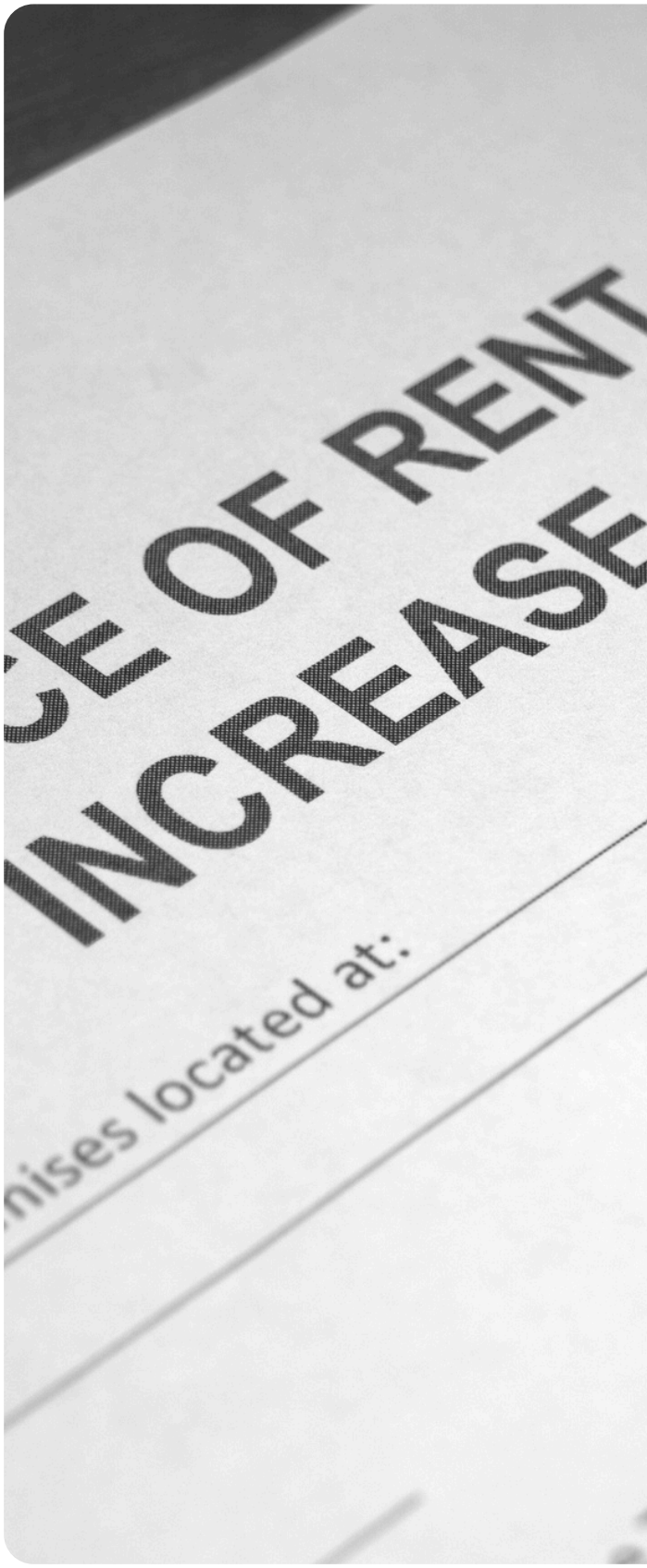
Part 5 | Increasing Rents Using A Section 13 Notice

In the fifth issue of our 10-part guide to the Renters' Rights Bill, we're looking at the new rules around increasing rents using the Section 13 process. Once the Bill becomes law, every rent increase in the private rented sector will have to follow one route: Section 13 of the Housing Act 1988.

This is one of the most significant operational shifts agents and landlords will face; it changes how rent increases are managed, challenged, and timed.

Here's what's changing, why it matters, and how you can help your clients navigate the new rules with confidence.



How Things Work Today

Under the current rules, landlords can raise rent in one of three ways:

1 | Using a rent review clause in a fixed-term tenancy.

2 | By mutually agreeing the new rent with the tenant.

3 | Or, by serving a Section 13 Notice of Increase in Rent (Form 4).

When a landlord uses the third option, tenants can challenge a Section 13 increase at the First-tier Tribunal if they believe the proposed rent is above market value; but currently the Tribunal can choose to set a rent which is greater than that proposed by the landlord, meaning there is an element of risk for tenants as well as landlords.

What The Renters' Rights Bill Changes



1

SECTION 13 BECOMES THE ONLY LEGAL ROUTE

All fixed-term tenancies will convert to periodic ones. From that point, landlords can no longer rely on built-in rent review clauses.

Every increase must be made through the statutory Section 13 process, ensuring consistency but removing flexibility for landlords and agents.

2

LONGER NOTICE AND STRICTER TIMING

Under the new processes the following key changes need to be adhered to:

- The notice to increase rent doubles from one month to two months.
- Rents can't be raised more than once every 12 months; and this is counted from the "effective date" of the last increase.

The effective date of the last increase may change each year, depending on whether the tenant challenges the increase through the First-tier Tribunal. If they do, then the 12-month clock re-sets.

- The rent increase must take effect from the start of a new rental period, rather than part way through the rental month. For example, if rent is usually paid on the 10th of the month, then the increase can't take effect from the 1st.

These changes are designed to give tenants more security and predictability about their future rental payments; but they are also set to demand tighter diary management and better system tracking for agents.

3

NEW RULES FOR TRIBUNAL CHALLENGES

Tenants will retain the right to appeal against a proposed increase to their rent, but with crucial new changes:

- The Tribunal can no longer set rent above the figure proposed by the landlord.
- The increase can't be back-dated as the bill stands currently; the new rent only applies from the date in the notice or the Tribunal's decision - whichever is later.

