Investigating the Effect of Welfare Reform on Private Renting

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@RLAWales

Research Conducted by Dr Tom Simcock, RLA PEARL, September 2018

RLA PEARL

The RLA

- At 20 years old, the RLA provides expertise, support and tools for landlords to do the right thing - by them, by their tenants and the industry as a whole.
- With over 35,000 members nationwide, with a combined portfolio of over a quarter of a million properties.
- Our vision is to make renting better by going the extra mile to ensure we have an informed, better educated and more supported membership community.

Who participated in the research?

- Research Questions were asked to our Members
- Over 65,000 members, associate members and non-members were asked to conduct the survey
- Over 2,200 of our members participated in the survey in Spring 2018
- Participation was conducted through direct emailing the members, through RLA websites and third party sites.
- The principle aim of the study was to examine the impact of universal credit on landlords and the broader sector

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Key Findings

- 36% of landlords reported they had let to or currently let to tenants on housing benefit/local housing allowance
- 56% of landlords experienced a tenant on housing benefit going into rent arrears in the past 12 months
- 30% of landlords reported they had evicted a tenant who was in receipt of housing benefit/local housing allowance in the past 12 months
- The primary reason for regaining possession of the property from these tenant groups was rent arrears (65% of landlords)
- 62% of landlords reported they were unwilling to let to tenants on universal credit
- 49% of landlords reported the tax changes meant they were now less likely to let to homeless people or those on benefits
- 22% of landlords reported that they had mortgage conditions that prevented them from letting to tenants claiming benefits or universal credit

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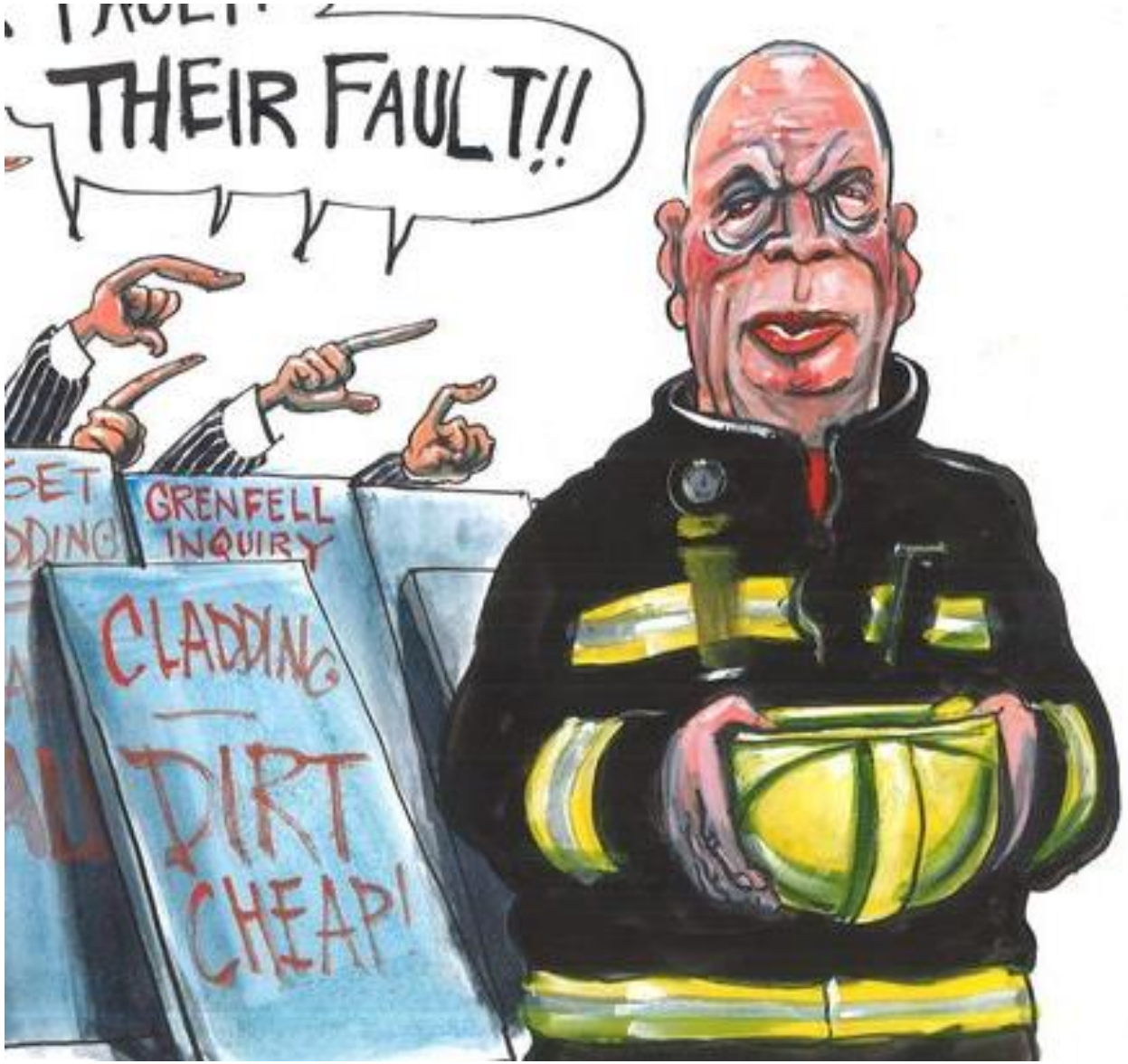
Don’t Blame the Fireman for the Fire

