MARKET MOMENT

THE IMPACT OF THE RENTERS' RIGHTS ACT

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INTRODUCTION

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In this Market Moment, Richard Howes, Managing Director of Paradigm Mortgage Services, provides an in-depth reminder of Renters' Rights Act 2025 and explores the potential impact on the housing and lending market. Together with Emily Hollands, Group Head of Intermediary Sales and Distribution at Rely, they examine the implications for advisers, landlords and clients, and the opportunities emerging as the sector adapts to change.

As you will know, the Renters' Rights Act 2025 received Royal Assent on 27 October 2025 and represents the most significant overhaul of the private rented sector in England since the Housing Act 1988.

Born from the previous Conservative government's stalled Renters (Reform) Bill, which fell with the 2024 general election, it was taken forward by the incoming Labour administration as a central pillar of its housing reform agenda.

The legislation applies to England only. Scotland has enacted its own parallel reform under the Housing (Scotland) Act 2025, and the Act does not extend to Wales or Northern Ireland.

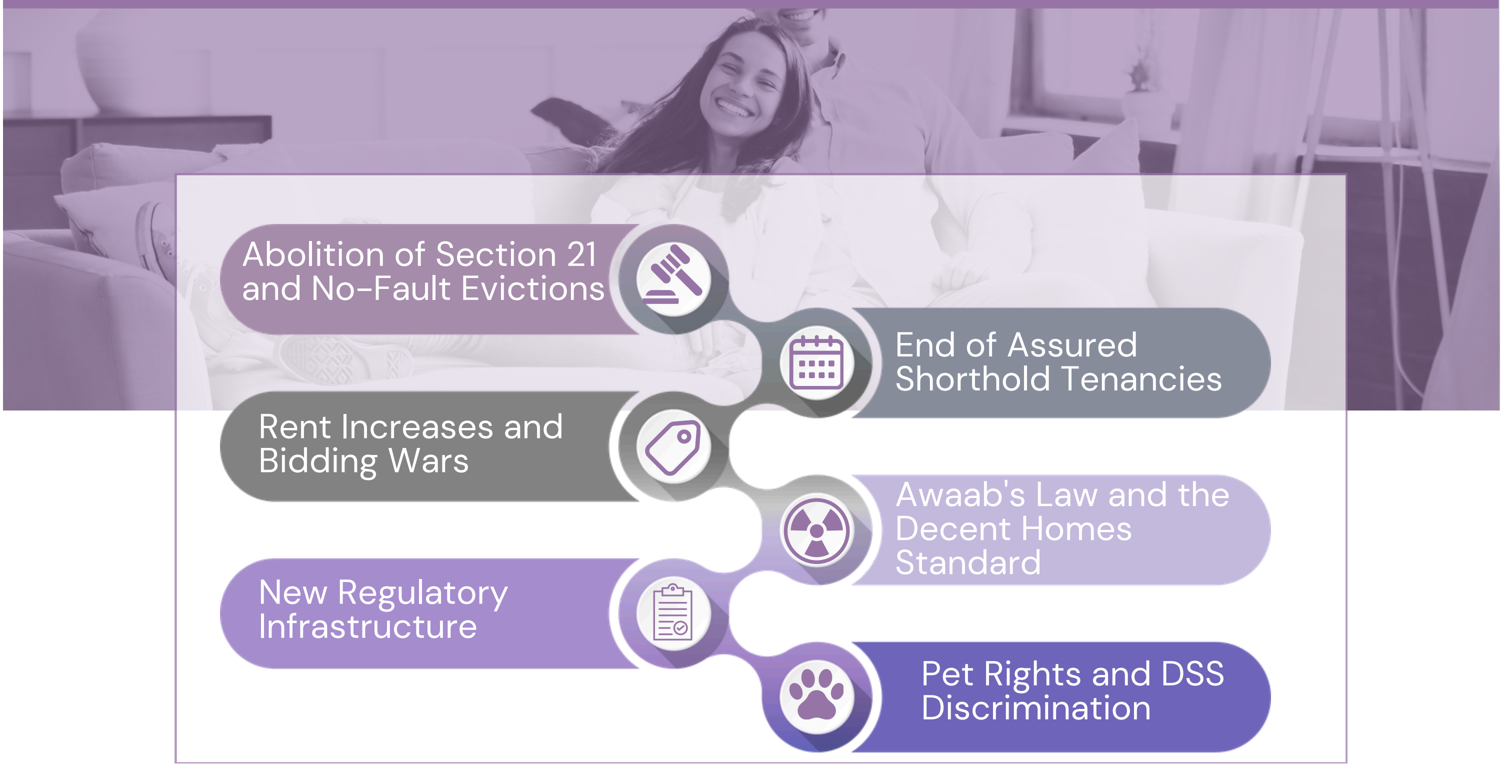
The Act rests on three stated ambitions:

