



BRIEFING PAPER

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A short history of rent control

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Summary

Rent control in the UK was first prompted by housing shortages during WW I. The *Increase of Rent and Mortgage Interest (War Restrictions) Act 1915* introduced rent control whereby rents were restricted to their August 1914 level. The Act was designed to prevent landlords from profiteering during the war years when demand for housing exceeded supply. Though originally intended as a temporary measure, rent controls continued to apply to certain dwellings until January 1989.

Efforts were made to stimulate the private rented sector by restricting rent control through the *Rent Act 1957*, which allowed previously controlled rents to be based instead on gross property values. The *Rent Act 1965* introduced regulated tenancies with 'fair rents' set by independent rent officers and, ultimately, the *Housing Act 1988* deregulated rents on new private sector lettings after 15 January 1989.

The application of rent controls coincided with a decline in the private rented sector. The sector had made up nine-tenths of the housing stock in 1915 but had reduced to one-tenth by 1991. Rent control has been widely identified as a factor in this decline; it is argued that there is a direct correlation between reduced rental returns and reduced investment in the sector. However, several other causes behind the sector's decline over the period have been identified, including:

- the availability of alternative forms of investment other than rental property; and
- factors making it easier for people to own their own property such as rising real-terms incomes, and the increased availability of mortgages.

The private rented sector began to grow again after 1989 and is now the second largest tenure in the UK after owner-occupation. Increases in private sector rent levels and a focus on reducing Housing Benefit expenditure has led several commentators to call for the reintroduction of some form of private sector rent control.

Housing policy is a devolved matter. Both Scotland and Northern Ireland are taking action to restrict rent increases in certain circumstances.

This briefing paper provides historical background to the introduction and impact of rent control and its continued application until January 1989.

For information on more recent debate around the pros and cons of reintroducing rent controls see Library briefing paper: [Rent control in the private rented sector](#) (6760).

1. WWI and the introduction of rent control

During the First World War 1914-1918 demand for housing exceeded supply. Only a limited number of new homes were developed in munition production areas where accommodation was most in demand. The profiteering of some landlords, and the resultant bad feeling from tenants, led to rent strikes and unrest which threatened to undermine the war effort.¹

The *Increase of Rent and Mortgage Interest (War Restrictions) Act 1915* was introduced in order to protect both tenants and landlords. The Act restricted rents on smaller, unfurnished, 'working class' dwellings and also held landlords' mortgage interest rates to August 1914 levels. Rent control was originally conceived as a temporary measure - due to expire six months after the cessation of the war. In the event, rent control was extended in duration and widened in scope in both 1919 and 1920 as the housing shortage worsened over the course of the war and could not be resolved quickly once the war had ended.²

Minor amendments to the 1915 Act were made by the *Courts (Emergency Restrictions) Act 1917* and the *Increase of Rent and Mortgage Interest etc (Amendments) Act 1918*, which restricted landlords' ability to obtain possession for their own occupation. This measure prevented those wishing to become owner occupiers from buying a tenanted property and immediately evicting the tenant in order to use it for their own occupation.³

¹ Kemp P, *Private Renting in Transition*, 2004, p21

² Kemp P, *Private Renting in Transition*, 2004, p22

³ Kemp P, *Private Renting in Transition*, 2004, p24

2. Rent control during the inter-war years

1918 Hunter Committee

A committee of inquiry set up in April 1918 under Lord Hunter examined the 1915 Act. A majority of tenants *and* landlords argued in favour of an extension of the Act after the war.⁴ Landlords benefited from interest rates on mortgages in relation to controlled dwellings being held below market levels. The Committee recommended that landlords and mortgagees be allowed certain increases in rents and interest rates and that the restrictions in place should not apply to new dwellings.

The recommendations were accepted and incorporated into the *Increase of Rent and Mortgage Interest (Restrictions) Act 1919*, which prolonged the operation of the 1915 Act until 1921. As the war continued the problems previously addressed by the 1915 Act had extended to larger properties also affected by lack of supply. The 1919 Act therefore also extended the 1915 Act to cover larger properties by doubling the rent limits specified within.

1920 Salisbury Committee

The housing shortage arising from WW I resulted in significant house price inflation. Middle class tenants whose homes were not covered by rent control faced a 'purchase or quit' option as their leases came to an end, or were forced to pay greatly increased rent levels. Pressure built up for an extension of rent control. In 1920 the Salisbury Committee examined how the Acts were working and recommended the continuation of rent control.

