



**SAL**  
SCOTTISH  
ASSOCIATION  
OF LANDLORDS

**Response to Call for Evidence**

**Response to the Scottish Government's Call for  
Evidence on the Cost of Living (Tenant Protection)  
(Scotland) Act 2022**

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The Scottish Association of Landlords (SAL) is the largest and only dedicated national organisation that represents landlords and letting agents throughout Scotland. We support and represent our members' interests through providing resources and assistance as well as delivering lobbying and campaigning work.

SAL welcomes the opportunity to respond to the Scottish Government's call for evidence on the Cost of Living (Tenant Protection) (Scotland) Act 2022. We have huge concerns about unintended consequences of the legislation which we have set out below.

### Have the temporary measures had a direct effect on your planning and/or business models?

Many landlords have advised us that they have brought forward plans to exit the sector because of this legislation. Others who were unsure of their plans have now decided to exit the sector. The primary reasons given for this are:

- (i) Impact of inability to raise rents - many landlords have business models which are no longer financially viable because of the combination of a rent freeze coinciding with the first significant increases in interest rates for many years meaning their investment is no longer financially viable. Many tell us that the 3% uplift which can be achieved through an application to the rent officer is not sufficient to cover their additional borrowing costs, leaving them with no choice but to evict their tenants and sell their property.
- (ii) The regulations have led to a shift in landlords' perception of the risk of their investment in the sector. In particular uncertainty about future policy direction and concerns about their future ability to ensure their investment is financially viable and to be able to end a tenancy in a timely manner should the need arise.

The government has failed to recognise in this legislation the huge variation in landlords' approaches to rent setting. The blanket approach to freezing rents treats those who have deliberately kept rents low or even reduced rents to help their tenants in the same way as it treats those who have regularly or significantly increased rents to keep them at market value. A SAL member survey conducted in November 2022 revealed that 54% of respondents' tenants are paying rent below market value, 37% of respondents never increased their tenants' rent mid tenancy (just 8% did it annually) and 60% of respondents have discounted the rent to help tenants in financial difficulty.

The legislation also fails to recognise the varying financial circumstances of landlords and tenants. It assumes that landlords are better able to weather the Cost of Living crisis than tenants, despite a financial memorandum that indicates around 60% of private rented sector (PRS) households are not financially vulnerable. A CaCHE report on [The Pandemic Rent Arrears Crisis](#) found that landlords are a very heterogeneous group and over one fifth (23%) of landlords overall report that their PRS income is 'critical' as it is their 'primary income'. Like many home owners, significant numbers of landlords have seen big increases in mortgage interest repayments. Due to restrictions in the legislation on how much of this extra cost burden can be passed on to tenants some have been forced to make the decision to sell the property – it is likely that in some of these cases the tenants would have preferred to pay a higher rent than be evicted from their home, but the legislation removes the ability for landlords in this situation to negotiate any form of increase with their tenants.

Particularly hard hit by the rent freeze have been those landlords who provide accommodation on a "bills included" basis. Most had not increased rent to cover the increase in utility prices in April 2022 and are now unable to do so to cover this or further increases in utility bills in October 2022. Tenants have no incentive to limit their consumption and the 3% uplift which can be achieved through an

application to the rent officer is clearly not sufficient to cover what is in most cases is an increase of more than 50% in such bills compared to what was being paid this time last year.

Through the rent freeze legislation the Scottish Government is failing to recognise landlords as businesses. Other businesses are allowed to increase their charges to reflect increases in operating costs but landlords are being prevented from doing so. The impact of this restriction is that tenants lose their homes because landlords are left with no other means to ensure the financial viability of their business.

The impact of the eviction moratorium on individual evictions hasn't really been felt yet as most cases going through tribunal at present are exempt (because the tribunal application was made prior to 28 October). Due to the length of time an eviction takes it probably won't be until February 2023 that landlords whose tenants would ordinarily be evicted at that time face a delay in being able to enforce the eviction. However, uncertainty about when tenants will be evicted is weighing heavily on the minds of landlords who are trying to evict problem tenants or who urgently require their property back for other reasons.

### What has been the impact of these temporary measures on your perception of risk associated with involvement in the rental sector in Scotland?

