# Average rent arrears hit £2,237 as UK rental market faces historic pressures in 2025



Average rent arrears in the UK have surged to £2,237 in the first quarter of 2025, marking a 23% increase compared to the previous year. This rise, as reported by deposit alternative provider Reposit, reflects a dramatic 56% spike since Q1 2023, indicating a troubling trend among tenants struggling to meet their rental obligations. The acute financial pressure on tenants is underscored by concurrent findings from various sources indicating that affordability burdens have intensified, with average renters now allocating approximately 32.6% of their incomes to rent—up from 26.8% a decade ago.

Compounding this issue, a study analysing data from the Tenancy Deposit Scheme revealed that around 20% of lettings disputes were attributed to rent arrears in the last year, with nearly 9,800 disputes linked to this issue. This marked an extraordinary 80% increase year-on-year, further capping off a challenging landscape for both tenants and landlords alike. The ongoing financial strain is not merely a transient concern; it forms part of a larger societal issue that is driving many landlords to reconsider their roles in the market.

At the core of this predicament are the rising costs landlords face, coupled with evolving legislative pressures such as the proposed Renters' Rights Bill. This legislation aims to overhaul existing rental practices by banning Section 21 evictions and enforcing new tenancies and property standards. While these reforms are designed to bolster tenant protections, organisations like Propertymark have expressed trepidation regarding their potential side effects. Specifically, there is concern that these changes could incentivise landlords to exit the rental market, exacerbating the already critical shortfall of available rental homes, which has dropped to a record low of just 284,000 by the end of Q1 2025—an 18% decrease from the previous year and 23% below pre-pandemic figures.

With rental prices continuing to rise—now averaging £1,095 per month—landlords are faced with dual pressures of managing tenant risks while also confronting increasing operational costs. Reposit’s data shows that the average charge for property damages, excluding arrears, reached £1,355 in Q1 2025, an 18% rise from the previous year. This statistic reveals the growing financial strains not only on tenants but also on landlords, who must account for potential property damage, particularly with new regulations permitting tenants to keep pets.

Despite the cautious atmosphere surrounding rental regulation, some market players remain optimistic. Notably, sizeable investments from major entities such as Aviva, Legal & General, and M&G have surged, as these firms continue to pour resources into the UK rental sector. Despite apprehensions regarding potential regulation changes from a new Labour government, these investors seem driven by the enduring demand for rental housing, which remains significantly higher than supply.

Yet, the complexities of the rental market extend beyond simple supply and demand dynamics. Recent discussions have brought to light the Scottish government’s modification of rent control proposals amid a housing crisis, reflecting a national dialogue about the balance between tenant protection and the necessity of fostering a conducive investment atmosphere. Newly proposed caps intending to limit rent increases to inflation plus 1% serve as a microcosm of a broader tension—while aimed at safeguarding tenants, such measures risk further dissuading investment in new housing projects, potentially deepening the existing scarcity of rental properties.

As the UK grapples with these mounting challenges, the landscape of rental housing continues to shift, marked by an uneasy coexistence of tenant needs and landlord realities. The implications of these trends—whether through legislative changes, market investments, or fluctuating financial landscapes—will continue to evolve, necessitating ongoing scrutiny and perhaps innovative solutions to ensure that the interests of both tenants and landlords are adequately addressed.

### Reference Map

1. Paragraphs 1, 2, 3
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7. Paragraph 4

Source: [Noah Wire Services](https://www.noahwire.com)

## Bibliography

* <https://www.lettingagenttoday.co.uk/breaking-news/2025/05/rent-arrears-rise-as-hard-pressed-tenants-hit-affordability-ceiling/> - Please view link - unable to able to access data
* <https://www.thisismoney.co.uk/money/buytolet/article-13808821/Tenants-rent-arrears-set-rise-landlords-warned-prices-going-up.html> - An article from 'This is Money' discusses the rising trend of tenants falling into rent arrears, highlighting that the average renter now spends 32.6% of their income on rent, up from 26.8% a decade ago. This increase in rent-to-income ratio is placing significant strain on household budgets, leading to a higher incidence of rent arrears. The article warns landlords to prepare for this growing issue, as rising rental prices continue to outpace income growth, potentially exacerbating financial difficulties for tenants and increasing the risk of arrears.
* <https://www.ft.com/content/c466bcbd-8984-4ed9-8228-2cb937b02617> - A letter published in the Financial Times addresses the potential impacts of the Renters' Rights Bill on the private rented sector in England. The bill aims to reform the sector by banning Section 21 evictions, introducing open-ended tenancies, and enforcing new property standards and rent regulations. Propertymark, the leading membership body for property agents in the UK, expresses concerns that these reforms could lead to landlords withdrawing from the long-term rental market, thereby reducing housing availability and exacerbating the existing supply-demand imbalance.
* <https://www.ft.com/content/1ede67c4-3d48-4394-8908-3e325500f48a> - An article from the Financial Times discusses the Scottish government's modification of rent control proposals amid a housing crisis. The new housing bill suggests capping rent increases at inflation plus 1%, aiming to balance tenant protection with housing development. However, investors argue that such controls deter capital investment and cause landlords to withdraw properties, worsening supply issues. The article highlights the tension between tenant protection measures and the need for increased housing supply, with developers seeking more clarity to secure investor confidence.
* <https://www.reuters.com/world/uk/major-investors-pile-uk-rental-homes-despite-regulatory-fears-2024-07-12/> - A Reuters article reports that major investors, including Aviva, Legal & General, M&G, and Royal London Asset Management, are significantly increasing their investments in the UK rental housing market despite concerns over potential stricter rental regulations from the new Labour government. Aviva alone has invested £750 million in the last 18 months and aims to triple this in three to four years. The demand for rental homes continues to surpass supply, making this sector attractive despite regulatory uncertainties and high interest rates.
* <https://www.ft.com/content/3bd725a4-1eb7-4087-aaf8-656a615de911> - An article in the Financial Times addresses the implications of the proposed Renters' Rights Bill on lodgers. The bill aims to abolish 'no fault' evictions and introduce open-ended tenancies but does not apply to lodgers who live in the same property and share communal spaces with the homeowner. Lodgers are covered under licences, not tenancies, according to the Housing Act 1988. This distinction means that the proposed reforms will not affect lodgers, highlighting a gap in tenant protection for this group.
* <https://www.cushmanwakefield.com/en/united-kingdom/insights/the-renters-rights-bill> - A report by Cushman & Wakefield examines the implications of the Renters' Rights Bill for investors, lenders, and housing supply. The bill proposes the abolition of 'no-fault' evictions and introduces rent regulation measures, including restrictions on rent increases and the right for tenants to challenge rent hikes through tribunals. The report highlights potential challenges for landlords, such as increased financial risks from non-paying tenants and the possibility of landlords exiting the market due to regulatory changes, which could further reduce housing supply.