

Private landlords and the Local Housing Allowance system of Housing Benefit

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Background

This research formed part of a two year review being undertaken by the Department for Work and Pensions (DWP) to monitor the impact of the Local Housing Allowance (LHA) at a national level following its national roll out in April 2008. It explored the experiences of landlords and agents letting to tenants on the LHA in six local authority (LA) areas.

The research aimed to assess whether any new issues had arisen under the LHA national rollout model that were not apparent in the LHA Pathfinder evaluation. It feeds directly into the ongoing evaluation of the LHA by the DWP.

Key findings

Knowledge of and views on the LHA

Landlords highlighted a number of positive features of claiming Housing Benefit (HB) under the LHA rules, including greater transparency and simplicity, as well as the removal of pre-tenancy determinations. However, there was considerable strength of feeling against direct payments. Publication of the rates was valued as a useful source of information, although the quality of the data upon which rates were based was occasionally queried, including the geography of Broad Rental Market Area (BRMAs). More information about specific aspects of claiming HB under the LHA would be welcomed, especially around safeguards.

Views on excesses were mixed. On one hand, there was antipathy to the notion of taxpayers' money being used as an additional source of income for tenants. On the other hand, some respondents did not object to the principle of the excess payment, and also felt that it helped to foster 'happy tenants'

in tenancies where an excess could be achieved. Nonetheless, variable practice in different areas over the use of the excess to recoup arrears did lead to some frustration amongst a number of respondents.

Letting preferences

A general hierarchy was evident in the letting preferences of landlords, with household type being the least important, economic status being of greater importance, and the HB status of most importance.

Working tenants were often most preferred because they were viewed as being more reliable at paying their rent, and could afford to pay a deposit and their rent in advance. Respondents ideally preferred letting to non-HB tenants, most commonly because of experiences, or fears, of the rent not being paid. Smaller landlords were the most likely to be sympathetic towards letting to HB tenants, and a few of the larger landlords specifically targeted the HB sub-market because of the greater returns they could obtain.

Claiming Housing Benefit

The extent to which landlords actively managed the process of claiming HB varied considerably. Some respondents, mostly the larger landlords and letting agents, emphasised that strong management of this process, including helping tenants to fill in the forms, was necessary to minimise the risk of delays and other subsequent difficulties. The time that claims take to process, coupled with direct payments, raises the issue of the size of the first payment, and also the extent to which the first payment is made payable to the landlord.

Improving the level of dialogue and communication between landlords and letting agents on one hand, and LAs on the other was viewed as an important ingredient in reducing tensions and resolving difficulties.

Starting a tenancy

Respondents most commonly said that they followed the market when setting their rents. Others simply used the LHA rates to set their rents, either viewing these as good indicators of the market rates, or because they were largely operating within the HB sub-market. Landlords often also took into account their running costs when setting rent levels. Some respondents were rent maximisers, charging as much rent as they felt the market, or the HB sub-market could bear; whilst others were turn-over minimisers, undercutting the market or the HB sub-market slightly. Deposits and rent in advance were not always charged of HB tenants, because they were often thought to be unable to afford such items. The charging of deposits, perhaps of just a small amount, was often thought to be of symbolic importance in showing that a tenant had the 'right attitude'.

Rent and rent arrears

Many respondents adopted a flexible approach to collecting the rent to accommodate tenants' payment methods. One of the problems that respondents encountered with tenants depositing the HB in bank accounts was that this money was often used to pay off other bills and overdrafts. Not all tenants had bank accounts and again, this could cause difficulties with collecting in the rent. A particular frustration for many respondents was the HB payment cycle, which was in weekly multiples, rather than on a monthly basis which was felt to be the industry standard. This practice could also cause complications and difficulties for landlords in collecting the rent.

Arrears could result from the mechanics of the HB system, including the time taken to process initial claims and payment in arrears. Arrears were

also caused by tenants in receipt of HB, but who were not paying the rent. Two types of behaviour were noted by respondents. Firstly, intermittent or irregular arrears, which could be the result of a specific personal or financial crisis for the tenant, or decisions to spend monies on other things such as, for example, Christmas, holidays, clothing for children's school uniforms. Secondly, committed non-payers emerged as a sub-group of tenants who were reported by respondents as having no intention of paying the rent. Many respondents felt that the LHA had resulted in an intensification of management in an attempt to minimise the risks of arrears. Nevertheless, there was the perception that the current operation of provisions and safeguards, as well as existing channels of communication between landlords and LAs, was exacerbating levels of arrears.

Provisions and safeguards

Awareness of the eight week rent arrears provision was widespread, partly because it had been widely discussed at meetings and forums, and partly because respondents had often used the instrument. The period of rent arrears under the provision was criticised for being too long, with four weeks regularly suggested as being sufficient for both the landlord and tenant. Respondents often pointed out that their own costs, especially mortgage repayments, still had to be covered even though the rent was not being paid. It was suggested that it was virtually impossible for them to ever recoup the eight weeks rent arrears from HB tenants, and that by the time a claim had been suspended and investigated, it could be over three months before any HB was finally redirected to themselves. There was only limited awareness of the 'difficulty in paying their rent' and the 'unlikely to pay the rent' safeguards. Respondents were often unclear on how the safeguards worked, or which eventualities they were expected to cover. Where they had been used, there was a lack of clarity why the HB was redirected to the landlord or agent in some cases but not in other similar ones. The amount of work, time and sometimes the cost of implementing the safeguards was often prohibitive, particularly for sideline landlords.

The full report of these research findings is published by the Department for Work and Pensions (ISBN 978 1 84712 837 9. Research Report 689. September 2010).

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