Infosheet | Selling An Occupied Rental Property



Last week saw the resignation of the Minister for Homelessness, and MP for Bethnel Green and Stepney, Rushanara Ali, after it was reported that she'd used the Section 21 notice process to evict four tenants from an HMO she owned; and then subsequently re-let the property for around £700 a month more.

The headlines weren't good, and it's no surprise the Labour MP who is tasked with reducing homelessness received criticism for her actions.

However, there's a lot to unpack, and the facts surrounding the case will add to concerns from across the market about how strict the Renters' Rights Bill will be when it comes to a landlord who wants to sell a rental home.

In this infosheet, we examine the rules today, how they're changing under the Bill – and we shed some light on the MPs actions.

The Current Rules | What The MP Did

Under the law as it stands today, landlords can use a Section 21 notice to bring a tenancy to an end without giving a reason, provided they follow the correct procedure and give suitable notice. It's often the route taken where a property is going to be sold, because it gives certainty of vacant possession without having to prove a specific legal ground in court.

In the MP's case, her intention when issuing the Section 21 notice was to sell the property. That's perfectly lawful now, as it will be under the new Renters' Rights Bill, provided the ground is used genuinely.

However, the complication came later. The property didn't sell, and because of this, her letting agent advised re-letting.

Again, under the current legal framework, there's nothing to stop a landlord from doing that, even at a higher rent reflecting market conditions; the increase in rent of around £700 per month has raised eyebrows, but in strict legal terms, it was perfectly lawful.

However, the controversy for the MP was all about the optics. Under the Bill, this sequence of events would breach the new rules because re-letting after using the "intention to sell" ground will be prohibited for 12 months, and this was what made her position as a minister untenable.

RE-LETTING BAN - SIX MONTHS OR TWELVE?

Peers in the House of Lords narrowly voted to halve the re-letting ban, from 12 months to six months, for cases where a sale falls through; and because as many as 30% of sales fall through, this seems like a sensible amendment. However, it doesn't have government support, making it vulnerable when the Bill returns to the Commons; during the upcoming "ping-pong" phase in September, MPs are expected to reverse the amendment and reinstate the original 12-month ban.

Selling A Property Under The Bill



The Bill abolishes Section 21 notices and replaces it with strengthened Section 8 grounds. The aim is to stop a landlord issuing an eviction notice, under the guise of selling – but to then re-let the property at a higher rent. However, it creates a more complex landscape.

Conveyancing timelines are often unpredictable, so synchronising a notice with completion is unlikely to be straightforward. Serve notice too early and you risk a long void if the sale collapses. Serve it too late and not only could you add delays into a long and complicated chain, but you risk losing your buyer if the tenant refuses to leave.

THE 'INTENTION TO SELL' GROUND, EXPLAINED



The new ground will be mandatory, meaning courts must grant possession if it's proven. But there are important points to note:

- It can't be used in the first 12 months of the tenancy.
- Four months' notice is required.
- There's a 12-month ban on re-letting or re-marketing to let after using it.

The changes have been designed to stop landlords from evicting under a sales pretext, then re-letting for a higher rental amount.

Challenges Under The Bill

Sales can often take 12 or 16 weeks, longer in complex cases, and this means it's going to be impossible to align a four-month notice with completion. And if the tenant refuses to leave, then court delays can throw the whole chain off.

If a landlord serves notice too early, and a collapsed sale leaves an empty property, it can't be re-let for a year. Serving it too late means risking losing the buyer if the tenant doesn't leave on time.

And if tenants move out, but the sale falls through, the re-let ban still applies for the full 12 months.

This is what could happen:

1

TENANT LEAVES, SALE FAILS

The landlord is going to need to absorb the void period – including the mortgage, insurance and council tax, until the 12-month ban ends.

2

TENANT STAYS BEYOND NOTICE

You'll need a possession order to achieve vacant possession; contracts should have long-stop dates and contingencies.

3

SALE FALLS THROUGH MID-PROCESS

The ban on re-letting still applies, and there are no exemptions, even though it was entirely out of the landlord's control.



WHAT ARE YOUR LANDLORD'S CHOICES WHEN PLANNING TO SELL?

1

SELL WITH TENANT IN SITU

There is no possession risk, and the landlord can receive continuous income - but they may be limited to a smaller pool of buyers who want to buy as an investment.

2

VACANT POSSESSION VIA GROUND 1A

This gives the landlord a bigger pool of potential purchasers, but it comes with a risk of delay, and cashflow exposure if the sale collapses.

3

NEGOTIATED SURRENDER

This can be faster but still binds you to the re-let ban.



If your landlord, is planning to sell their property, it is important to communicate with your tenants

- Explain the process, timelines, and why you're serving notice.
- Be transparent about uncertainties.
- Coordinate viewings respectfully.

Preparing For The Changes

Under the Bill, there's no mechanism for an "open-ended" notice that can flex with the sale process. Using the sale ground means your landlord is committed to this for the next year. Informal discussions with tenants about a possible sale won't be a substitute for a formal notice, and changing to a re-let after serving notice would breach the rules. If a tenant stays in a property beyond the notice period, then the next step will be applying for a possession order. That delay can derail a sale unless the buyer is willing to wait, so sale contracts should include realistic long-stop dates and contingencies. Agents should prepare buyers for potential court delays from the outset.

