

Covid Debt Rescue



Emergency support for renters
to keep their homes

March
2021

Summary



Millions of households who were managing before the pandemic are now in real financial difficulty, due to public health restrictions reducing their income or working hours. While the Government's support schemes have helped many people to cope financially, our analysis identifies **a ticking time-bomb of Covid-related arrears and debt**, with the most acute danger facing people living in the private rented sector.

This report shines a spotlight on the risks faced by the nearly half a million private sector tenants now in rent arrears. Our research shows many private renters stand to lose their homes when the eviction ban is lifted.

Many of these households are families with children: for them, **the legacy of Covid threatens to be one of prolonged housing insecurity, evictions and homelessness.**

We urge the Government to act fast to stop the rent debt crisis becoming a housing emergency, by:

- extending the suspension of evictions until the economy recovers
- providing an emergency support package of grants and no-interest loans to deal with mounting arrears.

These proposals will help renters in short-term difficulties to keep their homes and recover from the pandemic.

The Covid debt crisis

The Covid pandemic has caused a steep drop in income for millions of households. Since March 2020, over 11 million people have built up £25 billion of arrears and debt to pay for essentials, with a smaller group of households facing severe financial distress¹.

The financial strain has continued to grow as the pandemic has worn on. Millions of people have lost jobs, been furloughed or faced a drop in income and have had to borrow to afford the basics. Many have built up damaging arrears and debt for rent, mortgages and other essentials.

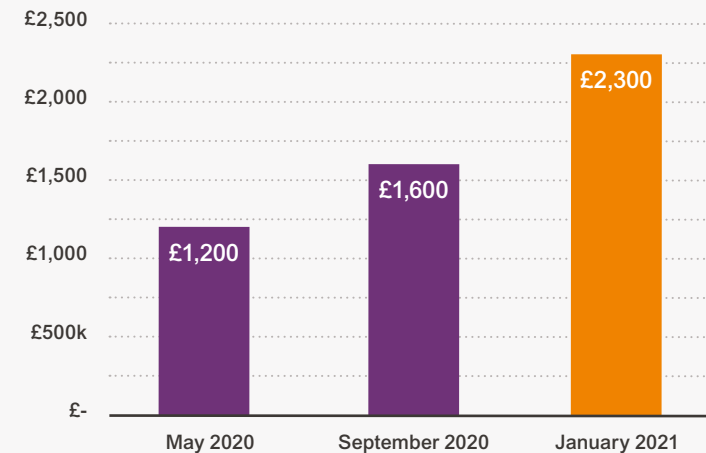
- 19.2m people (38% of British adults) have faced a loss of income because of the pandemic.
- The number of people in severe problem debt amongst this group has grown to 1.8 million, up from 1.4 million in September.
- 11 million people have built up £25 billion of arrears and borrowing to pay for essentials since March 2020.
- The average increase in arrears and borrowing since March 2020 among those who have borrowed for essentials or fallen behind on bills is now £2,300, nearly double the figure in May 2020.

“ Everything came crashing down when my husband was furloughed and I had to shield. It took months to secure our first UC payment. The letters from my creditors have been relentless. I’m a complete wreck. ”

Sharon, Cumbria



Increase in Covid-related arrears and debt over the course of the pandemic



Average increase in arrears and borrowing since March 2020 among those who have borrowed for essentials or fallen behind on bills

¹ Unless otherwise stated, all statistics quoted in this report are from a YouGov national poll of 3458 GB adults in January 2021 (see Methodology on page 9)

Private renters are most at risk

Private sector tenants are worried about losing their homes due to mounting pressure from rent arrears.

Compared to other household types, private renters are more likely to be in jobs affected by the pandemic². Our research shows that, since March 2020, half (49%) of private renters have experienced a drop in income.

Many renters entered the pandemic with high housing costs and no savings and found it difficult to get their landlords to provide forbearance. This stands in stark contrast to mortgage-holders who accessed payment holidays in record numbers.

While furlough and other Government support schemes have provided a lifeline, for many they risk being overshadowed by mounting rent debts. This is particularly the case among tenants who were just making ends meet before the crisis or who didn't qualify for support at all.

- Nearly half a million, 460,000, private sector tenants are behind on rent payments.
- 280,000 private renters say they will probably have to leave their home in 2021 because they can't afford it.
- The average amount of rent owed by each private renter with arrears is now £730³.
- 30% of private sector tenants in rent arrears have dependent children⁴.
- Private renters spend 32% of their income on rent compared with social renters 18% and home-owners 11%⁵.
- Only 10% of people with rent arrears said they had managed to get a rent reduction from their landlord and 21% had managed to get a repayment plan.

