

Preventing a Covid rent arrears crisis: financial support package for renters

Joint briefing by housing and advice organisations

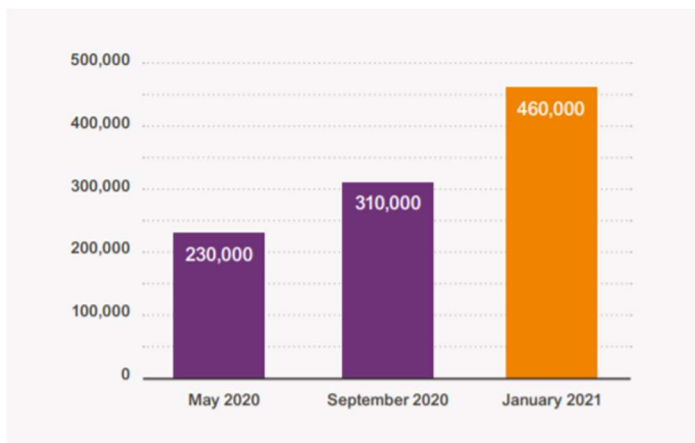
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The Covid rent arrears crisis

- Almost one in ten private sector tenants (9%) were in rent arrears at the end of 2020 (353,000 households in England), compared with around 3% in 2019-20¹.
- In January 2021, the number of private renters in arrears was estimated at 460,000 (Great Britain).²
- The average amount of rent owed by each private renter with arrears has been estimated as £730.³
- The unemployment rate for private renters (10%) is running at double the UK average⁴. Many renters have faced reduced working hours and even with furlough, many have been unable to keep up with rent and bills:
 - A third (35%) of private renters have experienced a drop in income during the pandemic that has affected their ability to pay day-to-day costs.
 - Around a quarter of private tenants report finding it more difficult to keep up with their rent since the summer of 2020, citing reduced pay on furlough or reduced hours.⁵
 - Half of private tenants in arrears are behind on other bills and around a quarter have been forced to borrow to keep up.⁶
- Those in insecure work, younger people and those on lower incomes have been disproportionately affected by the economic effects of the crisis.⁷
- Private renters face higher housing costs relative to incomes.⁸

Number of private renters who are behind on rent payments⁹



The impact of mounting rent arrears

- A significant number of tenancies are now at risk of collapsing due to rent arrears built up due to Covid. In the absence of Covid debts, many of these tenancies would be sustainable, but many renters now need a bridge to recovery.

¹ Homelessness and rough sleeping in the time of Covid-19, LSE (May 2021)

² Covid Debt Rescue: Emergency support for renters to keep their homes, StepChange Debt Charity (Mar 2021)

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

⁴ Homelessness and rough sleeping in the time of Covid-19, LSE (May 2021)

⁵ English Housing Survey: Household Resilience Study, Wave 2 (November-December 2020)

⁶ English Housing Survey: Household Resilience Study, Wave 2 (November-December 2020)

⁷ Long Covid in the labour market: The impact on the labour market of Covid-19 a year into the crisis, and how to secure a strong recovery, Resolution Foundation (Feb 2021)

⁸ English Housing Survey 2019 to 2020: headline report, MHCLG (Dec 2020)

⁹ Covid Debt Rescue: Emergency support for renters to keep their homes, StepChange Debt Charity (Mar 2021)

- Around 280,000 private renters say they will probably have to leave their home this year because they cannot afford it, while 150,000 private renters are worried that they will probably be evicted from their home due to rent arrears in the next 12 months.¹⁰
- We anticipate a huge increase in possession proceedings, after the lifting of the eviction ban on 31 May. The Resolution Foundation think-tank has said that possession proceedings could triple in 2021 compared with pre-pandemic levels.¹¹
- Rent debts increase the risk of homelessness and reduce people's ability to recover financially, by making it hard for people to get suitable alternative accommodation because it can affect their credit score and damage their ability to pass credit checks, pay for the cost of moving or put down a new deposit.¹²
- The pressure of rent debt makes it more difficult to recover: Over a million private renters (1 in 8) say the stress of debts built up during the pandemic has damaged their ability to find work or complete their education¹³
- Renters in arrears are facing widespread social hardship: around 1.5 million private sector renters (1 in 5) have had to go without meals or suitable clothes since March 2020, and around 2 million private renters (3 in 10) report that money worries have contributed to anxiety, depression, or other mental health problems.¹⁴
- The costs of people losing their homes from rent debt is likely to fall on local authorities. The Housing, Communities and Local Government Select Committee has stated that an extra 30,000 evictions would cost the Government £225 million.¹⁵

What other Governments are doing

- The Scottish Tenant Hardship Loan¹⁶ scheme offers a zero-interest loan for up to 9 months' rent, including 3 months' future rent. Arrears must have arisen since 1 January 2020. The loan is provided centrally through the Energy Saving Trust and has to be repaid over 6 years with a 6-month deferral period. The Welsh Tenancy Saver loan scheme¹⁷ covers arrears since 1 March 2020 due to a change of circumstances during the coronavirus pandemic. It is administered locally through credit unions.
- The Spanish government provides grants and underwrites no-interest micro-loans provided by banks to cover 6 months' arrears since 1 March 2020 due to a change of circumstances during the coronavirus pandemic. Maximum re-payment period is 10 years.

