Roundtable discussion: ‘Housing and personal debt: finding solutions that work’ – Report of the meeting

Tuesday 11 December 2018 at Somerset House London

The Smith Institute in association with StepChange Debt Charity

Introduction

Paul Hackett, Director of the Smith Institute, chaired the session and explained that proceedings would be conducted under Chatham House Rules. He also said a short report would be compiled and circulated to all attendees plus to Kit Malthouse MP and Heather Wheeler MP, Ministers for Housing at MHCLG, Guy Opperman, PUS at DWP, Toby Lloyd, Policy adviser at Number Ten plus the officers of the APPG for Debt and Personal Finance.

He remarked that when it comes to affordable housing nothing is easy or quick and in fact the problems are getting worse. Recently he was struck by the very low rate of personal savings and that the welfare system is actually pushing people into debt.

Presentations

Paul Hunter, Deputy Director of the Smith Institute, made a presentation regards both the findings of polling conducted on behalf of the Affordable Housing Commission and the Smith Institute's most recent report for Southwark Council on the impact of Universal Credit on rent payments Safe as Houses 2.

In summary, his conclusions were:

- More people are facing risk of problem debt owing to paying a higher proportion of income on rent, especially in the PRS
- Polling suggests the precarious position of many due to lack of savings and benefit caps
- Housing Benefit (direct payment of rent to landlord) is more effective at stopping arrears after households face a financial shock than Universal Credit (UC)
- Transfer to UC is exacerbating problem debt, with the large arrears persisting for a small group over time
- Policy areas for more examination include: delivering an effective safety net, including alternative payment arrangements; importance of job security and concern that UC is barrier to employment for those in and out of work; and what happens to UC if a downturn; and the need for housing affordability (notably in the PRS)

Alison Blackwood of StepChange presented the findings of their recent report 'Locked out: how problem debt affects people's housing situation'. This details how being in debt and/or having a poor credit rating affects households, especially in the PRS.

In summary, her conclusions were:

- More and more of our clients are renting privately, where rent costs are becoming higher than mortgage repayments
- Our clients renting in the private sector were more likely to have used credit to stop falling into rent arrears. These clients were also more likely to have reported additional vulnerability
- Being in debt and/or having a poor credit rating negatively affects our clients' access to housing
- 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%)
- 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.
- There are problems with housing support through the welfare system

Part One: Housing debt – causes and consequences

It was pointed out that housing benefit has historically had problems including delays but these were being exacerbated by local benefit caps and the Bedroom Tax. The introduction of Universal Credit was not making things better, if anything worse, and in fact it is starting to look as if the system is acting as a disincentive to work.

The problem with caps on eligible rent does not always translate into housing arrears. It can also lead to tenants not keeping warm or to not eating. There is no evidence that problems being faced

are due to an inability or disinclination to budget as some suggest. As one attendee said, not enough money is the main problem.

Many tenants are in fact very savvy regards their own finances and very wary of government or other loans. But losing £3 or £4 a week – to repay an initial debt - can make a big difference. It is often found that those with debt stabilise for three or four months but then have further problems later on.

It is the case that there are more rights and protections for owner occupiers in debt. PRS tenants are more vulnerable. Overall the PRS is experiencing a perfect storm of welfare failure: bigger caps and more delays. Income and 'negative budget' comparisons show that it is the vulnerable who are disproportionately affected. In some countries, they would not be cut off or turned out if in debt - debt is seen instead as a health issue. Austria/Benelux/Denmark/Sweden have better systems.

The nature of the PRS presents a number of issues. For example, 100,000 homes are owned by small private landlords in Liverpool. Most of these landlords own only one property and many are in poor quality. The PRS desperately needs more professional landlords, although there was said to be little evidence that bigger is better or that large private landlords are more sympathetic or helpful when it comes to debt and evictions.

It was said that many private landlords are holding rents down, while social rents are set to rise in 2020. Many councils now have licensing schemes and this creates the need for references and therefore credit rating. This can actually work against the interests of tenants with problem debt. Heather Wheeler MP, HCLG Minister, is looking at entry requirements including a single regulator and fees through a working group on standards in the property sector, chaired by Lord Best.

Part 2: Policy answers – small and large

The migration to Universal Credit is a concern for many people and could exacerbate problems regards housing and debt. Some are advocating an Orderly Review Based Integrated Transition (Orbit) rather than a sudden shift which is expected to cause disruption for many. In fact, early evidence suggests during transition up to 25% of claimants disappear, which is a serious concern.

There is a case for taking Housing Benefit out of Universal Credit. Direct payments for rent could remain the norm, but there is a clear division between the Government's approach which says tenants should take responsibility and the welfare advice line which is that it should be up to the claimant to decide/choose whether or not to have direct payments for rent deducted.

Citizens Advice – through the support it gives to those experiencing UC – are accumulating loads of data at the moment – and this could be really helpful regarding what future changes need to be made to UC. Meanwhile there is some concern that if Citizens Advice are seen as an agent of DWP then local authorities who generally fund them may withdraw support.

Prevention and/or better remuneration through more realistic benefit levels are ultimately solutions but in the short term we need to deal with things as they are and providing good, and early, advice - as many housing associations do – is part of the solution. For every £100 invested in prevention on problem debt advice, £130 is returned. UC's own support is not joined up – and the phone line is not good at all.

Often those with debt are identified through priority services registers used by utility companies and there are questions regarding whether data can and should be shared. Certainly, early intervention with advice is seen as very important and of proven worth. Croydon Council for example invested up front in support and also allowed alternative payment arrangements.

Changing our savings culture, which is poor, would also help but those in debt will have most trouble saving. Who is Help to Save actually helping? Is the system really working? The core problem is the lack of affordable homes and the obsession with revenue subsidy not capital investment, which is why so much of the Housing Benefit budget ends up in the PRS.

Beyond supply side solutions we need to also ask what is driving costs? In the owner occupation market, low interest rates provide easy access to credit pushing up demand and hence prices. How can that be addressed sensibly? In the PRS income and rents are not particularly linked although there is some evidence that rents are now levelling out in London. The market is perhaps correcting, although a downturn would be very problematic.

Is rent control an answer? It could dis-incentivise the supply of housing although evidence suggests in many places where it has been introduced other (financial) barriers to accessing rented homes are erected. Meanwhile landlords are very negative regards UC and the clear downside of rolling all benefits into one is that those formerly on Housing Benefit are lumped into the "no DSS" culture.

A number of other points were made including the need to improve security of tenure for renters; the effectiveness of the government's 'Breathing Space' scheme; and improving credit reporting and debt repayment plans.

ATTENDEES

Paul Hackett – Smith Institute

Paul Hunter – Smith Institute

Steve Barwick – Smith Institute

Peter Tutton - StepChange

Alison Blackwood – StepChange

Anthony Breach – Centre for Cities

Maura Farrelly – Citizens Advice

Geoff Fimister – Citizens Advice

Marini Thorne – Citizens Advice

Mick McAteer – Financial Inclusion Centre

David Smith – Registered landlords Association

David Pilling – Ombudsman Services

Lewis Shand Smith – ex Ombudsman

Adam Butler – StepChange

Charley Wicks - StepChange