- improving security of tenure for private renters,
- raising the quality of privately rented homes, and
- creating a fairer, more transparent relationship between landlords and tenants.

It covers areas such as eviction law, tenancy structures, rent controls, property standards, and the creation of an entirely new regulatory infrastructure for the sector.

With an estimated 11 million private renters and 2.3 million landlords in England, the legislation has wide-ranging consequences for housing supply, investment returns, the buy-to-let mortgage market, and the mortgage advice sector.

KEY PROVISIONS OF THE ACT



Abolition of Section 21 and No-Fault Evictions

A major change is the abolition of Section 21 'no-fault' eviction notices, which from 1 May 2026 removes landlords' ability to recover possession without reason. Landlords must instead rely on Section 8 grounds under the Housing Act 1988, requiring a specific, court-proven reason for possession.

End of Assured Shorthold Tenancies

All Assured Shorthold Tenancies (ASTs) have been abolished. Every tenancy, including all those already in existence on 1 May 2026, are automatically converted to an Assured Periodic Tenancy.

Rent Increases and Bidding Wars

Landlords must give at least two months' written notice of any rent increase, and tenants have the right to challenge an increase via the First-tier Tribunal if it's considered above market value.

Awaab's Law and the Decent Homes Standard

The Act extends Awaab's Law to the private sector, introducing legally enforceable timeframes for landlords to address serious hazards such as damp and mould.

New Regulatory Infrastructure

The Act introduces a mandatory national Private Rented Sector Database, requiring all landlords to register. It also establishes a Private Landlord Ombudsman to handle tenant complaints.

Pet Rights and DSS Discrimination

Tenants have a statutory right to request permission to keep a pet, which landlords cannot refuse unreasonably.

IMPLICATIONS FOR LANDLORDS

The Act fundamentally reduces landlord flexibility. The loss of Section 21 means that a landlord who needs to recover a property (for example, to sell it, refurbish it, or house a family member) must now navigate the courts. Early data from the Ministry of Justice showed landlord possession claims falling 11% year-on-year to 21,458 in the final quarter of 2025, while median claim-to-repossession timelines stood at 27 weeks, reflecting a court system already under pressure.

The financial arithmetic of buy-to-let has also shifted. Buy-to-let mortgage approvals more than halved between mid-2022 and end-2024, according to industry data, and year-on-year residential buy-to-let investment transactions fell by almost 44% in the summer of 2025 according to The Mortgage Works. The combined effect of higher borrowing costs, Section 24 mortgage interest restrictions, increased Energy Performance Certificate requirements (all private rental properties are expected to meet EPC Band C by 2030), and now the new tenancy regime has pushed many smaller landlords to reassess their positions.

For landlords who remain in the sector, compliance obligations are significant. By 31 May 2026, all landlords with existing written tenancy agreements were required to issue tenants with the Government's official Information Sheet; failure to do so carries a civil penalty of up to £7,000. Every new letting now requires a Written Statement of Terms before the tenancy commences.