The *Increase of Rent and Mortgage Interest (Restrictions) Act 1920* gave effect to the Committee's recommendations. Rent control was extended in duration and also to cover higher rateable value limits with the result that almost all dwellings came within its scope. The Act also raised mortgage interest rates and the level of rent allowable to 40% of August 1914 rates.

A recommendation to phase out rent control

A further committee, headed by Lord Onslow in 1922, recommended phasing out rent control in three stages by 1925. The Conservative Government was keen to implement these recommendations but, in the face of public objections, decided to introduce changes to rent control more gradually.⁵ The *Rent and Mortgage Interest Restrictions Act 1923* postponed decontrol by class of house until 1925 but allowed for decontrol on vacant possession. This transferred the basis of rent control from the property to the tenant.⁶ The 1923 Act, followed by several

⁴ Kemp P, *Private Renting in Transition*, 2004, p21

⁵ Kemp P, *Private Renting in Transition*, 2004, p25

⁶ Kemp P, *Private Renting in Transition*, 2004, p25

Expiring Law Continuance Acts, extended rent control until December 1933.

3. Inter-war: the decline of the private rented sector

The role of rent control?

The construction of new homes for private rent did not revive in the 1920s following the end of WWI and this is often attributed to rent control.⁷ However, it is suggested that the impact of rent control, while important, should not be overstated.⁸ During the inter-war years rent control did not apply to new dwellings and the possibility of its extension was, reportedly, fairly remote.⁹ While rent control may have dampened the rent levels on new housing, the fact that interest rates and building costs were significantly higher than pre-war levels, together with wages that were not keeping pace, played a more important role in limiting development.¹⁰ It is argued that the average working class tenant may not have been able to afford an economic rent on a new dwelling, thus demand was limited.¹¹ Peter Kemp, in *Private Renting in Transition*,¹² says “the building industry was forced to move upmarket in order to sell its products. Those who could afford the cost of new private housing tended to become owner-occupiers.”

It is suggested that rent control *did* play a role in devaluing tenanted properties in comparison to vacant ones by making it more profitable for landlords to sell repossessed or vacated rent controlled properties for owner occupation.¹³

Evidence suggests that the private rented sector began to lose its allure for investors during the 1920s¹⁴ with the National Federation of Property Owners and Ratepayers (NFPOR) attributing this to the high cost of construction set against high unemployment and the difficulty of getting a mortgage.¹⁵ The reputation of the sector reportedly discouraged individuals from becoming private landlords, as they were frequently depicted as “bloodsuckers, profiteers and despots.”¹⁶

Alternatives forms of tenure

Alternative forms of tenure in the form of local authority housing and owner occupation began to take-off after 1923 with Housing Acts in 1923 and 1924 reintroducing subsidies for the private housing and local authority housing sectors respectively. Subsidised local authority

⁷ New housing construction for the private rented sector began to increase from the early 1930s. Kemp P, *Private Renting in Transition*, 2004, p 21

⁸ Kemp P, *Private Renting in Transition*, 2004, p26

⁹ Holmans A. E, *Housing policy in Britain*, 1987 and Kemp, P, *Private Renting in Transition*, 2004, p26

¹⁰ Kemp P, *Private Renting in Transition*, 2004, p27, 36

¹¹ Kemp P, *Private Renting in Transition*, 2004, p27

¹² Kemp P, *Private Renting in Transition*, 2004

¹³ Kemp P, *Private Renting in Transition*, 2004, p36

¹⁴ Kemp P, *Private Renting in Transition*, 2004, p25,27

¹⁵ Kemp P, *Private Renting in Transition*, 2004, p25,27

¹⁶ *Ibid.*, p27

accommodation in particular competed for tenants with the private rented sector.¹⁷

The demand for better quality housing increased following the end of WWI and in 1930 the Labour Government created an obligation for local authorities to undertake slum clearance, providing specified annual subsidies for those rehoused.¹⁸ The subsidised local authority accommodation sector continued to grow, rising to 18% of housing in 1951 from 7% in 1931.¹⁹

Owner occupation increased rapidly, with first time buyers entering the market as the result of increased availability of mortgage finance, rising real terms wages, job security and low interest rates.²⁰ Social attitudes also significantly shifted during the inter-war period in favour of owner occupation;²¹ by 1951 owner occupation had increased to 30% from 19% in 1931.²² Many people were choosing to own the home they previously rented. Peter Kemp in, *Private Renting in Transition*, said:

It has been estimated that, over the period 1914 to 1975, about one in four transfers of privately rented dwellings to owner occupation involved purchases by sitting tenants (House of Commons Environment Committee, 1982).²³

The private rented sector remained, however, the largest housing tenure (accounting for nearly three out of every five dwellings at the end of the 1930s).²⁴ Between 1933 and 1939 the conditions that encouraged owner occupation also assisted a modest revival in the private rented sector. In 1934, 21.4% of new private dwellings were built for letting. This figure increased to 34.6% in 1939.²⁵

Rent control was gradually relaxed during the 1920s and 1930s – this was also the case in Europe where it had been introduced during WWI – See section 5 of this paper for more on the use of rent control in other countries.

