November 2018

Locked Out

How problem debt affects people's housing situations

Executive Summary

This report looks at how StepChange Debt Charity's clients' problem debt has affected their access to housing and the security, quality and affordability of their homes, at a time when they were trying to stabilise their finances or repay their debts.

It shows more and more of our clients are renting, particularly in the private sector, while rent costs are becoming higher than mortgage repayments. Lack of access to housing, as well as insecure, unaffordable and poor-quality housing had a negative impact on our clients' health, relationships and jobs. This was particularly marked for clients renting in the private sector.

Our data from January to June 2018 showed that the proportion of our clients renting continued to increase to over four-fifths and the highest proportion (40% of all clients) were renting from private landlords. Our clients renting in the private sector were more likely to have used credit to stop falling into rent arrears, so worsening their debt problems. These clients were also more likely to have reported additional vulnerability, such as poor mental or physical health or disability.

Our survey showed that problem debt has caused significant housing issues for many of our clients. These included the extreme of being made homeless (11%), to being unable to move into a new home (39%), feeling forced to move from their current home (12%) or simply putting up with problems because of the worry of eviction (38%).

Seventy percent of our surveyed clients had at least one of these issues happen to them as a result of their debt problems; with our clients who were renting, particularly in the private rented sector, disproportionately affected.

Key findings

A poor credit rating negatively affects our clients' housing

Over one-third (36%) of those surveyed said a poor credit rating had negatively affected their ability to rent or buy a property. This rose to almost half amongst those renting in the private sector.

Being in debt and/or having a poor credit rating negatively affects our clients' access to housing

Over half (56%) of surveyed clients said that either being in debt and/or having a poor credit rating had negatively affected their access to housing, a higher proportion amongst those currently renting privately. Clients who had good rent payment records and had never been in rent arrears felt they were being unfairly penalised for their debt through a lack of access to good quality, secure, affordable housing. Almost two-thirds (65%) of our clients who were claiming housing benefit said that being on benefits had negatively affected their access to, or choice of, housing.

Being in debt and/or having a poor credit rating negatively affects our clients' access to affordable housing

A poor credit rating and little money for a deposit, as well as a lack of available social housing, mean many of our clients are forced to continue renting in the private sector, although this is much more expensive, particularly over the long term. A poor credit rating was associated with a “debt premium” of higher deposits and/or higher rent or mortgage costs for many of our clients.

Being in debt and/or having a poor credit rating negatively affects our clients’ access to secure housing

Although more clients renting in the social sector had been threatened with eviction, it is those who are currently renting in the private sector who are much more likely to have been evicted for rent arrears (over one in five) or forced to move (17%). Over half of our clients renting privately had not reported problems to their landlord because of fear of eviction.

Being in debt and/or having a poor credit rating negatively affects our clients’ access to quality housing

Those renting from a housing association or in the private sector rated the quality of their homes lower than those with a mortgage or renting from a local authority. Almost one in three (29%) clients said problems with their home had meant they had to spend more on energy bills, rising to almost one in ten (38%) of our clients renting in the private sector.

There are problems with housing support through the welfare system

Almost three-quarters (72%) of our clients claiming housing benefit said that it did not cover the full cost of their rent and this was a particular problem for those renting in the private sector (90%).

Further problems with claims were caused by the complexity of the welfare system, delays in payments, overpayments, the “bedroom tax”[i] and changes in circumstances or fluctuating incomes. These resulted in some clients taking out more credit or not paying essential bills.

Our clients experiencing these housing problems were more likely to be vulnerable

Our clients who were struggling to access housing were more likely to have a deficit budget (that is their income did not cover the costs of essentials such as food and heating). They were also more likely to be young, rent in the private sector, be self-employed, unemployed or working part-time.

Recommendations

Our findings show that the private rented sector is increasingly becoming the only sector where people in problem debt can find a home, but this is at the expense of the affordability, security and quality of their housing.

The experience of our clients suggests this is now an unsustainable settlement and policy makers urgently need to look again at how the housing needs of the most financially vulnerable could be better met. Steps towards this might include the following:

- **A cross-government review of the use of the private rented sector for housing vulnerable people**
  Increasing housing costs in the private rental sector and the gap between rental costs and housing benefit payments are not sustainable as more financially vulnerable people rent in

this sector. The roll-out of Universal Credit increases the need for such a review covering affordability, access, wider support needs and financial resilience.

- **Improving security of tenure for those who are renting**
  Including protections from eviction for rent arrears in the Government's new Breathing Space and statutory debt repayment plan schemes. There is still a need to ensure landlords follow the principles around forbearance and affordable repayments for rent arrears; evaluating the impact of introducing open-ended private tenancies and an end to "no-fault" grounds for possession in Scotland.
- **Using good rent payment records to improve credit reports**
  Voluntary initiatives to record private or social sector rent payments on credit reports, could support some of our clients to improve their credit ratings, which may help to reduce the 'debt' premium on both credit and housing costs. However, policy makers must consider safeguards to ensure extending data sharing does not harm people with current or past experience of payment difficulties.

Overview

StepChange Debt Charity is the largest specialist debt advice charity helping people across the UK. In 2017 620,000 people contacted StepChange for help with their debt problems.

This report looks at how StepChange clients' problem debt affected their access to housing and the security, quality and affordability of their homes, at a time when they were trying to stabilise their finances and/or repay their debts. It also examines how housing issues affected our client's health, relationships and ability to work or fi nd work.

It builds on StepChange's May 2018 report "Behind on the Basics" that found many of our clients were struggling with housing costs and these were contributing to their debt problems.[ii] We have analysed our latest data on clients' housing for the first half of 2018 (January to June) to see if the trends identified continued. Data was collected from all new StepChange telephone clients from the beginning of January to the end of June 2018, a total of 125,831 clients.

To look in more detail at the stories behind the quantitative data, in March 2018 a 20-question survey was sent out by e-mail to 10,000 randomly selected StepChange clients who had received advice from the charity within the previous year. The survey included multiple choice, rating scale and open-ended questions to provide both quantitative and qualitative data on our clients' housing situations. A total of 816 answered surveys were returned (for characteristics of sample see Appendix 1).

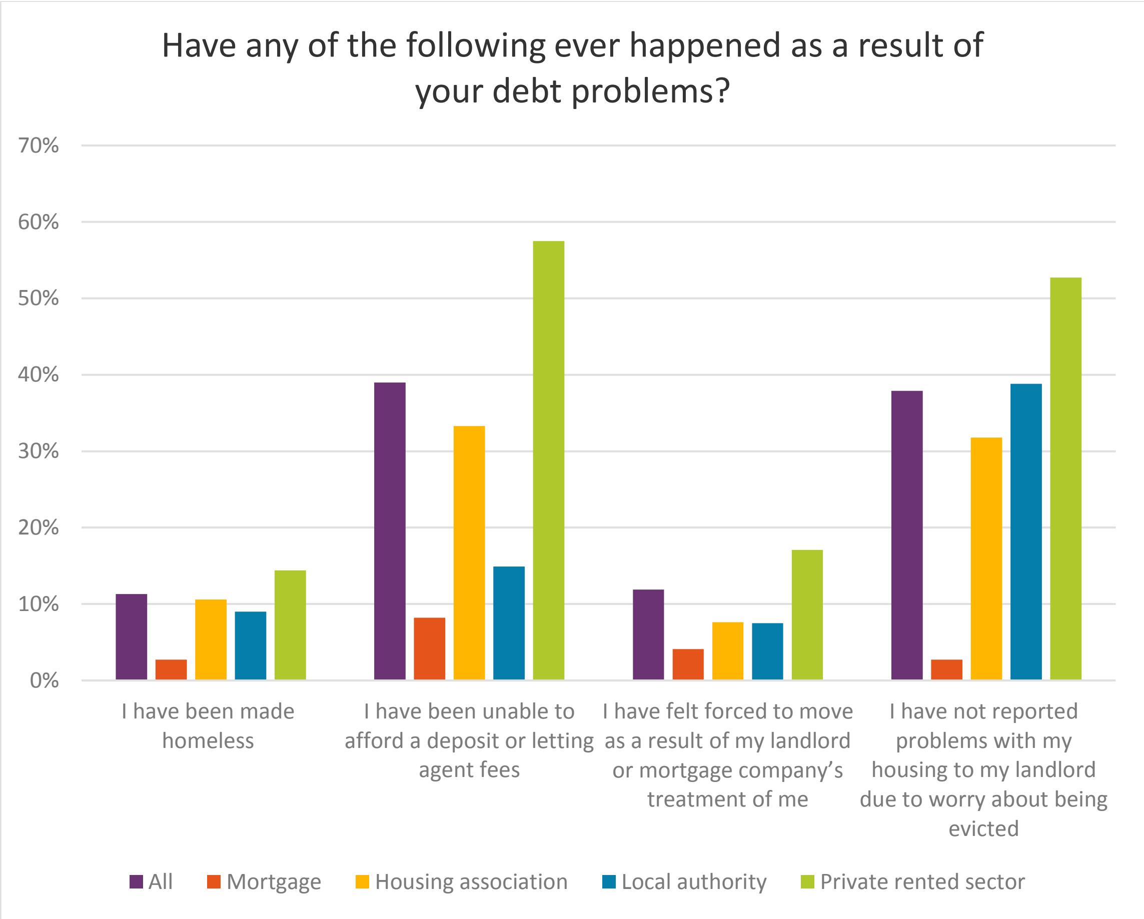
Results

The impact of problem debt on our clients' housing

Our survey analysis showed that problem debt had caused significant housing issues for many of our clients. These included the extreme of being made homeless (11%), to not being able to afford deposits or letting agent fees (39%), feeling forced to move from their current home (12%) or simply putting up with problems because of the worry of eviction (38%) (Figure 1). Seven in ten of our surveyed clients attributed at least one of these issues to their debt problems. These findings illustrate that problem debt can negatively impact access to, and the affordability, security and quality of, housing.

All these problems affected a higher proportion of clients who rented, particularly in the private sector. As a result of problem debt, more than half of private renter clients had been unable to afford letting agent fees or deposits at some point and/or had not reported problems to their landlord because of fear of eviction. Fourteen percent had been made homeless and 17% had felt forced to move.

Figure 1: Proportion of clients who have faced housing access issues as a result of their debt problems, for all clients, and by housing tenure



Total answering this survey question = 354: those with a mortgage (n=73); those renting from a housing association (n=66); those renting from a local authority (n=67) and those renting in the private sector (n=146). In total 62 had another form of housing tenure. Each of the four housing issues listed was significantly associated with housing tenure ($p<0.05$) using the chi-squared test.[1]

[1] Chi-squared: Looks at the dependence between different categories.

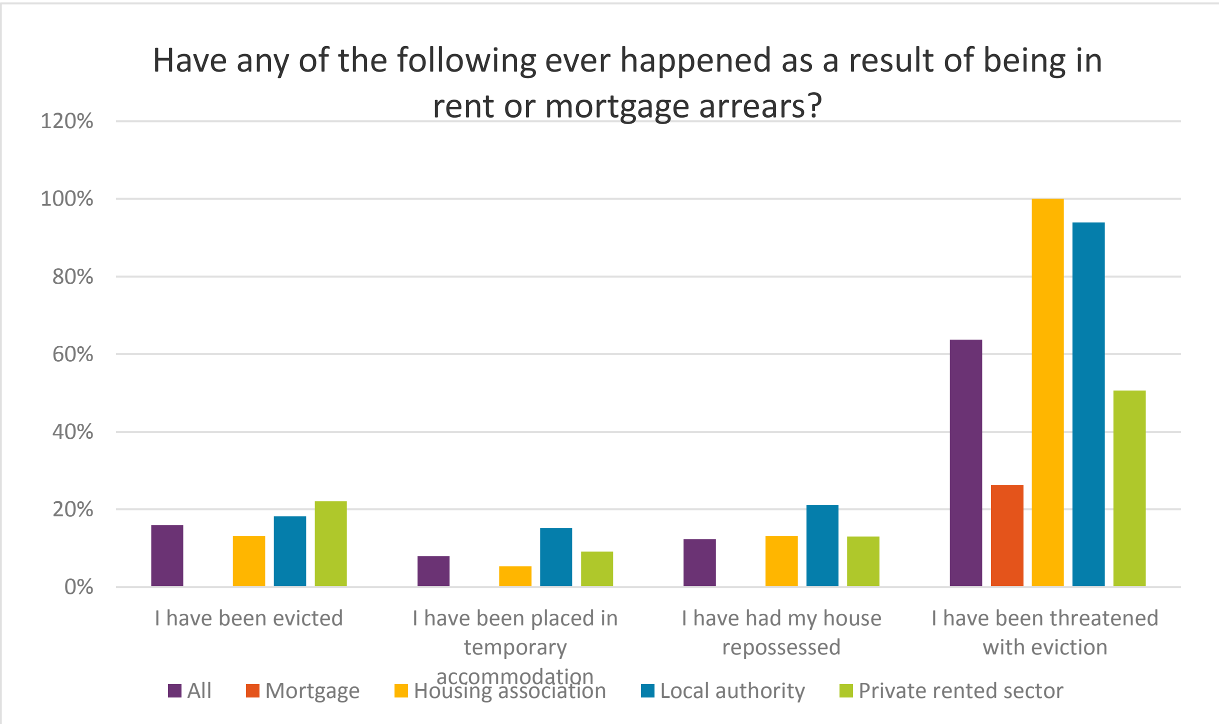
The impact of rent or mortgage arrears on our clients' housing

Sixteen percent of clients who responded to the survey said they had been evicted in the past as a result of rent arrears, 12% had their house repossessed as a result of mortgage arrears, while 8% had been placed in temporary accommodation as a result of rent or mortgage arrears. Almost two-thirds (64%) had been threatened with eviction, as a result of rent or mortgage arrears (Figure 2).