IMPLICATIONS FOR TENANTS

For tenants, the Act attempts to deliver long-sought protections. The abolition of no-fault evictions removes the uncertainty that had discouraged tenants from complaining about conditions or exercising their rights for fear of retaliatory eviction. The shift to periodic tenancies removes the 'AST trap', in which tenants faced financial penalties for leaving before the end of a fixed term, making it easier to buy a home or move between rentals without paying overlapping rent and mortgage costs.

Rent transparency and anti-bidding-war provisions address one of the most acute pressures of recent years. Average UK private rents have risen sharply since 2021.

IMPLICATIONS FOR UK MORTGAGE BROKERS

For mortgage brokers, particularly those active in the buy-to-let market, the Renters' Rights Act reshapes both the product landscape and the advice relationship with landlord clients.

Buy-to-Let Lending Risk Profile

The abolition of Section 21 materially increases recovery risk for lenders. Lenders will no longer be able to achieve vacant possession via the no-fault route, lengthening enforcement timelines and increasing legal costs in default scenarios.

Portfolio Reviews and Remortgage Conversations

Many landlords are reaching the end of fixed-rate mortgage terms in 2026 and facing sharper decisions than at any point since the 2017 Section 24 reforms. The combination of higher rates, tighter energy efficiency standards, the new tenancy regime, and lower London yields is prompting portfolio consolidation and partial disposals. Brokers with buy-to-let clients have the opportunity to initiate proactive conversations about portfolio viability and lending options, including the growing relevance of limited-company buy-to-let structures.

First-Time Buyer Opportunity

The large volume of former rental stock coming onto the market creates an adjacent opportunity. With approximately 30% of new London sales instructions being former rentals, and 254,000 buy-to-let disposals estimated across England, first-time buyer demand in some markets is being met by stock that was previously unavailable. Paradigm sees a real opportunity for brokers who engage with prospective buyers in these conditions and can thus benefit from the structural shift in the market.

Advice and Compliance Considerations

Brokers advising landlords should be aware as to how the Act affects the income assumptions underlying mortgage applications and product suitability assessments. Where a landlord's rental income projections are based on tenancy arrangements or recovery timelines that no longer reflect the post-May 2026 regime, we would advise this needs to be updated accordingly. The longer notice periods, the raised arrears threshold, and the court-dependent possession process are all relevant to stress-testing rental income assumptions.

THE STATISTICS SCALE AND GROWTH

GROWTH SINCE SECTION 24

332%
increase in nine years

Buy-to-let limited companies registered across the UK

92,975 companies (2016) to **401,744** (Feb 2025)
~223,000 fewer companies expected without Section 24

RECORD INCORPORATIONS

66,587
new companies in 2025

New incorporations have broken records in each of the last three years

- 2023: **50,004** new buy-to-let companies formed
- 2024: **61,517 (+23%)**
- 2025: **66,587 (+8%)**

Peak new incorporations **6,493** September 2025

Accelerated pace on new buy-to-let companies formed **5,922** January 2026

THE MARKET TODAY

~443,272
buy-to-let limited companies (Early 2026)

Rental properties collectively held
1.5 MILLION

$\frac{3}{4}$ new buy-to-let purchases through a limited company

Corporate Ownership is Highest Among the Next Generation of Landlords

BY AGE

25-35	57
35-44	46

Older ↓ continues to fall

BY EXPERIENCE

< 5	80
6-10	40
11-20	21

60%
Companies established in 2024 had shareholders under 45

Source: Hamptons and Companies House and Paragon, GetGround

In 2016, when Section 24 was announced, there were approximately 92,975 buy-to-let limited companies registered across the UK. By February 2025, that figure had reached 401,744, a 332% increase in nine years, according to data from Hamptons and Companies House. Analysts estimate that had Section 24 never been introduced and incorporation growth had continued on its pre-2016 trajectory, around 223,000 fewer companies would have been formed.

