

## **SOCIAL SECURITY COMMITTEE**

### **SOCIAL SECURITY SUPPORT FOR HOUSING**

#### **SUBMISSION FROM CITIZENS ADVICE SCOTLAND**

##### **Introduction and context of response**

Citizens Advice Scotland (CAS) welcomes the opportunity to provide evidence to the Committee's inquiry. Advice provided by Scotland's CAB network in relation to rent arrears has grown by over 40% since 2012, whilst debt-related issues experienced by CAB clients in Scotland have steadily declined over the same period. Given this long-term change, investigating the cause and consequences of rent arrears for CAB clients has been a policy priority for CAS.

Our findings, which we published in detail in October 2018<sup>i</sup>, included that the considerable growth in rent arrears as an area of advice has coincided closely with changes to the social security system, particularly the advent of welfare reform. Almost one-quarter of those living in rented accommodation have experienced rent arrears in the past five years, though CAB clients with rent arrears are more likely to be in part-time employment, unemployed, be a single person or lone parent, be aged 25-44 and live in 20% of the most deprived areas.

The most common reasons for rent arrears are a benefits-related issue, loss of income, or unexpected costs. The most common ways of getting out of rent arrears are borrowing money from elsewhere (such as from friends and family, or on a credit card) or cutting back on essentials. Neither of these are particularly sustainable solutions, leading to debt elsewhere or potential health consequences respectively.

During the past eighteen months, CAB clients' rent arrears issues have predominantly been caused by them moving onto Universal Credit, and experiencing problems with the delivery of support to pay the rent through the new benefit. Evidence from Scotland's CAB network and elsewhere indicates the incidence of rent arrears to be far higher amongst tenants receiving Universal Credit. Housing associations across the UK report that 73% of tenants on UC are in arrears, compared to 29% of all other tenants<sup>ii</sup>.

##### **How have changes to the Local Housing Allowance impacted on the private rented sector, particularly for the affordability of rents for young people?**

One of the issues contributing to rent arrears is in situations where the Housing Benefit or Universal Credit housing element a person receives is not enough to cover their full rent, and they do not have the means to pay the remainder. In particular, this tends to happen when people are homeless and living in temporary accommodation, are living in the private rented sector, or are subject to deductions, in particular the Benefit Cap.

More widely, people who live in the private rented sector and are entitled to Universal Credit or Housing Benefit have the support they receive capped at Local Housing Allowance (LHA) rates, as opposed to being connected to their actual rental costs, as is the case for social sector tenants.

As part of the UK Government's welfare reforms between 2010 and 2015, a number of changes were made to the LHA rate. These changes included reducing the amount that could be claimed from the 50<sup>th</sup> percentile of market rents in the area to the 30<sup>th</sup>, and freezing the level that could be claimed for four years from 2015.

The effect of these changes has meant that in some parts of Scotland, there are very few properties available for rent in the private rented sector that could be covered in full by LHA – and in some cases none at all. Research by the Scottish Government<sup>iii</sup> revealed that in practice, less than 10% of private rented properties would actually be covered by LHA rates in the five areas, severely limiting the options for anyone on a low income who needs to rent in the PRS. Combined with some private landlords being unwilling to let to people in receipt of social security benefits (detailed further below), this can mean that in some areas there are no properties available that a person under the age of 35 could afford.

CAS recommends the UK Government review the freeze on Local Housing Allowance rates, with a view to enabling them to cover the bottom 30% of market rents once more.

**To what extent have UK welfare reform measures impacted on private landlords' willingness to let to those in receipt of social security benefits? (Including for example, the impact of Universal Credit, the benefit freeze and the benefit cap)**

Whilst not a new phenomenon, the reluctance, or in many cases outright refusal, of private landlords to let to tenants in receipt of Housing Benefit – the 'No DSS' advertisements<sup>iv</sup> - contributes towards people being unable to find anywhere to live that they can afford on their income. As recognised in this report, there are many instances of people who are in receipt of housing benefits accruing rent arrears. Private landlord refusal to let the few available affordable properties can effectively force people into renting a property they cannot afford, compounding the problem. With a total of 157,806 applicants on waiting lists for local authority housing in Scotland,<sup>v</sup> it is not possible to accommodate all people in receipt of housing benefit in social housing, so it needs to be possible for the private rented sector to be an affordable option for people on the lowest income too.

This theme was also further explored in the Social Security Advisory Committee's recent inquiry into the experience of the benefits system for young people living independently.<sup>vi</sup> Their research found that in many areas, there were almost no areas available to young benefit claimants on the Shared Accommodation Rate (SAR). In particular, their research found that just 4 out of 587 rooms advertised in Edinburgh would be affordable on the SAR. This problem was compounded by all of the affordable rooms being listed as not open to Housing Benefit claimants. This effectively meant that there were no advertised private sector properties available to Housing Benefit/Universal Credit claimants in Edinburgh at all.