Those who were private renters at the time of the survey were most likely to have been evicted for arrears in the past (over one in five), and the proportion of clients who said they had been evicted was significantly associated with housing tenure. This is consistent with the higher eviction rates from the private sector than the social sector reported nationally,[iii] and the fact that the private rented sector is increasingly becoming the tenure for rehousing those who have been homeless.[iv]

A higher proportion of clients who rented housing association or local authority accommodation had been threatened with eviction for rent or mortgage arrears and this was also statistically significant. However, the proportion actually evicted was lower than for private rented sector clients. This is consistent with data that shows that housing associations and local authorities are quick to send out warning letters as soon as a client falls into arrears.[v] Most housing associations initiate some form of response to a single missed rent payment and the vast majority have designated a specific arrears threshold (most commonly four weeks rent) triggering consideration of legal action.[vi]

Figure 2: Proportion of clients who have faced loss of housing as a result of having rent or mortgage arrears



Total answering this survey question = 187: those with a mortgage (n=38); those renting from a housing association (n=38); those renting from a local authority (n=33) and those renting in the private sector (n=77).

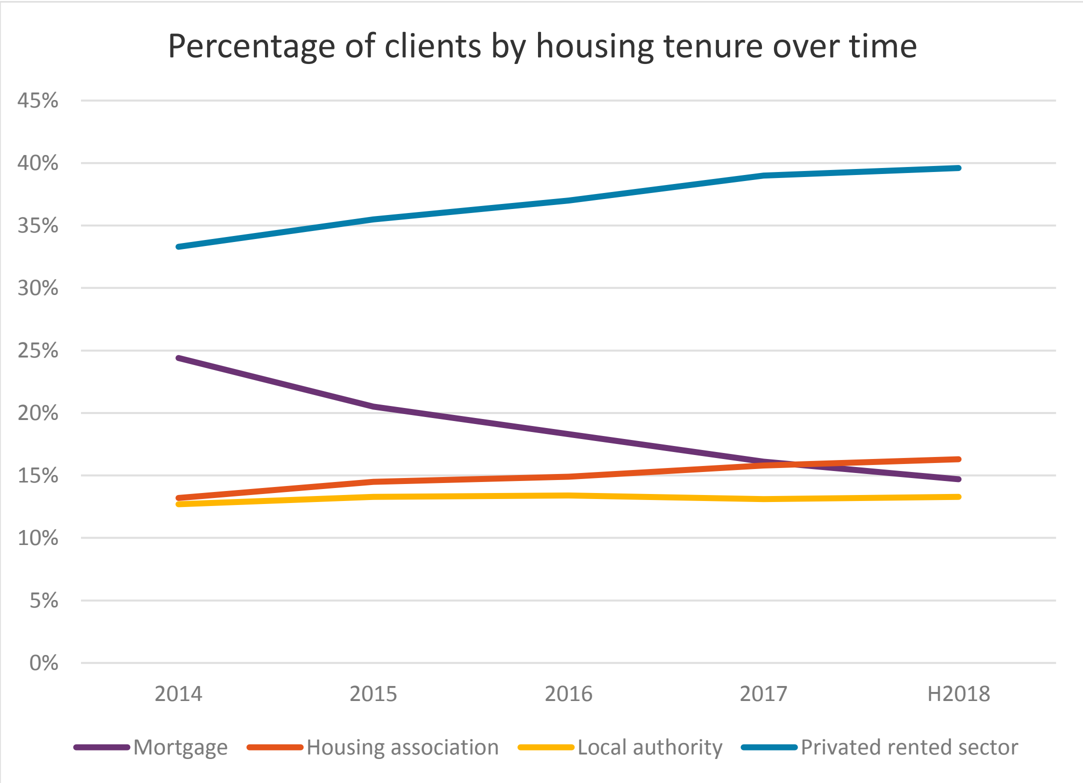
Six had another form of housing tenure. The proportion evicted, and the proportion threatened with eviction were both significantly associated with housing tenure ($p<0.05$) using the chi-squared test.

Access to housing

Data from all new clients for January to June 2018

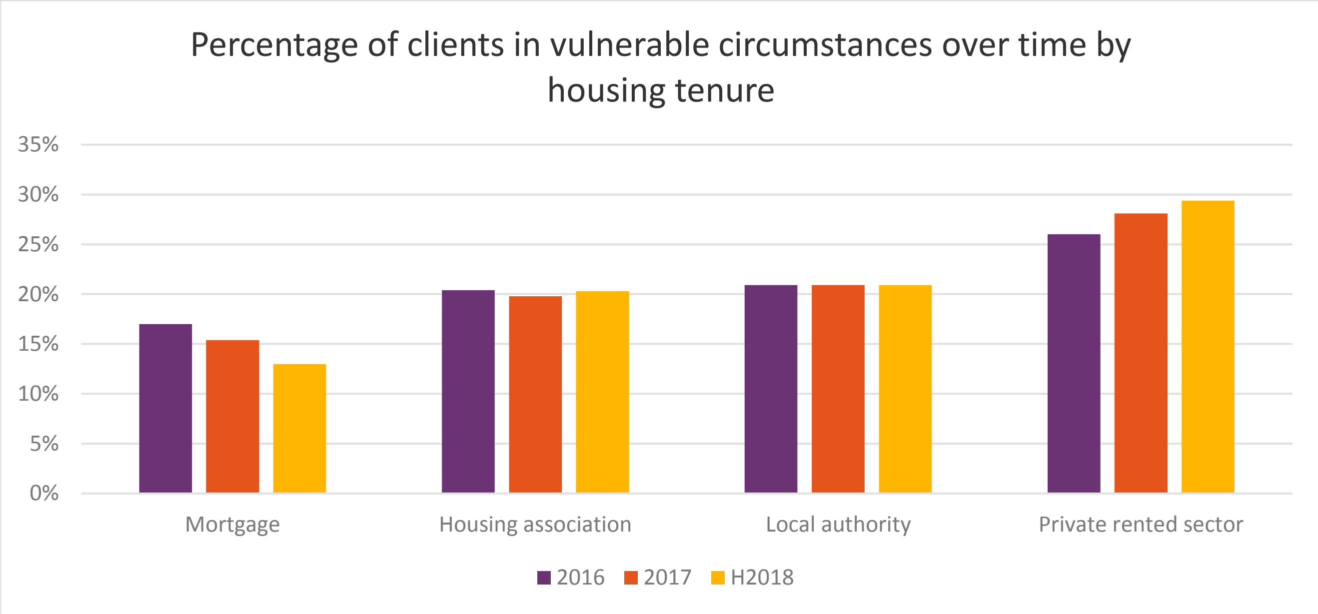
The proportion of StepChange clients who rent their home has grown from 71% to 82% in less than four years. The fastest growth in demand for our debt advice has come from those renting in the private sector who now account for four in ten clients. Only 15% of the clients who came to us for debt advice in the first half of 2018 had a mortgage (Figure 3).

Figure 3: Analysis of all new telephone clients by housing tenure showing the proportion of clients in each housing tenure over time from 2014 to January to June 2018



Data was on all new telephone clients from 2014 (n=321,134), 2015 (n=314,676), 2016 (n=320,059), 2017 (n=264,856) and January to June 2018 (H2018) (n=125,831).

Figure 4: The proportion of clients classed as being in vulnerable circumstances over time by housing tenure



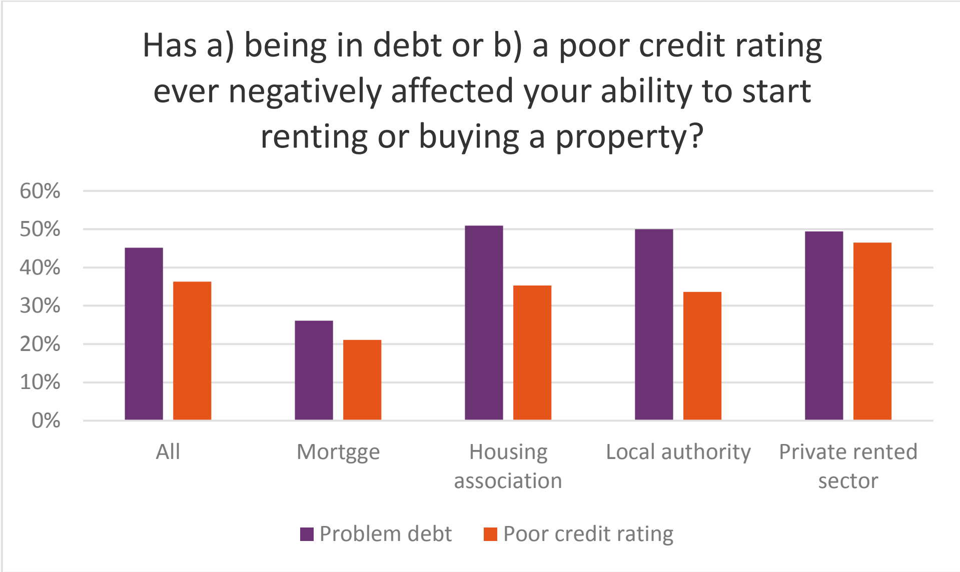
Data was on all new telephone clients from 2016 (n=320,059), 2017 (n=264,856) and January to June 2018 (H2018) (n=125,831). At StepChange, we consider all our clients to be financially vulnerable. However, a number of our clients also have an additional vulnerability on top of this. This could be due to a physical or mental health condition, low literacy or numeracy skills, or other communication barriers. Vulnerability can also be caused by circumstances – such as experiencing a bereavement, job loss or divorce.

The percentage of clients who had been classed as vulnerable was also explored according to housing tenure (Figure 4). The proportion of vulnerable clients was highest in the private rented sector and this had increased from 26% to 29% over two and a half years. This suggests that not only are more and more of our clients in problem debt renting in the private sector but an increasing percentage of these clients have potential vulnerabilities, over and above their financial vulnerability.

Survey data

We asked about our clients' ability to start renting or buying a property, as an indicator of how easily they could access housing. Almost half (45%) of clients said their access to housing had been negatively affected by being in problem debt, although only 3% of clients reported they were homeless at the time of the survey. This suggests that this lack of access was more often affecting our clients' choice of housing, rather than stopping them accessing housing altogether. A much higher proportion of renters (around half in each rental tenure) had experienced this negative impact compared with those with a mortgage (26%) and this was statistically significant (Figure 5).

Figure 5: The impact of problem debt and a poor credit rating on access to housing



The number of clients who answered this question was 671 and these were split into those who currently have a mortgage (n=119), those who currently rent from a housing association (n=116), from a local authority (n=114) and in the private rented sector (n=253). Problems accessing housing, through both problem debt and poor credit reports, were each significantly associated with housing tenure ($p<0.05$) using the chi-squared test.

Over one-third (36%) of those surveyed said a poor credit rating had negatively affected their ability to rent or buy a property. Almost half of private renters said their poor credit rating had affected their ability to rent a property compared with only around one-third of those renting from a local authority or housing association. This suggests that for those renting in the private sector, a poor credit rating has a more negative impact on access to housing than for those currently living in other housing tenures.

Clients described how a poor credit rating reduced their access to housing, particularly in the private rented sector (Figure 6), as landlords and letting agents often request a credit report before they will rent a property. This resulted in some clients not being able to rent properties, having to live in a substandard property or moving away to another area.

> "I am in a…property which I have to move out of next year. I worry about where I will end up as I am 60 with a poor credit history."
>
> "Turned down because of bad credit rating, though I could afford [the rent]."
>
> "This has impacted the rental properties I could get, as the ones that offer better properties required credit checks and a higher price for deposit, which when you are in debt you cannot afford."

Three percent also reported that debt and/or a poor credit rating meant that they could not move, even if this would reduce their housing costs.

"I wish to move to a cheaper property but am now unable to pass credit checks required by estate agents and landlords. I am also unable to afford 6 months' rent in advance nor do I have a guarantor."

Figure 6: How being in debt has negatively affected our clients' access to housing

In total 223 people provided comments in answer to this open-ended survey question. Comments were coded according to the above categories and bars in the graph represent the percentage who mentioned each category.

One client detailed the frustrations they found when a poor credit report was a barrier to access housing. They felt that they could afford payments and had a good record of previous rent payments, which should have been considered:

"It has affected me because landlords and letting agencies credit check you and my credit is bad because of my debt. I was very lucky to find a private landlord where this did not matter. If not I would have probably have had to get a guarantor, which most likely would not be possible at all. Who knows what would have happened if I didn't get so lucky! I would love to buy a property as having a mortgage is a lot cheaper than renting.

However, this will not happen at any time in the near future because my credit is way too poor due to my debt. I wish when renting/buying people would look at if you meet payments on your rent before which I always have done. Never ever have I not paid my rent or my council tax nor have I ever paid them late. I feel like having debt has really set me back in this aspect. For example, I would like to move to a different flat but I can't because I know due to my poor credit I would most likely not get accepted."

Lack of access to housing: impact on health, relationships and work

A lack of access to housing had a negative impact on our clients' health, relationships and ability to work or find work and this was significantly associated with housing tenure (in all three cases $p<0.005$). There was no significant difference in the proportion of clients reporting that lack of access to housing had a negative impact on health (13%), relationships (11%) or work (11%) (Figure 7).

Thirteen percent of clients said that a lack of access to housing had a negative effect on their health or that of their families'. No one who currently had a mortgage reported this negative impact compared with 21% of clients who were renting in the private sector. Half mentioned that a lack of access to housing worsened their mental health problems:

> "I have mental health problems and this has exacerbated them dramatically."

> "I suffer depression and anxiety and both were made worse by having my previous home sold out from under me and the council refusing to help me."

