RENT RESTRICTION

MEMORANDUM BY THE MINISTER OF HOUSING AND LOCAL GOVERNMENT

Last October, when approving my proposals for the reduction of subsidies on Council houses, the Cabinet instructed me to include in my statement to Parliament a reference to rent control on the following lines:

"The Government recognise that the level of rents of Council houses and that of comparable privately-owned houses are interrelated. It is therefore necessary to review the whole structure of the Rent Acts. We shall announce our conclusions in due course."

(C.M. (56) 36th Conclusions, Minute 7.)

2. Thereafter, the Prime Minister appointed a Committee of Ministers—Minister of Housing (Chairman), Secretary of State for Scotland, Minister of Agriculture, Minister of Labour, Chancellor of the Duchy of Lancaster, Solicitor-General and Financial Secretary, Treasury—with the following terms of reference:

"To consider what modifications should be made to the Rent Restriction Acts and to report to the Cabinet."

Except for a few outstanding points of detail, the Committee have completed their review of the problem, and their conclusions are set out below.

Present Controlled Rents

3. There are about 13 million houses in England and Wales, of which nearly 10 millions come within the scope of rent control. Of these, about 5 millions are let unfurnished at controlled rents. The remainder are mostly owner-occupied.

4. The controlled rents differ widely. Those of many of the older houses are based on the rents charged in 1914, with an addition of 40 per cent. The rents of the remainder are mostly restricted to the levels prevailing in 1939. Some rents have risen following the Housing Repairs and Rents Act, 1954; but the effect of that Act, which was aimed primarily at allowing "repairs increases," has not been great. Furthermore, there are, for a number of reasons, glaring variations between the controlled rents of comparable houses.

Objectives of Policy

5. The Committee have reached the conclusion that the Rent Acts should be amended without delay. The objective should be to get housing progressively on to an economic basis, and in particular—

(a) to allow landlords to charge rents which are sufficient to enable them to keep their houses in good repair;

(b) to encourage landlords to re-let houses when controlled tenancies come to an end, instead of putting them up for sale as they nearly always now do;

(c) to induce people who are living in unnecessarily large rent-controlled houses to move to smaller houses;

(d) to remove anomalous variations between rents of comparable houses; and

(e) to create ultimately a free market in houses to let.
Main Provisions of Bill

6. It is not considered feasible to abolish rent control immediately. On the other hand, the rents of houses which continue to be controlled should be allowed to rise up to prescribed ceilings more nearly approaching economic levels and fixed on a uniform basis.

7. The Committee accordingly recommend that a Bill should be introduced embodying the provisions set out below:

(a) New maximum controlled rents (exclusive of rates) should be established for all rent-restricted houses and should be calculated by reference to the gross rateable value of the house.

(b) Landlords should be permitted to raise controlled rents up to an amount not exceeding twice the gross rateable value of the house. (The reason for doubling the figure is that houses are assessed at 1939 values.)

(c) In order to avoid unduly sharp increases, rents should be raised in two or three stages. (It is suggested that in the first stage the increase should not exceed 7s. 6d. or, alternatively, 10s. 6d.)

(d) Where the landlord fails to maintain the house in proper repair, the tenant should be entitled to claim a reduction of rent. Disagreements between landlord and tenant about repairs should be referred to the local authority, with a right of appeal to the Courts.

(e) No rent increase should be permitted for a house which is subject to a demolition or closing order, or is in a clearance area.

(f) A house in owner-occupation or of which the owner obtains vacant possession should be released from rent control.

(g) The Minister should be empowered to lower, by Order from time to time, the ceiling below which the Rents Acts operate, and thereby release a category of houses from rent control.

8. The general effect of these proposals upon the level of rents is shown in the Annex. It is estimated that the rent increases involved would raise the new Cost of Living Index by not more than two points.

Timing of Legislation

9. Assuming that the permitted rent increases were applied in two or three stages, their full impact would not be felt for twelve to eighteen months.

10. In order to give sufficient time for tenants to get over their initial annoyance and for the beneficial effects of the policy to become evident before the next General Election, the Committee strongly urge that the measure should be enacted at once.

11. Parliamentary Counsel has completed a first draft of the Bill, which could be ready for presentation to the Legislation Committee before Whitsun.

Recommendation

12. The Committee accordingly recommend that a Bill, embodying the provisions summarised in paragraph 7, should be introduced as soon as possible with a view to its passage during the present Session.

D. S.

Ministry of Housing and Local Government,
Whitehall, S.W. 1.
19th April, 1956.
EFFECT UPON RENTS

The general effect of increasing rents to twice the new gross rateable value is shown below. (These tables do not include the $\frac{1}{2}$ million restricted houses in the County of London, for which figures are not yet available.)

(a) The new maximum rents (exclusive of rates) would be—
   for 1,250,000 houses up to 11s. 6d. a week
   ,, 1,000,000 ,, 11s. 6d. to 15s. 6d. a week
   ,, 850,000 ,, 15s. 6d. to 20s. a week
   ,, 1,000,000 ,, 20s. to 30s. a week
   ,, 500,000 ,, above 30s. a week.

(b) The maximum increases in rent would be—
   for 1,000,000 houses up to 5s. 6d. a week
   ,, 1,000,000 ,, 5s. 6d. to 7s. 6d. a week
   ,, 1,100,000 ,, 7s. 6d. to 10s. 6d. a week
   ,, 850,000 ,, 10s. 6d. to 15s. 6d. a week
   ,, 370,000 ,, 15s. 6d. to 20s. a week
   ,, 170,000 ,, 20s. to 30s. a week
   ,, 50,000 ,, more than 30s. a week.

2. If, in the first stage, increases of up to 7s. 6d. a week were permitted, the rents of some 2 million houses (including London) would reach their new ceilings at once, or about $3\frac{1}{2}$ millions if a limit of 10s. 6d. were adopted.

3. It should be emphasised that the figures given above are maxima. For the great majority of houses the effect would be smaller than the amounts quoted.