Our proposal for a Government support package

The private rented sector has faced specific challenges from the pandemic and the core problem remains how to deal with rent arrears, and their long-term legacy for individuals and state finances.

¹⁰ Ibid

¹¹ Getting ahead on falling behind: tackling the UK's building arrears crisis, Resolution Foundation (Feb 2021)

¹² Locked Out: Examining the impact of problem debt on people's housing situations, StepChange Debt Charity, (Nov 2018)

¹³ Covid Debt Rescue: Emergency support for renters to keep their homes, StepChange Debt Charity (Mar 2021)

¹⁴ Ibid

¹⁵ Protecting the homeless and the private rented sector: MHCLG's response to Covid-19, Housing, Communities and Local Government Committee, House of Commons (March 2021)

¹⁶ <https://tenanthardshiploan.est.org.uk/>

¹⁷ <https://gov.wales/apply-loan-help-pay-your-rent-arrears-due-coronavirus#:~:text=To%20get%20a%20loan%20you,market%20rate%20levels%20of%20rent&text=not%20have%20already%20applied%20and,the%20Tenancy%20Saver%20Loan%20sche>

Policy support, such as the temporary limits on evictions, are due to taper down from June to October, so action is needed now to sustain viable tenancies and prevent an increase in homelessness.

We join the Housing Select Committee¹⁸ think-tanks¹⁹ and civil society organisations in calling on the Government to provide a financial package of support to help tenants to clear Covid-related rent arrears.

The following sets out how a package of grants and no-interest loans could be provided in England, to sustain tenancies and act as a bridge to recovery:

1. **The Government should make grants available to low-income households** who are in receipt of Universal Credit, Local Housing Allowance or other means-tested benefits and who have built up rent arrears during the Covid pandemic. These grants should also be available to renters with no recourse to public funds and anyone who is eligible for and has applied for benefits but is awaiting the outcome of their application.
2. **The Government should back a wider programme of no-interest loans** for anyone who has been forced into rent arrears due to the pandemic who is not eligible for a grant, including the self-employed. Delivery by HMRC, through a student loans-type scheme or another credit provider would make it possible to ensure loan repayments only fall due as a person's income recovers.
3. **Access to the grants and loans scheme** should be based on having accrued rent arrears since the start of the first national lockdown. Proof could be provided through joint declaration from tenants and landlords and should not include any additional discretionary tests.
4. **Loans must be affordable:** loan repayments should only commence once a person's income reaches an affordability threshold. We suggest this should be £20,000 per person annual income, to reflect the median of the London real living wage and national real living wage.
5. **Loans should be written off if an applicant's income does not recover** after a reasonable period of time. We suggest that if a person's income has not reached the threshold during the first 5 years after the loan is taken out, or if the loan has not been paid in full after 8 years, the balance should be written off after 5 years and 8 years respectively.
6. We suggest loans should have an annual repayment of 9% of marginal pre-tax income above the threshold to **ensure people can afford to make loan repayments** while continuing to keep up with essential costs, in line with student loan repayment levels. As an example, this would result in a payment rate of £90 a year for someone with £21,000 annual income.
7. **Measures to support the longer-term sustainability of these tenancies** should be considered, such as requiring landlords to grant a new Assured Shorthold Tenancy for a minimum term of 6 months. The Government's new tenant-landlord mediation service could support landlords to engage with tenants and negotiate a temporary rent discount, while they recover. Alternatively, temporary support for rent payments could be provided through funding a reformed Discretionary Housing Payments system.
8. **Smooth delivery, building on existing infrastructure:** A single application portal could be used to ensure a smooth journey between the loan and grant schemes. This could direct those eligible for grants to a scheme like Local Authority Discretionary Housing Payments (DHPs) but with reformed rules and wider access. MHCLG should work with Treasury to develop a delivery route for loans in

¹⁸ Protecting the homeless and the private rented sector: MHCLG's response to Covid-19, Housing, Communities and Local Government Committee, House of Commons (March 2021)

¹⁹ For example: Homelessness and rough sleeping in the time of Covid-19, LSE (May 2021)

England, through a Government body such as HMRC or alternatives like the Student Loans Company or Energy Saving Trust (which is delivering an equivalent scheme in Scotland).

- 9. The amount of private sector arrears** that would need to be covered is estimated at around £360 million. Our analysis suggests around two-thirds of this would be in loans and could be paid back to the Government over the course of a loan scheme.

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