New incorporations have broken records in each of the last three years. There were 50,004 new buy-to-let companies formed in 2023, 61,517 in 2024 (a 23% increase on the previous record), and 66,587 in 2025 (a further 8% increase). September 2025 saw the highest ever monthly figure at 6,493 new incorporations. By January 2026, the pace had accelerated further, with 5,922 new buy-to-let companies formed in that month alone, 11% above the same month in 2025. By early 2026, the total number of buy-to-let limited companies stood at approximately 443,272, collectively holding around 1.5 million rental properties.

More than three-quarters of all new buy-to-let purchases are now made through a limited company, according to Hamptons.

The shift is most pronounced among younger and newer landlords. Research from Paragon found that landlords aged 25 to 34 hold 57% of their properties in limited companies, falling to 46% for those aged 35 to 44, and declining further with age. Landlords who have been in the market for five years or less hold 80% of their properties corporately; this falls to 40% for those with six to ten years of experience and to 21% for those with eleven to twenty years. Around 60% of companies set up in 2024 had shareholders under the age of 45 (GetGround). The structure has effectively become the default for the next generation of property investors.

HOW MORTGAGE BROKERS CAN HELP AND ADD VALUE

For mortgage brokers, the rise of limited company buy-to-let is both a challenge and a significant opportunity. It demands a higher level of specialist knowledge but rewards brokers who invest in that expertise with deeper, more valuable, and more durable client relationships.

The first contribution a broker can make is helping a landlord understand whether incorporation makes sense for their specific circumstances. A decision that should be made on the basis of a landlord's income tax position, the size of unrealised gains in their existing portfolio, how much rental income they need to draw personally, their long-term investment horizon, and their appetite for administration.

On the lending side, brokers need to understand how lenders assess limited company buy-to-let applications. Company applications require assessment of the directors, the company's SIC code (the standard industry classification code for property letting), its trading history, and in some cases the wider group structure if a holding company sits above the property-owning vehicle. Lenders have developed specific criteria for Special Purpose Vehicles (SPVs), which are companies set up solely to hold property and which are treated more straightforwardly than trading companies. Brokers who understand these distinctions can match clients to the right lender efficiently.

Portfolio landlords using company structures typically have more complex borrowing needs: refinancing across multiple properties, cross-collateralisation decisions, and the management of interest cover ratios at a portfolio level rather than a single property level. These clients represent a substantial and recurring source of advice work. With 443,272 buy-to-let companies now active and new incorporations running at over 5,000 per month, the pipeline of clients who need specialist corporate BTL advice and mortgage support is large and growing.

Finally, brokers who understand the limited company landscape are well placed to support landlords navigating the post-Renters' Rights Act environment: advising on whether to hold, restructure, or exit; helping landlords who are acquiring former individual landlord stock through their company; and supporting portfolio reviews as fixed-rate terms expire on properties held corporately.

We believe this is high-value, relationship-driven work that differentiates specialists from generalists in a competitive market.

THE UK BUY-TO-LET MARKET: FIVE YEARS IN CONTEXT

Understanding the scale of the buy-to-let sector is essential to appreciating both the opportunity it represents for mortgage brokers and the significance of the disruption that regulatory and economic headwinds have caused since 2022.

MARKET SIZE AND LENDING VOLUMES

The UK buy-to-let mortgage market reached its recent peak in 2022, with total gross lending of £41.4 billion, a figure that represented 88% growth from £22 billion in 2013 and a recovery from the post-2016 regulatory impact of increased stamp duty surcharges, Section 24 mortgage interest restrictions, and changes to wear and tear allowances. At its 2022 high, buy-to-let lending accounted for 11.9% of total UK mortgage lending by value.

