

National Private Tenants Organisation

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Memorandum

To: Energy and Climate Change Commons Select Committee

From: National Private Tenants Organisation

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Subject: Evidence on fuel poverty in the private rented sector and potential solutions

1. Executive Summary

1.1 The English National Private Tenants Organisation (NPTO) works for professionally managed, secure, decent and affordable private rented homes in sustainable communities.

1.2 This submission to the Energy and Climate Change Select Committee addresses the questions of (1) barriers to tackling fuel poverty in the private rented sector (PRS) and (2) the extent to which recent measures in the Energy Act 2011 help the problem of fuel poverty in the private rented sector.

1.3 In relation to barriers to tackling fuel poverty in the PRS evidence is provided covering the principal drivers of fuel poverty. There is a strong correlation between poor quality housing in the PRS and fuel poverty. An increased use of the Housing Act 2004 Housing, Health and Rating System is an essential tool to help reduce fuel poverty in the PRS.

1.4 In relation to the Energy Act 2011 the effectiveness of measures in helping fight fuel poverty in the PRS are discussed.

2. Barriers to tackling fuel poverty in the private rented sector

2.1 A household's fuel poverty status depends on the interaction of three drivers: income, fuel prices paid and fuel requirement (i.e. fuels used, dwelling and energy efficiency). The PRS has the highest number of households in the lowest Energy Performance Certificate Energy Efficiency Bands F and G (SAP less than 39)¹. Over 40% of tenants in the coldest privately rented homes live in fuel poverty²

1 DCLG, *English Housing Survey: Housing Stock Report 2009*, Chapter 6, page 49, 2011

2 DECC, *Energy Bill: Green Deal Impact Assessment*, 2010

2.2 Barriers related to income and available income for energy costs

2.2.1 Factors affecting the amount of income available for energy costs: Research by housing charity Shelter found that PRS rents are unaffordable in 55% of English local authorities. In these areas rents are more than 35% of median average local take-home pay - the level considered unaffordable by Shelter's Private Rent Watch report. The charity said 38% of families with children who rent privately have cut back on buying food to help pay rent. The research found rents had risen at one-and-a-half times the rate of incomes in the 10 years up to 2007³. This obviously has an effect on the amount of income available for energy costs as rent will take priority. Tenants are often forced to self-ration their energy use. Changes to housing benefit and rising food prices will also have an effect on available income for energy costs.

2.2.2 NPTO believes that urgent consideration should be given to PRS rent affordability especially as the size of the PRS increases and market forces could push rents up even further. The issues of excessive rents and rent control should be addressed.

2.2.3 Given the competing pressures on low-income households, many do not spend the amount needed to stay warm.

2.3 Barriers related to energy consumption costs

2.3.1 Due to a lack of professionalism and in some cases wilful neglect on the part of some PRS landlords, heating (space and water) systems can often be old, inefficient, poorly maintained and in some case unsafe, this leads to higher operating costs. Legislation relating to standards of PRS properties is often not enforced due to lack of local authority resources and tenant's fear of retaliatory eviction by landlords. PRS tenants often are unaware of their legal rights. Over three-fifths (63%) of all private individual landlords have no relevant experience or qualifications. Only 6% of landlords are members of a relevant professional body or organisation. 89% of landlords were private individual landlords responsible for 71% of all private rented dwellings, with a further 5% of landlords being company landlords responsible for 15 per cent of dwellings. More than three quarters (78%) of all landlords only owned a single dwelling for rent, with only 8% of landlords stating they are full time landlords⁴.

2.3.2 NPTO believes that local authorities should make greater use of selective licensing powers (please see the NPTO report at: <http://www.npto.btck.co.uk/Researchandreports>) and introduce landlord accreditation schemes, and that consideration should be given to a national landlord registration scheme to address the lack of landlord professionalism in the PRS and raise the standards of rental accommodation. Greater security of tenure is required in the PRS to ensure amongst other things, that tenants are not frightened (justifiably) of attempting to see their legal rights upheld.

2.3.3 Many PRS homes do not have gas and therefore tenants will pay more for electric heating e.g. electric storage heating, than they might for gas heating. 26% of all PRS homes have no gas connection or the gas connection is not used and 49% have solid walls or non-traditional walls and can not take advantage of cavity wall insulation⁵.