WWII: the reintroduction of rent control 1939

The cessation of building during the Second World War resulted in a significant shortage of housing. The *Rent Act 1939* reintroduced full rent control. Like the 1915 Act, the measure was intended to last for only six months after the end of the war. However, the legislation remained in place until 1968.

¹⁷ Kemp P, *Private Renting in Transition*, 2004, p28

¹⁸ Smith M, *Guide to Housing*, 1989, p8-9

¹⁹ Smith M, *Guide to Housing*, 1989, p10, 15

²⁰ Kemp P, *Private Renting in Transition*, 2004, p30

²¹ Kemp P, *Private Renting in Transition*, 2004, p30

²² Smith M, *Guide to Housing*, 1989, p14

²³ Kemp P, *Private Renting in Transition*, 2004, p34

²⁴ Kemp P, *Private Renting in Transition*, 2004, p31

²⁵ Kemp P, *Private Renting in Transition*, 2004, p30

4. Post-WWII: continued decline

Rent control – a political imperative

WWII marked a significant turning point in the private rented sector. From 1945 it declined rapidly in both relative and absolute size.²⁶ The existing stock was reduced by:

- 1 sales to the owner occupied sector, including sales to sitting tenants;
- 2 demolition through slum clearance schemes; and
- 3 acquisition by local authorities.

The reduction of the existing stock was accompanied by very limited new construction for private rent. Britain can be contrasted with other advanced industrial nations in this regard, where new building for private rent in the post-war era was not uncommon. Some European countries provided subsidies and tax incentives to private landlords but this was not the case in Britain.

Under the Conservative Government of 1951 the housing shortage made the continuance of rent control a political imperative. As private rents were frozen at their 1939 level they fell in real terms while house prices, earnings and retail prices all increased following the war. Rent yields were hit hard and landlords took opportunities to sell up and invest elsewhere.

The decline of the sector after 1945 has been attributed to a 'complex set of factors' of which rent control is one. In the post-war period blanket rent controls were continued. The *Rent and Mortgage Interest Restriction Act 1939* had extended rent control to virtually all rented housing, freezing rents at the September 1939 level.²⁷ The Ridley Committee reported in 1945 and recommended, in view of the housing shortage, that rent control should be continued for a considerable period. Two further suggestions, that rent tribunals should determine 'fair rents' on unfurnished private rented dwellings, and that newly built dwellings should be exempt from controls (as occurred between 1919 and 1939) were rejected by the Labour Government. It is argued that this "made it almost inevitable that little new construction for private rental would be undertaken in the post-war years."²⁸

A focus on housing conditions and rent levels

The sector saw increased focus on conditions in the 1950s. The 1953 White Paper, *Housing – the next steps*, described rent structures as "hopelessly illogical" – it was recognised that many rent levels were insufficient to enable landlords to maintain their properties. The housing shortage meant that rents could not be totally decontrolled. The *House Repairs and Rents Act 1954* permitted limited increases in rents on properties which had been let before September 1939 and which had been maintained in a good state of repair. Rent control was

²⁶ Rhodes D, *The Modern Private Rented Sector*, 2006, p8

²⁷ Kemp P, *Private Renting in Transition*, 2004, p38, 39

²⁸ Kemp P, *Private Renting in Transition*, 2004, p38

lifted from newly built and converted dwellings. Kemp notes, however, that there is “little evidence that this led to a resurgence of building for private rental.”²⁹

In 1956 the Labour Party Conference resolved that “...private landlordism had failed” – its response was to focus on the municipalisation of the existing private rented housing stock. For the Conservatives the sector’s problems were identified with rent controls which had inhibited the ability of landlords to maintain their stock and attract new investment.³⁰

