Part 4 | Abolishing Fixed-Term Tenancies: What You Need To Know



The fourth issue of our 10-part guide to the Renters' Rights Bill looks at the abolition of fixed-term tenancies, which will result in moving all new tenancies to open-ended, periodic tenancies.

The rationale behind banning fixed terms is rooted in the Bill's core aims: offering tenants greater security, alongside increased flexibility.

The government believes that fixed-term ASTs which are most often used by default, lock tenants into commitments which make it more difficult for them to move mid-term. If a tenant has a change of plan – for example they want to move to a new city, or even country; or their circumstances change – such as a relationship breakdown or loss of a job, then they're stuck in a tenancy they may no longer be able to afford.

There are also concerns that if property conditions deteriorate and the landlord fails to take appropriate action, tenants can find themselves unable to leave without penalty.

1 | Under open-ended tenancies, tenants can leave (with two months' notice) at more appropriate times to suit them, rather than being bound to a contract that doesn't suit their changing circumstances.

2 | The broader shift also aligns with the abolition of Section 21, ensuring that all evictions must now rest on statutory grounds, and not when a fixed-term agreement expires.

However, the move has a lot of critics who say banning fixed-term contracts over-simplifies landlord–tenant dynamics and removes certainty for landlords.

Voices From Parliament

Lord Truscott moved Amendment 2, which would have allowed fixed-term tenancies of up to 12 months, before converting to periodic or renewing:



My amendment argues for fixed-term tenancies of up to 12 months; they could then revert to rolling, periodic tenancies - this would give tenants more security than the current Bill does, not less

Lord Truscott

However, the Government maintained its position: fixed-term tenancies must go to ensure that tenants can challenge eviction reasons at any time, rather than the ending of a fixed-term forcing their eviction.

The Rules And How Transition Will Work

1

NEW TENANCIES TO BE PERIODIC

After the Bill passes, new tenancies cannot be fixed term agreements; instead all new agreements will start out by default as assured periodic tenancies with rent payable monthly (or at an interval no longer than a month).

Tenants will have the right to give two months' notice to end the tenancy, and they can serve this notice any time.

In the original Conservative Government's Renter's Reform Bill, it was proposed that tenants needed to remain in the property for at least four months before notice could be served; however, this requirement was dropped when the Bill was replaced by Labour's Renters' Rights Bill.

2

EXISTING FIXED-TERM AGREEMENTS

Fixed-term contracts in place before the Bill becomes law will continue until the end of their term, at which point they'll automatically roll into a periodic tenancy; just as now, under section 5 of the Housing Act 1988.

From then, the new Renters' Rights framework applies, and no new fixed terms can be created.

The big change for tenants is that their notice period doubles to two months, from just one.



Why Student Lets Needed An Amendment



The sector most concerned by this particular element of the Bill, is student accommodation.

Student lets generally follow the academic calendar, with vacant possession expected in the summer to enable the property to be re-let to a new cohort of tenants. Without fixed terms, there's no built-in certainty that a student group will vacate the property when needed; a situation which would have made it impossible for landlords to market a property well in advance of the new academic year.



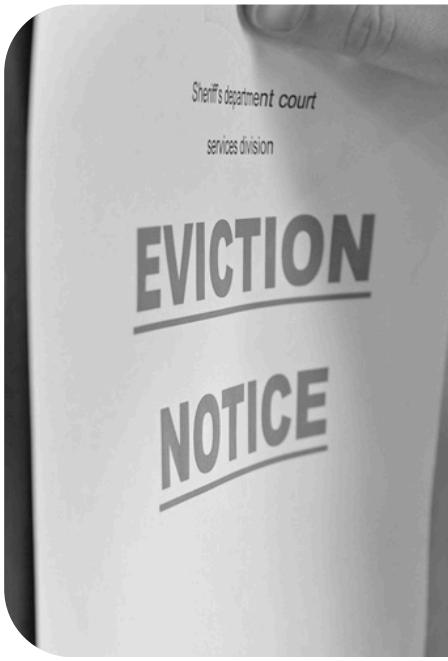
We welcome the Government's recognition that supporting the student rental cycle is important. However, the decision to exclude one- and two-bedroom student homes from Ground 4A will do the exact opposite - If landlords are not confident they can regain possession in time for the next academic year, many will stop letting to students altogether.

Ben Beadle | Chief Executive | The National Residential Landlords Association

NRLA

GROUND 4A

This new Section 8 Ground was introduced specifically to deal with the student lettings cycle. It gives landlords the right to regain possession of a property let to full-time students at the end of the academic year. Crucially, the ground allows landlords to serve notice so that vacant possession can be achieved in line with the usual summer turnover, ensuring the property can be marketed for the next students. The notice period is two months; and while it is a mandatory ground, landlords must provide evidence that the property has genuinely been used as a student let. Importantly, the notice must make it clear before the tenancy starts that Ground 4A may be relied upon to recover possession.



Landlords wanted clarity that ground 4A would operate effectively under the Bill, giving them the right to regain possession in a structured way. Without fixed-term tenancies, many believed the whole student rental market was at risk; therefore, many student landlords pushed hard for the Bill to recognise the realities of the sector rather than impose a blanket prohibition. However, there are still concerns about whether it will be suitable.

Practical Advice For Agents



1

CONSIDER PROFESSIONAL GUARANTORS

When fixed term tenancies end, anyone acting as a guarantor for a tenant will be entering into an open-ended agreement which they can't themselves break; this could expose parents or friends to an eye-watering liability if the tenant is unable to pay the rent and doesn't surrender the tenancy. Professional Guarantors allow tenants to pay a fee to a third-party company, which then acts as their guarantor. This is particularly useful for tenants without a UK based guarantor such as overseas students, as well as removing the risk of a personal liability. Meanwhile, the landlord still has the extra layer of security, backed by an organisation with verified means.

2

REVIEW YOUR PROCESSES

Change your agreements | You will no longer be able to offer fixed-term tenancies, and so new agreements will need to be drawn up.

Train your team | Front-line staff must be able to explain the new rules confidently to tenants and landlords. A short refresher session or quick-reference guide can prevent slip-ups that risk non-compliance.

Student let processes | It will be vital for you to provide the necessary documentation to student tenants before the tenancy starts; otherwise, Clause 4A can't be served.

As the new Bill moves ever closer, we would always recommend you:

- Select robust referencing and tenant screening to ensure you have as much information about each applicant as possible.
- Consider recommending a Professional Guarantor alternative if an otherwise great tenant can't prove their income.
- Introduce Rent and Legal Expenses to your landlords; it's the safest route to prevent the impact of open-ended tenancies, and stricter grounds to achieve vacant possession.

Look Out For Future Issues In Our 10-Part Special

Watch out for our full series of info sheets – comprehensive guides to the changes we can expect in the Bill, including:

- Preparing For The Removal Of Section 21 Notices.
- Section 8 Notices | Expanded Grounds And Notice Periods.
- Rent In Advance | When It Is, And Isn't Allowed.
- Abolishing Fixed Term Tenancies | What You Need To Know.
- Increasing Rents Using A Section 13 Notice.
- Pets In Lets | Creating (And Protecting) Pet Friendly Tenancies.
- Students Lets | Your Definitive Guide.
- Renters' Rights Bill | Where Are We Now? Back In The House Of Lords.
- Decent Homes Standards And Awaabs Law.
- Rent Repayment Orders And Penalties.



BOX FROM THE LETTINGS HUB

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.