2.3.4 Prepayment meters which are often present in PRS homes do not allow tenants to take advantage of the cheapest tariff schemes on offer. The NPTO believes that action is needed to reduce charges paid by prepayment meter consumers. According to fuel poverty charity National Energy Action, 5.8 million prepayment meters were in use in Britain in 2009. According to Consumer Focus estimates, prepayment meters can cost on

3 Shelter, *Private Rent Watch Report 1- Analysis of local rent levels and affordability*, October 2011

4 DCLG, *Private Landlord Survey*, 2010

5 Consumer Focus, *A Private Green Deal*, December 2010

average an additional £195/year for gas and electricity. In addition, many suppliers add on additional charges that they claim are necessary to finance and maintain the meters themselves.

2.4 Barriers related to fuel requirement

2.4.1 The PRS also has the highest incidence of 'excess cold' of all housing tenures. Over 400,000 private rental homes – 15 per cent of the total – are classified as a Category 1 'excess cold' hazard under the HHSRS. This is the highest incidence of all tenures. 'Excess cold' is a major cause of ill health among private rented sector tenants, **resulting in reduced quality of life and high levels of fuel poverty** for the tenants concerned. It also leads to increased costs to health and social services⁶. PRS tenants, particularly those on low income, often have little choice where to live.

2.4.2 **There is a strong correlation between poor quality housing and fuel poverty**, 50% of fuel poor households in England live in EPC F and G homes compared with 23% of all households in EPC F and G bands⁷. According to the English Housing Stock Report for 2009 15% of private rented households have damp problems. The last English Housing Survey 2009-10, reported that 31% of PRS households were non-decent. In the PRS 61.4% of homes failing the decent homes standard did so because of Housing, Health and Safety Rating System (HHSRS) serious hazards and 57.7% because of thermal comfort shortcomings⁸. **NPTO believes that local authorities should make greater use of their regulatory powers particularly in relation to the HHSRS to fight fuel poverty**. It has been estimated that the cost to the NHS of not improving privately rented dwellings associated with excess cold to an average SAP level is around £145 million per annum⁹.

2.4.3 NPTO believes that the provisions in the Energy Act 2011 for powers to ensure that from April 2018 it will be unlawful to rent out residential or business premises that do not reach a minimum energy efficiency standard (the intention is for this to be set at EPC rating 'E'), should not wait until 2018 and should come into force at the earliest opportunity.

2.4.4 Some of the cheapest heating appliances available to low-income PRS tenants are the most expensive to run. Tenants can be forced to use these because their homes lack cost effective heating systems e.g. gas central heating, and such appliances are needed to supplement inefficient heating systems.

2.4.5 Not all PRS tenants receive Energy Performance Certificates (which can be up to 10 years old) so therefore are not aware of the SAP rating of their prospective home and the estimated cost of heating it. Over two-fifths (42%) of all dwellings have had an Energy Performance Certificate¹⁰. A survey commissioned by the Energy Efficiency Partnership for Homes in 2008 found that 59% of consumers found it easy to understand an EPC but older respondents and those from C2DE social classes were less likely to find it easy¹¹.

3. The extent to which recent measures in the Energy Act 2011 help the problem of fuel poverty in the PRS

3.1 NPTO welcomes the improvements to energy efficiency in the PRS that the Green Deal could bring but has concerns relating to Green Deal consent denial from rogue

6 Consumer Focus, *A Private Green Deal*, December 2010

7 Consumer Focus, *Raising the SAP*, 13 May 2009

8 Julie Rugg and David Rhodes, *The Private Rented Sector: its contribution and potential*, 2008

9 Building Research Establishment Ltd, *The Health Costs of cold dwellings*, November 2010-February 2011

10 DCLG, *Private Landlord Survey*, 2010

11 Energy Efficiency Partnership for Homes, *Private Tenants Research Presentation*, May 2008

landlords, which could lead to retaliatory eviction (using Housing Act 1988, Part 1, Chapter 2, Section 21, for Assured Shorthold tenancies), the threat of eviction and fear of retaliatory eviction. NPTO has produced an extensive report on the issue available at: <http://www.npto.btck.co.uk/Researchandreports>.

3.2 NPTO believes that the provisions in the Energy Act 2011 for powers to ensure that from April 2018 it will be unlawful to rent out residential or business premises that do not reach a minimum energy efficiency standard (the intention is for this to be set at EPC rating 'E'), should not wait until 2018 and should come into force at the earliest opportunity.. NPTO also fears that rogue landlords could retaliate to tenant's reporting illegally let properties by evicting tenants using Section 21 of the Housing Act 1988, i.e. retaliatory eviction. NPTO feels that regulatory measures are required to deal with this problem.

3.3 NPTO believes that a substantial information and advice (educational) program is required to promote the benefits of the Green Deal to landlords and tenants if it is to be successful and lift many PRS families out of fuel poverty.

(End)