Eviction Rates & Universal Credit



Mirror UK, How can they blame Grenfell fire heroes? (Image: Kevin MaGuire)

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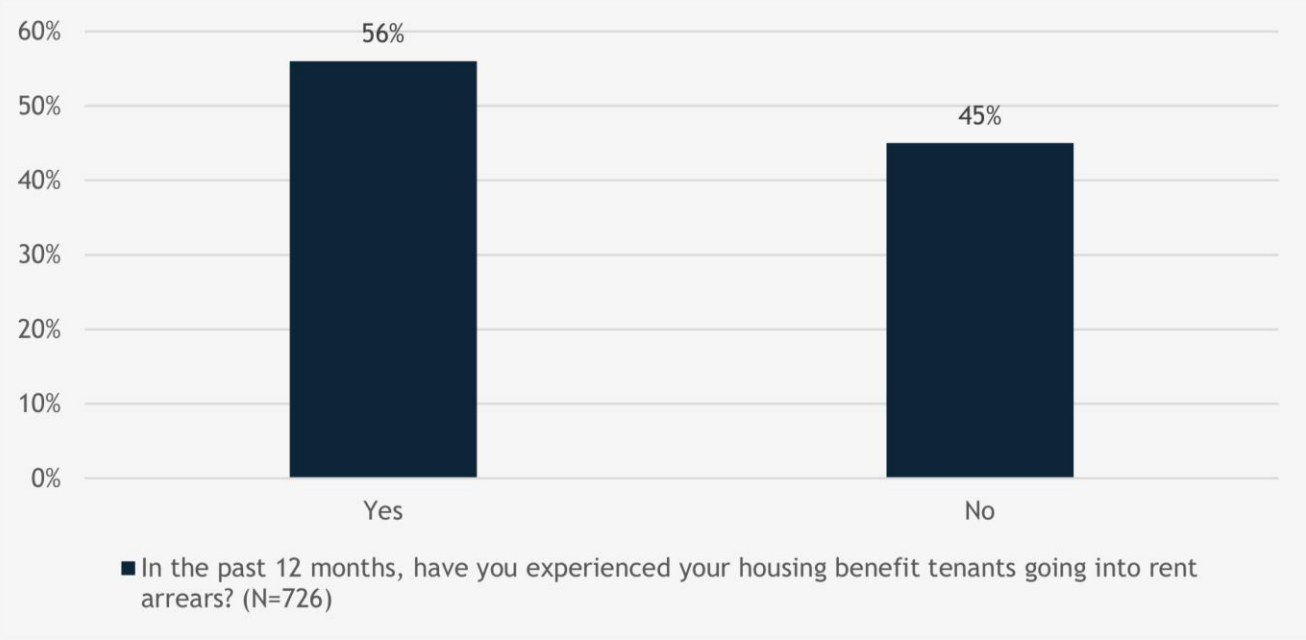
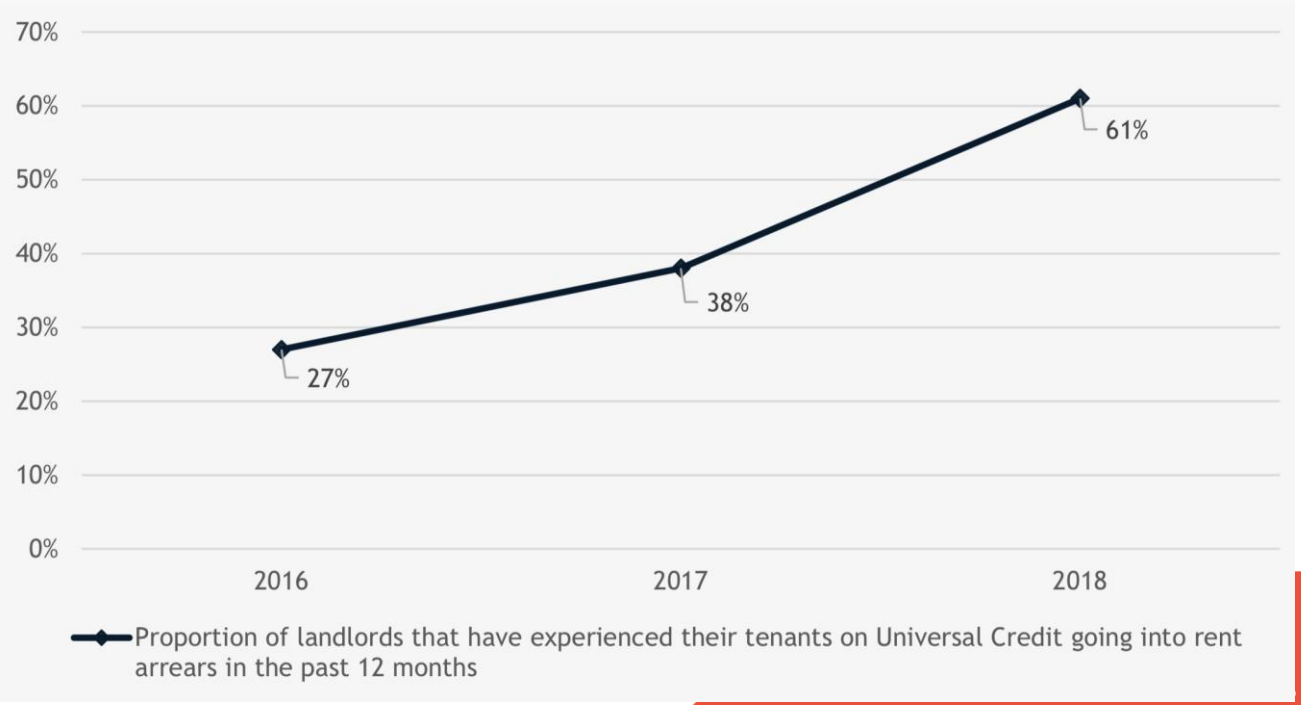
Rent Arrears