It is of huge concern to landlords that the Scottish Government saw fit to introduce such damaging policies without any prior consultation with landlord and tenant stakeholder groups.

Adding to the concern and risk is the huge uncertainty about how long this legislation will be in place for and what will replace it. This uncertainty prevents landlords from being able to properly plan for the future, invest in their properties and mitigate against risk. The Scottish Government seems to be more amenable to recognising that social housing providers need certainly in order to plan investment but private sector landlords need this certainty too.

There is a feeling amongst landlords that the government has very little regard for housing providers in the private rented sector which raises significant concerns about future policy direction and its possible impact on the viability of investments. Landlords now perceive an ever greater risk to their business models from a government which is prepared to change the legislative framework governing the sector so radically without any prior notice.

### Do you have evidence of behavioural changes as a direct result of the temporary measures coming into force?

The biggest change as previously mentioned has been in triggering landlords to choose to exit the sector. This is an escalation of a pattern which was already emerging and multiple surveys conducted prior to the 6 September 2022 announcements indicated that around a third of landlords were planning to sell all their properties or decrease their holdings.

A CaCHE report on [Understanding Landlord Behaviour in the PRS](#) revealed from surveys and interviews conducted prior to the Cost of Living legislation being announced, that 15% of respondents stated that they were planning on selling all their properties and a further 16% were planning to decrease their holdings. A [SAL member survey](#) conducted in February 2022 found that 34% of respondents were planning to reduce the size of their PRS property portfolio over the next 10 years. A nearly identical question in a SAL member survey carried out in November 2022 shows that 44% of respondents are now intending to reduce the size of their PRS property portfolio within the next 5 years. 87% of respondents who are planning to withdraw state that the Cost of Living legislation is a factor in their decision or the sole reason (it is the sole reason for 26% of respondents). Extrapolating the data from the survey indicates that as many as 10% of tenants in

Scotland will be evicted over the next 5 years due in whole or in part to the Cost of Living legislation. The survey responses indicate that the Cost of Living legislation will be the sole reason for landlords deciding to exit the sector in approximately 3% of evictions.

In rural areas in particular some landlords are choosing to mothball properties due to concerns about their ability to evict a tenant should they need to do so and uncertainty about future policy direction.

There is a huge concern about the impact this withdrawal of properties from the market will have on availability and choice for those looking for home in the PRS. The shortage of properties in the sector has been well publicised over the last 18 months and is likely to be significantly exacerbated as a result of this legislation. Due to a shortage of available stock SAL members often report that they are so overwhelmed by the volume of enquiries when they market a property that they have to withdraw the advert within an hour of it going live.

**Is there any other evidence (qualitative or quantitative) you can provide at this stage about the impact of the temporary measures to date?**

The data from our November 2022 member survey referred to in our responses to the preceding questions is the only evidence we have available currently. A further member survey is planned for December to explore impacts related to landlords' finances and we will be able to share the findings of this survey with the government in early January 2023.

An annexe is attached setting out details of some of the SAL member feedback we have received on the legislation.

### Annexe of comments from SAL members

My tenant is paying a low rent which we have not increased for 5 years. So should we not be allowed to increase rent to the market average? Costs are going up for landlords too!! I'll be evicting when the ban is lifted as this is the second time in as many years.

The demand for rental accommodation is far outstripping supply as more and more landlords sell up and leave the market. The result is there is virtually no choice for tenants seeking accommodation in the private sector and this has inevitably driven up rents as so many tenants apply for fewer and fewer properties, often being forced into accepting flats that are not suitable for their needs as there is nowhere else available.

Renting homes to people is now seen as a pariah profession, with landlords perceived as the worst sort of people in the service industries and fair game for any kind of criticism or sanction. I personally feel caught out as my rents have fallen substantially over the past two years to help tenants, due to covid and the financial crisis. As a long-standing supporter of an intelligently led independent Scotland I am absolutely gutted that the SNP government has sprung this short-sighted attack on landlords. It will backfire enormously in the long run and cause more landlords to invest elsewhere resulting in more misery for tenants.

I hear heart breaking stories every time that I have let one my properties with families in emergency accommodation or having to live in shared accommodation due to the shortage of rental properties. In September of last year I had over 50 families contact my advert within 24 hours, most with desperate stories.