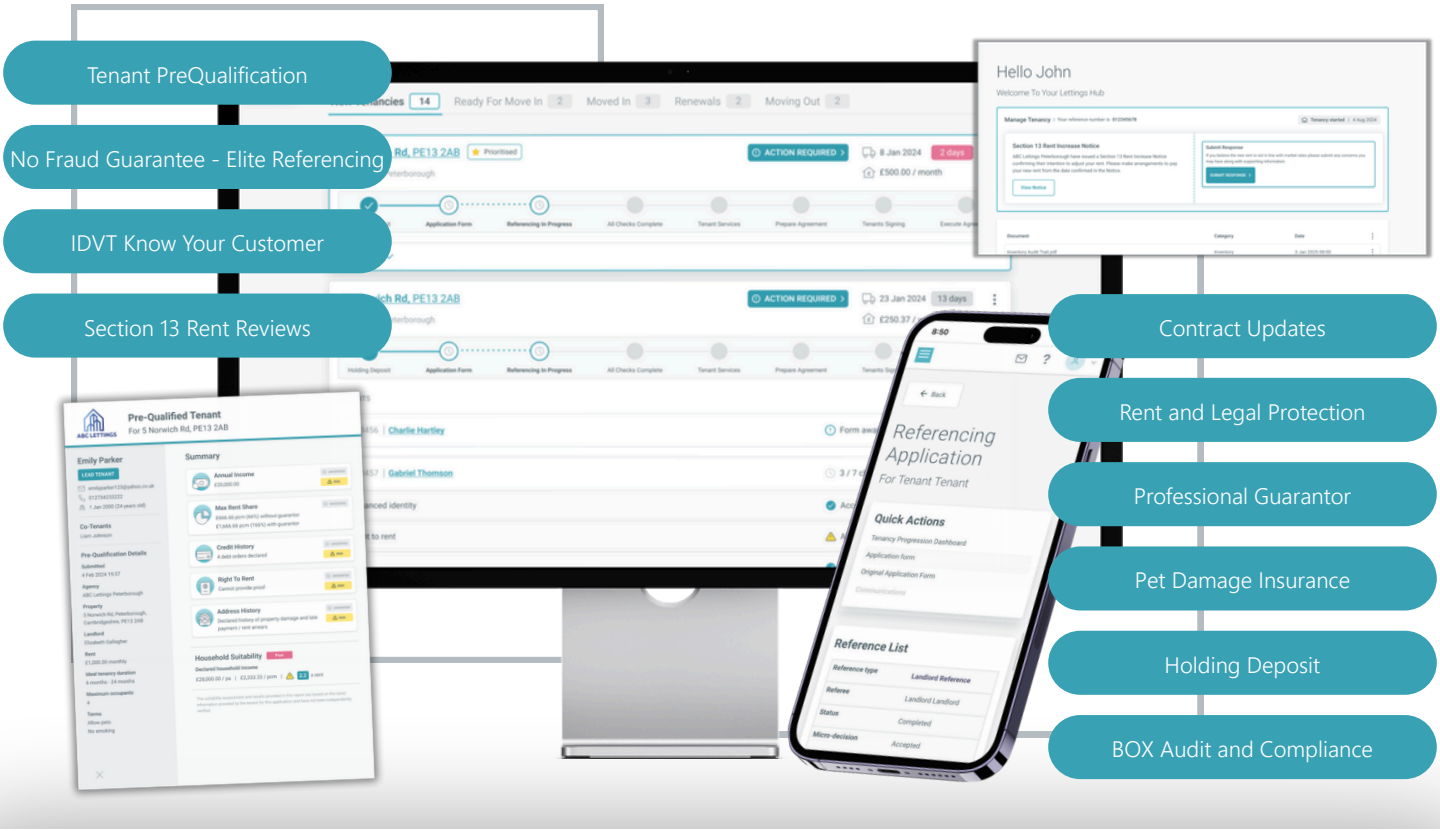
Evidence will be essential. Landlords should retain instructions to estate agents or solicitors, marketing materials, and sale progress correspondence, ensuring there are no conflicting "to let" adverts.

Ultimately, the decision comes down to whether to sell with the tenant in situ or to pursue vacant possession, fully aware of the associated risks and restrictions. Whichever route is chosen, communication with tenants should be clear, respectful, and accurate, with realistic expectations set from the start.

The case of Rushanara Ali MP has highlighted just how challenging this aspect of the Renters' Rights Bill could be when a landlord is ready to sell a property, but the sale may not be quite as straightforward as they'd hoped.

BOX

YOUR COMPLETE TENANCY MANAGEMENT PLATFORM



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At The Lettings Hub, we're always here to support you through the ever-changing lettings landscape. With the Renters' Rights Bill introducing new regulations, staying updated is crucial. That's why we offer a variety of resources to help you navigate these changes smoothly. From webinars and blogs to tailored guides, our platform is packed with expert insights.

Be sure to follow us on LinkedIn and bookmark our Renters' Rights Hub for the latest updates, tips, and advice.

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