

# How mortgage lenders could use a National Landlord Register to raise standards in the PRS



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## A BRIEFING NOTE FOR MPs FROM LBG

As the largest mortgage lender to both buy-to-let landlords and first-time buyers, Lloyds Banking Group is committed to raising standards in the private rented sector (PRS) alongside widening access to home ownership. To this end we collaborated with Social Finance to undertake research into how mortgage lenders can improve the PRS. Our report '**How can lenders improve the private rented sector?**' can be found [here](#).

The report concludes that a National Landlord Register in England, that learns from experience in Scotland, Wales and Northern Ireland, will have a significant impact on housing quality and condition for tenants. The report emphasises that there is a golden opportunity to design the register in such a way so that mortgage providers can use it to inform lending decisions, influence landlord behaviour and help reduce the burden of the enforcement. Given that almost 60pc of buy-to-let landlords purchase their properties through mortgage finance, it is our view that lenders can be an important partner in reforming the PRS.



### Lloyds Banking Group calls for

**A National Landlord Register and Record of Property Standards in England designed to facilitate action by lenders to help enforce standards and protect tenants in the PRS.**

## Background

The *Levelling Up the United Kingdom* White Paper has recognised the critical role of housing in delivering economic productivity growth across the country. It also highlights how important housing quality is to our sense of well-being and the relationship to neighbourhood and community. Yet it is in the PRS, which has doubled in size since the early 2000s, where the proportion of homes that fail to meet the Decent Homes Standard is the highest according to the National Audit Office. Alongside the political priority of 'turning Generation Rent into Generation Buy', the Government has recognised that the condition of some properties in the PRS has not kept pace with the expansion of the tenure over the past twenty years and is in need of reform.

The pledge to explore the introduction of a National Landlord Register made in the *Levelling Up* White Paper has been built upon in the commitment made in the 2022 Queen's Speech to bring forward a Renters Reform Bill this parliament. Among the Bill's main elements will be a 'new Property Portal to help landlords understand their obligations, give tenants performance information to hold their landlord to account as well as aiding local authorities'. Subsequently the *Fairer Private Rented Sector* White Paper has proposed that landlords will be legally required to register their property on this single 'front door', which will not only help them to understand and demonstrate regulatory compliance

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but also to attract prospective tenants by acting as a trusted 'one-stop-shop' for guidance on renting in the PRS. This would suggest that although the language used by the Government to describe the solution has evolved, it still has the capacity to accommodate both a system of landlord registration and a record of property standards. The conclusions reached in our research are consistent with this direction of travel - that **“a landlord register for England is the single most significant intervention the government could make in the PRS currently.”** Designing it well could address both the quality of the sector as well as the fragmentation and complexity of current regulation.

## The case for a National Landlord Register and Record of Property Standards in England

Scotland, Wales and Northern Ireland have used their devolved powers to implement compulsory national registration schemes which have helped to create a more consistent regulatory landscape for landlords. In England, while the Department for Levelling Up, Housing and Communities (DLUHC) sets the overall policy and regulatory framework, local authorities are responsible for regulating the sector and ensuring landlords comply with legal obligations. This has contributed to a situation where at present, both central government and local authorities have limited information on the PRS in England. According to the Centre for Public Data, less than 8pc of the PRS in England is currently covered by any licensing scheme, which contrasts with the estimated 21pc of PRS properties that fail to meet the Decent Homes Standard.

Local authorities choose how they regulate based on local priorities and determine when and how they examine properties or landlords. These locally led schemes vary dramatically in effectiveness and enforcement. There are few signs that the existing range of complex requirements that a minority of landlords must meet to let property are working to improve quality, which has inhibited the development of informed policy interventions. Inaccessible and incomplete landlord and property data has also meant that service providers, such as mortgage lenders, have been unable to rely on the robustness of current schemes as a means of better understanding their customers.

Analysis conducted by the campaign group Generation Rent shows that those English councils that do require rental properties to be registered under local licensing schemes are more than twice as effective at removing the most serious hazards as authorities without any form of registration. A National Landlord Register in England would help local authorities to build a clearer understanding of the PRS in their area, with central administration of the scheme allowing them to focus on local enforcement instead.