The subsequent contraction was sharp. Total buy-to-let lending fell to £18.3 billion in 2023, a drop of more than 55% from the 2022 peak in a single calendar year, as rising interest rates compressed yields and forced many landlords to reassess the economics of their portfolios. Lending recovered to £20.5 billion in 2024, a 12% improvement on 2023, but the market remains materially below its pre-correction level. By the final quarter of 2024, buy-to-let lending represented 8.2% of total mortgage values, compared with 11.9% in the same quarter of 2022.

YEAR BY YEAR SUMMARY

Year	Gross BTL Lending	BTL Share of Total Mortgage Market	Avg BTL Rate	Key Theme
2020	c.£24bn	c.10%	c.2.5%	Covid impact; lending holds up
2021	c.£34bn	c.10-11%	1.65% (Oct low)	Record low rates; market boom
2022	**£41.4bn (peak)**	11.9% (Q4)	Rising sharply	Market peak; rate rises begin
2023	£18.3bn (-55%)	7% (Q4)	c.5-6%	Sharp contraction; landlords exit
2024	£20.5bn (+12%)	8.2% (Q4)	c.4.8-5.1%	Partial recovery; yields improve
2025	£10.5bn (Q1 alone)	n/a full year	4.77% (Q4)	RRA uncertainty; rates easing

Sources: UK Finance, Finder.com, PropertyData, Watling (2026)

THE UK BUY-TO-LET MARKET: FIVE YEARS IN CONTEXT

Yields, Arrears and Portfolio Health

Despite the lending contraction, rental yields have shown resilience. The average gross buy-to-let rental yield in the UK reached 7.15% in Q3 2025, up from 6.93% in Q3 2024 and 6.88% in Q1 2024. This improvement reflects rising rents driven by reduced supply of rental properties, and it has helped rebuild the interest cover ratios that lenders use to stress-test applications. The average buy-to-let interest cover ratio reached 218% in Q4 2025, up from 201% in Q4 2024.

Arrears and possessions have risen from the very low bases of the 2021 to 2022 period. There were 9,520 buy-to-let mortgages in arrears of more than 2.5% of their outstanding balance at the end of Q4 2025, down from 13,000 in Q3 2024 as rate conditions improved. Buy-to-let possessions rose 10% year-on-year to 770 in Q4 2025, reflecting the cumulative pressure on higher-rate, lower-yielding portfolios. In Q3 2024, possessions had risen 73% year-on-year from the distorted low base of 2022.

The Broker Opportunity

Despite the contraction in new purchase activity, there are approximately 1.46 million buy-to-let fixed rate mortgages outstanding as at Q4 2025, up 2% year-on-year, representing a significant remortgage and product transfer pipeline. A further 466,000 variable rate buy-to-let loans remain outstanding. With many landlords facing the end of fixed-rate terms in 2026 and rates having eased to an average of 4.77% across new buy-to-let loans in Q4 2025, the remortgage conversation is both urgent and commercially significant for brokers.

Q1 2025 saw 58,347 new buy-to-let loans advanced, worth £10.5 billion, a 38.6% increase in volume and 46.8% increase in value compared with Q1 2024. This suggests that, even amid regulatory uncertainty, there remains meaningful transactional activity for brokers who are positioned as knowledgeable advisers in this sector. The structural shift towards limited-company buy-to-let ownership, driven by Section 24 tax changes and now reinforced by the Renters' Rights Act, also continues to generate specialist advice needs.

RENTERS RIGHTS ACT: IMPLEMENTATION TIMELINE

27th October 2025

Royal Assent: the Renters' Rights Act 2025 becomes law.

March 2025

Government publishes official Information Sheet for issue to existing tenants.

1st May 2026

Phase One commences: Section 21 abolished; all ASTs converted to Assured Periodic Tenancies; rental bidding ban active; pet rights and benefits discrimination ban in force; written statement of terms required for new tenancies.

31st May 2026

Deadline for landlords to issue the Government Information Sheet to existing tenants (penalty up to £7,000 for non-compliance).

Late 2026 onwards

Phase Two: Private Rented Sector Database and Landlord Ombudsman to be introduced following further Government regulations.

