13th February, 1957.

CABINET

RENT RESTRICTION

Memorandum by the Secretary of State for Scotland
and the Minister of Housing and Local Government
and Minister for Welsh Affairs

On 24th October last the Cabinet agreed that the Rent Bill should provide for the immediate decontrol in one operation of about 800,000 houses and flats in Great Britain - 750,000 of them being in England and Wales, including about 200,000 in Greater London. (C.M.(56) 73rd Conclusions, Minute 3). A major factor in this decision was the conviction that the Government should be openly seen in the Bill to be making a positive and substantial start on the freeing of houses and the dismantling of rent control.

2. Our colleagues will be well aware that this decision to carry through a measure of immediate decontrol has given rise to considerable anxiety and criticism in those parts of the country principally affected (in the main, the large cities and their suburbs); and much of the criticism is on the ground that the Government is hitting at its own middle-class supporters. The decontrol provisions are indeed, at the moment, the only major point of attack on the whole Bill; the reaction against the general rent increases of the lower-rated houses is likely to come later, in October and after, when the increases take effect.

3. The result of decontrol is to deprive the tenant of all the protection of the Rent Acts. He loses not only the enjoyment of a controlled rent, but also his security of tenure: and, as the Bill now stands, he could be deprived of possession six months after the Bill comes into operation, i.e., one month after Royal Assent. It is this sudden threat to security of possession that has caused so much disquiet, above all in London where the general shortage of housing accommodation is still serious.

4. Various suggestions have been put forward for softening the impact of decontrol. Two of these appear to have fairly wide backing, and each is examined in the annex to this paper. The difficulty about them is that they both amount in effect to abandonment of decontrol for the time being - a direct negation of the Cabinet's decision of last autumn.

5. To retreat now on the principle of decontrol would, in our view, be a profound mistake. For the Government to have first committed itself to a measure of decontrol, and then to go back on its decision although no new facts have emerged in the meantime, is a course of action that is bound to cause more harm than any good that could possibly come of it.
6. Nor do we recommend that anything should be done to reduce the number of houses and flats to be released from control. To accept that advice would simply aggravate the difficulties for tenants, since (by and large) the smaller the free market created by decontrol, the greater the risk of demand so far exceeding supply as to drive up rents unreasonably.

7. In our view, the only question is what can best be done to ease the transition from control to decontrol. We know that the present Minister of Defence had already been giving his mind to this problem, and had come to the conclusion that to allow decontrol to take effect as soon as six months after the coming into operation of the Bill would be too abrupt. We agree with him.

8. Our own study of the matter has led us to the conclusion that, if tenants are to be given reasonable protection against the risk of severe hardship, two things are necessary:

   (a) More time must be allowed during which the effects of the Bill can begin to be felt in the provision of more housing accommodation, particularly by the conversion and adaptation of houses now under-occupied; and

   (b) greater incentive (as well as more time) must be given to landlords and sitting tenants to come together and make new tenancy agreements on reasonable terms.

9. At the same time, we regard it as important that the transition to decontrol should not be too long drawn out. Among other disadvantages, the whole object of allowing an extended period for adjustment would be likely to be defeated, because negotiations would tend to hang fire, while new accommodation might be slower in becoming available. We recommend that the change-over should be completed not later than October, 1958, (instead of January, 1958, the likely date under the Bill as it stands).

10. With these considerations in mind, we propose that the transitional arrangements to govern the decontrol of houses and flats affected by Clause 9(1) of the Bill should be modified as follows:

   (a) By increasing the 'standstill' period on rent and possession of the higher-rated houses from 6 to 15 months: this will not only give more time for the negotiation of new agreements, but will protect the tenant from the risk of having to enter into negotiations under threat of early eviction;

   (b) by providing that, if landlord and tenant manage to reach a new agreement for a term of not less than 3 years, it may take effect as soon as it is concluded. (The tenant would get renewed security for a reasonable period, certainly up to July, 1969: the landlord could secure an increased rent many months before he otherwise would: the combined effect should be to encourage both landlords and tenants to reach agreements on fair terms);
(c) by making unlawful the requirement of a premium as a condition of a new agreement for the letting of any decontrolled dwelling during the 3 years following the coming into operation of the Bill; we think this is a valuable safeguard for sitting tenants in connection with (b) above;

(d) by retaining a minimum period of 6 months' notice to quit, which cannot however take effect before expiry of the 15 months' standstill.

11. We invite our colleagues to approve these proposals.

J.S.M.
H.B.

12th February, 1957.

ANNEX

ALTERNATIVE SUGGESTIONS FOR EASING TRANSITION TO DECONTROL

1. Right to possession for 3 years, coupled with appeal to the Courts on rent — (The Marlowe proposal)

The proposal is that, where a tenant has been in occupation for the twelve months preceding the decontrol date, and where the landlord will not grant him a lease, the tenant shall be entitled to retain possession for 3 years (i.e. till after the next Election); and whether or not the landlord offers him a lease, failing agreement on rent either party can apply to the Court for a determination of a fair rent. Apart from the rent, the lease is to be on the same terms as the old tenancy.

2. The practical objections to the Marlowe proposal are, in our view:

(a) It means not decontrol, but for 3 years a new form of control.

(b) The Courts would be overloaded, though no firm estimates of the number of cases can possibly be made. We have consulted the Lord Chancellor about this.

(c) In the absence of a genuinely free market providing evidence of free rents, the Courts would have little to go on in fixing appropriate rents.
II. Enforced agreements for a specific term, at specified rent limits - (The Rees-Davies proposal)

This proposal gives the tenant a right to ask for an agreement of five or seven years maximum. The rent will be limited to a maximum of $2\frac{1}{2}$ times gross value; premiums to be prohibited.

2. It is further proposed that the landlord should be able to refuse an agreement and get possession on the grounds which a landlord can at present plead under the Rent Acts for evicting a statutory tenant - with the additional ground that the premises are wanted for reconstruction, provided the Court is satisfied that eviction then would not be unreasonable.

3. The practical objections to the Rees-Davies proposal are:-

(a) The proposal is the negation of decontrol. The bondage of the landlord to his sitting tenant would continue for another five or seven years as strongly as now, if the tenant so wished.

(b) As under the Marlowe proposal, the free market could not begin to operate - though the Marlowe proposal does at least provide some flexibility to adjust rents to what the Court holds to be reasonable. The Rees-Davies proposal gives a rigid rent limit up to 1962 or 1964. On the other hand, it places no pressure on the Courts.