## The role of mortgage lenders in the PRS

Financial institutions have helped facilitate the expansion of the PRS over the past twenty years by offering affordable mortgages to buy-to-let customers, with almost 60pc of landlords currently having funded their property purchases through mortgage finance. Lenders have several touch points with these landlords, such as during the initial mortgage application; mortgage refinancing at the end of a two-, three- or five-year fixed term; and through mortgage account statements. Although most of the buy-to-let mortgage market is intermediated by mortgage brokers, who must be engaged as part of any lender recourse of action, our research concludes there is scope for lenders to play a more active role in supporting quality improvement in the PRS.

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Lenders share the Government's desire to rid the PRS of criminal landlords and can act as a first line of defence by denying them access to mortgage finance. It is therefore essential that a National Landlord Register in England is integrated with data relating to convictions which is accurate enough for lenders to be able to decline mortgage applications with confidence. At present, the existing Database of Rogue Landlords and Property Agents is not accessible to lenders or the general public and can only be accessed by local authorities. Despite the Government estimating that there are as many as 10,500 rogue landlords, as of April 2021 only 43 names had been added to the register by 26 out of 308 local authorities. The Fairer Private Rented Sector White Paper states that the Government intends for some of the functionality of this database to be incorporated into the new Property Portal, and that the threshold for civil penalty entry onto the Database will be lowered to include all civil penalties, in addition to Banning Orders. The additional pledge to mandate entry of all eligible offences on the Database and making offence data publicly viewable would suggest that its current effectiveness is under review.

## The opportunity for mortgage lenders to become partners in raising standards

There are a wide range of potential stakeholders that a National Landlord Register in England could be made accessible to, with charities, consumer groups, professional and tenant representative bodies having long campaigned for its introduction. However, our qualitative research highlights that these organisations as well as central and the devolved governments have not grasped the potential role that mortgage providers could play in using a register to inform lending decisions, in addition to leveraging their frequent touchpoints with landlords to influence behaviour. Analysis of patterns of landlord compliance with legislation conducted by DLUHC reveals that there is a dependence on buy-to-let mortgages across the full spectrum of landlords, from those "demonstrating good practice" through to those with "lower compliance and awareness". However, this feature of the analysis was omitted from the Fairer Private Rented Sector White Paper. The White Paper also suggests that the users of the Property Portal would be tenants, landlords and local councils, rather than mortgage lenders.

A National Property Portal would enable lenders to act if it had the following features:

- **The uncoupling of landlord registration from a record of property standards** as this would facilitate lenders to require landlord registration for lending (as at this point a landlord may not already own a buy-to-let property).
- **A mandatory 'fit and proper' person test would allow lenders to limit access to finance to criminal landlords.** This would identify the worst landlords on the register and empower tenants, local authorities and lenders to act.
- **Help rationalise the regulatory regime for landlords** by replacing the complexity of local licensing schemes with a simplified and centrally held checklist of obligations, and a direct channel of communication for the Government to convey updates and guidance.
- **Improve the behaviour of negligent landlords through mandatory training and property checks.** This would increase the confidence of lenders in the maintenance of their assets and better the experience of renters.

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- **Act as a shop window to promote good landlord behaviour**, with the potential for lenders to provide incentives through more favourable products to landlords with additional training and accreditation.

## What happens next?

It is encouraging that the Fairer Private Rented Sector White Paper and forthcoming Renter Reform Bill has committed the Government to introducing a new Property Portal, and that extensive testing of potential solutions will be conducted to ensure it is 'future proofed' to support future policy developments. The White Paper also suggests that the level of data access will be subject to consultation with the Information Commissioner's Office.

Although we expect proposals for the Property Portal to feature in the forthcoming Renter Reform Bill, the case for allowing mortgage lenders to access this solution as users needs to be made to DLUHC as the design of the intervention is developed. By the time that legislation is introduced this parliamentary session, we hope parliamentarians will support giving mortgage lenders a role in using the Property Portal to raise standards in the PRS.

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