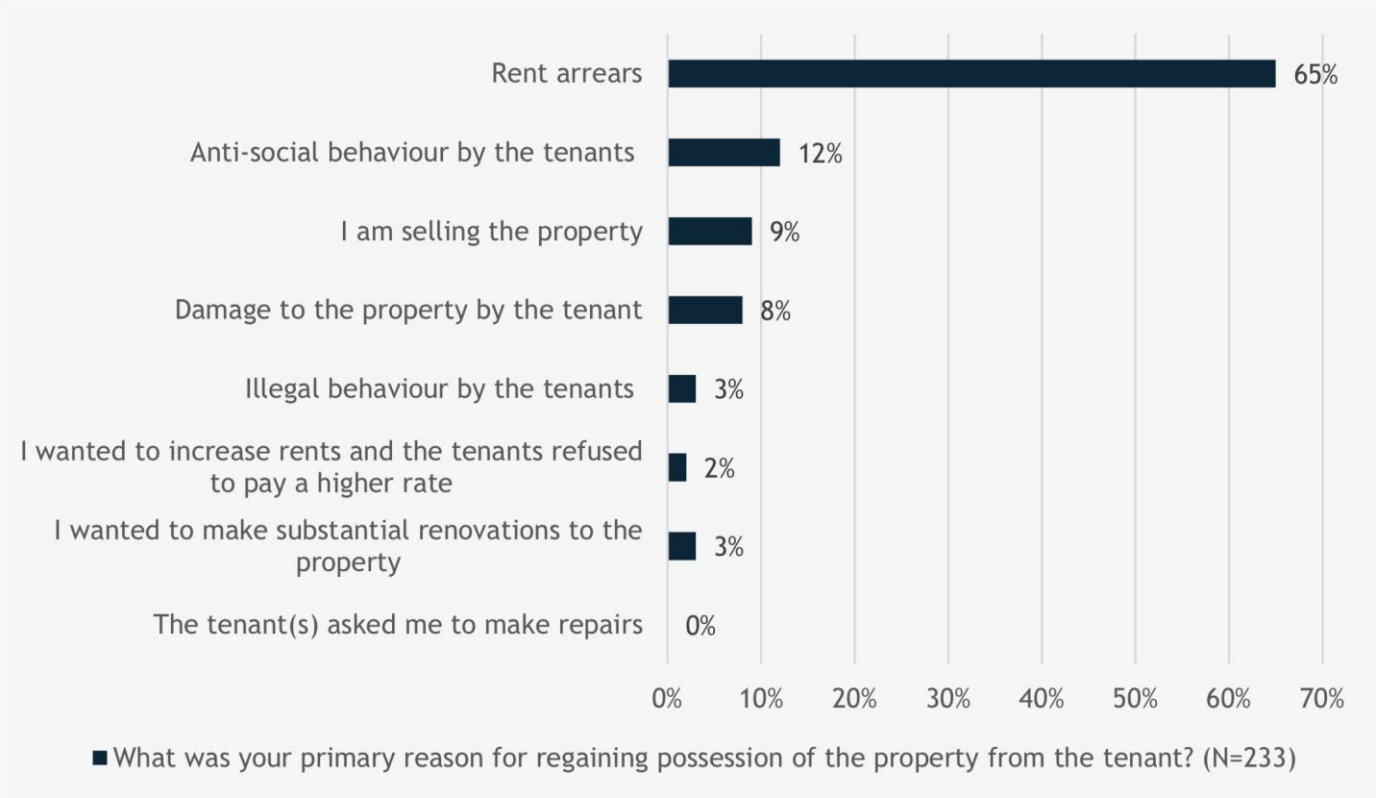
- Research by Pearl found that 56% of Landlords in the last 12 months who rent to UC tenants have rent arrears. This has been a persistent increase from 38% in 2017 & 27% in 2016
- The average amount owed by UC tenants has also increased from to £1600 to £2,390
- 28% of landlords with UC tenants repossess their property with the main reason due to large rent arrears.





What is the result of arrears?

- 70% of landlords reported they had not evicted a tenant who was in receipt of LHA/HB in the past 12 months
- However, of those that had done so the main reason was identified as rent arrears (65% of landlords), followed by anti-social behaviour (12%) and then the landlord selling the property (9%).