Eleven percent of clients said that difficulties accessing housing had negatively affected their relationship with their partner, family or friends. Though no clients with mortgages said this was an impact, one in five currently renting in the private sector reported a negative impact on their relationships:

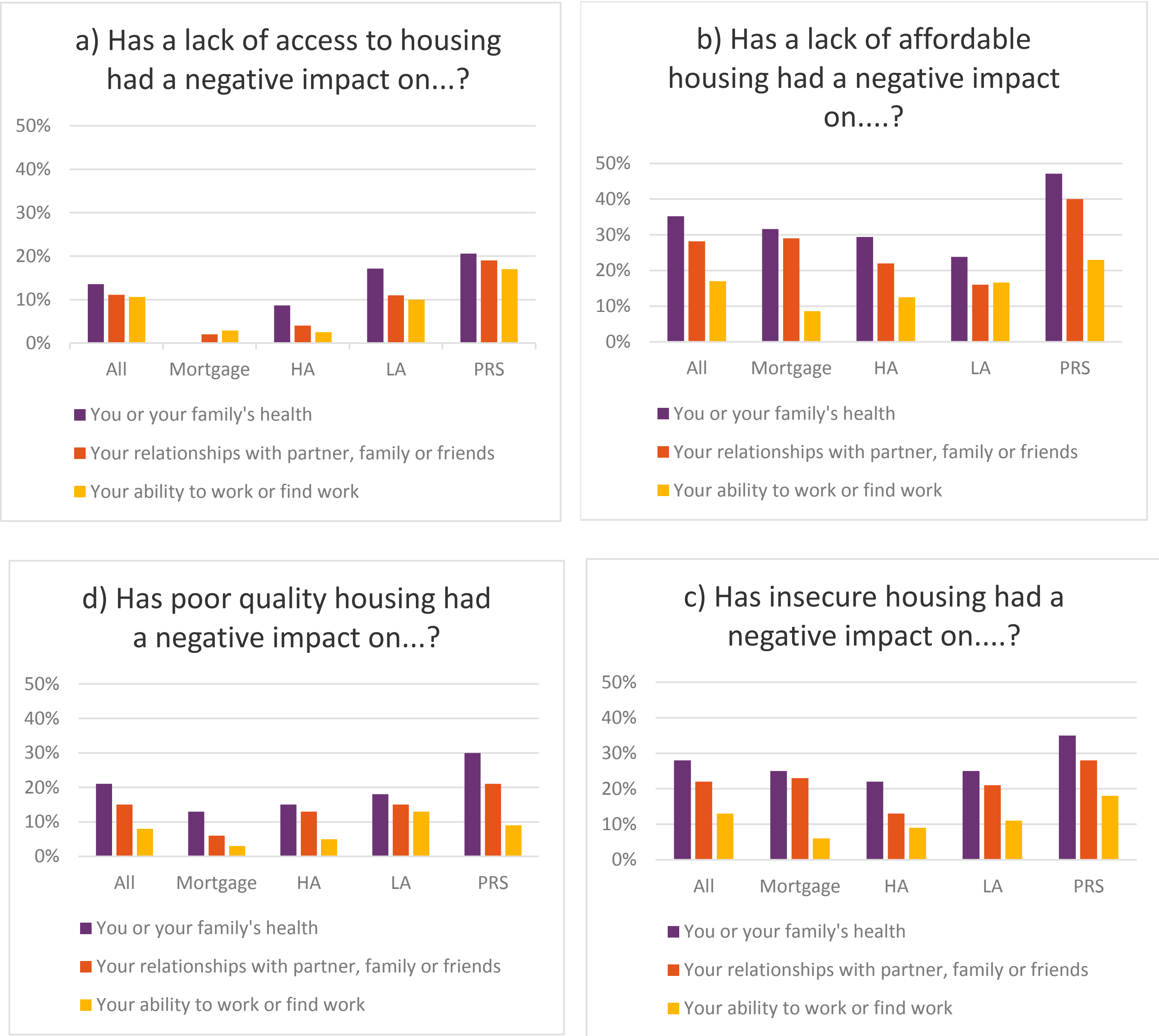
> "We had to move and my ex had bad credit so huge arguments about credit checks / guarantors needed."

Seven percent of clients said that lack of access to housing had reduced their ability to work and another 4% that it reduced their ability to find work. The impact was greatest for those renting in the private sector with almost one-fifth saying it had a negative impact on their ability to work or find work:

> "You can't get a job with nowhere to live."

> "Had to have one month off work because of stress [of not being able to access housing]."

Figure 7: The impact of a lack of a) access to b) affordability of c) insecurity of and d) quality of housing on our clients' heath, relationships and ability to work or to find work



Bars represent the percentage who answered "Yes" to this question. Figures are split between all those responding; tthose with a mortgage; and those renting from a housing association (HA), local authority (LA) or in the private rented sector (PRS).

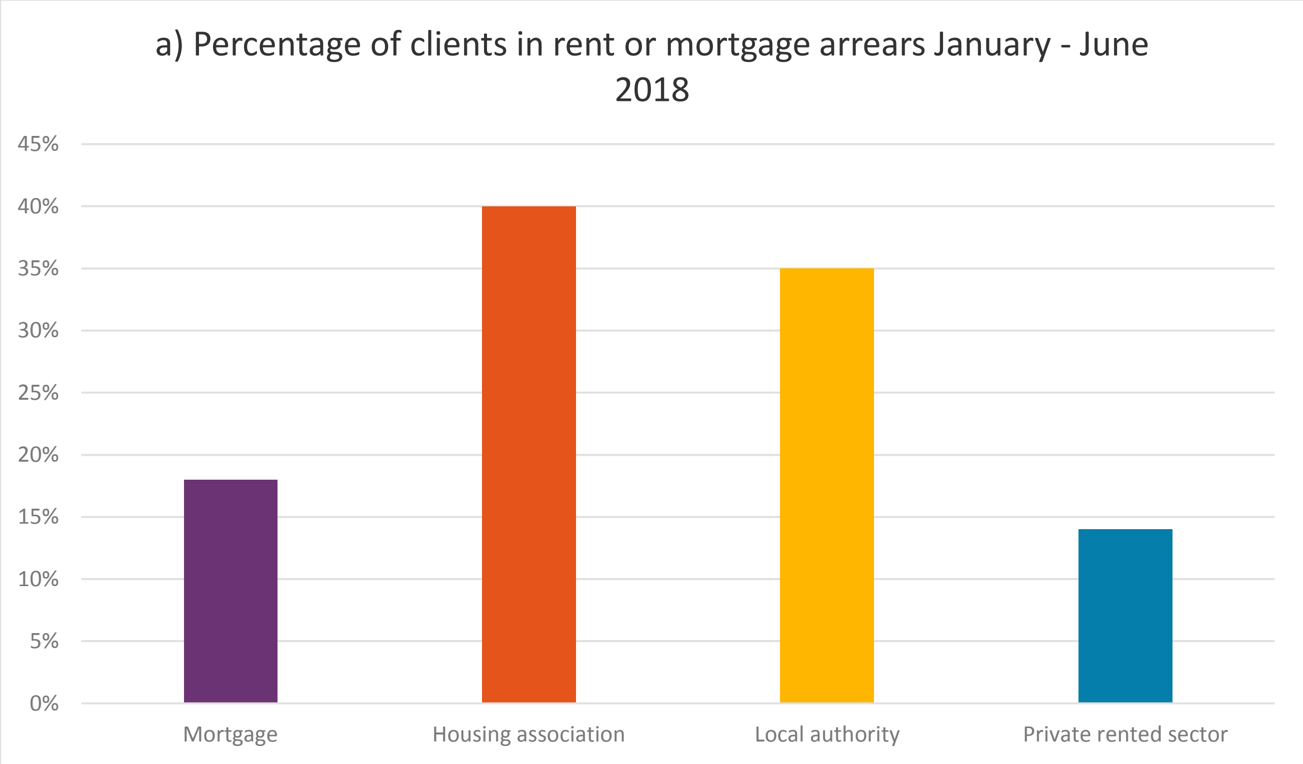
Affordability of housing

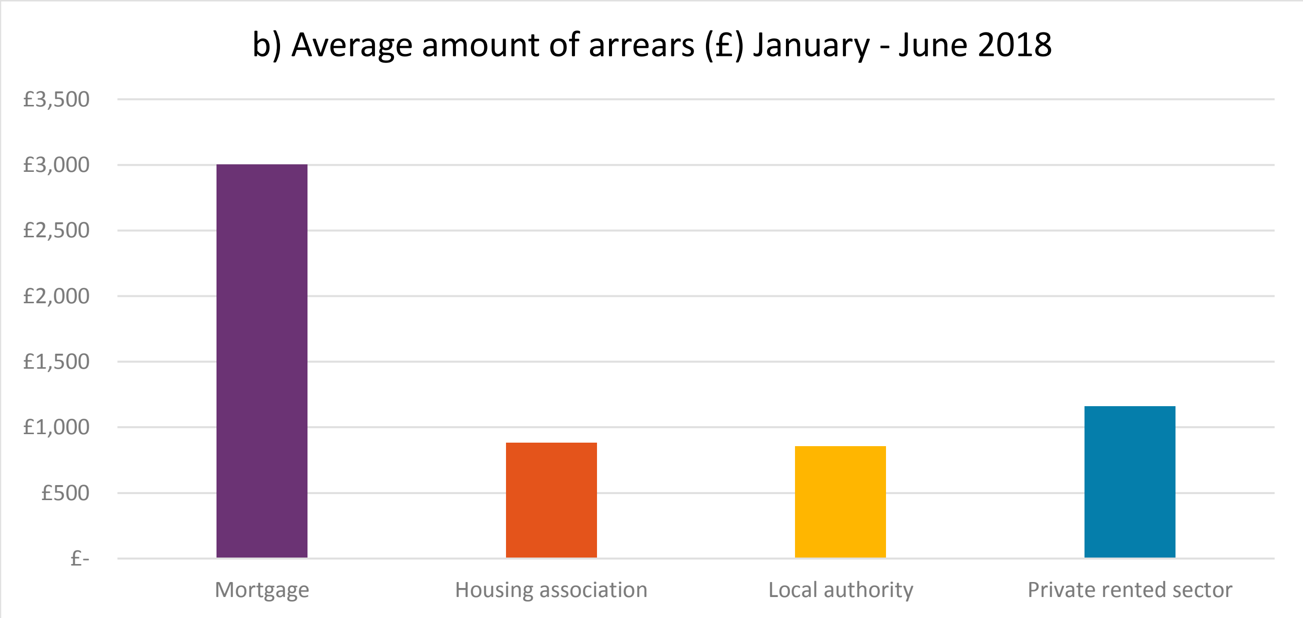
Data from all new clients for January to June 2018

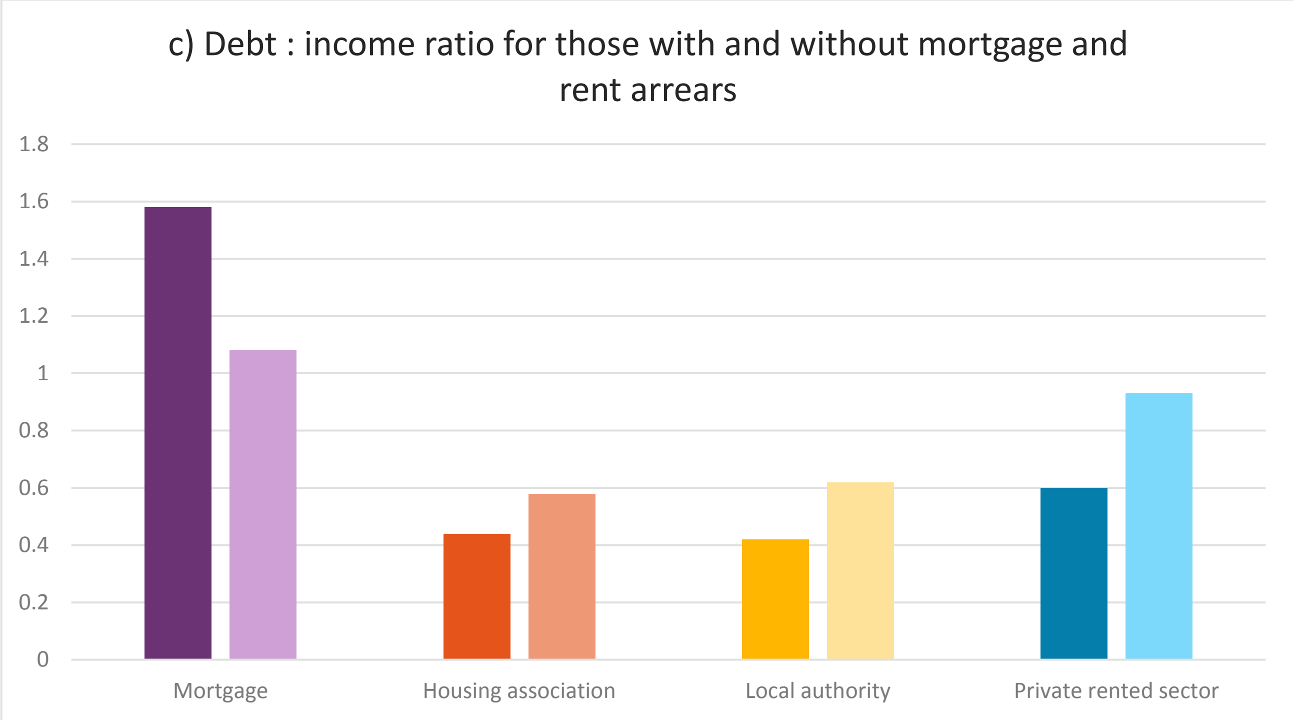
Of clients who rent, those renting in the private sector had the highest average rent arrears (Figure 8a). However, the proportion of clients renting privately who had rent arrears was much lower than for those renting social housing (Figure 8b). Our data reflects national statistics that 9% of those renting in the private sector had rent arrears compared with 25% of those renting social housing.[vii]