Because of ongoing increases in mortgage interest rates, I am now losing £2,000 per year and this is just not sustainable. The rents on my properties have been unchanged for six years and, even with this planned (now illegal) increase, are still below average.

The effect of this legislation is to transfer the hardship from my tenants to me.

I am not wealthy and the cost-of-living crisis is real for me too. I now need to find £2,000 per year in extra interest payments and I don't think I can do this because my fuel and food bills are also rising. It looks like my only option will be to sell one of the flats which will mean asking the tenants to leave.

I feel that this is a rushed policy, without proper consultation and I would like to know whether there is any provision which can help to avert my tenants being made homeless after six years.

We recently agreed a rent increase, with 3 months' notice, from £540 to £560 per month from 1 November 2022.

This increase is in response to my current buy-to-let mortgage fixed rate ending in November, with payments increasing by £30 a month. A rent increase is necessary for me to break-even after tax deductions. An increase of £20 per month (3.7%) felt fair to my tenant given the current context; although this doesn't cover the full increase to my mortgage payments, it does mitigate my increased costs.

I have my own cost-of-living crisis: I am an NHS worker awaiting a pay deal/imminent strike, our son has recently started childcare (significant expenditure that has already increased), and we have our own soaring energy bills.

Freezing rent now will force me to consider selling the property. My tenant would lose an affordable home.

I currently own 5 flats and I had already been wondering what to do going forward as Sturgeon et al have appeared for some time determined to make life impossible for Landlords. A tenant moved out in mid-August and I decided the recent measures are the 'last straw' so I have put the flat on the market rather than seeking a new tenant.

For the meantime I will take no action on the remaining 4 (unless a tenant leaves) but when (or if) the present restrictions end I will seriously be considering selling up as I don't believe there is likely to be a reasonable future for the private rented sector in Scotland if the present Holyrood regime continues its somewhat idiotic manner of regulation.

We provide comfortable homes at reasonable rents and nurture good, responsible, business relationships with our tenants. We are sympathetic to our tenants' circumstances and respond accordingly.

What you need to bear in mind is that we have hundreds of thousands of pounds of our own, hard earned, money, invested in our properties. We take huge risks when we allow total strangers to live in our properties and take over custody of them. Our safeguards against rogue tenants have been eroded and watered down again and again. More and more regulation (some of which is costly) squeezes our time, energy and budgets. Our tenants do not necessarily aspire to own their own homes, whether or not they could afford to. The social housing sector is woefully underprovisioned to meet the surging demand and there is a reliance on the private rented sector to go some way towards plugging this gap.

It is looking increasingly unattractive to continue as private landlords and we are seriously considering our options as and when our tenants decide to move on. Weighing against this is the punitive capital gains tax regime; a final poke in the eye for those of us trying to augment our meagre state pensions by providing homes for those in need. Upgrading our portfolio is out of the question as exit/entry costs of trading up are prohibitive.

I have a mortgage interest that is costing over £1400 pcm, the rental I currently achieve is £1000 pcm, there is also a factoring fee and maintenance costs while the property is let. I will then be taxed 40% on the income, which means I will have to find ~£800 each month to cover the mortgage shortfall and pay the tax, and any maintenance costs are in addition to this. The property value has fallen by £100,000.00 from what it once was, and this is the reason the mortgage is now on the lenders SVR. I can only get a new mortgage product with a better rate if I were to have a smaller debt. However, I am unable to save any funds to reduce the debt.

I am a portfolio Landlord and have been in the PRS since 2003, I set out to provide a good standard of accommodation for tenants. However, as a result of these tax changes, Landlords like myself are now finding it a financial struggle to continue to provide good accommodation.

This is going to make ourselves and probably many other landlords consider selling properties as it is just not worth the hassle.

My wife ran a small business and had no pension so we became landlords in a small way as an investment. This is just to let you know that we have today sent a Notice To Leave to our tenant in a flat in Edinburgh. Given the rise in mortgage rates and the Scottish Government rules around

rent increases it is now costing us £178 a month just in rent deficit. Never mind the increased costs involved with repairs, maintenance etc. We have no choice but to sell it as soon as the notice period is up.

I am sure there will be others like me, and that this will have a profound and detrimental effect on the rented housing sector, so I thought I would let you know.