In addition, the House of Commons Work and Pensions Select Committee has recently launched an inquiry into mortgage lenders who prevent landlords from renting to tenants in receipt of social security support as a condition of their buy-to-let mortgage products.<sup>vii</sup>

CAS recommends the Scottish Government should consider options, including legislation, to prevent landlords from excluding recipients of benefits when advertising lets. CAS has also recommended that the UK Government take action to fix a number of problems with Universal Credit (detailed further below), reconsider the Benefit Cap<sup>viii</sup>, and end the benefits freeze<sup>ix</sup>.

**How does the administration of Universal Credit Housing Costs impact on the ability of tenants to pay their rent and landlords to administer rent payments? (for example, the impact on rent arrears, communication between landlords and the DWP)**

Evidence from CAB cases indicate that in a significant number of cases, rent arrears have arisen from issues associated with changes to the social security system, particularly related to Universal Credit. The following are common causes of rent arrears for CAB clients (illustrative CAB cases can be found in the appendix to this response).

**The length of wait for a first Universal Credit payment.** There is an in-built delay between making a Universal Credit claim and receiving a first payment due to the way it is designed<sup>x</sup>. Starting in February 2018, the length of the delay was reduced from six to five weeks, following the removal of the seven 'waiting days' at the start of the claim. Despite this move, which CAS campaigned for and welcomed, CAB clients have experienced rent arrears due in part to the length of the period before the first payment.

**Administrative delays to Universal Credit housing payment.** The in-built delay is compounded in some cases by further administrative delays. CAB clients have experienced the entire Universal Credit payment being delayed, the first payment arriving without housing costs being included, incorrect housing costs being included, or, in the event of housing payments being made directly to the landlord, the amount being deducted from the Universal Credit payment but not being paid to the landlord. Some of these issues seem to stem from difficulties with verifying the claimant's housing costs.

**First month's rent and Universal Credit.** An issue that has affected a number of CAB clients is accruing rent arrears in the first month of their tenancy, particularly when they are claiming Universal Credit. In some cases the landlord's response to this has caused further problems for the client, such as charging additional advance rent.

**High third party deductions for rent arrears.** If a person is in rent arrears, landlords can apply to have the amount deducted directly from their future Universal Credit payments. Whilst this can be a good way for some people to manage their debt, in some cases the total amount deducted can leave clients in hardship. This is explored in more detail in CAS' recent 'Voices from the Frontline' briefing.<sup>xi</sup>

CAS recommends the UK Government take a number of actions to address these issues including -

- Reduce how long people have to wait for their first Universal Credit payment. In particular, consideration should be given to a single, additional, non-refundable Assessment Payment being introduced for new Universal Credit claimants to avoid hardship being caused by having no income for at least five weeks.
- Takes all steps to ensure that the processing of Universal Credit claims are not delayed. In particular, it should ensure that additional information required from claimants, particularly in relation to housing costs, is not unduly onerous and is processed in a timely manner.<sup>xii</sup>

- Reduces the maximum permitted deduction rate from UC to repay debts from the current level of 40% of the standard allowance.
- Takes a holistic overview of the claimant's circumstances and allow claimants to negotiate the level of deduction before it is applied, particularly if the proposed level of deduction may cause hardship.

CAS also recommends that landlords follow good practice guidelines developed by Shelter Scotland and the Scottish Federation of Housing Associations (SFHA) for dealing with issues arising from the first month's rent.<sup>xiii</sup>

### **How do Universal Credit Scottish Choices and Discretionary Housing Payments impact on the way landlords and tenants handle Universal Credit housing costs?**

Introduced in October 2017, Universal Credit Scottish Choices allow the Scottish Government to offer Universal Credit claimants the choice of having their UC payments made twice-monthly rather than monthly; and the choice of having their housing payments made directly to their landlord, instead of to themselves as part of their single Universal Credit payment. CAS supported these positive changes, based on feedback from CAB clients that these choices had the potential to make it easier for people to manage their household finances.<sup>xiv</sup>

The Scottish Choices sit alongside the existing reserved Alternative Payment Arrangements (APAs), which allow DWP to initiate a direct housing payment to landlords or a more frequent payment in the same manner. These are however on application and in response to a claimant experiencing difficulties managing a single monthly UC payment, or it appearing likely that they will do so.