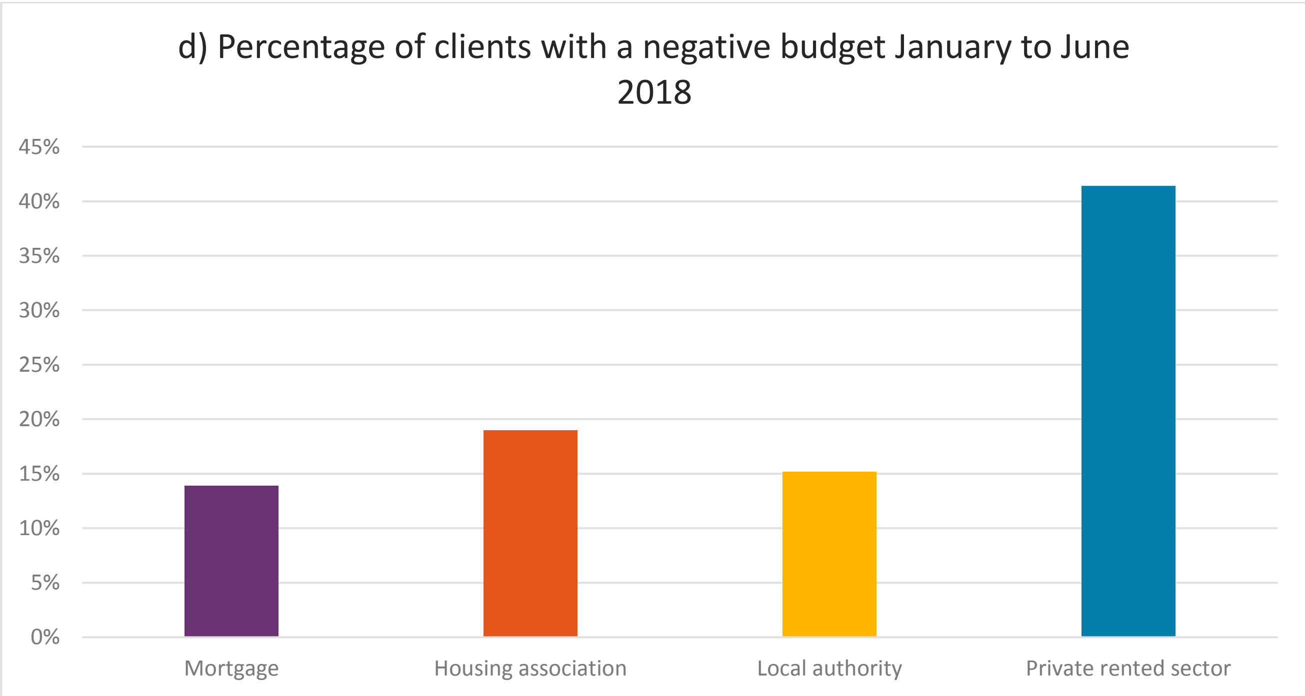
In the first half of 2018 those with mortgages and those renting in the private sector had the highest unsecured debt: income ratio. Amongst those renting, it was those renting in the private sector with no rent arrears who had the highest debt: income ratio at 93% of their income compared with 60% for private renters with rent arrears (Figure 8c).

Figure 8: Analysis of all new telephone clients by housing tenure for a) average rent or mortgage arrears b) proportion of clients in rent or mortgage arrears c) average debt: income ratio and d) the proportion of clients with a negative budget over period January to June 2018









Analysis of all new telephone clients by housing tenure for a) average rent or mortgage arrears b) proportion of clients in rent or mortgage arrears c) average debt: income ratio and d) the proportion of clients with a negative budget over the period January – June 2018. Number of new telephone clients in the first half of 2018 was 125, 831.

It's clients renting in the private sector who are most likely to use credit to prevent themselves going into arrears with their rent. Insecurity of tenure, or lack of access to a new home, may push those clients renting privately into persistent credit debt so they do not face the risk of losing their current home by falling into rent arrears.

A "negative budget" indicates that a client's monthly spending on basics like food and essential bills such as rent or mortgage repayments, heating and council tax, is greater than their monthly income. The percentage of clients renting in the private sector who had a negative budget (41%) was much higher than for any other housing tenure (Figure 8d). The proportion of clients with a mortgage with a negative budget was lowest at 14%. This trend is consistent with England-wide data showing those with a mortgage spent 18% of their household income on mortgage payments whereas rent payments were 28% of household income for social renters and 34% for private renters.[viii]

Survey data

One in four clients had not been able to afford letting agent fees or deposits because of their problem debt and over half of private renter clients said high fees and deposits had prevented them renting a property (Figure 1). Median letting agent fees increased by 60% between 2009-10 and 2014-15 and nationally a third of private renters said fees stopped them moving into a new home.[ix] The current Tenant Fees Bill 2017-19,[x] aims to address these problems with provisions to ban landlords and letting agents from charging tenants for a range of fees and capping the amount that can be charged for deposits and holding deposits. However, this Bill does not address the higher private sector rents that our clients reported are charged to many in problem debt and/or with poor credit reports.

Our clients reported that poor credit ratings also caused problems with the affordability of their housing. Seven percent of clients highlighted the fact that a poor credit rating meant that they were charged more in rents and/or deposits and a further 7% that problem debt meant extra housing costs (Figure 6).

> "As credit checks done don't show I'm in good credit so they ask for more money or higher down payments."
>
> "Either want six month's rent upfront or need someone to be a guarantor."

This is consistent with research showing that UK adults with a poor credit rating are often asked for a higher deposit or more rent than previously advertised.[xi] Many clients noted that it is now often cheaper, once having saved sufficient deposit, to pay a mortgage rather than rent in the private sector:

> "How can anyone who is paying for a private rental, NOT be suitable for a mortgage? I'd probably be £200 a month better off and be able to clear debts."

As these clients suggest, average private sector rents are now higher than average mortgage repayments for first-time buyers across all UK regions, and average first-time buyers could save over £2,250 a year once on the property ladder compared to renting.[xii] Paying rent is also much more expensive in the long term as a homeowner's housing costs fall dramatically once a mortgage is paid off, while renting costs continue into older age for those who are unable to buy a home.[xiii] Even for those of our clients who have been able to buy a home, the Financial Conduct Authority has also found that customers with a poor credit rating are offered more expensive mortgage deals.[xiv]

> “Unable to change mortgage providers. Initial mortgage meant higher interest rates.”

The Social Market Foundation has shown how individuals on lower incomes face a substantial housing poverty premium, particularly if they are in the private rented sector and unable to build up the savings required for a mortgage deposit.[xv] While mortgage payments tend to decrease as a proportion of income over time, rent contracts are often tied to inflation and can increase each year. Our survey findings suggest that there is a similar “debt premium” for our clients, who have to pay more for deposits and in rent payments. This in turn reduces their ability to save for a deposit and their poor credit rating reduces the chance of being approved for a mortgage, so those in problem debt are more likely to continue paying higher private rental costs over time. This “debt premium” can only become even greater as people in problem debt are forced to continue to rent in the private sector as they become older and enter retirement.

Regulation of the mortgage market is important to prevent a return to the poor lending practices seen before the financial crisis of 2008. However, the Financial Conduct Authority has found that it is still difficult for many mortgage customers to find the cheapest mortgage deal for which they qualify, to switch between mortgage deals, and this is particularly the case for those with a poor credit report.[xvi] At a time when they are financially vulnerable, people in problem debt are paying a higher price, the proportion of which increases over their lifetime, for a basic essential: a home. For many this higher cost is simply unaffordable or forces them to accept lower cost poor quality, insecure housing.

Lack of affordable housing: impact on health, relationships and work

The poor affordability of their housing had significantly the largest impact on our clients’ health, relationships and ability to work or find work when compared with the impacts of quality, insecurity and access to housing. The impact on health was significantly higher than on relationships and work ($p<0.00001$) and the negative impact on health, relationships and work was significantly associated with housing tenure ($p<0.05$), with those renting in the private sector reporting the worst effects (Figure 7).

Thirty-five percent of clients said that the lack of affordable housing had negatively affected their and/or their families’ health. This was highest for those currently renting in the private sector, where almost half said that affordability had a negative effect. Fifteen percent said that they were cutting back on food, not paying other essential bills or using credit so they could pay their rent or mortgage:

> “10% increase this year in rent, is pushing food spend down, and lowering quality of food we can afford to buy.”

> “Me and my husband have not afforded to eat. We paid the rent instead.”

> “I was constantly trying to get money from anywhere to pay my rent. I was using credit cards and it has caused me poor mental health.”

Twenty-eight percent of clients said that the affordability of their home negatively affected their relationships. Again, this was worst amongst those renting in the private sector (47%). Forty-one percent said it had negatively affected their relationship with their partner, 14% with their children, 7% with another relative and 9% with friends:

> “[Rent] takes out a very large chunk of income, can only just make ends meet and go without occasionally. Relationship with partner strained and often too anxious to fully enjoy time with daughter.”

> “I can’t afford to go out and socialise anymore.”

Eleven percent of clients said that the poor affordability of their housing affected their ability to work and another 6% said it had affected their ability to find work. Again, the greatest proportion affected were those renting in the private sector (23%). Those who commented further on their ability to find work stated that affordability of their housing limited the jobs that they could apply for. Work had to cover travel and childcare costs before it was worthwhile. Many still felt they were in a “benefits trap” because of the low affordability of housing:

> “Couldn't take any job as had to consider only ones that can cover living and housing as unskilled worker minimum pay for single person most of wage will go on housing if rented private”

Those who commented further on the impact of low housing affordability on their ability to work stated that the worry and stress that high housing costs cause negatively affects their performance at work or means that they have to travel much further to work:

> “[Affordability] affected my work as depressed and stress[ed] and I am struggling.”

> “Couldn’t sleep with worry so couldn’t concentrate at work.”

> “Have had to choose to live in cheaper area and property, so commute to work up to an hour each way.”

Insecurity of housing

Insecurity of housing was assessed through homelessness, eviction and threats of eviction, being placed in temporary accommodation, being forced to move and not complaining about repair problems for fear of eviction. Over two-thirds of our clients had experienced at least one of these suggesting that they lived in insecure accommodation. Apart from the threat of eviction, all these problems affected a higher proportion of our clients who were private renters (Figures 1 and 2).

Almost a quarter of private renters with rent arrears had been evicted, significantly the highest proportion of any housing tenure. However, only 51% had been threatened with eviction compared with 94% of those with rent arrears renting from a local authority and 100% of those renting from a housing association. In contrast, the proportion of those who had rent arrears living in local authority or housing association properties only 18% and 13% respectively had actually been evicted. Of those with a mortgage and mortgage arrears none had been evicted, put in temporary accommodation or had their house repossessed, and only 26% had been threatened with eviction (Figure 2).

This suggests that housing insecurity is highest in the private rented sector and lowest amongst mortgagees. This finding is consistent with national data showing eviction rates are higher per property number in the private rented sector than from social housing,[xvii,xviii] and that that private renters are less likely than social renters or people with mortgages to remain in one property for 10 years or more.[xix] The recent rise in private sector evictions has been attributed to a rise in "no-fault" evictions, under Section 21 of the Housing Act 1988. These can only be used by private landlords and housing associations that use assured shorthold tenancies.[xx] At the same time, mortgage repossessions are currently at their lowest recorded level nationally,[xxi,xxii] and this is attributed to low interest rates, and greater lender forbearance as a result of the introduction of the Mortgage Pre-Action Protocol.[xxiii] Although actual evictions from the social sector are lower, the high number of threats of eviction experienced by our clients renting in the social sector is also of concern, when there is evidence that even the threat of eviction can have a negative effect on mental and physical health.[xxiv]

Finally, the high proportion of clients who said that they had not reported problems to their landlord for fear of eviction (38% overall and almost 60% of private tenants (Figure 3)) suggests that the problem of retaliatory eviction has not been addressed by recent legislation in the Deregulation Act 2015. Section 33 of the Act, which covers this issue, has been described as "significantly flawed":[xxv] there are several scenarios in which a tenant could be left without protection. The Housing, Communities and Local Government Committee recently recommended:

> "The Government seek to rebalance the tenant-landlord relationship by providing additional protections from retaliatory eviction and rent increases. The Government should conduct a review of how the protections within the Deregulation Act 2015 are being used in practice and whether they need to be enhanced. We believe the Act should be strengthened to protect tenants from a "no-fault" Section 21 eviction for longer than the current six-month period. Protections should also be extended to prohibit retaliatory rent increases for a period after making a complaint."[xxvi]

Insecure housing: impact on health, relationships and work

Insecure housing was second only to lack of affordable housing in the negative impacts it had on our client's health, relationships and work (Figure 7). Almost one third of clients (28%) said that the insecurity of their housing had negatively affected their own or their families' health. The highest proportion of clients who said housing insecurity was negatively affecting their own or their families' health were again those renting in the private sector (35%).

> "The worry of not knowing whether I'd have to leave my home due to not affording rent and it not being covered fully by housing benefit, kept me awake at night and was all consuming. Led to me being on anti-depressants for a very long time."

> "Was in sheltered housing and threats of eviction caused stress and mental health issues."

Over one quarter (26%) stated that it was the constant worry about being evicted or being made homeless that was affecting their and/or their families' health. For some this was because of the actions of landlords:

> "I usually am served [a] section 21 [notice] every one or two years."

> "Being threatened with eviction means we are constantly on edge and don't feel at home."

> "If I miss a payment off my rent arrears I will be evict[ed] so makes me very depressed."

The insecurity of their housing negatively affected the relationships of 23% of clients. Again, this was highest for those renting in the private sector (28%). Of the clients who offered further commentary on the issue of the insecurity of their home, almost 50% described a negative impact on their relationship with their partner or spouse with 9% stating that it had caused their relationship to breakdown:

> "Due to the insecurity and the way it affected my mind, I became depressed, irritable and this led to the end of a six-year relationship, which then led me even further in to depression."

Eighteen percent were worried about the negative impact insecure housing was having on their relationship with their children, 11% said it had affected their relationship with other relatives, and 11% stated that insecure housing had negatively affected their relationships with friends:

> "I have felt too ill with worry and lack of energy to play with my child as much as I should when he was younger."

> "My friends are fed up with helping me move every two years."