2028 (indicative)

Private Rented Sector Landlord Ombudsman expected to launch.

2030

All private rental properties in England and Wales expected to meet EPC Band C or equivalent (subject to valid exemptions).

2035-2037

Decent Homes Standard for private rented sector proposed for commencement (following Government consultation).

The Renters' Rights Act - impact for landlords and what it could mean for buy to let brokers

As the first phase of the Renters' Rights Act comes into effect this month Richard Howes met with Emily Hollands, Group Head of Distribution at Rely, OSB Group to discuss the Act and what this could mean for brokers in the buy to let industry.

RELY

Emily Hollands
Group Head of Distribution

What is the Renters' Rights Act and why is it important?

In October 2025, the Renters' Rights Act became law, bringing in changes designed to give tenants more protection and improve standards across the private rented sector. Naturally, these updates will have a direct impact on landlords and may shape how they approach growth and borrowing going forward.

How are landlords responding to the changes?

In the latest Landlord Leaders survey from Rely, 62% of the landlords asked, shared their optimism at operating as a landlord in future, which is up significantly from 47% in 2025.
Mortgage brokers will play a key role in helping landlords navigate the new legislation, as well as understanding which lending criteria can help their future journey in the private rented sector.

What are the key changes in Phase 1 and when does this come into effect?

The Renters' Rights Act will be introduced in three phases. Phase 1, introduced from 1st May 2026, includes:

- Section 21 'no fault' evictions abolished and Assured Periodic Tenancies introduced, alongside reformed possession grounds to better balance landlord and tenant rights.
- Rent increases capped at once per year, with rental bidding and rent in advance banned.
- Landlords must not discriminate against tenants with children or those on benefits and must consider tenants with pets.
- Local authorities given stronger enforcement powers for investigating breaches, and higher penalties for non-compliance.

What should brokers consider during Phase 1?

Landlord clients are likely to take more interest in lender appetite, risk tolerance and exit strategies. Brokers should try to get as familiar as possible with lender criteria by speaking to the relevant BDM to ensure they're able to paint an accurate picture for their clients. The new possession rules are designed to balance tenant protection with landlords' needs. It's important that brokers speak to their landlord clients, regardless of portfolio size, to ensure they're aware of these important changes.

The changes could also affect rental income growth, which may impact affordability calculations and change the number of options that brokers can access when refinancing. Rental increases will be more restricted under the new rules, so brokers should speak to clients early to help them understand the potential impact.

Landlords and agents will no longer be able to accept offers above the advertised rent or ask for more than one month's rent in advance. This will have a direct impact on the rental yield calculations used in affordability checks, so it needs to be considered before submitting an agreement in principle. This is a model that many landlords are already using so brokers may find that this impacts the smaller accidental landlords who may be new to the sector and therefore need more support in navigating the changes.

The reforms also mean landlords can't discriminate against certain tenant demographics. It may fall to brokers to remind landlords and reassure lenders on the importance of aspects like insurance, arrears management, or income stability.

What should brokers consider during Phase 2?

It may be useful for brokers to remind their landlord clients about the importance of Phase 2 and its impact on maintaining their registration for the database and the Ombudsman.

It will be important for brokers to stay ahead of the Phase 2 changes to ensure they can advise their landlord clients well in advance of any deadlines and by keeping in touch with specialist buy to let lenders such as Rely brokers can keep themselves ahead of the curve.

What is expected in Phase 3?

The Decent Homes Standard will introduce a minimum standard of housing quality and provide local councils with powers to take enforcement action if PRS properties fail to meet it.