Initial statistics revealed that in the first three months of operation, of 5,800 people who were offered the UC Choices, 36% chose to be paid twice-monthly, and 17% elected to have their housing support paid directly to their landlord.<sup>xv</sup>

Both UC Scottish Choices and APAs are paid to landlords on a four weekly basis, which do not match the calendar monthly basis that Universal Credit payments are made, or that direct ('managed') housing payments to landlords are sent to the system. This creates a discrepancy as there are thirteen payment cycles each year, and twelve monthly assessment periods.<sup>xvi</sup> Organisations representing social landlords have expressed concern at the administrative problems this causes them,<sup>xvii xviii</sup> which has led to some reluctance to recommend tenants to take up the Scottish Choice of a direct housing payment. Administrative issues should not be a barrier to people choosing an option which should benefit them, so it is in the best interests of all to find a suitable solution.

CAS recommends the Scottish and UK Governments, in conjunction with social landlords should continue to raise awareness of the availability of Universal Credit Scottish Choices, for people who would find having their housing costs paid directly to their landlord helpful in managing their finances.

CAS also recommends the UK Government works with organisations representing social landlords to harmonise the frequency of payments of UC Scottish Choices and Alternative Payment Arrangements with Universal Credit payments and cycles of rent payments.

Additional support for people to pay rent can be found in the form of Discretionary Housing Payments (DHPs). Although not initially designed for this purpose, DHPs have been used as a vehicle to mitigate the negative effects of changes to the reserved social security system. Since 2013, the Scottish Government has provided funding to fully mitigate the underoccupancy charge (commonly known as the Bedroom Tax) through Discretionary Housing Payments, together with funds intended to mitigate some of the effects of the Benefit Cap.

On the whole, the DHP system works reasonably well, though there are areas for improvement. CAS has previously made recommendations on mitigating the Bedroom Tax, Benefit Cap and to address administrative issues, such as cases where claims unrelated to the Bedroom Tax (and therefore not guaranteed to be accepted) have been rejected or delayed unfairly. This seemed to most commonly happen at the start or end of the financial year, apparently due to budgetary pressures.<sup>xix</sup> In addition, consideration should be given to how the DHP scheme could be used to further support people who are in rent arrears as a result of issues related to Universal Credit, given the issues highlighted in this submission.

## Appendix – Illustrative CAB cases

### Length of wait for a first Universal Credit payment

***A South of Scotland CAB reports of a client who was on Universal Credit and working. The client stopped work three months ago due to stress and bullying. Due to when the Universal Credit assessment period was and when she received her wages, the client has been left with no payments for a month. The client has £30 left to last the next four weeks and is already being called 'constantly' by her housing association regarding a week's rent arrears.***

***An East of Scotland CAB reports of a client who has recently changed from claiming Carer's Allowance (CA) to claiming Universal Credit (UC) with limited capacity for work-related activity. She has been informed since she changed benefits that she has incurred over £500 of rent arrears. She was confused as to where the arrears have come from as she was entitled to housing benefit when she claimed CA and she is also entitled to help with her housing costs while claiming UC. It emerged that the arrears were caused by the five week wait for her first Universal Credit payment, which meant that her rent payments were also in arrears by five weeks. Although some of the arrears were covered by a Discretionary Housing Payment, the client had to arrange a payment plan with the council to repay the remainder.***

### Administrative delays to Universal Credit housing payment

***A West of Scotland CAB reports of a client who had been sent a letter by his housing association regarding rent arrears of £538.50 which he had accrued in three months. The client had recently split up from his wife, his Housing Benefit payment had been delayed, and only covered £190 of his £400 rent. This has caused him financial hardship.***

***A South of Scotland CAB reports of a client who came into the CAB to discuss his financial situation. He is employed but is currently off sick following his mother's death a few months ago. He is single with no dependents and lives on his own in a flat rented from a housing association. He is claiming Universal Credit (UC) to help with his housing costs. He said that when he applied for UC initially he asked for the housing costs to be paid direct to his landlord. This was not done and as a result he has built up rent and council tax arrears. He also has an outstanding balance on his credit card and he cannot afford to make repayments. With the CAB's help he arranged for his housing costs to be paid directly to his landlord, but he remained in arrears.***

### **First month's rent and Universal Credit**

***A North of Scotland CAB reports of a client who called regarding an issue he is having with his housing association landlord, who has just taken over from a different association. The client receives Universal Credit. He has had 'heaps of letters' from his landlord saying he is in arrears because his housing assistance paid through his Universal Credit is paid in arrears. He says he is being 'driven crazy with it all' and is feeling stressed. He has letters asking him to pay £5 per week to collect a whole month's rent so by being in advance he will not be in arrears. The client was also worried about not being able to pay for gas or being put into debt by the amount.***