²The Joseph Rowntree Foundation's UK Poverty Report (2020/21) found that "before Covid, around 35% of private renters and 42% of social renters worked in the hardest-hit sectors (manufacturing, retail, accommodation and food, and arts, entertainment and recreation)."

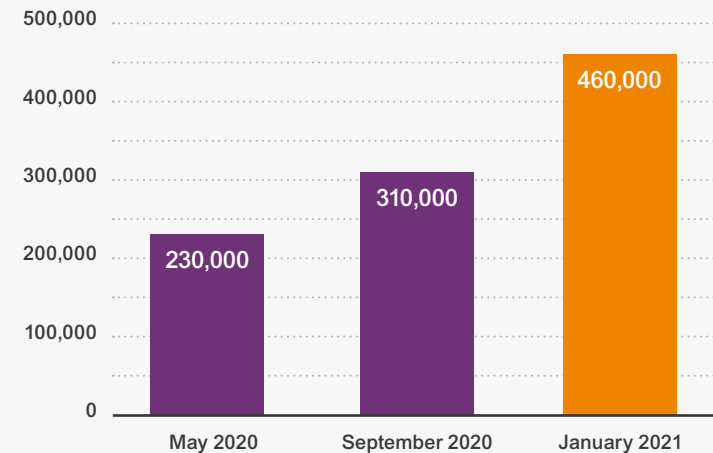
³New Year, same arrears: How the pandemic is leaving private renters with unmanageable debt, Citizens Advice (Jan 2021)

⁴Getting ahead on falling behind: tackling the UK's building arrears crisis, Resolution Foundation (Feb 2021)

⁵Getting ahead on falling behind: tackling the UK's building arrears crisis, Resolution Foundation (Feb 2021)



Sharp rise in rent arrears since the start of the pandemic



Number of private renters who are behind on rent payments

Renters need better protection

Renters in short-term difficulties due to the pandemic need better protection from the threat of eviction and prolonged housing insecurity.

Private sector tenants behind on rents due to the pandemic have few protections from eviction. For example, even if a tenant was up-to-date before the pandemic, their landlord can remove them once they have 8 weeks' rent arrears, under Section 8 of the Housing Act 1988 and there is nothing the tenant can do to prevent this.

The eviction ban has frozen the problem temporarily but as soon as the ban is lifted, we anticipate a huge increase in tenants losing their homes. Extended notice periods also provide time for people to adjust to changed circumstances. However the Resolution Foundation has suggested that possession proceedings could triple in 2021 compared with pre-pandemic levels⁶.

Evictions from the private rental sector are the leading cause of homelessness and while emergency protections have been welcome, they do not go far enough to protect renters going forward.

The current end-date for the suspension of evictions in England is the end of May. Many renters need continued support and protection beyond that date, to help them recover.

- 150,000 private renters say they will probably be evicted from their home in the next 12 months because they cannot afford it.
- Over half of private renters now in arrears were not in arrears before the pandemic⁷.
- The fastest growth in demand for StepChange's debt advice services over the last five years has come from those renting in the private sector who now account for four in ten clients⁸.



⁶ Getting ahead on falling behind: tackling the UK's building arrears crisis, Resolution Foundation (Feb 2021)

⁷ New Year, same arrears: How the pandemic is leaving private renters with unmanageable debt, Citizens Advice (Jan 2021)

⁸ Statistics Yearbook, StepChange (2019) and Locked Out, StepChange (Nov 2018)