Seven percent of clients said that the insecurity of their housing affected their ability to work and another 4% that it affected their ability to find work. The impact on ability to work and ability to find work was greatest for those renting in the private sector with 17% saying insecure housing had a negative impact on their ability to work or find work:

> "Due to insecure housing and the stress that's come with it, I have low mood, which impacts my well-being and unable to do more than I think I could be doing, regards to getting a better paid job and a nicer living standard for me and my daughter. This also prevents me from wanting to have guests."

> "Had to change job I loved as was forced to move when landlord doubled the rent with two months' notice."

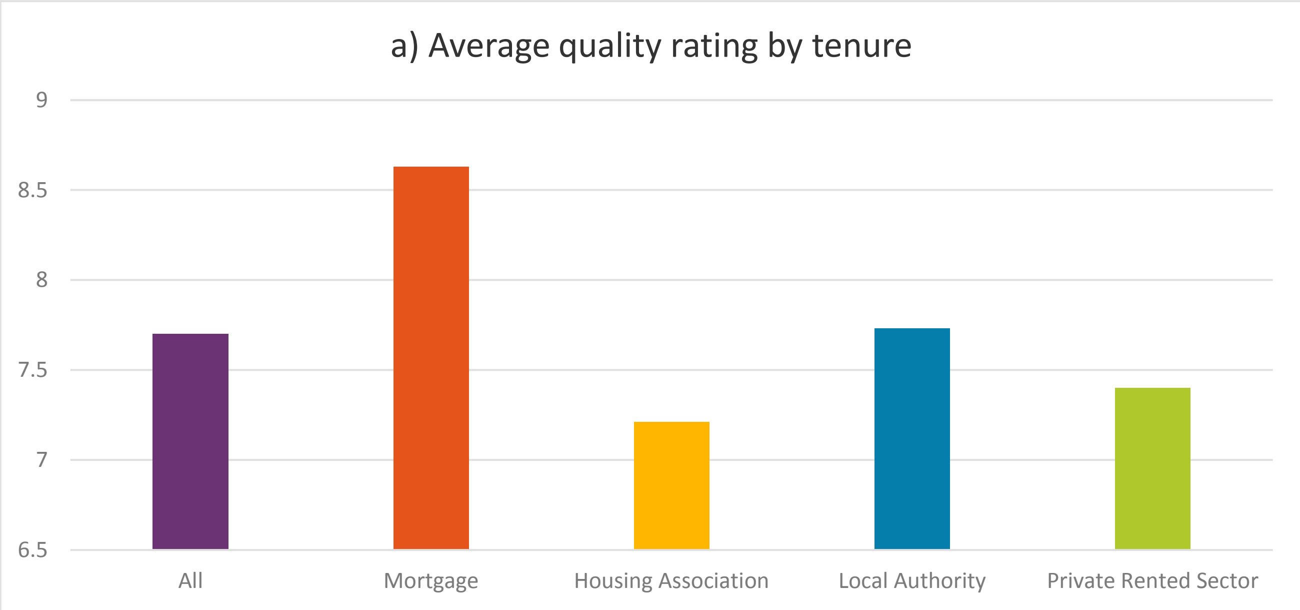
> "Always worrying about having to move again and taking time off work to find somewhere, as well as for the actual move."

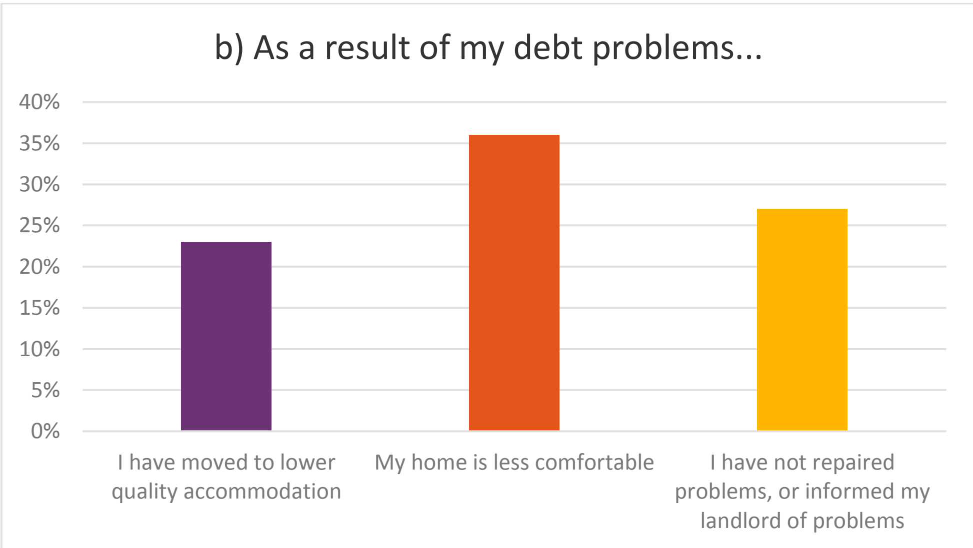
Quality of housing

Overall our clients gave their homes a good score (out of ten) for quality, the average being 7.7. Almost four in ten gave their home a quality score of 10 (very happy with the quality of my accommodation). The average quality rating was significantly dependent on housing tenure ($p<0.005$), with those with a mortgage and those renting from a local authority giving their homes a higher quality rating than those renting from a housing association or in the private sector (Figure 9a).

Our clients told us that problem debt resulted in almost two-thirds (63%) seeing a reduction in the quality of their housing with 23% reporting that they had had to move to lower quality accommodation, 36% that their home was less comfortable and 27% saying that they had not repaired problems, or told their landlord of repair problems at least partly as a result of their problem debt (Figure 9b).

Figure 9: Quality of housing a) average quality rating by tenure and b) the impact of problem debt on housing quality





The number of people who provided a quality rating for their home (a) was 550. To look at the impact of problem debt (b) clients were asked if they had moved to lower quality accommodation (n=378), their home had become less comfortable (n=388) or they had not repaired problems or informed their landlord of repair problems (n=377), at least partly as a result of their problem debt. The bars represent the percentage of clients who answered, “Yes, partly as a result of my debt problems”.

Of the 276 clients who provided further comment, the most common problem with the quality of housing reported was general maintenance and repairs (Figure 10). It was mostly renters, both private and social, who mentioned this:

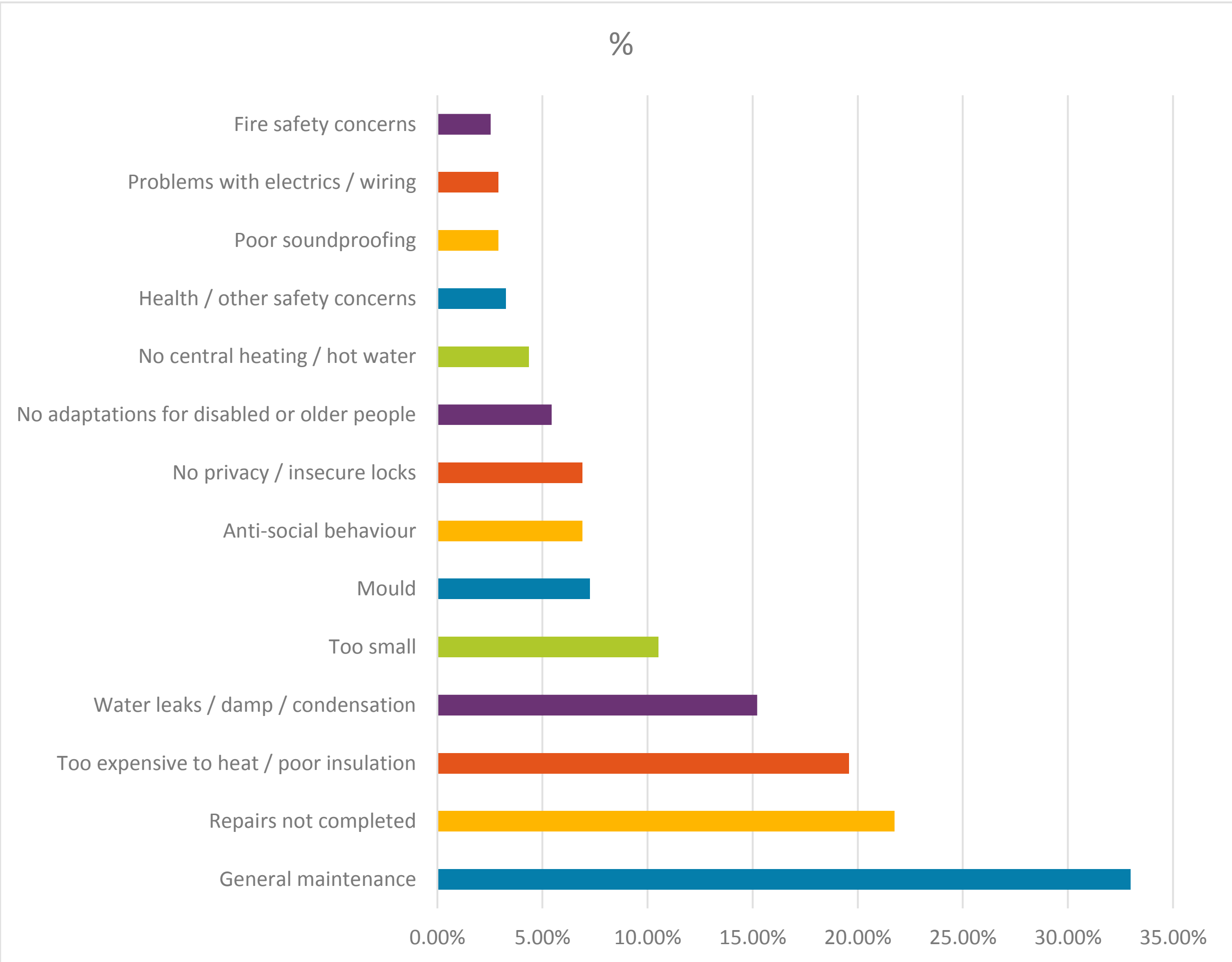
> “Work needs to be done to the house, but I’m scared to ask in case [the landlord] asks us to leave.”

> “Some repairs are needed but I don't feel able to contact the council in case they decide to find something that they want to charge me for.”

Nineteen percent complained about the poor insulation in their home or their home being too expensive to heat:

> “The windows and the doors let a lot of cold air in. It seems I have to spend extra on my gas just to keep it warm.”

Figure 10: Concerns clients raised about the quality of their current accommodation



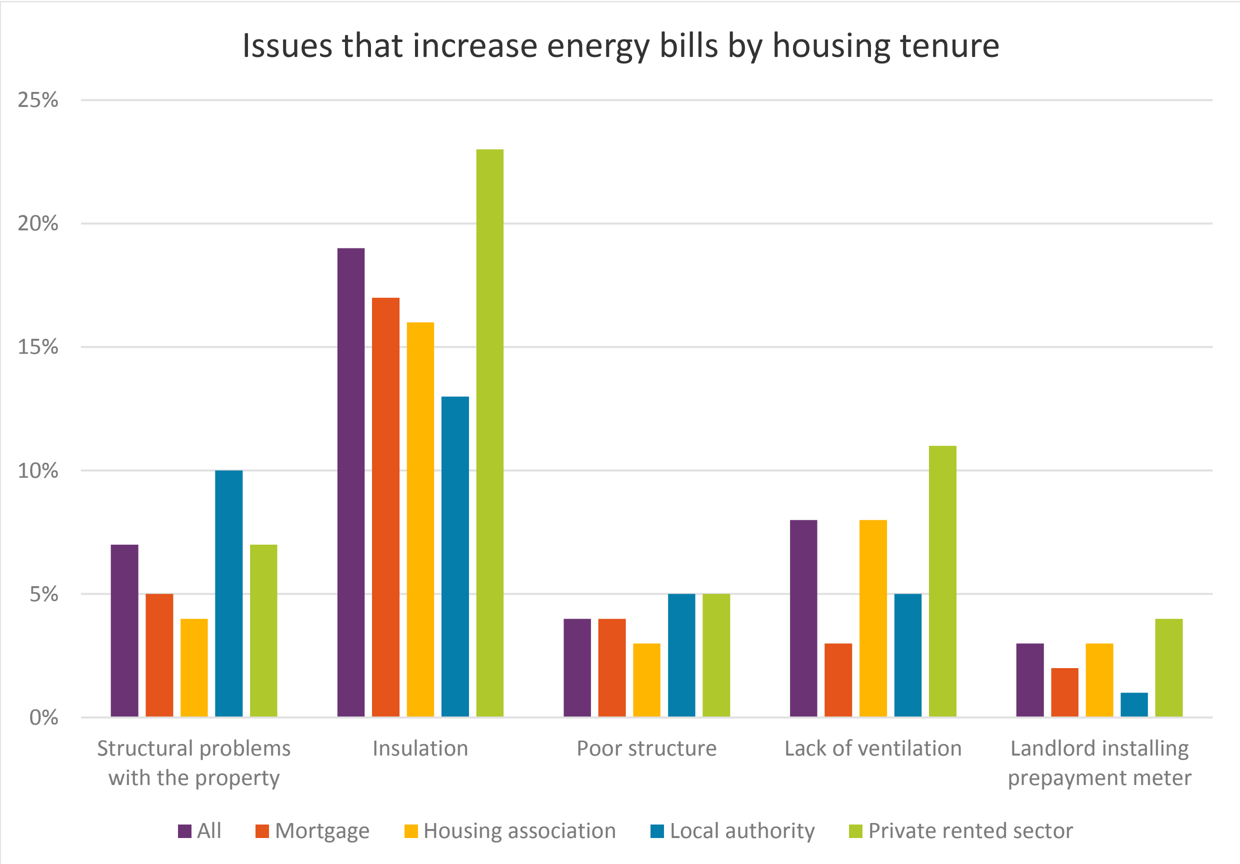
In total 276 people answered this question. Comments were coded according to the above categories and bars in the graph represent the percentage who mentioned each category.