***A North of Scotland CAB reports of a client who has received a letter from her housing association which stated that she did not appear to be paying her rent in line with her tenancy agreement and asked that she call them immediately. When she called them she explained that she was in receipt of full Housing Benefit and therefore was not responsible for any rent payment. The association then said that even if on full Housing Benefit she needed to make payments so her account would not be in arrears, due to the Housing Benefit being paid in arrears by the local council. The client reported that the association officer was 'quite aggressive in her manner' in the way that she spoke to the client. They told her that all tenants have to pay rent even if in receipt of full Housing Benefit. When the client said she could not afford to pay any rent she was told that 'other tenants manage'.***

## High third party deductions for rent arrears

***A West of Scotland CAB reports of a client who has received a notice of court action for eviction by his local authority landlord over rent arrears of £420.16. The client receives Universal Credit which he applied for four months ago after his job was made redundant. The local authority has also applied to Universal Credit to have deductions taken from the client's payment at a rate of 20%, prior to eight weeks' rent arrears having accrued, and without informing the client of this action.***

***An East of Scotland CAB reports of a client who requested a referral voucher for a food bank. He is receiving Universal Credit and has deductions of £43 per month for the repayment of a UC advance, and £63 per month for rent arrears. His phone and broadband have been disconnected and he has difficulty finding money for energy. He had applied last month for a Crisis Grant, and has also accrued Council Tax arrears.***

## Private rented sector issues

***An East of Scotland CAB reports of a client who is a single parent with two children and is expecting a third. The client had lived in a private let for four years whilst in receipt of Income Support. The rent was £620 per month, but she never had any issues paying the rent until a change of circumstances meant that she had to claim Universal Credit. Due to the waiting period and administrative delays it was 12 weeks before she received any housing payment, and her monthly award continually varied for no apparent reason. She tried for a few months to explain to her private landlord her situation with Universal Credit but 'was getting nowhere and gave up'. She was eventually evicted a few months later and is now in temporary homeless accommodation. She is still experiencing issues with her Universal Credit claim and was seeking advice in relation to a letter from the Sheriff Officer pursuing her for £3,592.24 rent arrears from her previous tenancy.***



***An East of Scotland CAB reports of a client who received a Notice to Quit from her private landlord from the flat she shares with her partner and 5 year old son. The client is currently unemployed after a temporary Christmas job finished and her partner works 12 hours per week. The couple applied for Universal Credit at which point their Housing Benefit claim was closed which led to them accruing rent arrears of £1,045 due to a long wait for the first payment. The client has rent arrears of £2,310 from a previous tenancy and has no payment plan in place. The client has received a Universal Credit advance payment but understands this needs to be paid back.***

***An East of Scotland CAB reports of a client who lives in a private rental accommodation and is a single occupant. He was previously on ESA and received Discretionary Housing Payment. He was transferred to Universal Credit and his DHP will cease next week. There is a shortfall of £107 per month between the housing element of his UC payment and the rent due to the LHA cap. His landlord is asking how he will be able to bridge the gap. He wants to apply for DHP again.***

***A West of Scotland CAB reports of a client who has received a call from his local authority landlord stating that he has rent arrears of £641. The client was aware of some arrears, but it seems that his direct housing payment from Universal Credit was not made to the council despite being deducted from his UC award, so his arrears have increased by £309. When the CAB adviser contacted the local authority housing team they advised that this is “a common problem” and there are lengthy delays with the local authority receiving the payments from DWP.***

<sup>i</sup> Rent Arrears: Causes and Consequences for CAB Clients – Citizens Advice Scotland, October 2018  
<https://www.cas.org.uk/publications/rent-arrears>

<sup>ii</sup> Housing Federations across the UK say “flawed” Universal Credit is causing debt and hardship for families in social housing – Scottish Federation of Housing Associations, July 2018  
<https://www.sfha.co.uk/mediaLibrary/other/english/25942.pdf>

<sup>iii</sup> Annual Report on Welfare Reform Follow up Paper: Housing and Social Security – Scottish Government, May 2018  
<http://www.gov.scot/Resource/0053/00535332.pdf>

<sup>iv</sup> ‘No DSS’: A review of evidence on landlord and letting agent attitudes to tenants receiving Housing Benefit – Shelter Scotland/I-SPHERE, Heriot-Watt University, October 2017  
[https://scotland.shelter.org.uk/\\_data/assets/pdf\\_file/0009/1432746/Shelter\\_No\\_DSS\\_Report.pdf/nocache](https://scotland.shelter.org.uk/_data/assets/pdf_file/0009/1432746/Shelter_No_DSS_Report.pdf/nocache)