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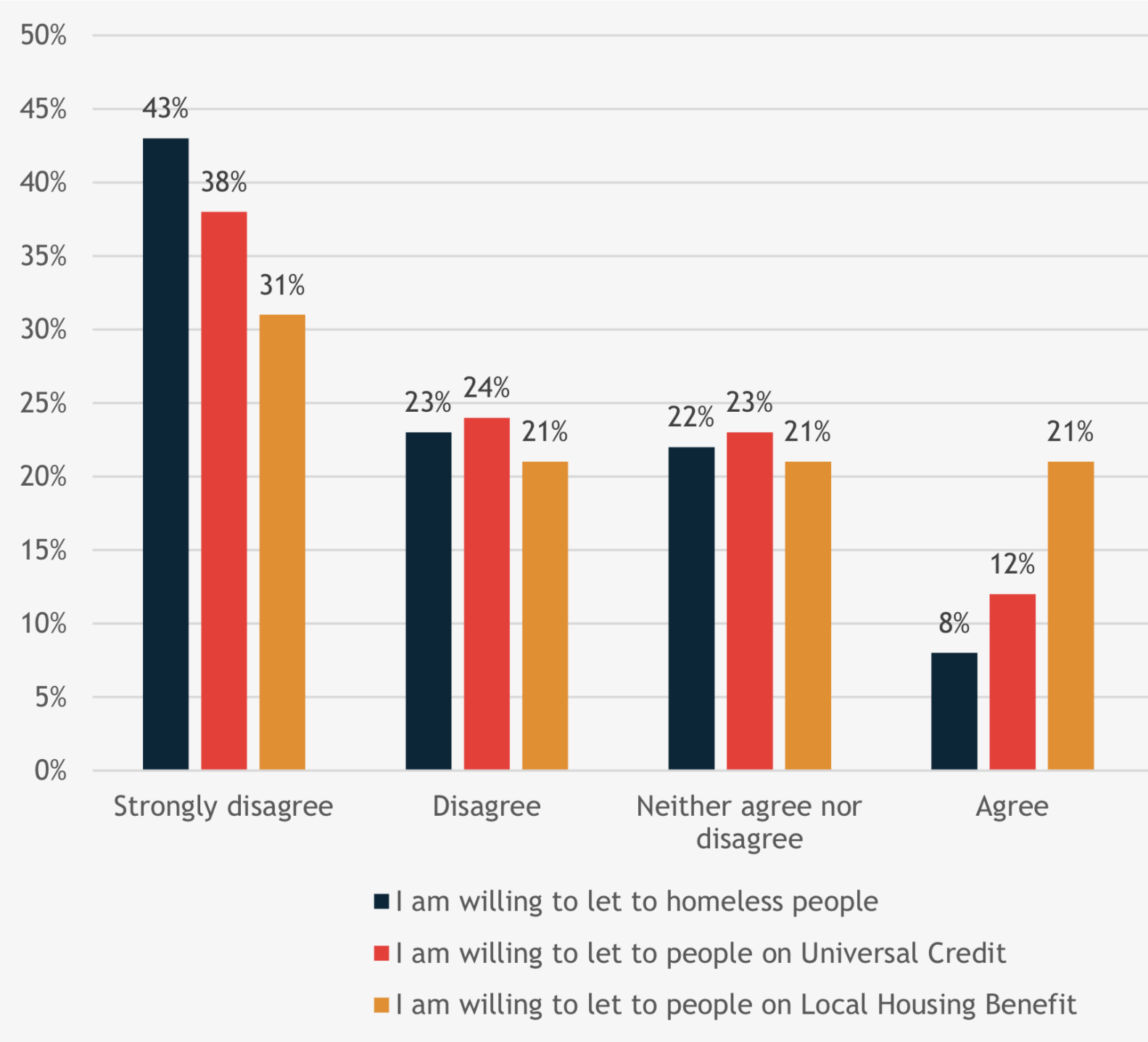
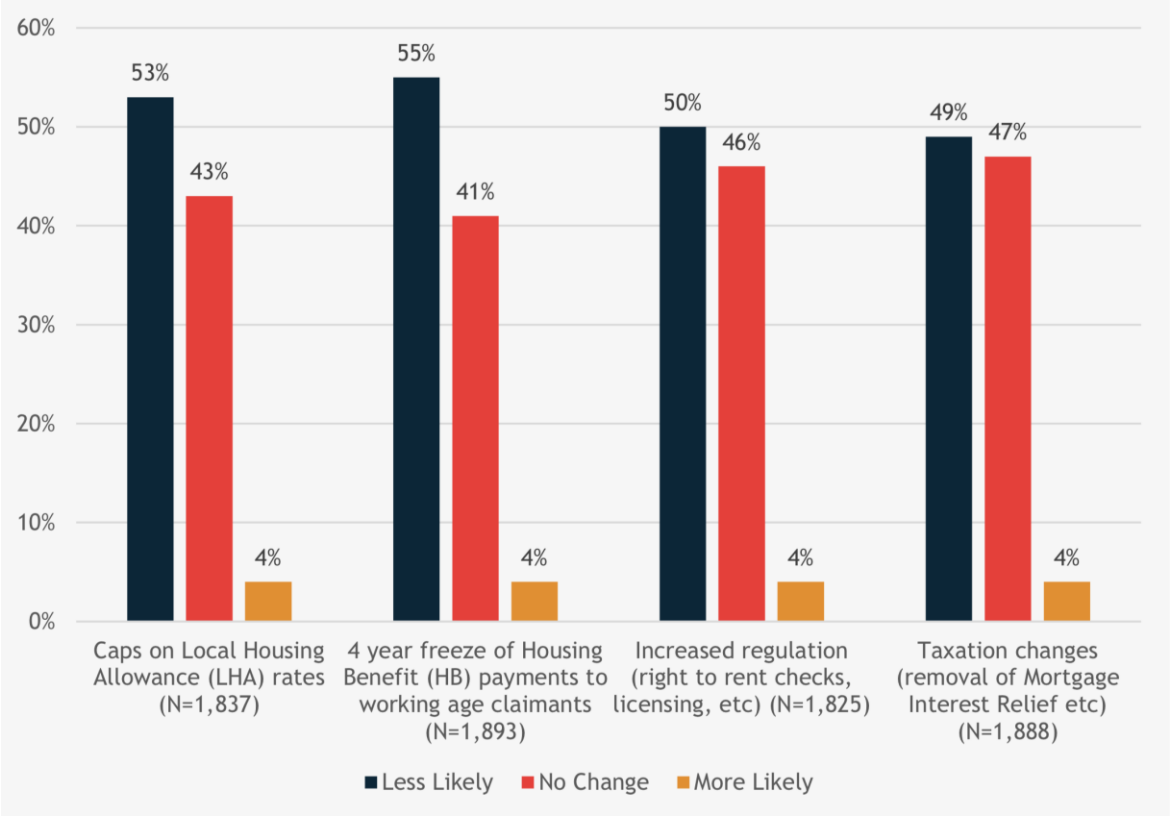
Welfare reform is having a negative impact on our most venerable