And 15% about water leaks, damp or condensation:

> "We have mould and damp. Everything is old and could do with being replaced. Landlord has not and will not do anything about the damp. Won't let us get a tumble dryer (that we would happily pay for) which means we have to dry our clothes in our home creating more damp. I wish my landlord would take responsibility of this instead of expecting us to constantly 'air out' the house as this is unrealistic especially in winter. Also have nearly been burgled so I don't feel comfortable leaving my windows open all day! We have to do what we can to resolve the damp and mould even though this isn't safe. We have had to get a dehumidifier as this is the only thing we can do to help this."

Clients were also asked how the quality of their accommodation affected their energy use. The most common problem was a lack of insulation (19%) with 8% stating a lack of ventilation. The problems seemed to affect all clients living in rented accommodation similarly, apart from poor insulation, lack of ventilation and installation of a pre-payment meter by the landlord, which affected a significantly higher proportion of clients living in the private rented sector (Figure 11).

Figure 11: Problems with housing quality that affect how much clients have to spend on energy bills by housing tenure



Bars show the percentage who ticked the listed answer for all those who answered the question, for those who have a mortgage and for those who rent from a housing association, local authority or in the private rented sector. A total of 658 people answered this question. Poor insulation, lack of ventilation and installation of a pre-payment meter were significantly dependent on housing tenure ($p<0.05$) using chi-squared test.

Poor quality housing: impact on health, relationships and work

Quality of housing had less of a negative impact on our clients' health, relationships and work than poor affordability and insecurity, but it had a markedly higher impact on health (affecting almost one in five clients) than on relationships and work ($p<0.0001$) (Figure 7). One in five clients said that the quality of their housing had affected their and/or their family's health. This was particularly high amongst those currently renting in the private sector (almost one-third).

> "Suffering from shortness of breath, on the second floor, no lift installed"

> "I am presently having active treatment for cancer. Therefore, I need to keep warm."

The most commonly reported physical health problems as a result of poor-quality housing were asthma / chest problems / chronic obstructive pulmonary disease (COPD):

> "Constant chest infections and coughs for my daughter and I."

> "I suffer from asthma and the dampness has badly affected my condition."

> "COPD caused due to mould spores."

Fifteen percent of clients said that the quality of their housing had a negative effect on their relationships. Yet again, those worst affected were renting in the private sector (30%). Thirty-eight percent of those who provided further comment said it had negatively affected their relationships with their partner, 18% with their children and 24% with other relatives or friends:

> "My partner is very often angry or upset at problems with the house."

> "Children never have friends round to play or sleepovers."

> "I don't invite people to my home as I am ashamed."

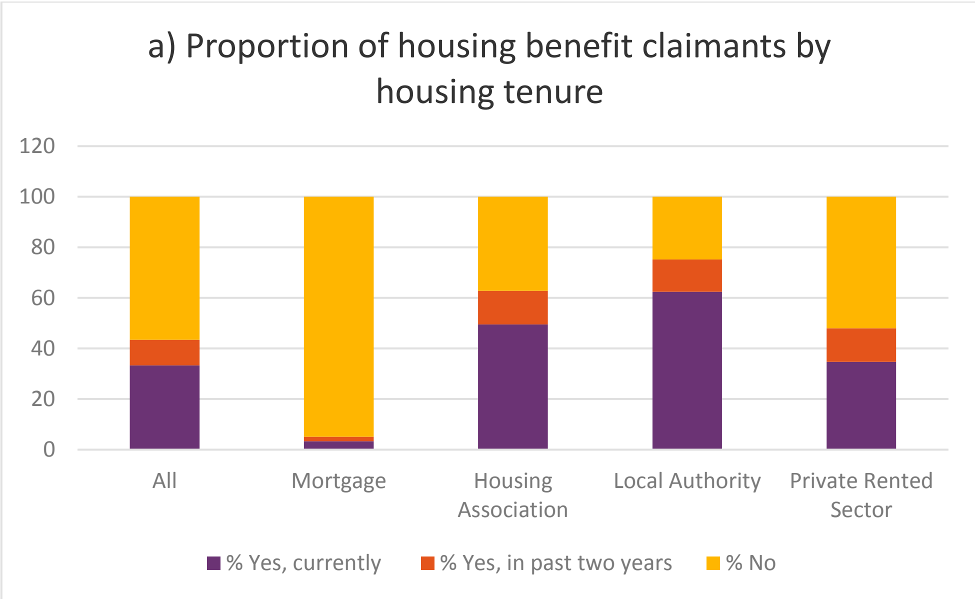
Five percent of clients said that the poor quality of their housing affected their ability to work and another 2% that it affected their ability to find work. There was little difference in this impact of poor-quality housing between those renting privately, from a housing association or from a local authority.

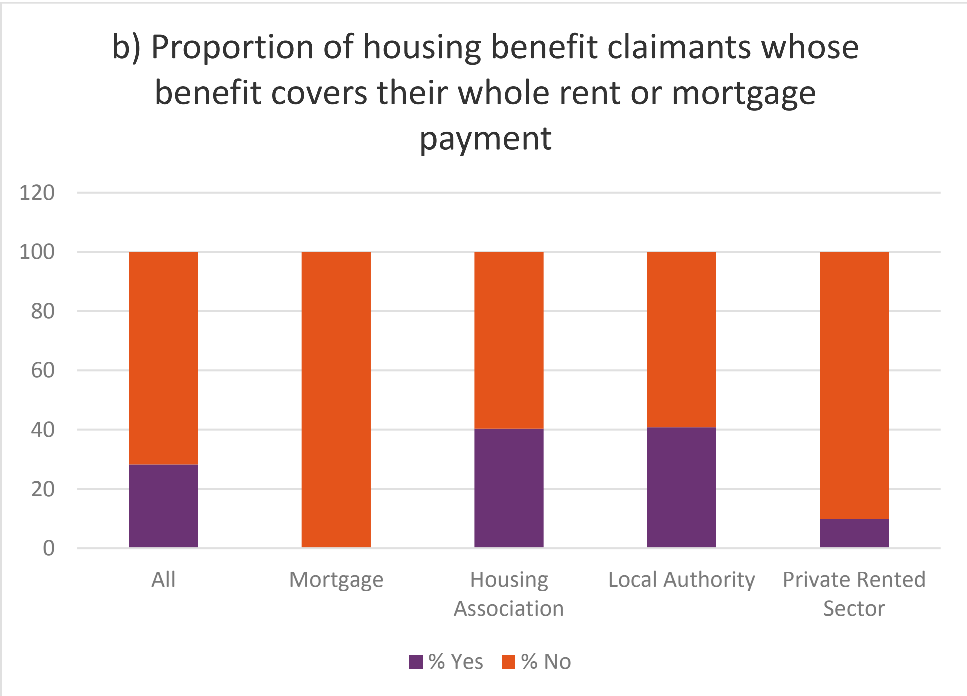
> "Signed off from work with stress and depression, chest pains, asthma and exhaustion / sleepless nights. Inability to concentrate at work or perform job properly."

Welfare support and housing for those in problem debt

One-third of our survey respondents were currently claiming some form of housing benefit,[xxvii] at the time of the survey and a further 10% were not currently claiming but had claimed housing benefits within the last two years. The proportions amongst those renting from a local authority were significantly higher at 62%, than those renting from a housing association (50%) which were in turn higher than those renting private sector housing (35%) (Figure 12a). These figures reflect the higher proportion of housing benefit claimants reported to be living in social housing nationally.[xxviii]

Figure 12: The percentage of clients who had claimed housing benefit a) within the last two years (orange and purple) and b) whose housing benefit covered full housing costs (purple)





The bars represent all clients, those who have a mortgage and those who rent from a housing association, local authority and in the private rented sector. Figure 12a) n=655 and Figure 12b) n=207. There were four clients with mortgages who were claiming Support for Mortgage Interest which converted from a benefit to a loan in April 2018.

In many cases (28%) our clients said the help they were offered through the housing benefit system had supported them to keep their home.

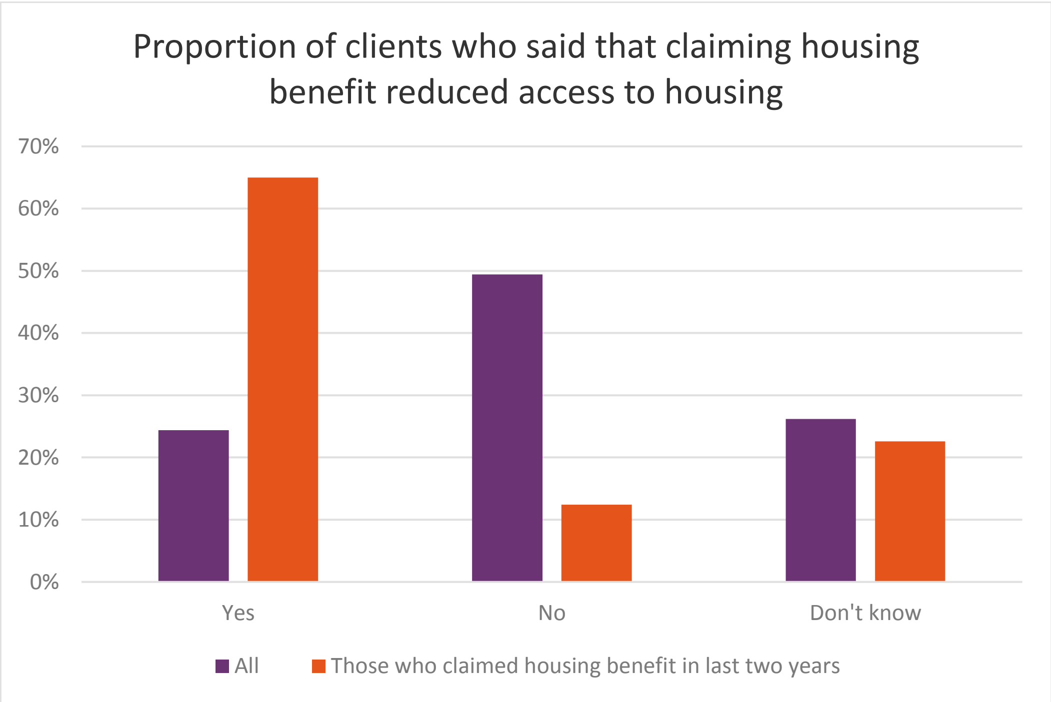
> "Without have the housing benefit I would be homeless."

“A very helpful service. I am grateful that my rent is paid.”

These positive responses were despite only a minority of respondents having their whole rent paid through housing benefit payments – 72% said they were paying the shortfall whether this was from benefit payments or wages. For those clients who were private renters only 10% were receiving the full amount of their rent from housing benefit payments (Figure 12b). The introduction of Local Housing Allowance rate caps, the household benefit cap, Shared Accommodation Rate and “bedroom tax”, as well as the freeze on inflation-linked rises in welfare payments means that the number of renters, across different tenancy types, whose housing benefit entitlement falls short of their rent has increased amongst private renters and, to a lesser extent, amongst social housing tenants since 2011.[xxix]

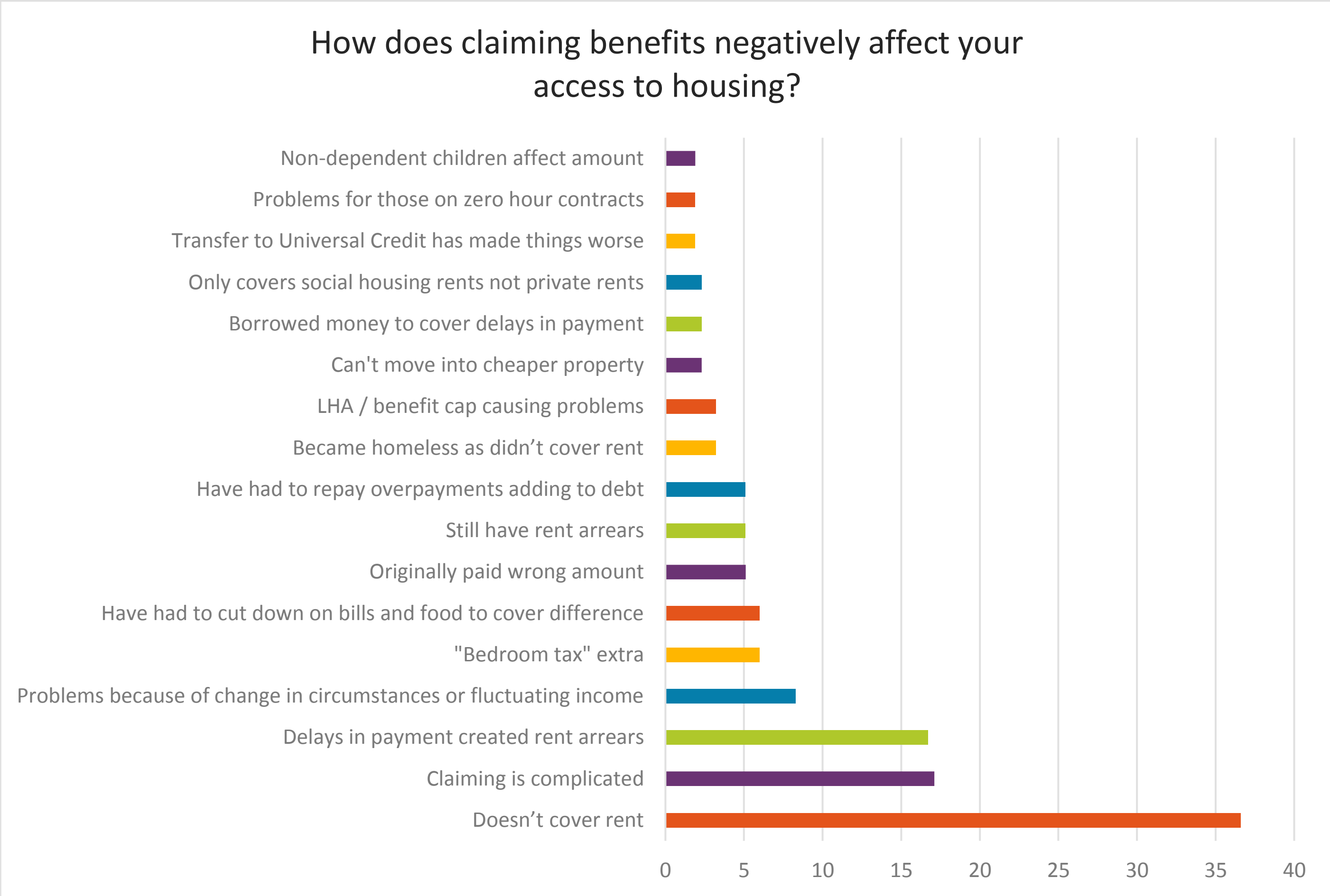
Almost a quarter of all clients said that claiming housing benefit had a negative impact on their ability to rent or buy a property and this rose to almost seven in ten of those who had claimed housing benefit in the past two years (Figure 13). Of those who provided more detailed answers about how claiming benefits had affected their access to housing, around two-thirds (63%) reported negative experiences that had only added to their financial worries and on top of that, threatened their sense of a secure place to live. In 3% of cases people reported that these problems had actually resulted in them losing their home (Figure 14). Seventeen percent said that they found claiming housing benefit a complicated and bureaucratic system with long delays on initial application, leading to rent arrears and more debt:

Figure 13: The proportion of clients who said that claiming housing benefit had a negative impact on their ability to rent or buy a property



Purple bars represent percentage of all clients who answered (n=664); orange bars represent percentage of those who were currently claiming or had claimed housing benefit in the last two years (n=137).

