agree that tenancy law is too complex and not easily understood by tenants. Subject to more detailed proposals, we would welcome a simplified system which would remove some of the differences (and barriers) between the social and private rented sector coupled with clearer information for tenants on their rights and responsibilities.

i) Setting standards for local authority rents, service charges and quality of accommodation to support the Welsh Housing Quality Standard

28. We support the Welsh Government's intention to set and enforce standards, rent levels and service charges upon social rented properties.

j) A duty of co-operation on housing associations and possibly other organisations to improve further the joint working on housing matters that does exist in some areas

28. We believe that a duty of co-operation upon housing associations would be a useful step for improving joint working on housing matters. We would question the feasibility of imposing a duty of co-operation upon other external organisations, however encouraging better working between government and third sector organisations would be a positive first step.

Contact

29. This response has been prepared by the BSA in consultation with its members. The BSA looks forward to continuing to work with the Welsh Government and is keen to make a full and detailed contribution to any working groups and further consultations. Comments and queries in the first instance should be addressed to Colette Best, Policy Adviser (colette.best@bsa.org.uk). We would welcome an opportunity to discuss the proposals included in the document further with your office.

References

1: www.howmanyhomes.org

2: www.bsa.org.uk/docs/publications/helping_mortgage_borrowers.pdf