CABINET

RENT CONTROL

MEMORANDUM BY THE MINISTER OF HOUSING AND LOCAL GOVERNMENT AND MINISTER FOR WELSH AFFAIRS

We are being pressed by the Opposition to declare our policy on rents. In 1959 we undertook that, during the current Parliament, we would take no further action either to extend decontrol or to alter the maximum rents payable for houses remaining in control. There is to be a debate on housing on Wednesday, and I shall have to say then what our line is.

2. The Opposition line is clear. They would reimpose rent control.

Present position

3. Of the 15½ million houses in England and Wales about 4½ million are owned and rented by private landlords. About 2 million of these are believed to be still rent controlled.

4. The Rent Act, 1957, let about 400,000 houses out of control ("block decontrol"); and since then "creeping decontrol" (by which the landlord regains possession following death or movement of the protected tenant) has let out something like 2 million more. The number in control is steadily decreasing year by year.

5. The rents of the houses still within control are held to a maximum of twice the 1956 gross value for rating—which means, roughly, twice the 1939 letting value. These rents are patently too low.

6. Houses coming out of control are, generally, re-let. This was one of the things we set out to achieve by the Rent Act, and we did. Before the Act, controlled houses were usually sold for owner-occupation when the protected tenancy ended. Now only about one in five is sold.

7. But it is thrown at us that once houses are out of control extortionate rents are charged, and tenants victimised, there still being severe housing shortages in the cities. Rents go up, certainly, when houses are re-let—as they should. There is, however, no evidence to suggest that outside London unreasonably high rents are being asked, or that landlords are exerting harsh pressures on tenants. Such cases as have come to notice local authorities seem to have been able to deal with, in one way or another. This is not to say that outside London there are not some bad cases. There almost certainly are. But there has been remarkably little complaint except from London.

8. In London there has been a lot of trouble. Rents of the decontrolled houses are high, especially in the central area; some rents are very high indeed. Many of the decontrolled houses are let on weekly or monthly tenancies; others on short leases. Landlords are for the most part unwilling to grant leases for longer than two or three years, and rents are constantly being increased. This has been the main source of trouble.

* "Houses" includes flats throughout this Paper.
9. There has been and is in London severe pressure on tenants and some hardship. Exortionate rents are being asked in some cases; there have been evictions. The only ultimate sanction we have had been to authorise local authorities to buy houses compulsorily where exorbitant rents are being asked and homelessness is threatened. Relatively few compulsory purchase orders have been made, but the threat has done something to keep unscrupulous landlords within bounds. It is not a satisfactory method, however, of dealing with the problem.

10. I became so uncomfortable about the stories coming in that I decided, over a year ago, to survey the rented housing position in London. (White Paper on London. Cmnd. 1952, paragraphs 48 and 49.) The committee has been set up under the chairmanship of Sir Milner Holland, Q.C., but its report cannot be expected until the autumn. (Between announcement of the decision to set up the committee and its appointment, the Rachman scandal burst, and it was widely assumed that the committee's main purpose was to inquire into "Rachmanism". But the Housing Bill at present before Parliament contains powers enabling local authorities to deal with abuses in multi-occupied properties. The purpose of the committee is to find out what is happening in rented houses generally in London.)

Future policy

11. Level of rents.—If we are returned to power I think that we ought to legislate to increase the rents of the houses remaining in control. The maximum allowed by the Rent Act was low at the time, and the increases (which, when large, were spread over a period) caused virtually no trouble. Meanwhile the low level to which controlled rents are still held not only gives landlords no incentive to maintain and repair their properties; it gives the wrong impression all round of what rent levels ought to be.

12. We shall probably have to relate a new maximum to current gross values for rating—which in most parts of the country might mean increases ranging up to 10 shillings a week. In a few scarcity areas the increases would be greater than this, and in some parts of London in particular might be quite steep. But there are means by which these increases could be spread or moderated. I am making no definite proposal at present. I am suggesting only that some increase of the controlled rents must be part of our policy—and that we shall have to say so.