Figure 14: Answers to open ended question: how does claiming benefits negatively affect your ability to rent or buy a property?



The number who answered this question was 216. HB = housing benefit; UC = Universal Credit; LHA = local housing allowance; PRS = private rented sector. Comments were coded according to the above categories and bars in the graph represent the percentage who mentioned each category.

> "My initial claim took almost 8 weeks to process. I was unable to cover my rent during this time due to being on maternity leave. I had to borrow money from family and sell my television to cover it."

> "[I need] help with the [rent] arrears which are not my fault as housing benefit took four months to reassess my claim when [my] partner moved in."

It was often as a result of these long delays or underpayments as a result of administrative errors that caused our clients to go into rent arrears (almost one in five) or to report that they had to cut back on essentials, not pay other essential bills (6%) or take out more credit (2%) simply to keep up with the housing payments (Figure 14).

There were even more problems for people who didn't have steady incomes. Those with earnings that varied month to month, for example on zero-hour contracts or self-employed, reported that the system for updating their earnings was too slow so that they often found payments were made several weeks in arrears or totally suspended.

> “Because I am on a zero hour contract my housing benefit changes monthly, so I am always in arrears with my rent.”

> “If you have a change in circumstances it is stopped and in my case wasn't sorted out for 13 weeks putting me further in debt and relations with my landlord under tremendous strain.”

There was a small but significant proportion of clients (5%) who reported that, through no fault of their own, they had received overpayments of housing benefits. In a small number of cases these had continued for more than a year, and because of the complicated and bureaucratic claims system would have been very difficult to notice. It was only when the council notified them that they realised, often to find they were expected to repay hundreds, or in some cases, thousands of pounds. At a time of financial difficulty, when our clients were trying to address their debt problems, this practice suddenly added huge amounts to existing debt and arrear repayments.

> “It’s ridiculous, I’m on low income, and on zero hours contract at work, so one minute I get housing benefit, the next minute housing are saying they have overpaid me and I now owe them money, barely anything for food.”

> [My financial situation would improve if I had a] more affordable rent and a better system of claiming housing benefit, so that wages are recorded accurately, avoiding overpayments.”

Only seven clients specifically mentioned that they were claiming the housing component of Universal Credit, which was meant to introduce “real time reporting” to provide more up-to-date information on fluctuating incomes and changes in circumstances. Four of these clients reported that Universal Credit had caused them more problems than their previous housing benefit claims. Early roll-out of Universal Credit was focussed on simpler cases of single people making new claims. Even in those circumstances, performance did not meet targets and this has worsened as Universal Credit has been extended to more complex cases, leading to criticism from the National Audit Office (NAO), who concluded that further roll-out of Universal Credit carried the possibility of long delays in making an initial payment and on-going errors, particularly with complex claims. These often took weeks to resolve. The NAO reported that in 2017 almost one-quarter of housing payments though Universal Credit were not paid in full and on time.[xxx]

Many social renters mentioned the “bedroom tax” as adding to their problems with affordability, as if they are judged to have more bedrooms than they need, some of their housing benefit is withdrawn. This has meant that for many of these tenants, just as for those renting in the private sector, their housing benefit payments no longer meet the full cost of their rent.

> “[I would see] a big improvement if I didn’t have to pay “bedroom tax”. This is taking money away from me as a lone parent on benefits with one dependent child depending on me. This [has] been stressing me out for years now.”

> “We have lived in the same house for over 40 years. We have only in the last 18 months got debts. Our house is council.”

These issues suggest that for many people, both in the private and social rented sectors, problems with the welfare system can increase their debt problems, through delays, errors and not covering their full housing costs. This forces them to cut back on other essential bills or take out credit, just to ensure they can keep up rent payments.

Those aged over 60 and those who were retired were significantly more likely to have had a positive experience of claiming housing benefit. This may be because neither the Local Housing Allowance cap nor the “bedroom tax” apply to those of pensionable age.[xxxi] Worryingly, it was those in full-time employment, rather than those who were unemployed, who reported significantly more negative experiences of claiming housing benefit. This may relate to issues such as problems with benefit payments adapting to fluctuating incomes for those in work. The Resolution Foundation recently found almost three-quarters of employees with a steady job had noticeable changes in pay month-to-month.[xxxii] As has been noted in previous research,[xxxiii] 4% of claimants commented that some landlords would simply not rent to tenants who were claiming benefits:

> “Being on benefit out of circumstance has negatively affected renting as no landlord wants to rent to a family supported by the government.”

> “[My financial situation would improve if I was] able to claim benefits, which I'm currently unable to do as my landlord will not allow it.”

What protects our clients from housing problems?

To distinguish between our clients who were more vulnerable and those less vulnerable to problems with housing issues, we tested whether there was a statistically significant difference between those that said “yes” to both their debt and their credit rating negatively affecting their ability to rent or buy a property and those who said “no” to both questions using the chi-squared[2] test.

Table 1: Testing for significant differences between those most vulnerable and those least vulnerable to problems with their housing situation as a result of problem debt or a poor credit rating

Issue	Protected	Vulnerable	Chi-squared	p-value
Reason for debt				NS
Age band	Over 60	Under 25, 25-39	31.89	P<0.00001
Gender				NS
Number of children				NS
Housing tenure	Mortgage	Privately renting	24.39	0.000021
Employment type	Retired	Part-time, self-employed, unemployed	21.80	0.00022
Number of debts				NS

Chi-squared tests were conducted on absolute numbers for reason for falling into debt, age band, gender, number of children, housing tenure, employment type and number of debts. Significance was taken as $p<0.05$. NS = non-significant. The numbers categorised as vulnerable was 208 and those protected was 198.

[2] Chi-squared: Looks at the dependence between different categories.

This showed that age band, housing tenure and employment type were all significantly dependent on vulnerability to housing issues as a result of problem debt or a poor credit rating. Those who were protected from these problems were those with a mortgage, those over 60 and those retired (Table 1).

Table 2: Testing for significant differences in income or budget surplus / deficit between those most vulnerable and those least vulnerable to problems with their housing situation as a result of problem debt or a poor credit rating

	Vulnerable	Protected	p-value
Average income (£)	1346	1512	<0.05
Average surplus / deficit (£)	-9.32	141	<0.00001

Mann-Whitney[3] U tests were conducted on absolute numbers. Significance was taken as $p<0.05$. The numbers categorised as vulnerable was 208 and those as protected was 198.

Comparing average incomes and the average budget surplus or deficit, there were also significant differences between those clients most vulnerable and those most protected from housing problems. Those who were most protected had a slightly higher average income and a much higher budget surplus than those who were more vulnerable (Table 2). This suggests that a lower income, whether through capped housing benefit payments or lower earnings, as well as renting in the private sector and insecure, part-time or no employment are all more likely to make our clients less resilient to housing problems resulting from their problem debt or negative credit rating.

[3] Mann Whitney: Looks to see if the difference in media values is significant. This test can be used to determine whether two independent samples were selected from populations having the same distribution.

Conclusions

All clients surveyed for this report had approached StepChange for debt advice and yet, at a time when they were trying to stabilise their finances, many found themselves in increasingly unaffordable, insecure or poor-quality housing or could not access any housing at all.

The analysis shows that problem debt and a poor credit rating can negatively affect access to, and choice of, housing particularly in the private rented sector. Debt problems not only put our clients at greater risk of losing their home but also potentially made it more difficult to find a new one. Bad credit ratings were a particular issue when faced with the possibility of having to find somewhere new to live because of their arrears, confirming research by Shelter on the experiences of people in housing debt.[xxxiv] A poor credit rating is associated with more landlords and letting agents refusing tenancies and, for those that are accepted, higher deposits and/or higher rents. Poor credit ratings also increase the cost of mortgage deals. Many of our clients appear to be paying a “debt premium” for their housing, which is pushing some into more financial difficulty through causing them to take out more credit or fall further behind on their essential bills.

Poor housing access, security, quality and affordability in turn negatively affect our clients’ health, relationships and ability to work or find work. These impacts can both worsen debt problems and create large public costs. It is those clients renting in the private sector who report the most negative impacts – and it is the lack of affordable housing that has a negative impact on the greatest proportion of our clients.

Low incomes and higher budget deficits (i.e. not having enough income to cover essential bills each month), being under 40, living in the private rented sector and being self-employed, in part-time work or unemployed all increased our clients’ vulnerability to housing problems. This suggests that a lack of assets, falling or fluctuating incomes, cuts to benefit payments, rising costs of living and the insecurity and increasing cost of properties in the rented sector all contribute to a lack of access to an affordable, good quality, secure home. It is only amongst some of our older clients, with their increased chances of having a mortgage or owning property outright, and with incomes that provide them with a good budget surplus, that we see there is the financial resilience to allow them to remain in stable, good quality accommodation while they address their debt problems.

Many of those renting in the private sector wanted to have access to less expensive social housing but found none available. However, our clients renting from social landlords also see problems with their housing. These include high numbers of threats of eviction as well as the “bedroom tax” and other benefit reductions increasing the gap between their income and essential costs, including rents.

This report shows that more and more people seeking advice from StepChange about problem debt are renting in the private sector, and the proportion of private renters who have another vulnerability, apart from their financial vulnerability, is increasing. Our clients renting in the private sector are more likely to use credit than social tenants and are more likely to take out more credit to cover unaffordable rent payments rather than fall into rent arrears. This raises the question of whether private renting, traditionally a short-term housing solution for the young, is the place we should be housing vulnerable people on low or fluctuating incomes, particularly when they are already in financial difficulty.

However, the private rented sector is increasingly becoming the only sector where people in problem debt can find a home, although this is at the expense of affordability, security and quality. The circumstances of many low income private rented sector households would be materially improved if they lived in the social rented sector where they are also less likely to be exposed to poor housing quality and have increased security.[xxxv] However, some of our clients renting from social landlords also reported problems with the affordability and long-term security of their home. It was our clients who had taken out a mortgage, and who were older, who had the greatest protection from problems with their housing whilst addressing their problem debt. Our clients' evidence of wider health, relationship and employment problems caused by housing issues suggests we need to think how we can ensure similar housing protections for those most vulnerable – many currently looking at a lifetime of high cost, insecure renting in poor quality accommodation, or the loss of any home at all.

Recommendations

As the private rented sector grows, and the lines between private and social landlords become more blurred, rents have become increasingly unaffordable for many households. The current problems with the UK housing market mean gains on reducing poverty in other areas, such as increasing the minimum wage or increasing welfare support, on their own are likely to be eaten up by growing housing costs, particularly for those on low incomes and/or addressing debt problems.[xxxvi]

To improve this situation would require a large-scale, long-term change to UK housing policy that considers, as a whole, the many factors that have produced the current market's insecurity, poor quality and lack of access to affordable housing, particularly at the lower end of the market.[xxxvii] This would need to increase the amount of affordable social housing, particularly for the most vulnerable.

In the meantime, other policies could be introduced to provide some short-term improvements in housing support for those, like many of our clients, who have financial problems and other vulnerabilities. Clients who told us what change in their current housing situation would make the greatest difference to their financial situation most often mentioned a cheaper rent or mortgage payment (one-quarter) with improvements to the welfare system being the next most popular answer (14%). The single issue that clients mentioned that would most improve their health and well-being was similarly a cheaper rent or mortgage payment, mentioned by one-fifth. An improved welfare system was mentioned by 8% (Table 3).

Taken together with our other findings these suggest the following shorter-term recommendations:

Table 3: Clients were asked what single change would make the biggest improvement to a) their financial situation and b) their health and well-being

Client recommendations to improve their finances in relation to housing	Client recommendations to improve their health and well-being in relation to housing
Cheaper rent or mortgage (26%)	Cheaper rent or mortgage (20%)
Improved welfare system / payments (14%)	More economical heating or better insulation (12%)
More economical heating or better insulation (7%)	More space or bedrooms (10%)
Lower cost of living (7%)	Improved maintenance, repairs or decoration (9%)
Clearing debts (6%)	Improved welfare system / payments (7%)
More money (6%)	Access to social housing (7%)
Finding a new or better job (5%)	Longer lease or more security of tenure (7%)
Access to social housing (5%)	Clearing debts (6%)

A total of 322 clients answered the first question and 321 the second. Shown are the top eight recommendations for each.

Review housing support

Review the use of the private rented sector for housing people whose circumstances make them vulnerable to financial difficulty, exclusion and hardship. We support the call in other recent research,[xxxviii] for the Government to undertake a thorough review of how best to meet the housing needs of low-income tenants, with a particular focus on tenants in receipt of benefit. The roll out of Universal Credit adds urgency to this call. That review needs to work across government, led by the Ministry of Housing, Communities & Local Government and the Department for Work and Pensions, but including other departments concerned with reducing financial exclusion and the social costs of problem debt.