- Changes of Welfare reform has had a negative net influence on Landlords
- With 43% unwilling to let to Homeless people
- 38% unwilling to let to people on Universal Credit
- 31% unwilling to let to people on Local Housing Benefit



What has influenced this attitude?



- Out of the recent policy changes the freeze on Housing Benefit was seen as the the reason to less likely let to those on receipts of benefits.
- The findings suggest that the freeze to LHA rates since 2016 and that LHA rates had not increased with market rents between 2010 and 2016 is likely to be driving the increase in rent arrears for tenants that claim benefits.

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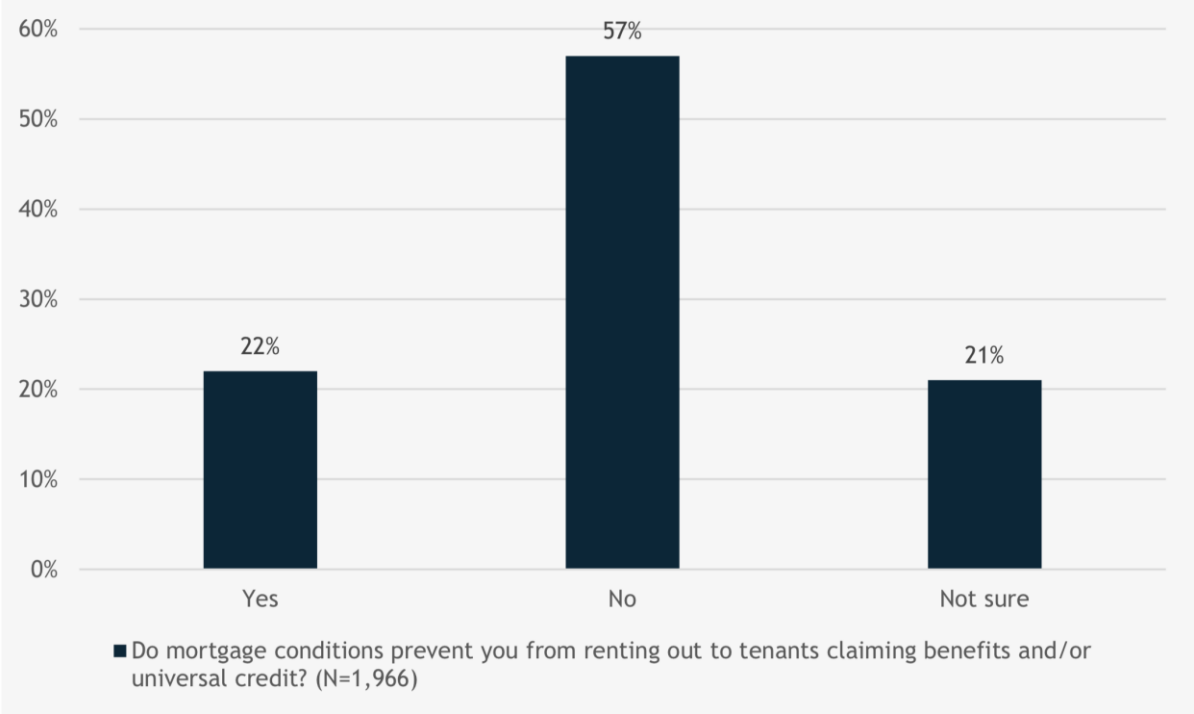
Other people's attitudes are also being negatively affected



- 22% Reported that their mortgage provider restricted them from letting to a potential benefit claimant
- With 21% uncertain, meaning that a possible 43% of landlords would refuse with fears of breaching their mortgage conditions
- This links to other research conducted by PEARL that found that 90% of buy-to-let refuse a loan when a tenant is on housing benefit