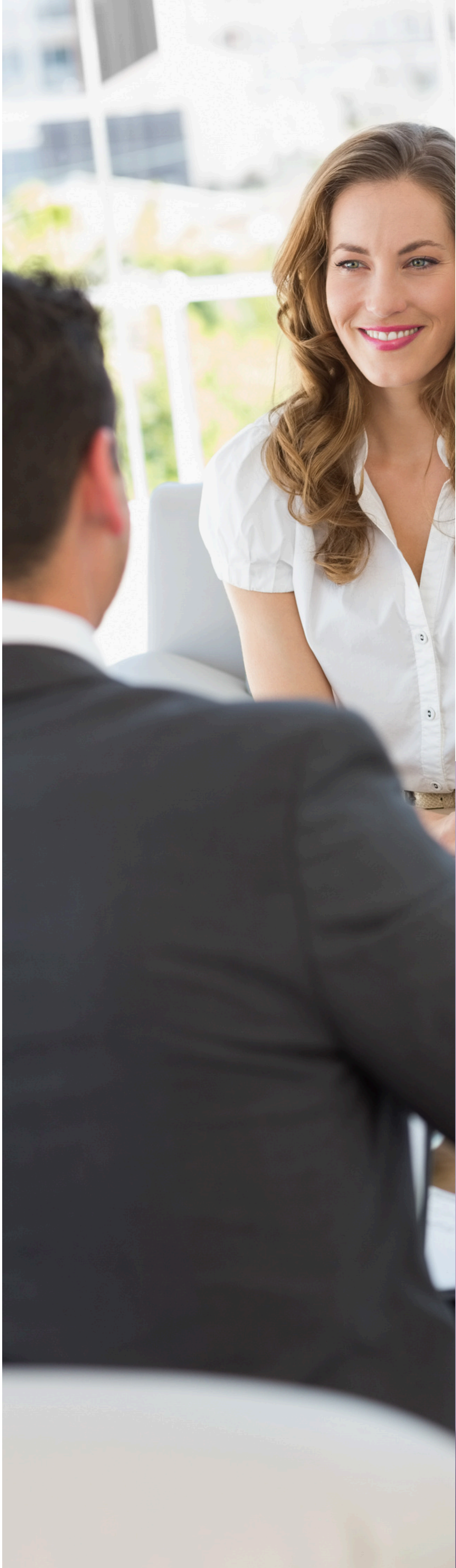
This phase will also mean Awaab's Law is extended to the PRS, setting clear legally enforceable timeframes within which PRS landlords must make homes safe where they contain serious hazards.

What impact could Phase 3 have on landlords and brokers?

Brokers could see an increase in capital-raising remortgages or further advance requests to fund the improvements needed to meet these new Phase 3 standards.
The extension of Awaab's Law to the PRS will mean that serious hazards like damp and mould will need to be investigated and fixed on much stricter timelines. This may result in increases to maintenance costs that landlords hadn't anticipated.

Similarly to the Decent Homes Standard, brokers may also see an increase in buy to let investors who rely on refinancing to fund these projects. Rely's latest Landlord Leaders study shared that just over 50% of professional landlords are using their savings to fund energy improvements.

Buy to let mortgage brokers may find that lenders start to introduce stricter due diligence, and that the involvement of accidental landlords in the PRS becomes less and less.



What does this mean for the role of brokers going forward?

Understanding the regulations and compliance that comes with buy to let lending will become part of the advice investors will rely on brokers for and that's where specialist lenders can really step up to the plate.

With all of this in mind, what should brokers be looking for in a lending partner to support their buy to let clients?

We know brokers need a lender that really gets buy to let, particularly in a changing regulatory environment. With a variety of client profiles from those with clean credit histories to few past blips, and first-time landlords, as well as portfolio investors or limited companies, having the right lending partner is key.

Since Rely's launch in November, our mission to revolutionise buy to let lending has gone from strength to strength. We're supporting the full breadth of the PRS with our intuitive technology platform, powerful products, range of valuation options, unrivalled market knowledge and, most importantly, speed to offer.

If you want more information about how Rely could support you, take look at our website, or for more clarity about a specific buy to let case, don't hesitate to get in contact with your dedicated BDM.

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