

Help for Scottish Residential Landlords: Another lesson for England and Wales?

On Tuesday (5 May 2020), the Scottish Government introduced a loan scheme designed to ease the financial pressure on private sector residential landlords caused by non-payment of rent by tenants as a result of the COVID-19 pandemic. The Scottish Government seems to be taking a firmer line than its UK counterpart on the possibility of lifting lockdown happening any time soon and has stepped in to seek to assist small residential landlords, recognising that if assistance is given to landlords, that will ease the pressure on tenants who are unable to pay and who may fear claims for rent or even eviction once the pandemic is over.

As in England and Wales, a moratorium on the commencement of residential possession proceedings has been implemented through the mechanism of extending the notice period required to bring a residential tenancy to an end to six months although this only applies to notices served after 7 April 2020. In addition, for existing cases, all grounds for claiming possession of residential property have temporarily been made discretionary so that a Judge has the final say as to whether to evict.

The PRS Landlord (non-business) Covid19 Loan Support scheme has a fund of £5m available to lend to landlords who are suffering losses as a result of non-payment of rent. If loans are made, they are interest-free and repayable in twelve monthly instalments commencing in October 2020.

Applications for loans may be made to cover lost rental income for a single property for a maximum period of six months, though the period can be backdated to 1 March 2020.

But there are significant pre-conditions which a landlord must satisfy before an application will be approved. The scheme applies only to properties in the private rental sector which are situated in Scotland. It does not apply to commercial property nor to short-term holiday-type lettings or agricultural tenancies. To qualify for the scheme, the landlord must have been registered as a landlord with its local authority before 1 February 2020 and must not be classified as a business.

Controversially, although the scheme applies to the 95% of residential landlords who own five or fewer residential properties within Scotland, the claim can be made only in respect of one of those properties even if rent is not being paid for more than one property. Landlords with more property, it is thought, are better able to absorb the risk of non-payment from one or more properties. Landlords must therefore choose where they are suffering the greatest losses even though that situation may change as circumstances change.

What is more, a landlord cannot apply if he can seek help elsewhere, for instance by having been furloughed from their usual employment. Landlords with mortgages must also be able to demonstrate that they have been turned down by their mortgage lender for a payment holiday before an application will be successful and that they have engaged with their tenants concerning alternative help which might be available to the tenant to assist with payment of rent.

The scheme is undoubtedly limited. It is limited in terms of its scope as described above but also limited as to what it seeks to achieve; it is a short-term cash flow fix for landlords which might, in turn, ease the pressure which those landlords would otherwise be inflicting on their tenants. But the scheme does not absolve tenants of the obligation to pay rent and the loans will have to be repaid in due course. Whether this is merely kicking the can down the road, therefore, remains to be seen. The scheme has been largely welcomed by landlords in Scotland and doubtless their English and Welsh neighbours for whom there is no equivalent scheme will be looking on with a degree of envy and perhaps a greater resolution to lobby the UK government to introduce similar measures for England and Wales.

Learn more about the PRS Landlord (non-business) Covid19 Loan Support scheme [here](#).