- <sup>v</sup> Figures as at 31 March 2018, Housing Statistics for Scotland: Housing lists – Scottish Government, September 2018 <http://www.gov.scot/Topics/Statistics/Browse/Housing-Regeneration/HSfS/HousingLists>
- <sup>vi</sup> Page 37-41, Young People Living Independently: A study by the Social Security Advisory Committee, May 2018 [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/709732/ssac-occasional-paper-20-young-people-living-independently.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/709732/ssac-occasional-paper-20-young-people-living-independently.pdf)
- <sup>vii</sup> No DSS: discrimination against benefit claimants in the housing sector inquiry – Work and Pensions Select Committee <https://www.parliament.uk/business/committees/committees-a-z/commons-select/work-and-pensions-committee/inquiries/parliament-2017/inquiry18/>
- <sup>viii</sup> The Impact of Reducing the Benefit Cap – Citizens Advice Scotland, May 2017 <https://www.cas.org.uk/publications/impact-reducing-benefit-cap>
- <sup>ix</sup> Living at the Sharp End: CAB Clients in Crisis – Citizens Advice Scotland, July 2016 <https://www.cas.org.uk/publications/living-sharp-end>
- <sup>x</sup> For further details of the reasons for this see pages 16 – 17, Learning From Testing Times: Early Evidence of the Impact of Universal Credit in Scotland’s CAB Network – Citizens Advice Scotland, June 2016 [https://www.cas.org.uk/system/files/publications/learning\\_from\\_testing\\_times\\_uc\\_report.pdf](https://www.cas.org.uk/system/files/publications/learning_from_testing_times_uc_report.pdf)
- <sup>xi</sup> Voices from the Frontline: the impact of deductions from Universal Credit payments – Citizens Advice Scotland, September 2018 <https://www.cas.org.uk/publications/voices-frontline-impact-deductions-universal-credit-payments>
- <sup>xii</sup> Learning from Testing Times: Early Evidence of the Impact of Universal Credit in Scotland’s CAB Network – Citizens Advice Scotland, June 2016 [https://www.cas.org.uk/system/files/publications/learning\\_from\\_testing\\_times\\_uc\\_report.pdf](https://www.cas.org.uk/system/files/publications/learning_from_testing_times_uc_report.pdf)
- <sup>xiii</sup> First Month’s Rent Flexibilities: Good Practice Guide – SFHA and Shelter Scotland, August 2017 [https://scotland.shelter.org.uk/\\_data/assets/pdf\\_file/0007/1413394/First\\_Month27s\\_Flexibilities\\_-\\_FINAL.pdf/\\_nocache](https://scotland.shelter.org.uk/_data/assets/pdf_file/0007/1413394/First_Month27s_Flexibilities_-_FINAL.pdf/_nocache)
- <sup>xiv</sup> Designing a Social Security System for Scotland: Universal Credit Flexibilities – Citizens Advice Scotland, December 2015 <https://www.cas.org.uk/publications/designing-social-security-system-scotland-universal-credit-flexibilities>
- <sup>xv</sup> Scottish Universal Credit Choices: initial management information – Scottish Government, January 2018 <https://www.gov.scot/Topics/Statistics/Browse/Social-Welfare/SocialSecurityforScotland/ScottishUCchoices>
- <sup>xvi</sup> See ‘Third party payment cycle explained’ from <http://www.cih.org/resources/PDF/Membership/webinar%20PDFs/CIH%20Webinar%20presentation%20combined%20final%20version.pdf>
- <sup>xvii</sup> Housing Federations across the UK say “flawed” Universal Credit is causing debt and hardship for families in social housing – Scottish Federation of Housing Associations, National Housing Federation, Community Housing Cymru and Northern Irish Federation of Housing Associations, July 2018 <https://www.sfha.co.uk/mediaLibrary/other/english/25942.pdf>
- <sup>xviii</sup> DWP hear concerns of associations on managed payments to landlords at Glasgow event – Scottish Federation of Housing Associations, March 2018 <https://www.sfha.co.uk/news/news-category/sfha-news/news-article/dwp-hear-concerns-of-associations-on-managed-payments-to-landlords-at-glasgow-event>
- <sup>xix</sup> Pages 153 – 155, Response to A New Future for Social Security: Consultation on Social security in Scotland, October 2016 [https://www.cas.org.uk/system/files/publications/social\\_security\\_consultation\\_-\\_response\\_from\\_citizens\\_advice\\_scotland.pdf](https://www.cas.org.uk/system/files/publications/social_security_consultation_-_response_from_citizens_advice_scotland.pdf)