Limited decontrol under the Rent Act 1957

The *Rent Act 1957* decontrolled all the more valuable houses as well as all new tenancies after a landlord had secured vacant possession. The Act also transformed the method of fixing the maximum rent payable by introducing a formula based upon rateable value. Disinvestment by private landlords continued as sales into the owner occupied sector, including to sitting tenants, grew apace.³¹ Between April 1951 and December 1961 the sector reduced from 45% of the housing stock to 25%.³² With controlled rents well below market rents, decontrol on vacant possession gave landlords an incentive to remove sitting tenants by whatever means in order to charge higher rents or sell the property. This process became known as Rachmanism after a famously unscrupulous landlord.³³

Rent regulation under the Rent Act 1965

The Labour Government’s *Rent Act 1965* introduced regulated tenancies with long-term security of tenure and fair rents assessed by independent rent officers.

The expectation of rent regulation, as opposed to rent control, was that rents would be set by the market and where landlords and tenants disagreed either or both could refer the rent to the rent officer service. The *Rent Act 1974* brought furnished rentals within the regulated rent regime and excluded tenancies with a resident landlord.

Existing provisions relating to private sector tenants’ rents and security of tenure were consolidated into the *Rent Act 1977*. Section 64 of the *Housing Act 1980* converted the remaining 400,000 controlled tenancies into regulated tenancies.

The Housing Act 1988 - the end of rent control in England and Wales

This system of rent regulation remained in place until it was abolished for new private rented tenancies created after 15 January 1989. Part 1 of the 1988 Act provided that, with some limited exceptions, no new regulated tenancies could be created after this date. Thus regulated tenancies with fair rents are now ‘dying on the vine.’ By 2000/01

²⁹ Ibid., p40

³⁰ Kemp P, *Private Renting in Transition*, 2004, p41, See also *Directions in Housing Policy: Towards Sustainable Housing Policies for the UK*, Ed. Williams P, 1997, p72

³¹ Smith M, *Guide to Housing*, 1989, p16

³² Kemp P, *Private Renting in Transition*, 2004, p42

³³ Smith M, *Guide to Housing*, 1989, p17

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regulated tenancies made up only 6% of the private rented sector in England. For more information on the fair rent system see Library briefing paper 00683, [The Fair Rents Regime](#).

Tenants with regulated tenancies on 15 January 1989 who remain in situ are still subject to rent regulation through the fair rent regime; although, as noted above, their numbers are reducing year on year.

The *Housing Act 1988* provided that all new private sector tenancies entered into on or after 15 January 1989 would be either assured or assured shorthold tenancies. The rents on these tenancies are not regulated.

5. Scotland, Wales and Northern Ireland

Scotland

The *Private Housing (Tenancies) (Scotland) Act 2016* will, when commenced later in 2017, introduce a new type of tenancy for the private rented sector in Scotland to replace the short assured tenancy and assured tenancy for all future lets. The new tenancy will be known as a private residential tenancy.

Private residential tenancies will be open-ended, and there will be no 'no-fault' ground for possession equivalent to the current notice that can be given under section 33 of the *Housing (Scotland) Act 1988*.

The *Private Housing (Tenancies) (Scotland) Act 2016* will allow local authorities to implement rent caps in designated areas (rent pressure zones) where there are excessive rent increases. Applications must be made to Scottish Ministers, who will then lay regulations before the Scottish Parliament. Tenants unhappy with a proposed rent increase will also be able to refer a case to a rent officer for adjudication (provided the property is not in a rent pressure zone).

Further background on the new legislation is available in briefings from the Scottish Parliament Information Centre, on the Scottish Parliament's [website](#).

Wales

The *Renting Homes (Wales) Act 2016* is introducing a new legal framework for renting a home in Wales. While there have been calls from opposition politicians in Wales for rent control in the private rented sector, the current Welsh Government has not indicated any intention to pursue such a policy.

Northern Ireland

Until 1978 all private sector rents in Northern Ireland were controlled. Sector-wide rent control was removed in 1978 with the exception of rents for protected and statutory tenancies which remain controlled (currently approximately 900 tenancies). In April 2007 additional rent control was introduced. For all tenancies which commenced after this date and where the property was built before 1945 and does not meet the statutory fitness standard, the rent is determined by the Rent Officer for Northern Ireland. The rent for these properties remains controlled until the property is made fit.

The Department for Communities in Northern Ireland (DfC) has said that, in order to address affordability issues in the sector, it will:

Introduce legislation to stipulate that rents can only be increased once in any 12 month period.³⁴

³⁴ DfC, [Private Rented Sector in Northern Ireland – Proposals for Change](#), January 2017

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