13. Block decontrol.—Sensibly we ought to let all houses out of control, except in London and any other cities where the shortage is still great. That is the only way in which the true rent levels can be found. Gross values do not express these very satisfactorily; in many areas they are much too low. But I do not in any case think that further block decontrol would be worth the row, especially as creeping decontrol is carrying us so fast along the road.

14. Creeping decontrol.—The difficult question is what we should do about letting creeping decontrol continue indiscriminately, in London and any other scarcity areas as well as elsewhere; and regardless what happens when houses come out of control. Creeping decontrol itself does not hurt tenants, since it does not bite till the protected tenants are gone; and when they are gone it encourages the landlord to re-let. The Opposition say that it enables the landlord to make such a good thing out of the property that he uses every trick to get unwary protected tenants to move; but vacant possession has always been a prize—and would still be if we stopped creeping decontrol. The landlord simply sells for owner-occupation instead of re-letting (thus reducing the pool of rented houses still more).

15. The mischief has been the short tenancies and leases granted once the landlord gets free of control, and the regular increases of rent (or sometimes evictions) to which the tenant is then subject. Since a London tenant who loses his house has small chance of finding another if his means are moderate, this state of affairs creates acute anxiety and some real hardship.

16. Until the Milner Holland committee reports we cannot know exactly what is happening in London, or what the scale of the trouble is. Until then, therefore, we cannot know what, if any, action we shall want to take. But it is very possible that we shall, when we see the report, conclude that we must provide some protection for tenants in London (and perhaps also in one or two other cities if we find evidence of similar pressures) against exortionate rents, and eviction.
without good cause. This might, I think, mean appointing tribunals to adjudicate on complaints, and to settle rents and to give protected tenancies, where necessary; but it is impossible to be sure whether this would be manageable, or what we may think is needed, until we have the report. I am here suggesting only that we must not exclude the possibility that we shall decide to provide some protection for tenants in London (and possibly some other cities) when we have the report.

17. The long-term remedy is to get enough houses built, maintaining big public programmes for tenants unable to meet the cost of houses. But it depends on getting a great deal more land; and the South-East Study, to be published on Thursday, is designed to achieve this. The Studies to follow in the North-West and the Midlands will do the same for the other scarcity areas. But this is long term. Meanwhile interim measures have been and are being taken to release more land, but we must recognise that for some years to come acute housing shortages will continue in London, Birmingham, Liverpool, Manchester and some other cities.

18. Any suggestion that we might consider some form of protection for tenants, in London and, possibly, other scarcity areas, against extortionate rents or eviction for inadequate reasons, would be to go back on the line we have held firmly ever since the Rent Act; and it would be represented as a death-bed repentance. Nevertheless we may have to do it. The fact is that because of increased prosperity, younger marriages, and a more rapid rate of household formation, the pressure on housing, in London especially, has increased beyond anything we could have expected when the Rent Act was introduced.

Line to be taken

19. I suggest that our line should be that we shall, in the next Parliament, introduce legislation on the subject of privately rented houses. It is plainly time that the rents of houses remaining in control were allowed to rise, since the present levels are now indefensibly low. We shall not propose any further block decontrol; but we shall not interfere generally with creeping decontrol.

20. We may have to provide some protection for some tenants in London and possibly other cities where the pressure on housing is still severe. But what is needed, and what would be practicable, we cannot tell until we have the report of the Milner Holland Committee. When we have that report we will act at once to deal with whatever harsh pressures on tenants it reveals. We shall certainly not simply reimpose rent control by reference to some arbitrary level, and regardless of whether landlords are good—as many are—or bad. Indiscriminate restoration of rent control would freeze the market in rented housing, and push rented houses back into the state of neglect from which the Rent Act rescued so many. But in so far as the report may show that some tenants ought to be protected we will provide for it.

21. The report will apply only to London. But any action that may need to be taken on it can be applied equally to other towns where there is evidence to suggest that similar conditions apply.

22. In making any statement we should emphasise that the only way to solve the housing shortages which are the root of the difficulties is to build more houses—which can only be done if the land is available. And for that the regional plans, starting with the South-East Study, will provide.

K. J.

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