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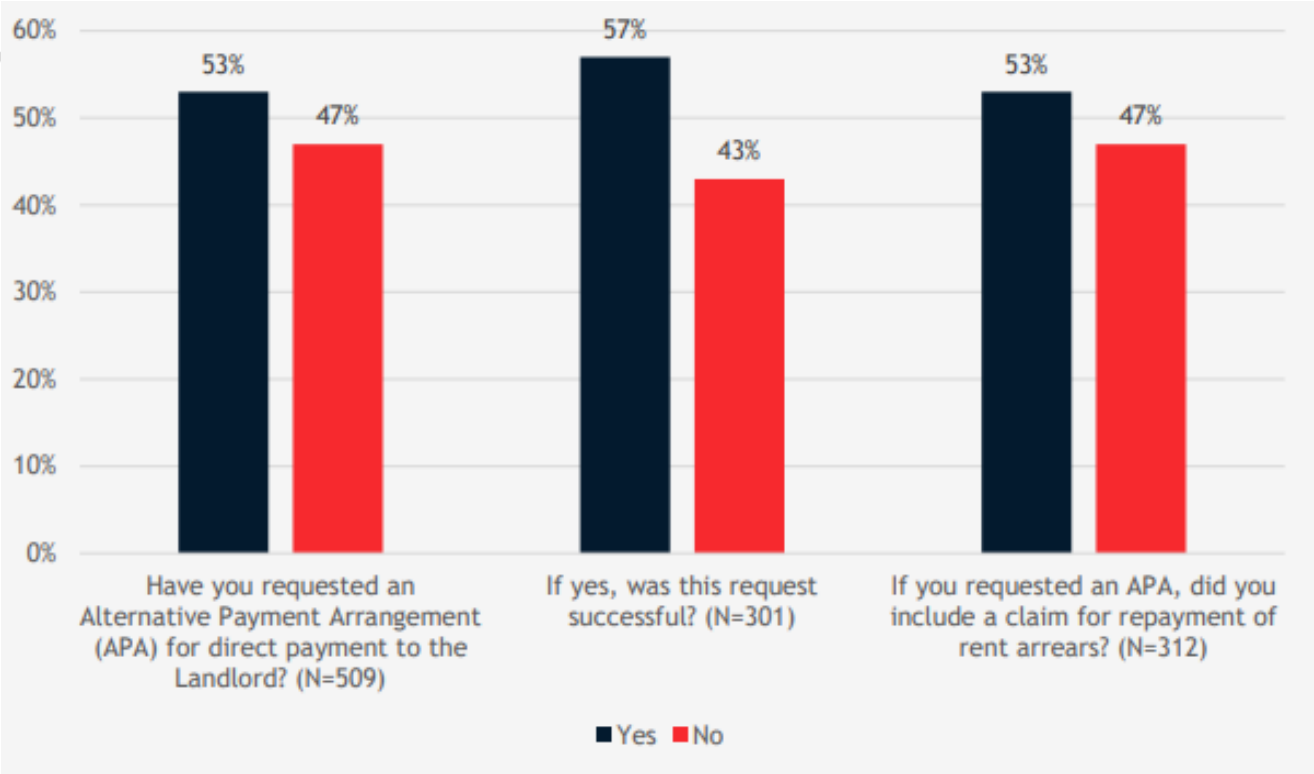
Landlords' Concerns



- Rent arrears do not follow the tenant
- Housing Benefit is now being paid direct to the tenant
- APA (Alternative Payment Arrangement) is difficult to use and only 57% are successful and takes 4 months in total to implement
- Landlords are kept in the dark regarding concerns of the tenant and unable to help or assist
- Eviction is the last resort due to the build up of rent arrears
- Housing Benefit is not enough to pay for market rents.

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Welcome Recent Changes, however more needs to be done

- RLA welcomes the new Online System announced by Amber Rudd
- We recommend that Work Coaches and Case Managers ask tenants during the application process whether they want to set up APA with the landlord
- Current LHA freeze needs to be reviewed
- Large scale review of the changes in the sector is needed to identify the impact on the development of the sector, research arm PEARL is seeing numbers of Landlords leaving the sector reducing available properties to rent
- Review of mortgage conditions preventing landlords from renting to tenants claiming UC or on benefits

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Enforcement, a Post Code Lottery?

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The Laws keep reforming but enforcement doesn't

With new laws being introduced into the PRS, one concern that our members have is enforcement

Many members feel that more needs to be done to tackle those in the sector who do not comply

Increasing use of Selective licensing schemes do not support Local Authorities to improve standards especially where in Wales the idea behind the Renting Homes (Wales) Act 2016 is seen as one universal code for Renting Standards across Wales

