

**Merton Council - Consultation on proposals to implement a Selective Licensing Scheme, an Additional Licensing Scheme and an Article 4 Direction - response from Propertymark**  
**December 2022**

**Background**

1. Propertymark is the UK's leading professional body of property agents, with over 17,000 members. We are member-led with a Board which is made up of practicing agents and we work closely with our members to set professional standards through regulation, accredited and recognised qualifications, an industry leading training programme and mandatory Continuing Professional Development.

**Overview**

2. Merton Council are consulting on a proposal to implement a selective licensing scheme for all Private Rented Sector (PRS) accommodation other than Houses of Multiple Occupation (HMOs) in four dedicated wards They are also consulting on a proposal to implement an additional licensing scheme as an extension of their mandatory licensing scheme for all HMOs. Additionally, they are proposing to introduce further planning controls (an 'Article 4 Direction') for small HMOs in the same seven wards meaning that planning permission will be required for all HMOs within those wards, regardless of their size.
3. Thank you for the opportunity to respond to the consultation on the licensing proposals for seven wards within Merton Council. Propertymark is supportive of efforts made by local authorities to improve housing stock within the PRS. However, we do not believe that licensing is the best method to achieve this aim. Accordingly, we object to your proposal.
4. Propertymark would prefer a regulatory framework, which seeks to educate landlords in improving their stock rather than punitive measures that are difficult to enforce and only punish compliant landlords allowing those that require improvements to go undetected. We oppose this proposal on several grounds which are headed below.

**Licensing structure**

5. **Fees** – We welcome Merton Council's consideration of an 'early bird' discount and discounts awarded to accredited members including Propertymark (formally the Association of Residential Letting Agents – ARLA) members. We also welcome consideration of discounts for licenses for more than one dwelling, for example in a block of flats. Although in many cases the proposed charges are favourable compared to other selective license schemes including £650 in Newcastle<sup>1</sup>, £640 in Brent in London<sup>2</sup> and £550 in Liverpool.<sup>3</sup> The cost of an additional licence is high from £954 (if all discounts are applied.) We are concerned these charges will

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<sup>1</sup> [Fees and Charges.pdf \(newcastle.gov.uk\)](#)

<sup>2</sup> [Project • Consultation on Selective Licensing of Private ... \(brent.gov.uk\)](#)

<sup>3</sup> [Fees, discounts and exemptions - Liverpool City Council](#)

come at a time when landlords are affected by the cost-of-living crisis and the impact fees could have on the ability of landlords to improve standards.

6. **Impact on supply of homes** - Exiting the market is especially a concern for smaller landlords who are more likely to sell their properties and further shrink the supply in the PRS, leaving remaining private tenants with higher rents. Our research on the shrinkage of the PRS<sup>4</sup> found 53% of buy to let properties sold in March 2022 left the PRS and that there were 49% less PRS properties to let in March 2022 compared with 2019. In addition to these concerns, those landlords who remain in the market often have less money to improve conditions from increased costs. Legislation such as Article 4 Directions and Additional Licensing Schemes impact smaller landlords disproportionately as they affect smaller tenancies characteristically owned by smaller landlords.
7. **Unintended Consequences** – We are pleased to see that Merton Council acknowledge that the PRS is an important and increasingly growing tenure that is home to many people living within Merton. Renting in parts of London, including Merton, can be very expensive. The median monthly rent for London is £1,750 compared to £1,962 in Merton<sup>5</sup>. Some renters living within Merton will require cheaper accommodation due to being on a low income and the continued challenges in the cost-of-living crisis. HMOs or shared living is likely to be seen as one of the few viable options for their housing needs. We are concerned that the with prospect of an Article 4 Direction or Additional Licensing Scheme for smaller HMOs may reduce the supply of smaller HMOs and many people seeking affordable housing may have to live outside the Borough altogether, seek new employment and lose social connections. The demand of affordable housing in Merton well exceeds supply with around 14% of Merton’s housing tenure being social housing compared to 22% on average in London.<sup>6</sup>
8. **HMOs are desirable for some groups** – Some groups of people and sections of a community actively look for HMO properties as a choice of preference. These include not just low-income families, but students and contract workers on short-term project work. And people who desire communal living. The only way they are going to find such properties is via a private landlord. This consultation response has already explored the possible impact proposals could have on supply, but an Article 4 Direction or an Additional Licensing Scheme could adversely impact the local economy, employers or sectors such as universities.
9. **Property condition** – Large parts of Merton are characterised as including large amounts of terraced housing. 44% of Merton’s housing stock is terraced housing compared to 26% in London and 26.7% in England.<sup>7</sup> Areas that have these characteristics are often inner-city communities with large section of pre-1919 built housing. Accordingly, a significant amount of investment is required to improve the condition of stock including the energy efficiency of properties.