Improve security of tenure for those who are renting

This report finds that insecurity of tenure negatively affected our clients' health, relationships and work. There could be considerable improvements for individuals as well as wider public savings if tenants, particularly in the private rented sector, could be given greater security of tenure.

We recommend the following measures to help achieve this:

Households facing severe financial difficulties need more help to stabilise their finances and recover from problem debt.

We warmly welcome the Government's intention to include protections in respect of rent arrears in the new Breathing Space and statutory debt repayment plan schemes.[xxxix] This includes proposals that all collections and recovery action on debts would stop once a plan begins and this stop on recovery action would include evictions due to unpaid debts under Section 8 of the Housing Act 1988. However, consideration should also be given to including evictions under Section 21 Housing Act 1988 rules. In this respect we agree that rent arrears could be "excludable" from, or prioritised in, the plan on the request of a debt advisor enabling these to be paid more quickly.

The Government's introduction of a Breathing Space scheme for people in problem debt should encourage all landlords to show forbearance and agree affordable repayment of rent arrears without the threat of evictions wherever possible. Here we note that the Pre-Action Protocol for Possession Claims by social landlords,[xl] the Mortgage Pre-Action Protocol,[xli] and the Debt Pre-Action Protocol,[xlii] include requirements for forbearance and reasonable, affordable repayment of arrears. We urge the Ministry of Justice to ensure that these principles are applied to all rent arrears, noting the importance of the provision for time to seek debt advice in the Mortgage and Debt Pre-Action Protocols. The courts should ensure that all landlords follow the Debt Pre-Action Protocol for rents arrears when taking legal action against tenants.

In the social housing sector, Shelter Shetland has reported on the success that Glasgow Housing Association (GHA) achieved in reducing evictions while also increasing the collection of rent arrears. By changing its emphasis from legal action to early intervention, GHA's total arrears fell from £10.1m in 2007 to 2008 to £6m in 2015 to 2016, while at the same time reducing the number of evictions by almost 20% between 2013 to 2014 and 2015 to 2016.[xliii] Landlords, particularly social landlords, could learn from such examples of good practice and ensure that their messages to tenants encourage those in financial difficulty to contact them for support, rather than simply threatening eviction as soon as a rent payment is missed. This could result in greater stability for tenants, improved rent arrears repayments through affordable repayment plans and reduced court costs for landlords.

Evaluating the impact of introducing open-ended private tenancies and an end to "no-fault" grounds for possession in Scotland to inform policy changes in other nations.

In July 2018 the UK government published a consultation on the possibility of obliging landlords to commit to initial tenancy terms of three years:[xliv] the consultation was due to report in August 2018 but recent news reports suggest that three year tenancies are to be voluntary rather than mandatory, because of fears that they could damage the property market.[xlv]

A three-year tenancy is one option, but some countries have no threshold and tenancies can only be ended if the tenant gives notice or the landlord has reasonable grounds. This is the approach that Scotland has recently implemented through the Private Housing (Tenancies) (Scotland) Act 2016. Private rented tenancies in Scotland are open-ended (no fixed term tenancy) and landlords are not able to evict a tenant simply because their tenancy agreement has reached its end date; the tenant must give notice or the landlord will have to use one of the new grounds for repossession (an end to "no-fault" or Section 21 evictions).[xlvi]

Any changes to length of tenure and “no-fault” evictions in the private sector in other UK nations should build on evaluation of the impacts on landlord and tenant behaviour following the changes to the Scottish system. This should ensure a holistic approach that reduces unintended consequences.

Use good rent payment records to improve credit ratings

Initiatives, such as Rental Exchange by Experian,[xlvii] where paying rent on time, could support our clients to improve their credit ratings and may offer a positive solution to the issue of “thin files” (lack of payment data) or past payment difficulties causing a higher cost for credit or housing.

However, in this report we have highlighted the problems some or our clients have faced accessing housing as a result of a past history of payment problems. There should, therefore, be safeguards on sharing data covering rent or council tax payments. We believe this should be a voluntary scheme for clients who specifically want to use their rent payments to boost their credit rating to improve access to a wider range of housing and/or reduce any “debt premium” on their housing costs. The current Creditworthiness Assessment Private Members Bill,[xlviii] includes provisions that credit service providers “must” take rental payment data into account, which could further disadvantage any of our clients who have already amassed rent arrears, simply as a result of unaffordable rents and/or changes to the welfare system. Currently, schemes like Rental Exchange are run on an opt-out basis by housing providers and there are also issues around informed consent. People are taking on a degree of risk by participating – their credit record could become worse if they miss rent payments. This might also encourage more people to use credit, or experience hardship, to prioritise paying rent as they are afraid of what will happen to their credit rating. There needs to be an improved governance and policy framework on the use of such data which balances all these issues carefully to support financial inclusion, particularly of the most vulnerable.

Beyond this is a broader need to ensure that people who are experiencing financial difficulty now, or have done so in the past, do not become further excluded or face extra costs to meet their housing need. While better sharing for rent payment data can help address the financial exclusion faced by some, it will not address (and may worsen) the entranced financial exclusion facing some of our most vulnerable clients. This will require a broader policy strategy, which should form part of the review of housing support for vulnerable tenants called for above.

Appendix 1: Characteristics of the survey sample

The sample of clients surveyed was significantly older but reflected the gender mix compared with all StepChange clients advised in 2017 (Table 4). The sample of clients surveyed was over-representative of those who owned outright or had a mortgage and those renting from a local authority compared with all clients advised in 2017 but the proportion renting from housing associations or private landlords was similar.

However, comparison with the English Housing survey (2016 to 2017) shows that the proportion of StepChange clients who own outright or have a mortgage is much lower than the national average. Inversely, the proportion of StepChange clients renting is much higher than nationally (Table 5).

Table 4: Age, gender and country of origin compared between StepChange Debt Charity clients who answered the housing survey with the average for all new clients advised by StepChange in 2017

Characteristic	Category	2017 StepChange clients (%)	Survey sample (%)	Chi-squared significance
Age	Under 25	13.9	3.7	p<0.00001*
	25-39	49.6	27.8	
	40-59	30.9	50.0	
	60 and over	5.5	18.3	
Gender	Female	59.5	60.3	No significant difference
	Male	40.5	39.7	
Country	England & Wales	93.1	90.8	No significant difference
	Scotland	5.8	7.1	
	Northern Ireland	1.1	1.6	

The number who answered the survey was 816; new clients in 2017 numbered 619,946

Table 5: Housing tenure compared between StepChange Debt Charity clients who answered the housing survey with the average for all new clients advised by StepChange in 2017 and against English Housing Survey 2016-17 data

Characteristic	Category	2017 StepChange clients (%)	Survey sample (%)	Chi-squared significance	English Housing Survey 2016-17 figures (%)
Housing tenure	Own outright / mortgage	19.6	23.2	p<0.00001*	63
	Housing association	15.8	16.7		9
	Local authority	13.1	16.9		9
	Privately renting	39.0	37.0		20

The number who answered the survey was 816; new StepChange clients in 2017 numbered 619,946; the English Housing Survey 2016-17 sampled 12,970 households.

Written by: Alison Blackwood, Senior Policy and Campaigns Advocate.

For more information visit the StepChange Debt Charity website www.stepchange.org.
For help and advice with problem debts call (Freephone) 0800 138 1111.
Monday to Friday 8am to 8pm and Saturday 8am to 4pm, or use our online debt advice tool, Debt Remedy.

Email: policy@stepchange.org
Web: www.stepchange.org
Twitter: @stepchange

References

[i] Officially the "spare room subsidy", introduced in the Welfare Act 2012 by which the amount of housing benefit paid to a claimant is reduced if the property they are renting is judged to have more bedrooms than necessary.
[ii] StepChange Debt Charity (2018) Behind on the Basics: a closer look at households in arrears on their essential bills
[iii] Clarke, A., Hamilton, C., Jones, M. & Muir, K. (2017) Poverty, evictions and forced moves. York: Joseph Rowntree Foundation
[iv] Crisis (2017) Moving On
[v] Shelter Cymru (2015) Accessing and sustaining social tenancies: exploring barriers to homelessness prevention
[vi] Tenant Services Authority (2010) Rent arrears management practices in the housing association sector
[vii] Ministry of Housing Communities & Local Government (2018) English Housing Survey: Social rented sector 2016-17
[viii] Ministry of Housing Communities & Local Government (2018) English Housing Survey: Home ownership 2016-17
[ix] Ministry of Housing, Communities & Local Government (2018) Overcoming the barriers to longer tenancies in the private rented sector.
[x] Parliament UK (2018) https://publications.parliament.uk/pa/bills/cbill/2017-2019/0203/18203.pdf
[xi] Noddle (2017) https://www.blog.noddle.co.uk/finance/renting/even-renting-reach-700000-youngsters/
[xii] Santander (2018) https://www.santander.co.uk/uk/infodetail?p_p_id=W000_hidden_WAR_W000_hiddenportlet&p_p_lifecycle=1&p_p_state=normal&p_p_mode=view&p_p_col_id=column-2&p_p_col_pos=1&p_p_col_count=3&_W000_hidden_WAR_W000_hiddenportlet_javax.portlet.action=hiddenAction&_W000_hidden_WAR_W000_hiddenportlet_base.portlet.view=ILBDInitialView&_W000_hidden_WAR_W000_hiddenportlet_cid=1324584136378&_W000_hidden_WAR_W000_hiddenportlet_tipo=SANContent
[xiii] Corfe, S. & Keohane, N. (2018) Measuring the poverty premium London: Social Market Foundation
[xiv] Financial Conduct Authority (2018) Mortgages Market Study: Interim Report MS16/2.2
[xv] Corfe, S. & Keohane, N. (2018) Measuring the poverty premium London: Social Market Foundation
[xvi] Financial Conduct Authority (2018) Mortgages Market Study: Interim Report MS16/2.2
[xvii] Clarke, A., Hamilton, C., Jones, M. & Muir, K. (2017) Poverty, evictions and forced moves. York: Joseph Rowntree Foundation
[xviii] Ministry of Justice (2018) Mortgage and Landlord Possession Statistics in England & Wales April to June 2018 (Provisional)
[xix] Ministry of Housing Communities & Local Government (2018) English Housing Survey: Private rented sector 2016-17
[xx] Clarke, A., Hamilton, C., Jones, M. & Muir, K. (2017) Poverty, evictions and forced moves. York: Joseph Rowntree Foundation
[xxi] Credit Connect (2018) https://www.credit-connect.co.uk/consumer-news/mortgage-arrears-and-possessions-continue-to-fall/
[xxii] Wilson, W., Cromarty, H. & Barton, C. (2017) Mortgage arrears and repossessions (England) London: House of Commons Library Briefing Paper
[xxiii] *ibid*
[xxiv] Vasquez-Vera, H., Palencia, L., Magna, I., Mena, C., Neira, J. & Borrell, C. (2017) *The threat of home eviction and its effects on health through the equity lens: a systematic review* Social Science & Medicine 175: 199-208
[xxv] Housing, Communities & Local Government Committee (2018) Private rented sector: fourth report of session 2017-19
[xxvi] *ibid*
[xxvii] Clients referenced Housing Benefit, Discretionary Housing Payments, the housing cost component of Universal Credit and Support for Mortgage Interest (despite the last changing from a benefit to a loan in April 2018) in their replies.
[xxviii] Ministry of Housing, Communities & Local Government (2018) English Housing Survey: Headline Report 2016-17
[xxix] Joyce, R., Mitchell, M. & Keiller, A.N. (2017) The cost of housing for low income renters. London: Institute of Fiscal Studies
[xxx] National Audit Office (2018) Rolling Out Universal Credit
[xxxi] Age UK (2018) https://www.ageuk.org.uk/information-advice/money-legal/benefits-entitlements/changes-to-the-benefit-system/
[xxxii] Tomlinson, D. (2018) Irregular payment: assessing the breadth and depth of month to month earnings volatility. London: Resolution Foundation
[xxxiii] Shelter (2016) The experiences of people in housing debt
[xxxiv] *ibid*
[xxxv] Hick, R. & Lanau, A. (2017) In-work poverty in the UK: problem, policy analysis and platform for action. Cardiff: Cardiff University.
[xxxvi] *ibid*
[xxxvii] Muellbauer, J. (2018) Housing, Debt and the Economy: a tale of two countries. Oxford: Department of Economics Discussion Paper Series
[xxxviii] Rugg, J. & Rhodes, D. (2018) The evolving private rented sector: its contribution and potential. York: Centre for Housing Policy, University of York.
[xxxix] HM Treasury (2018) Breathing Space scheme: consultation on a policy proposal

[xl] Ministry of Justice (2018) https://www.justice.gov.uk/courts/procedure-rules/civil/protocol/pre-action-protocol-for-possession-claims-by-social-landlords
[xli] Ministry of Justice (2018) http://www.justice.gov.uk/courts/procedure-rules/civil/protocol/prot_mha
[xlii] Ministry of Justice (2018) https://www.justice.gov.uk/courts/procedure-rules/civil/pdf/protocols/debt-pap.pdf
[xliii] Shelter Shetland (2017) Research report: evictions by social landlords in Scotland 2012 – 2016
[xliv] Ministry of Housing, Communities & Local Government (2018) Overcoming the barriers to longer tenancies in the private rented sector.
[xlv] Property Week (2018) https://www.propertyweek.com/news/government-scraps-three-year-tenancy-plan/5098553.article
[xlvi] Rugg, J. & Rhodes, D. (2018) The evolving private rented sector: its contribution and potential. York: Centre for Housing Policy, University of York.
[xlvii] Experian (2018) https://www.experian.co.uk/rental-exchange/tenants.html
[xlviii] Parliament UK (2018) https://services.parliament.uk/bills/2017-19/creditworthinessassessment.html