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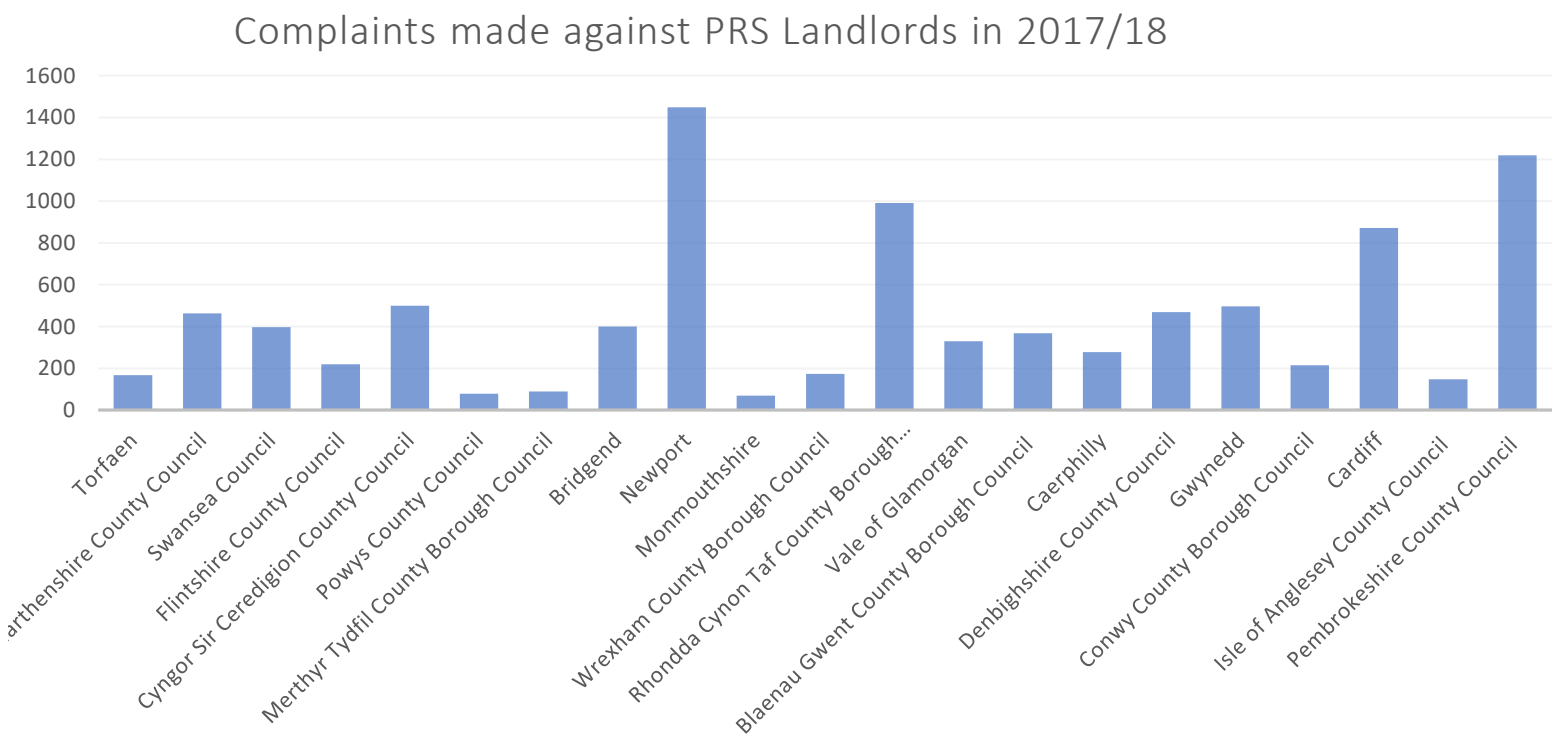
Local Authority Enforcement, Wales



- HHSRS inspections in Wales have decreased by 22%
- 76% of Local Authorities have not commenced a single prosecution against a PRS landlord in 2017/18. Despite over 61,300 complaints made against PRS landlords (information from 21/22 Councils)

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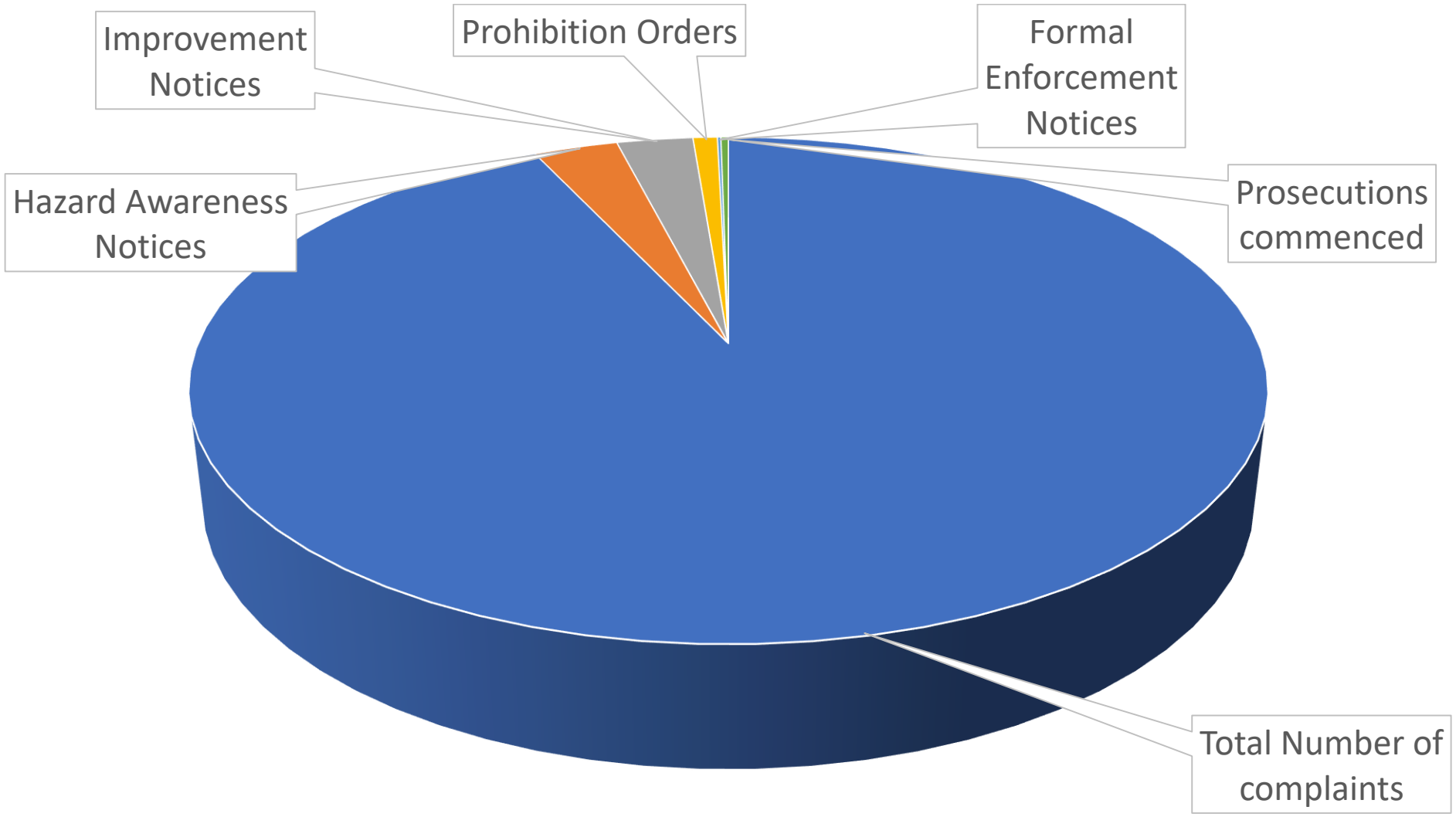