The impact of mounting rent arrears

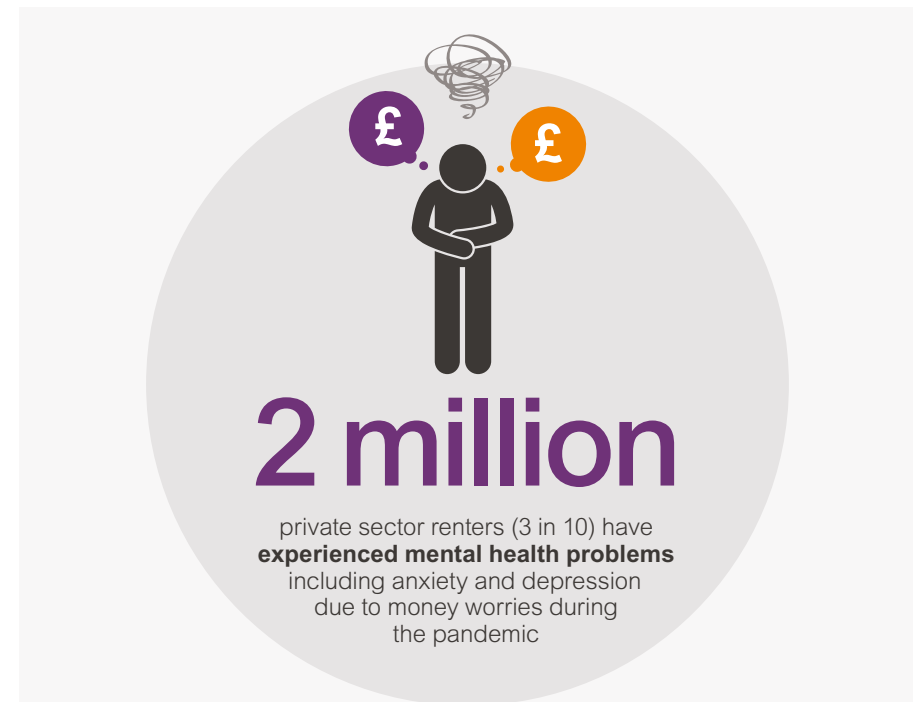
Spiralling debt causes hardship and damage well beyond the direct financial impact, including mental ill-health, homelessness, negative credit ratings and prolonged housing insecurity. These will damage people's ability to recover from the pandemic and will have a knock-on effect on public spending⁹.

Arrears and debt force people to cut back on essentials like food and can increase people's expenses. Rent arrears can cause further problems like homelessness and housing insecurity. These things get in the way of people recovering financially and emotionally and will hold back economic recovery after the pandemic.

Renters losing their homes will create additional costs both to individuals and for the state. The costs to the state are even higher when families with children are evicted because of the more robust re-housing duty.

- 1.5 million private sector renters (1 in 5) have had to go without meals or suitable clothes since March.
- 2 million private renters (3 in 10) report that money worries have contributed to anxiety, depression or other mental health problems since March.
- Almost a million private renters (1 in 8) say money worries have damaged their ability to find work or complete education since March.

“ My record was 10 days without a meal. To ensure the kids could eat meals, I ate bread or 11p noodles. ” StepChange client



“ My mental health has crumbled as a result of being made redundant and racking up thousands in debt. I feel it could take years to recover from the pandemic. ” Stephen, Rochford

Supporting recovery

Targeted support is needed to help people in dangerous rent arrears get back on their feet to boost the recovery.

The ongoing jobs crisis means many renters will find it hard to increase their income from work enough to start to address their rent debts. While most were managing before the pandemic and will be able to keep up with rent again, many expect it will take more than 6 months to afford rent and other bills.

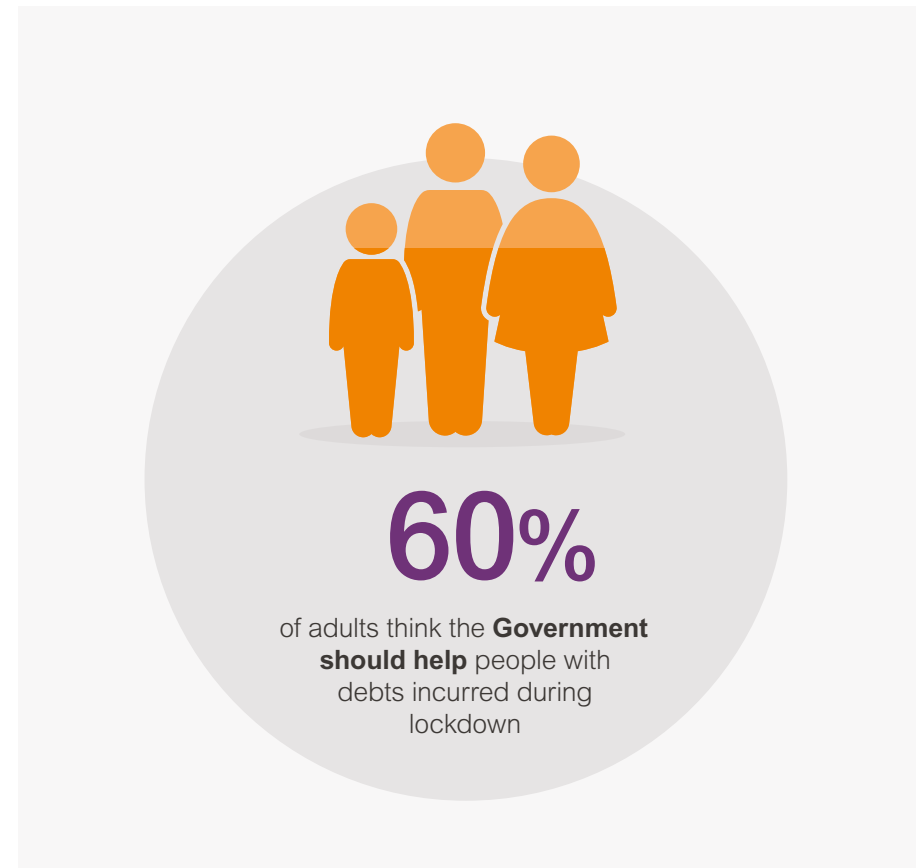
We welcome positive moves during the pandemic which have helped sustain tenancies in the short-term, like extended notice periods and the eviction ban. The Government promised to ensure that no one loses their home because of this pandemic and helping people keep their homes while they recover financially remains the right thing to do.

