Renters' Rights Act | Rent Controls

Rising rents can add real pressures onto tenants which is why the idea of rent controls often reappears in policy debates: they sound simple, and to some, they sound fair.

However, rent controls can create unintended consequences, and that can cause issues for the people they were designed to protect. That's why many people across the housing sector were relieved that rent caps weren't included in the Renters' Rights Act.

In this infosheet we explain what they are, and we take a look at Scotland, where in September 2022, the then First Minister Nicola Sturgeon introduced a freeze on rents to ease the cost of living crisis.

What Are Rent Controls

Rent controls limit how much rent can increase, usually either:

1 | Within a tenancy, and/or

2 | Between tenancies

The controls, or caps can be:

- A fixed percentage for example, a limit of a 3% rise each year
- Linked to inflation
- Area-based, where they're only applied in certain areas



Why Some Campaign For Rent Controls

The arguments for rent controls tend to be linked to:

- Rent price predictability | Tenants can budget, and don't fear sudden hikes
- Housing security | There could be fewer moves because tenants are less likely be priced out of their current homes
- Reducing rental price inflation | Particularly in competitive markets.
- Clarity | They're easy to explain and, at least in principle, can be easy to enforce.

Why Rent Caps Are Controversial

The core issue is that when demand outstrips the supply of available homes to rent, controlling the price doesn't remove the shortage - but it does change how the shortage shows up. Below are some common unintended consequences of restricting rent prices:

1

REDUCED SUPPLY OVER TIME

If landlords can't adjust prices to allow for rising costs, for example increased mortgage payments and the cost of keeping on top of maintenance, some landlords may choose to sell up. Alternatively, they may switch the property to other uses (for example, short-lets).

That will ultimately mean fewer homes available to rent, which would increase competition for what remains.

2

ENCOURAGE MAXIMUM RENT RISES

When rent caps are in place, landlords may respond by increasing rents as often as allowed, and pushing increases to the maximum allowed, to avoid falling behind market levels.

3

UP-FRONT PRICING AND TOUGHER TENANT SELECTION

If future rent increases are constrained, landlords may try to protect themselves by:

- Setting higher starting rents on new lets (subject to the rules),
- Becoming more selective about applicants, choosing only those tenants with stronger affordability.



These entirely natural responses can disadvantage:

- Lower-income households.
- Tenants without guarantors.
- The self-employed or those with variable income.

4

DETERIORATING PROPERTY STANDARDS

If a landlord's ability to impact their income is removed, even if costs are rising, then any decisions to make investments and upgrades can be delayed, and this can lead to a risk that property standards fall.

5

DISTORTED MARKET CONDITIONS

Rent controls can keep rents artificially low, and lead to situation where tenants may stay put because moving may mean losing a below-market rent; this reduces churn and makes it harder for other tenants to find to find homes.

Whilst these unintended scenarios aren't always a certain outcome to rent caps and controls, they are well-documented risks which have been seen in other constrained markets.



> ***Wherever rent controls are introduced the outcome is the same: constrained supply, a shortfall in investment and higher rents.***
>
> **Chris Norris**
> Director of Policy & Campaigns | National Residential Landlords Association

Scotland Case Study: What Happened, And What Changed?

Scotland's approach matters as a UK example of rent caps implemented at speed, and then wound down recently.

The Scottish government introduced temporary protections through the Cost of Living Act 2022, including a rent cap, and a restriction on evictions.

MILESTONES

- October 2022 | Emergency measures introduced
- April 2023 | The cap changed to 3%
- March 2024 | Part 1 of the Act expired

DELAYS & INCREASES

Scotland's experience found that the period after the cap eased, there were delayed increases and catch-up rent rises rather than permanently lower rents.

From 1 April 2024, Scotland stopped using a fixed rent cap and instead changed how rent increases were reviewed if a tenant formally challenged them. Landlords could still propose a rent increase, but if it was disputed, an independent adjudicator decided what was reasonable using set rules. The temporary rules ended on 31 March 2025, and the system then returned to normal.

Scotland's experience highlights an alternative to rent regulation; which is a similar model to that which has been adopted in the Renters' Rights Act, as opposed to rent caps.

Whilst short-term caps can offer breathing space, in a tight market pressure often reappears elsewhere – for example, the availability of properties or catch-up increases.



Voices From Parliament

In the Renters' Rights debates, there was much discussion about controlling rents through rent caps.



Where rent controls have been tried, they have failed. The Minister has previously raised in Committee the impact of rent controls in Scotland.

The SNP's failed experiment with unbalanced renters' reforms and rent controls in Scotland is a case worth dwelling on; there we have seen stifled supply and higher rents.

Lord Jamieson
Conservative



It seems to me a reasonable way of preventing excessive profits being made out of the private rented sector and exploiting people who are in desperate housing need.

Jeremy Corbyn
Independent MP



The Government does not support rent controls. We have considered rent regulation within the broader context of the private rented sector, and we do not believe that limiting rents in this way leads to positive outcomes. They can have a long-term negative impact on housing supply and discourage investment in the sector, leading to declining property standards.

Baroness Taylor of Stevenage
Labour

However, even without a cap being included in the Renters' Rights Act, rent affordability and rent setting are important. Agents will increasingly need to show that rent increases are:

- Evidence-based,
- Proportionate,
- Notified via the correct Section 13 process, and
- Aligned to current market conditions.



Preparing For Rent Rises Under The Renters' Rights Act

Therefore, although the Act isn't bringing rent controls, there will be strict rules about how and when your landlord will be able to increase rents. Here's how to ensure they comply:

EVIDENCE & PROCESS

- Make rent reviews evidence-led - and document it!
- Use clear local comparables
- Use the correct Section 13 process

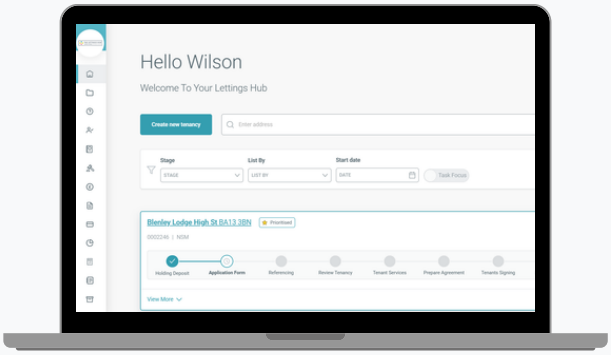
PRIORITISE AFFORDABILITY

- Be strict with affordability.
- Signpost support where you feel your tenants may be struggling, for example, suggest they know to make a benefits check if their income reduces.

REDUCE LANDLORD COST PRESSURE WHERE YOU CAN

- Encourage your landlords to undertake proactive maintenance of their property, as this can help to avoid big bills if something deteriorates due to neglect
- Suggest Rent and Legal Protection as a practical and valuable way of safeguarding their income.

BOX From THE LETTINGS HUB
Technology that powers lettings



BOX CLEVER

Through BOX, agents will be able handle the Section 13 rent increase processes, including preparing the Notice documentation, issuing it with the correct minimum notice periods, and ensure you stay compliant.

BOOK A DEMO!



Summary

Rent caps can appear popular because they promise fairness and stability, however they can shift the problem into supply, access and property quality.

Whilst Scotland's emergency cap demonstrated how quickly caps can be introduced when they were deemed necessary, they also proved there may be a need for transition arrangements if the market demands it.

BOX FROM THE LETTINGS HUB

the home for lettings

At The Lettings Hub, we're always here to support you through the ever-changing lettings landscape. With the Renters' Rights Act 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.

