

PE1452/E

To:- Andrew Howlett Assistant Clerk to the Public Petitions Committee

RESPONSE FROM SCOTTISH FEDERATION OF HOUSING ASSOCIATIONS (SFHA)

CONSIDERATION OF PETITION [PE1452](#)

Introduction

The SFHA has been asked to respond to a specific question within the Petition, namely:-

- What is your view on what the petitions seeks and on the issues raised in the discussion, in particular the suggestion that consideration be given to rent regulation for the private sector?

In general, the objectives in the Petition probably align themselves in many ways to what those working in the third and public sectors would like to achieve in a perfect world, but we have to work with the resources, society and economic system that we currently have to create a fairer Scotland.

Detail in relation to the Question

The Scottish Federation of Housing Associations represents housing associations and co-operatives who work to house people in need in Scotland.

Our rents are based on rental policies scrutinised by the Scottish Housing Regulator, which are set at levels to assist those on low wages in greatest need.

With an estimated 335,000 applicants on local authority, housing association and housing co-operative waiting lists, there is a critical need for more affordable rented stock to be made available in Scotland. While the primary objective should be to build more socially rented homes to try and address the deficit between need and supply, the regulation of private rents may also help to reduce housing waiting lists, subject to the caveat below.

The introduction of various restrictions on Local Housing Allowance in the coalition government's package of welfare reforms also shines a light on the need to formally restrict any escalation of rents in the private sector.

The private rented sector is extremely fragmented, with the majority of private landlords owning one or two properties. This is likely to be even more prevalent with the entry of those who cannot sell houses who are now renting them out to ameliorate their financial situation and gain cash to pay for mortgages. As many of these mortgages have supported high prices, rents are correspondingly high and with the shortages of housing association homes and mortgages to buy, many people have no option but to rent in the private sector.

Rent regulation may well enable private rents to be more affordable, but it may also result in a reduction in available private rented stock. If individuals cannot cover their mortgage payments through renting houses to others and fall into arrears, this may result in higher levels of repossession and evictions of not only those renting but also of those who are probably renting themselves elsewhere but now see their income drop. It will certainly see a reduction in private rented stock and also increase the reluctance of private investors to advance funds for market level rented housing, as returns will decrease.

As ever, high level and laudable objectives may sometimes have unintended consequences, and the issue is who continues to pay for the reckless high level borrowing which fuelled house prices in the first place. Regulation of private rent levels restricts income to landlords, many of whom are individuals trying to pay for their own housing circumstances with knock on effects on their ability to pay.

Andy Young and Susan Torrance

SFHA

January 2013