That will require emergency support as we exit the pandemic. Without a targeted package of financial support, people will lose their homes just as they are trying to get back on their feet, compounding their financial, social and emotional problems.

- 1.4 million (1 in 5) renters expect it to take at least 6 months until they can afford all their household bills again.
- Early targeted support will help to reduce the long-term cost to public services like housing, health and mental health, that would otherwise be inevitable - saving some of the annual £8.3bn cost of problem debt to the economy¹⁰.
- 60% of adults think the Government should help people with debts incurred during lockdown through paying off some of their debt or allowing payments to be spread over a longer timeframe.

“ No-one should lose their home as a result of the epidemic. ”

Robert Jenrick, Housing Secretary, March 2020



“ Covid-19 has crippled us financially. It's been extremely difficult. ”

Debt advice client

Emergency financial support for renters

No-one should lose their home as a result of the pandemic. We are calling on the Government to provide an emergency support package to help renters clear Covid-related rent arrears and prevent people losing their homes. This should be in the form of grants, no-interest loans and protection from eviction.

A key condition of financial support should be ensuring landlords renew tenancies with at least 6 months' security of tenure at an affordable rent.

We estimate the amount of arrears that would need to be covered is £370 million. Our analysis suggests around two-thirds of this would be paid back to the Government later under a loan scheme.

The Governments in Wales and Scotland have already made a start on tenancy saver schemes for renters. The UK government should now roll out an improved version of support in England and provide devolved administrations with the resources needed to fully support renters.

To prevent people losing their homes while they get back on their feet after the pandemic, our three urgent calls to Government are:

1. Grants

People who are most financially vulnerable will take longer to recover and some will need a grant to pay off rent arrears and get back on their feet.

These can be delivered by adapting existing local authority schemes, like Discretionary Housing Payments and hardship funds.

2. No-interest loans

Many who have been furloughed or have had their hours reduced will see their income pick up again as the economy recovers.

The Government should provide no-interest loans to enable renters to clear rent arrears. These should defer repayment until their income picks up, giving people time to recover from the pandemic.

3. Protection from eviction

The suspension of evictions should stay in place until the economy recovers.

Financial support should be accompanied by conditions encouraging landlords to help sustain tenancies while renters recover from the pandemic, for example by offering affordable rents and payment plans for any arrears not paid off.

Methodology

StepChange commissioned YouGov to conduct a national poll to understand how the pandemic has affected personal finances.

- Total sample size was 3,458 adults.
- Fieldwork was undertaken between 25th and 27th January 2021.
- The survey was carried out online.
- The figures have been weighted and are representative of all GB adults (aged 18+).
- All figures relating to general population estimates are based on an ONS population estimate of 51,220,471 GB adults aged 18 and over.
- Proportions of private rented sector tenants are calculated assuming around 7.5 million GB private rented sector tenants, based on general population polling also carried out by YouGov.

StepChange is committed to continuing to work with stakeholders and officials to shape these proposals.

Please contact
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Please support our call on social media using the hashtag
#CovidDebtRescue



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Visit www.stepchange.org
or call 0800 138 1111
Mon-Fri 8am-8pm, Sat 8am-4pm
or use our online debt advice tool.

Read our guides to dealing with [rent arrears](#)
and [covid-related financial problems](#).

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