Actions Resulting from Complaints 2012 - 2018

Out of all of the complaints made between 2012/13 – 2017/18 only 7% resulted in some sort of action made against the landlord.

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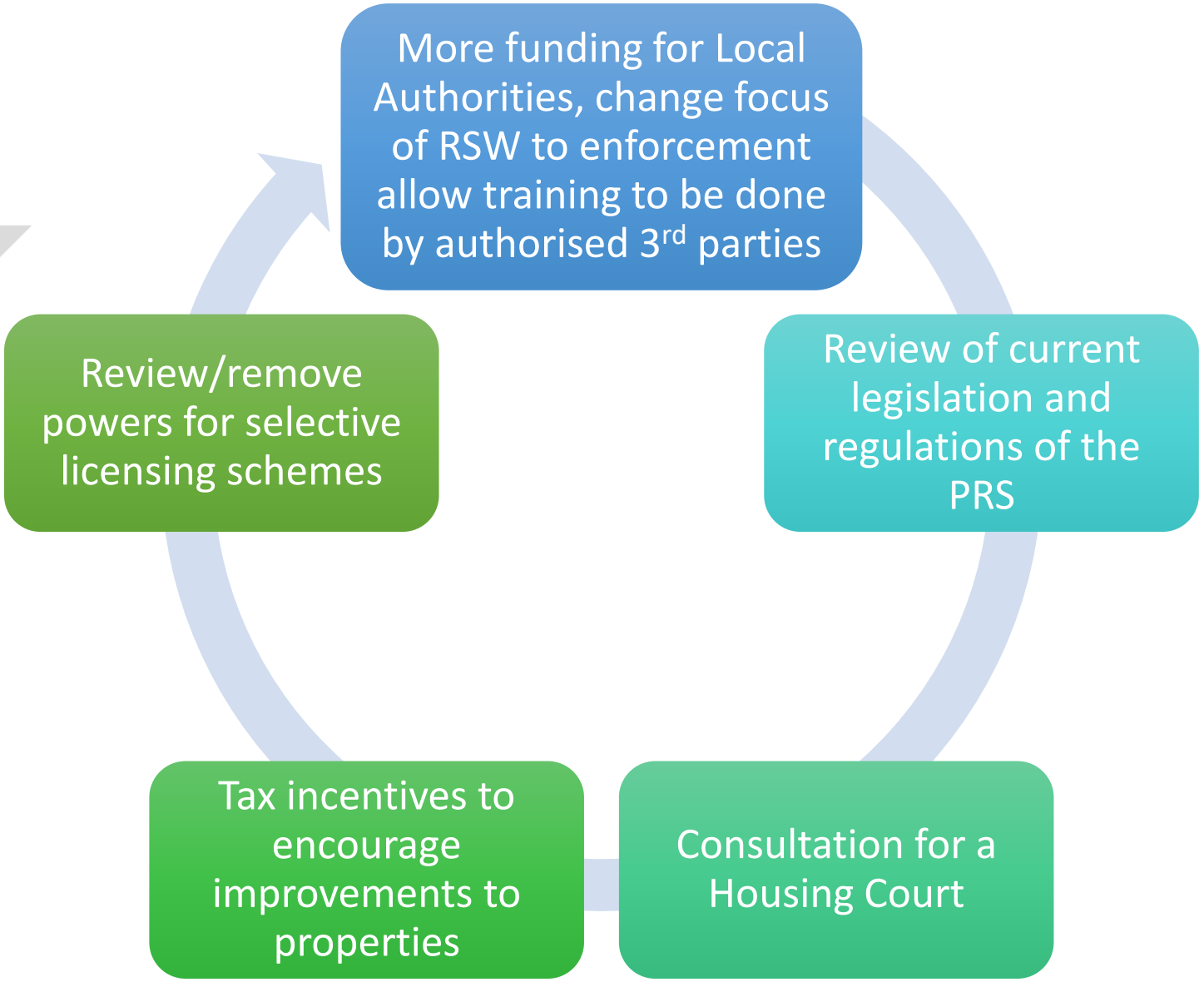
Key Recommendations



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Any Questions?

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RLA INSIGHTS PARTNER

- All of our PEARL Data can be found here:
- https://research.rla.org.uk/renting-evidence-dashboard/

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