This means tenants effectively have nothing to lose by challenging. If they win, they save money. If they lose, they simply start paying the higher rent later.

The Big Concern | 'Nothing To Lose' Appeals



Under the new structure, every tenant could appeal every single proposed rent increase, because doing so:

- Delays the date the additional rent must be paid.
- Pushes back the 12-month clock before the next increase can occur.
- And in some cases, may mean the tenant never has to pay the higher rent at all if the Tribunal sets a lower figure.

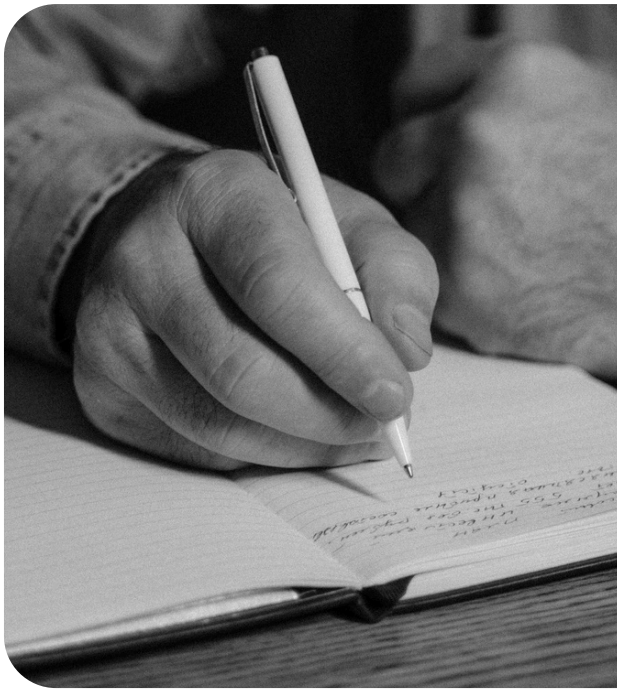
The market is understandably concerned that the Tribunal system will face a flood of appeals; and with the current delays and capacity within the courts, there is a very real concern that tenants will abuse the system - even when the rent is fair – simply to delay the date when the additional rent needs to be paid, and push back the date when future rent increases can take effect.

Giving evidence to the committee in 2024, Ben Beadle - Chief Executive of the NRLA said:



> *If every tenant is given the ability to challenge a rent increase at no cost, you'll have a very busy tribunal service very quickly. That doesn't help landlords or tenants.*
>
> **Ben Beadle**
>
> | Chief Executive | The National Residential Landlords Association

The Power To Fix A Future Problem



During the Lord's scrutiny of The Bill, the Government has recognised this risk and introduced a new clause – which has been accepted – which gives the Secretary of State power to make regulations to change the date from which a tenant must pay the new rent after a Tribunal challenge.

This means is that if the delays become unmanageable, ministers can change the "effective date" by secondary legislation, without passing a new Act.

It's an important option in case it's needed in the future; but it's not active. No regulations have been made - but the power does now exist if needed in the future.

Voices From Parliament

The prospect of tenants abusing the system was subject to much debate in Parliament, which lead to the potential future powers to change the effective date, if needed:



The tribunal's workload, even today, is unsustainable. We cannot simply assume it can absorb this new duty without significant investment and planning.

Baroness Pinnock

We are creating a 'nothing to lose' scenario for tenants to appeal rent rises. I can well imagine thousands of cases flooding the tribunal, not out of bad faith, but because it costs nothing to try.

Lord Jamieson





The tribunal system will come under huge pressure if every rent increase can be challenged with no consequence. The amendment is helpful, but I hope the Government are alive to the risk of delay and backlog.

Lord Best

Recognising that there is inherent uncertainty about the volume of rent increase challenges that will be brought when the new tenancy system comes into force, [the Lords] amendments introduce a new delegated power that will enable the backdating of rent increases following determinations by the tribunal of new rent amounts.

It is not the Government's intention to make use of this new power unless and until it is considered necessary to avoid lengthy delays for genuine cases to be heard.

Matthew Pennycook | Housing Minister



Practical Advice For Agents



1

AUDIT TENANCY AGREEMENTS

You need to identify any rent-review clauses now, so you can remove them once the Bill is live.

2

MAP ALL RENT INCREASE CYCLES

Create a process to ensure you can record each property's "effective date", to avoid breaching the 12-month rule.

3

REVIEW NOTICE PROCEDURES

Ensure the Form 4 templates are updated once rules are confirmed.

4

DOCUMENT MARKET EVIDENCE

You'll strengthen your position in case of challenge if you have published market evidence which backs-up the increasing rental prices in the area.

Looking Ahead

The Renters' Rights Bill aims to rebalance power in the rental market. But the Section 13 overhaul is one of its most technically challenging elements; and it is one that could create real administrative strain.

If Tribunal appeals become the norm, landlords will wait longer for rent changes, agents will juggle more uncertainty, and the Government may have to act swiftly through its new regulation power.

For now, the safest approach is to plan early. The more organised agencies are, the smoother this transition will be - even in a system where every tenant can challenge a rent increase with almost no risk.

Help From The Lettings Hub

When proposing rent increases under the Section 13 process, having quality data to support the raise could be vital. Our Quarterly Market Monitor gives you the market insight you need to justify a recommendation with evidence. Using it helps ensure proposed rents are in line with current market conditions and could be defended if they are scrutinised by a tenant or Tribunal.

Download the latest edition now and make sure you're signed up to receive future updates; it's the simplest way to stay market-ready, build landlord confidence, and demonstrate professional due diligence in every rent review.



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.

