

Article 4 and HMO Compensation

A quick guide for landlords and investors

England | Updated October 2026

1. What is an Article 4 Direction?

An Article 4 Direction is a planning control that a council uses to switch off certain "permitted development" rights in a defined area. Where a Direction applies, a change that previously needed no planning application now needs full planning permission.

For HMOs, councils usually use Article 4 to remove the automatic right to change a family house (Use Class C3) into a small HMO (Use Class C4: three to six unrelated people sharing a kitchen or bathroom). You can still apply for planning permission, and the council will decide each application against its local policies. Article 4 is not a ban on HMOs.

Large HMOs. An HMO for seven or more people falls outside the use classes ("sui generis") and has always needed planning permission. Article 4 does not change that, and no compensation is available for large HMO schemes.

Licensing is separate. HMO licensing is a housing regime, not a planning one. Having a licence does not mean the use has planning permission, and having planning permission does not mean you have a licence. Many councils introduce Article 4 and additional licensing at the same time.

2. Immediate and non-immediate Directions

How the council introduces the Direction decides whether compensation is possible at all, so this is the first thing to check.

- **Non-immediate Direction.** The council publishes notice at least 12 months (and no more than two years) before the Direction takes effect. Compensation is normally not available. The notice period is, however, a window: a C4 use that has genuinely begun before the Direction takes effect remains lawful afterwards.
- **Immediate Direction.** The Direction takes effect straight away, or with less than 12 months' notice. The council must confirm it, after consultation, within six months or it lapses. Because owners get no warning, compensation may be payable.

Some councils use both: immediate Directions in particular wards, with a non-immediate Direction for the rest of their area. Boundaries can cut across streets, so check the council's map for each property, and note the date each Direction was made, took effect and was confirmed.

3. When can compensation be claimed?

In outline, all of the following must apply:

1. The Direction removed the C3 to C4 right without 12 months' notice.
2. You have an interest in the property, as owner or leaseholder.
3. You applied for planning permission for the development that would have been permitted development, within 12 months of the Direction taking effect.
4. The council refused the application, or granted it on conditions more restrictive than permitted development would have imposed.
5. You make a written claim to the council within 12 months of that decision.

There are two 12-month deadlines

Deadline 1: the planning application must be made within 12 months of the Direction taking effect.

Deadline 2: the written compensation claim must be made within 12 months of the council's decision on that application.

Miss either and the claim is normally lost. The Secretary of State can extend the second deadline, but you should not rely on that.

4. What can you claim for?

The law keeps Article 4 compensation narrow. There are two heads of claim.

Abortive expenditure

Money spent on work that the loss of the permitted development right has made pointless. The law expressly includes the cost of preparing plans and similar preparatory work. Typical items are:

- architects', planning consultants' and engineers' fees;
- drawings, surveys and reports (structural, building regulations, fire, acoustic);
- preparatory works carried out to get the property ready for C4 use.

Each item needs an invoice, a receipt or a contract, and you need to be able to show it related to the C4 scheme rather than to something else.

Other loss directly caused by losing the right

In practice this is mainly the fall in value of your interest in the property: its value with the benefit of the C4 right, compared with its value without it. This must be supported by an independent valuation from a suitably qualified surveyor.

What is not normally recoverable

- General business risk, inconvenience or your own time.
- Speculative future profits beyond what the valuation captures.
- Ordinary purchase costs such as stamp duty and conveyancing fees.
- Costs of schemes that always needed permission, such as a large HMO application or appeal.
- Finance costs, such as loan extensions and interest, unless you can show they were directly caused by the Direction. These are difficult to recover.

5. How the process works

1. **Planning application.** Apply within 12 months of the Direction taking effect. The scheme should mirror what you could have done under permitted development, not an enlarged scheme.
2. **Council decision.** If permission is granted on terms equivalent to permitted development, there is no claim, because you have what the right would have given you. A refusal, or tighter conditions, opens the door to a claim. A grant is usually the better commercial outcome.
3. **Evidence.** Gather invoices and contracts, and instruct a valuer to assess the fall in value.
4. **Written claim.** Submit the claim to the council within 12 months of its decision, setting out the legal basis, the planning history and timeline, and each head of loss with supporting evidence.
5. **Negotiation and the Tribunal.** The council may accept, partly accept or dispute the claim. A dispute can be referred to the Upper Tribunal (Lands Chamber), which decides land compensation cases.

6. Key questions

Do I have to apply for planning permission even if refusal seems certain?

Yes. The council's decision on a timely application is what triggers the right to claim. Without one there is normally no claim.

My HMO was running before the Direction. Is it affected?

Generally not. Article 4 is not retrospective, so a C4 use that had lawfully begun before the Direction took effect can continue. The use must actually have started, with people living there as an HMO. Finished building works, or a property ready to let, are usually not enough. Keep tenancy agreements, council tax records and licensing correspondence, and consider applying for a Certificate of Lawfulness of Existing Use (CLEUD) as formal proof.

The council has announced a Direction but it is not yet in force. What should I do?

Act quickly. If the Direction is non-immediate, establishing a genuine C4 use before it takes effect may protect the property, and compensation will not usually be available afterwards. If it is immediate, the 12-month clock for a planning application starts when it takes effect.

Is this a negligence claim against the council?

No. Compensation is a statutory scheme, and fault is not the test. It responds to the loss of the permitted development right, not to how the council has handled other applications.

How long does it take, and when would I be paid?

Preparing the evidence and negotiating with the council usually takes several months after the decision. If the claim is disputed and goes to the Tribunal, it can take considerably longer. There is no fixed payment date, so do not plan refinancing or other commitments around a compensation payment.

7. How we can help

- **Planning strategy:** working with your architect and planning consultant on whether to apply for permission, a CLEUD, or both, and reviewing the Direction, its boundaries and its evidence base.
- **Deadlines:** identifying the type of Direction and diarising both 12-month deadlines from the start.
- **Compensation review:** assessing which costs are realistically recoverable and working with your valuer on the fall in value.
- **Claim and negotiation:** preparing and submitting the claim, dealing with the council and, where needed, instructing counsel and taking the claim to the Upper Tribunal.

If you own or are buying property in an area affected by Article 4, a short initial review can usually tell you whether a claim is possible and what you need to do, and by when.

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Important: this guide is general information about the law in England as at October 2026. It is not legal advice and should not be relied on for any particular property. The rules are technical and the deadlines are strict, so please take advice on your own position. Different rules apply in Wales.

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