

The law that protects tenants by **excluding** them

How the Renters' Rights Act 2025 will reshape access to private rental — and why the people it was designed to help may pay the highest price.

THE SETUP

The Act doesn't reduce risk. It moves it.

From 1 May 2026, Section 21 ends. Mandatory arrears thresholds rise from 2 to 3 months. Court timelines stay long. The legal balance shifts — but financial risk has to live somewhere.



MEDIAN POSSESSION TIMELINE

~27 weeks

From the day rent stops to the day a landlord regains possession — a £12k–£17k unsecured exposure on a £1,750/month let.

The liquidity buffer is not free capital.

To survive a single bad tenancy, professional landlords now plan for £10k–£20k in idle cash per property. That capital has a real opportunity cost — and it comes out somewhere.

PER PROPERTY

£10–20k

Locked up against rare but severe loss events.

ANNUAL DRAG

£400–1k

Foregone return at risk-free rates.

RENT UPLIFT

2–5%

Required to recover the buffer's drag.

5-PROPERTY PORTFOLIO

£50–100k

Dead capital across a small portfolio.

*The buffer only works if combined with **near-perfect screening**. Liquidity and selectivity are mathematically linked.*

Rent guarantee insurance has three structural problems.

RGI looks like the obvious alternative — pay £200–£400/year, transfer the risk. But it doesn't replace screening. It enforces it.

1

Underwriting passes screening back

Insurers require 2.5–3× income multiples, clean credit, continuous employment, and UK guarantors. Take a marginal tenant — void the policy.

2

Capped payouts and excess periods

Most policies cap at £25k–£50k aggregate with a 1-month excess. The landlord still needs the buffer. RGI smooths losses; it doesn't eliminate them.

3

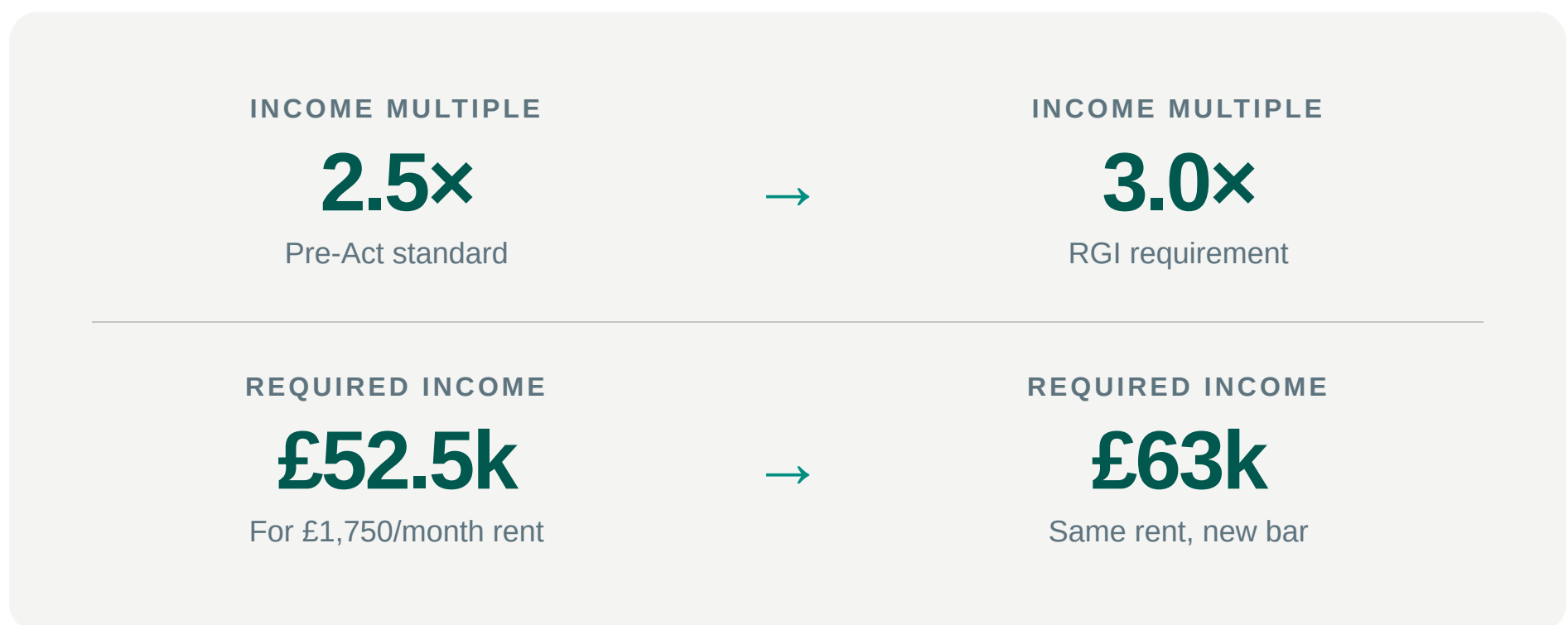
Premiums will rise post-implementation

Once 27-week timelines are baked in, expected claims rise and premiums follow. Higher-risk profiles may become structurally uninsurable.

THE ARITHMETIC

When 2.5x becomes 3x, the bar jumps £10k.

The mechanism is invisible. The math is not. On a £1,750/month rent, RGI underwriting alone shifts who can rent — and who cannot.



A **£10,500/year** jump in the affordability bar — before any rent rises occur.

THE DISTRIBUTIONAL IMPACT

Who actually pays the cost.

The Act's stated beneficiaries — households with children, benefit claimants, those seeking stability — are precisely the groups most affected.



Young renters without family support

Guarantor demands assume an asset-owning parent. Tenants without one face a structural barrier.



Benefit-supported households

RGI underwriting is sceptical of LHA income. The arithmetic does the exclusion silently.



Self-employed & non-standard income

Insurers want continuous PAYE. Freelancers and contractors fall outside the box.



Recent arrivals & new joiners

No UK credit history, no UK guarantor. The screen filters them out before any decision.

THE COMPOUNDING EFFECT

Each turn of the cycle tightens the next.

The narrower the eligible tenant pool, the longer the void; the longer the void, the higher the rent; the higher the rent, the narrower the pool.

1 Higher rents to fund buffer + RGI premium



2 Higher income multiples needed to qualify



3 Smaller eligible tenant pool



4 Longer voids between tenancies



5 Higher rents to recover void costs — repeat

WHERE THE COST LANDS

Risk doesn't disappear. It migrates.

Each adaptive response distributes its cost differently. None of them lands evenly on the people the Act named.

RESPONSE	WHO PAYS	HOW IT SHOWS UP
Liquidity buffer	Tenants (rent) Landlords (yield)	Higher asking rents Stricter screening
Rent guarantee insurance	Tenants (screening) Landlords (premium)	Higher income multiples Guarantor demands
Both combined	Marginal tenants (excluded)	Smaller pool Council pressure

THE BOTTOM LINE

Risk migrates from the legal layer to the market-access layer.

A law designed to protect vulnerable tenants ends up rationing them out of the market — because the only way landlords can survive the new liquidity profile is to refuse to take them in the first place.

LUMORA POLICY ANALYSIS



What's your view?

Will the market self-correct as the sector consolidates around larger institutional landlords? Or are we watching the structural exclusion of the very households the Act named?

↓ **COMMENT BELOW** ↓

The intelligence that moves capital.