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<sup>4</sup> [A shrinking private rented sector | Propertymark](#)

<sup>5</sup> <https://www.london.gov.uk/programmes-strategies/housing-and-land/improving-private-rented-sector/london-rents-map>

<sup>6</sup> [Microsoft Word - Housing Strategy 2012-2015 for Publication.doc \(merton.gov.uk\)](#)

<sup>7</sup> Valuation Office Agency

10. **Rent increases** – We have already explored that renting in Merton is expensive. As is the general law of supply and demand, if the supply of smaller and HMO property reduces, the cost of rent for the remaining properties is likely to rise. With already high rental prices within the area, there is a very real danger that many low-income families will be priced out of living in the area.
11. **Engagement with landlords and letting agents** - For most cases of substandard accommodation, it is often down to landlord's lack of understanding rather than any intent to provide poor standards. Judging from the evidence provided, Merton Council have made several efforts to positively engage with landlords in the local area.
12. To strengthen this engagement, we would be very happy to support the council in engaging with our members and local property agents. A licensing scheme is a very reactive mechanism, and it is far more beneficial to have a programme of education to engage with landlords on helping them improve before a situation gets worse. We would welcome clarity on what training opportunities the council will provide to landlords and agents to help them understand their responsibilities and improve standards. We recognise the council have made strong efforts in this in the past with engagement via the council's Landlord Forum and an accreditation scheme for local landlords. However, engagement is more credible over a longer more embedded period. Propertymark has a network of Regional Executives and a series of Regional Conferences that take place throughout the year.<sup>8</sup> We would be very happy to work with the council to engage with local agents over a virtual roundtable discussion on how standards can be improved.

### **Tackling Anti-Social Behaviour (ASB)**

13. The council has also identified reducing levels of anti-social behaviour and support for landlords dealing with anti-social tenants. Landlords are not the best equipped to deal with anti-social behaviour and certainly do not have the skills or capacity to deal with some tenants' problems such as mental health or drug and alcohol misuse. As one example, if a landlord or their agent had a tenant that was causing anti-social behaviour, the only tool that the landlord or agent could use would be to seek possession from the tenant under a Section 8 notice. While this would remedy the problem in the short-term, the tenant is likely to still occupy this behaviour and all that has been achieved is that the anti-social behaviour has moved from one part of Merton to another.
14. In this context, it should be noted that with regards to reducing anti-social behaviour, landlords and their agents can only tackle behaviour within their properties. Effectively, they are managing a contract and not behaviour. Landlords and their agents are not responsible in any form for anti-social behaviour occurring outside the property. Nevertheless, we would be interested to learn about any partnership work the council are proposing with stakeholders such as the Metropolitan Police in reducing anti-social behaviour within communities.

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<sup>8</sup> <https://www.propertymark.co.uk/about-us/board-and-governance.html>

### **Conclusions and alternatives**

15. Propertymark believes that local authorities need a healthy private rented sector to complement the other housing tenures in an area. This provides a variety of housing types that can meet the needs of both residents and landlords in the area. Appropriate regulation and enforcement is essential for improving standards and removing criminals from the sector who exploit landlords and tenants. An active enforcement policy that supports good landlords and letting agents is crucial as it will remove those who exploit others and help create a level playing field. It is essential to understand how the sector operates as landlords and letting agents can often be victims of criminal activity and antisocial behaviour with their properties being exploited.
  
16. If the scheme is approved, the council should consider providing an annual summary of outcomes to demonstrate to tenants, landlords and letting agents behaviour improvements and the impact of licensing on the designated area over the scheme's lifetime. This would improve transparency overall. Propertymark has a shared interest with Merton Council in ensuring a high-quality private rented sector but strongly disagrees that the introduction of the proposed measures is the most effective approach to achieve this aim both in the short term and long term.
  
17. We would welcome the opportunity to work with Merton Council to further engage with our members and property agents in the local area.