

Welcome to our monthly newsletter for property landlords. We hope you find this informative and please contact us to discuss any matters further.

Renters' Rights Bill continues to progress

The Renters' Rights Bill returned to Parliament for debate on 14 January and included some new changes:

Cap on advance rent payments

A new rule is proposed that will cap advance rent payments at one month's rent. Currently, there is no limit on the upfront rent a landlord can ask for. This is being used to exploit potential tenants in some places and particularly disadvantages renters on lower incomes. Landlords will still be able to take a security deposit of up to 5 or 6 weeks rent alongside a one month's rent in advance.

Safeguards for bereavement

Another proposed change will mean that bereaved guarantors will no longer be forced to pay rent for the rest of the tenancy where a loved one has died. This will make it easier to end a tenancy agreement in unforeseen and tragic circumstances.

Reducing early commitments

Currently, students can feel pressured to sign a lease many months in advance. Therefore, it is being proposed that students cannot be locked into an agreement more than six months in advance of moving in.

Other changes

Further changes proposed include closing potential loopholes in rent repayment orders and using fees paid by landlords to directly fund the creation and work of a private rented sector Ombudsman that will provide renters and landlords with a dispute resolution service.

The outlook for mortgages

In December 2024, the Bank of England decided to maintain the base interest rate at 4.75%. This followed a slight decrease in the base rate in November, from 5%. Some analysts predict that the rate will drop further when the Bank of England next meets in February. The base rate is one of the strongest influencing factors of borrowing costs, so this raises the question: Why are mortgage costs remaining high?

The main reason for mortgage borrowing costs remaining high is the relatively high degree of economic uncertainty at the moment. The effects of measures announced in the Autumn Budget and global events such as Donald Trump's US election victory remain to be seen. Bank of England Governor, Andrew Bailey, said in December that due to this uncertainty, the Bank "could not commit to when or by how much we will cut rates in the coming year". Whilst inflation seems to be falling, lenders seem reluctant to adopt an optimistic outlook, which shows in their mortgage offers.

Meanwhile, the Financial Conduct Authority (FCA) has announced it would look to reform the strict rules imposed on mortgage lenders that require them to assess a borrower's ability to meet repayments before offering the mortgage. In the FCA's response to the Government request for ideas to boost economic growth, the FCA Chief Executive, Nikhil Rathi, wrote, "We will begin simplifying responsible lending and advice rules for mortgages, supporting home ownership and opening a discussion on the balance

between access to lending and levels of defaults”.

VAT and furnished holiday accommodation

In a recent ruling, the Upper Tribunal overturned the decision of the First Tier Tribunal in the case between Sonder Europe Ltd and HMRC. This ruling means that the supplies of holiday accommodation made by Sonder are not considered to be “for the direct benefit of the traveller without material alteration or processing” and are therefore not eligible Tour Operators Margin Scheme (TOMS) supplies. TOMS would be beneficial for Sonder because if the supplies were eligible, the VAT due would be based on the margin, i.e. the difference between the sales price paid by the customer and the purchase price paid by Sonder.

Sonder acquired leases (between 2 and 10 years) for apartments, decorated and furnished them, then supplied the properties as holiday accommodation to business and leisure travellers, with the average stay length being 5 nights. The Upper Tribunal found that the First Tier Tribunal had not sufficiently considered whether Sonder’s onward supplies to the customer had been ‘materially altered’ from the supplies it had purchased, in that it only considered whether the decoration and furnishings were material alterations. It was found that overall, a short-term stay being supplied to a traveller is something that is materially altered from a lease of several years and therefore Sonder’s supplies did not fall within TOMS.

This above case is important for property landlords who make supplies of furnished holiday accommodation because it sets a binding legal precedent. If the supply is an

‘in-house’ supply, not one that is bought-in and re-supplied materially unchanged to customers, it is unlikely to fall within TOMS.

Wales – Multiple Dwellings Relief rules to be amended

[Draft Land Transaction Tax \(Modification of Relief for Acquisitions Involving Multiple Dwellings\) \(Wales\) Regulations 2025](#) were laid before the Senedd last week. These new rules amend some of the rules that govern Land Transaction Tax (LTT) reliefs. Currently, taxpayers can choose to make a claim to Multiple Dwelling Relief (MDR) in relation to all multiple-dwelling transactions. Once approved by the Senedd, the new regulations will change this to make it impossible to claim MDR in relation to transactions that, because of the Single Dwelling Exemption (SDE), are subject to the main residential rates instead of the higher residential rates.

The SDE applies in situations where there is a subsidiary dwelling, such as an annex or ‘granny flat’ alongside the main dwelling. Where the SDE applies, the transaction is subject to the main residential rates, whereas without the SDE, the transaction would be subject to the higher residential rates.

The Welsh government anticipates that this change will increase LTT revenues by between £1 million and £2 million a year.