**Protected Rent Debt (PRD)**

Guidance Document 1

(JAN 2022)

**Background:**

Many businesses were forced to close as part of measures to control the spread of coronavirus. Losing their source of income meant that many fell behind on their commercial rents.

To allow viable business to survive during the pandemic, the Government brought in three main measures to help businesses falling behind on their rents. These were restrictions on landlords (1) forfeiting business leases; (2) using Commercial Rent Arrears Recovery procedure; and (3) presenting winding-up petitions. These measures are all due to expire at or near the end of March 2022.

On 16 June 2021 the Government announced that it would introduce legislation to establish a binding arbitration system to resolve disputes where landlords and tenants could not agree. The arbitration award can (1) reduce the amount of unpaid rent and (2) for any sum left also set a repayment period of up to 2 years.

The new law will provide commercial tenants and landlords with peace of mind that finally, any outstanding protected rent debt, will be settled fairly. Further, that landlords will share the financial impacts of the pandemic with their tenants.

The legislation is called Commercial Rent (Coronavirus) it applies to England and Wales only.

**Key terms of the legislation:**

*Adversely affected by coronavirus*, the business was subject to restrictions i.e. closures during the relevant periods (see questions below).

*Viability*, the business needs to be viable.

*Affordable*, any outcome needs to avoid the business taking on more debt or setting unaffordable repayments.

*Protected rent debts (PRD)* describes unpaid rents that were accrued during closure periods, or *relevant periods* as they are called in the act.

**Questions:**

**Is my business in scope?**

If you have outstanding rent that was accrued during the *relevant period* which is still unpaid and were adversely affected by coronavirus then you are in scope.

The relevant periods vary slightly from England to Wales and are dependent on business type (see below)

**Hospitality and Nightclubs**

Period start date 21stMarch 2020

Period end date (England) 18th July 2021

Period end date (Wales) 7th August 2021

**Hotels & B&B’s**

Period start date 21st March 2020

Period end date (England) 18th July 2021

Period end date (Wales) 17th May 2021

**Self-contained Tourist Accommodation**

Period start date 21st March 2020

Period end date (England) 12thApril 2021

Period end date (Wales) 27th March 2021

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**Personal Care**

Period start date 21st March 2020

Period end date (England) 18th July 2021

Period end date (Wales) 12th April 2021

**Hairdressers**

Period start date 21st March 2020

Period end date (England) 18th July 2021

Period end date (Wales by appointment only) 15th March 2021

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**Indoor Leisure (Gyms)**

Period start date 21st March 2020

Period end date (England) 18th July 2021

Period end date (Wales) 3rd May 2021

**Outdoor Sports/Leisure**

Period start date 21st March 2020

Period end date (England) 29thMarch 2021

Period end date (Wales) 26thApril 2021

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**Theatres & Cinemas**

Period start date 21st March 2020

Period end date (England) 18th July 2021

Period end date (Wales assuming not licensed) 17th May 2021

**Large Events Venues**

Period start date 21st March 2020

Period end date (England) 18th July 2021

Period end date (Wales) 7th August 2021

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**Non- essential retail**

Period start date 21st March 2020

Period end date (England) 12th April 2021

Period end date (Wales) 7th August 2021

**Garden Centres**

Period start date 21st March 2020

Period end date (England) 13th May 2020

Period end date (Wales) 22nd March 2021

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**Do I still have to be a tenant?**

No, the principles outlined in clause 15 of the Bill are not about the premises but about the viability of the tenant’s business. It will be perfectly possible for the tenant to have a viable business who does not wish to reoccupy the premises for which the rent was due.

**How long do I have to act?**

There is a time-limit, the legislation will currently only be open for applications for binding arbitration in a 6-month window between March – Sept 2022. You have no protection from your landlords and cannot use the service to reduce any rent that you oweif you miss this window.

**I already have already paid off my landlord but have changed my mind.**

The legislation cannot undo or return payments you have already made to your landlord it can only change the balances that are unpaid. However, it can still work in the situation where your landlord has used any “set-off” to pay rent and reduce the balance e.g. they used your deposit to pay the rent account.

**I already have made (or accepted) a proposal but have changed my mind.**

You can use the legislation but only if the deal you struck is a concession (i.e., not legally binding) and not set under an IVA, CVA or companies act 2006 arrangement (i.e., insolvency)

**I have a CCJ from my landlord that I have not paid?**

You can still use the legislation

**Types of awards you can expect**

Rent can be a 100% write off – to 0%

With or without repayment arrangement for any balance spread out over 24 months

**My business is in Scotland?**

This legislation does not apply, you will need to contact your Member for the Scottish Parliament and ask them what alternatives the Scottish Government are proposing for those with commercial rent debt. Do also read guidance document number 4

**What can I do now?**

See guidance document number 2

**How will the arbitration work and what will it cost?**

See guidance document number 3

**What other options exist?**

See guidance document number 4