GOVERNMENT NEEDS TO TACKLE RENT ARREARS CRISIS

NATIONAL RESIDENTIAL LANDLORDS ASSOCIATION

An analysis of research for the NRLA suggests that 840,000 private renters in England and Wales could have built rent arrears since the COVID-19 pandemic began in March.

Simply banning repossessions does nothing to address the problems that these debts are causing for both tenants and landlords.

It is vital that the Government develops a financial package to help renters pay off COVID related arrears and sustain tenancies wherever possible.

BACKGROUND

- The market research agency, Dynata, surveyed 2,077 private renters in England and Wales between 17th November and 9th December 2020 for the National Residential Landlords Association.
- For the purposes of extrapolation, the NRLA is using a figure of 12 million private renters in England and Wales.

HEADLINES

- 11% of private renters are now unemployed.
- 91% of private renters have not built any arrears since March 2020.
- 7% have built arrears since March. This would amount to around 840,000 renters across the sector as a whole. Whilst median rent arrears were £251-500,18% of those in debt had built arrears of over £1,000. Across the sector this would mean just over 150,000 renters.
- Those renters most likely to have built arrears since March are:

  Younger people – 14% of renters aged 18-24 and 10% of those aged 25-34.

  The self-employed – 17% of self-employed renters in this category.

  Those working in the construction and computer services sectors – 15% of renters in the construction/building materials trade and 15% in the computer hardware/services and software sector. 14% of renters in the food/drink/restaurant industry were in arrears.

  Those in the West Midlands – 11% of renters had built arrears since March.

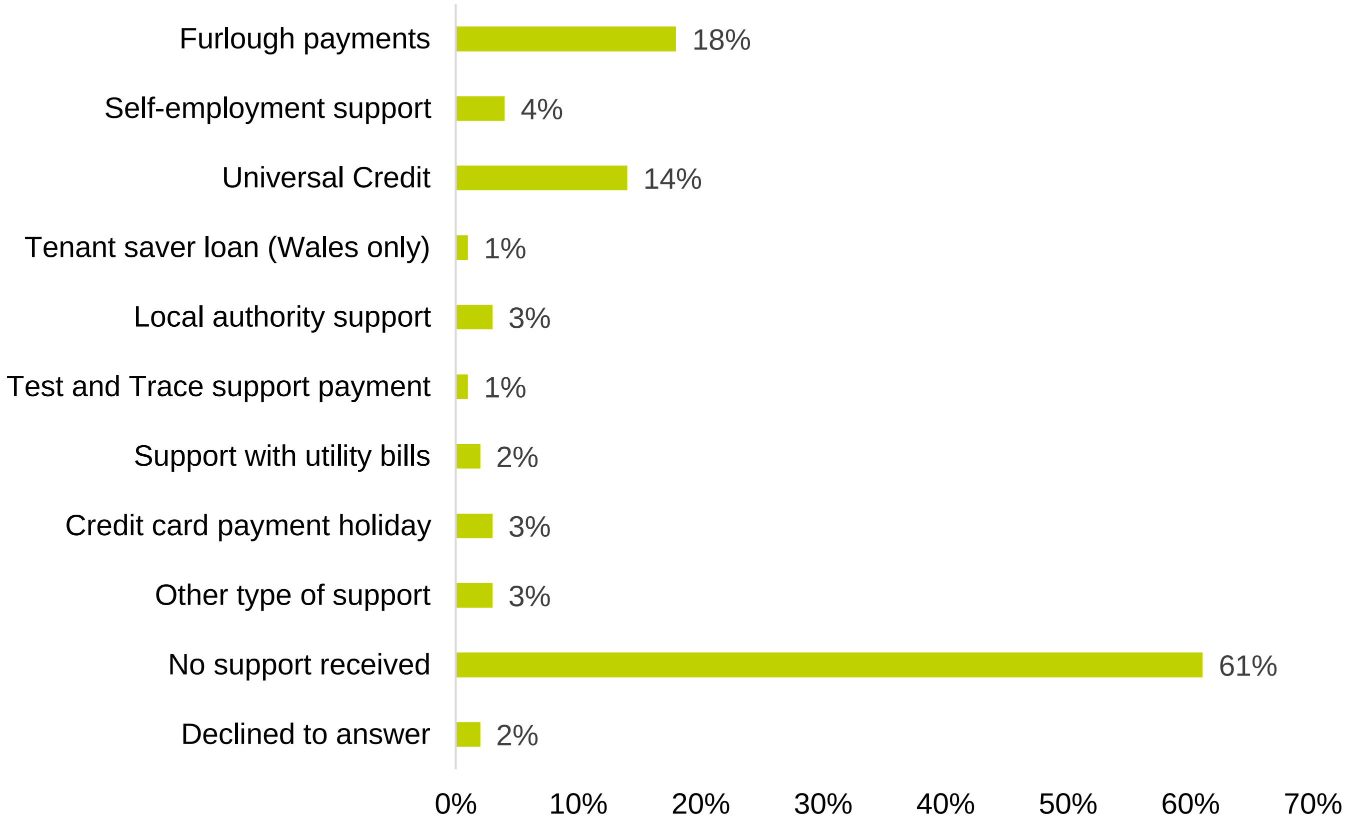
- 4% of all respondents had been served a legal notice that the landlord wishes to take possession of the property they are presently renting for a mixture of reasons, not all necessarily associated with rent arrears.
- 73% of respondents said that a new system of conciliation as called for by the NRLA as part of the Renters' Reform Bill would benefit people who rent.

Economic Status of Renters

Most renters have not received any support since March

- Prior to lockdown measures being introduced in March 2020, 24% of respondents were claiming some form of either out of work or in work state benefits. 74% were not and 2% did not know.

Chart 1: Proportion of renters receiving financial support since the end of March 2020



Note: Some tenants will have benefitted from more than one of the above support mechanisms

11% of renters are now unemployed and looking for new work

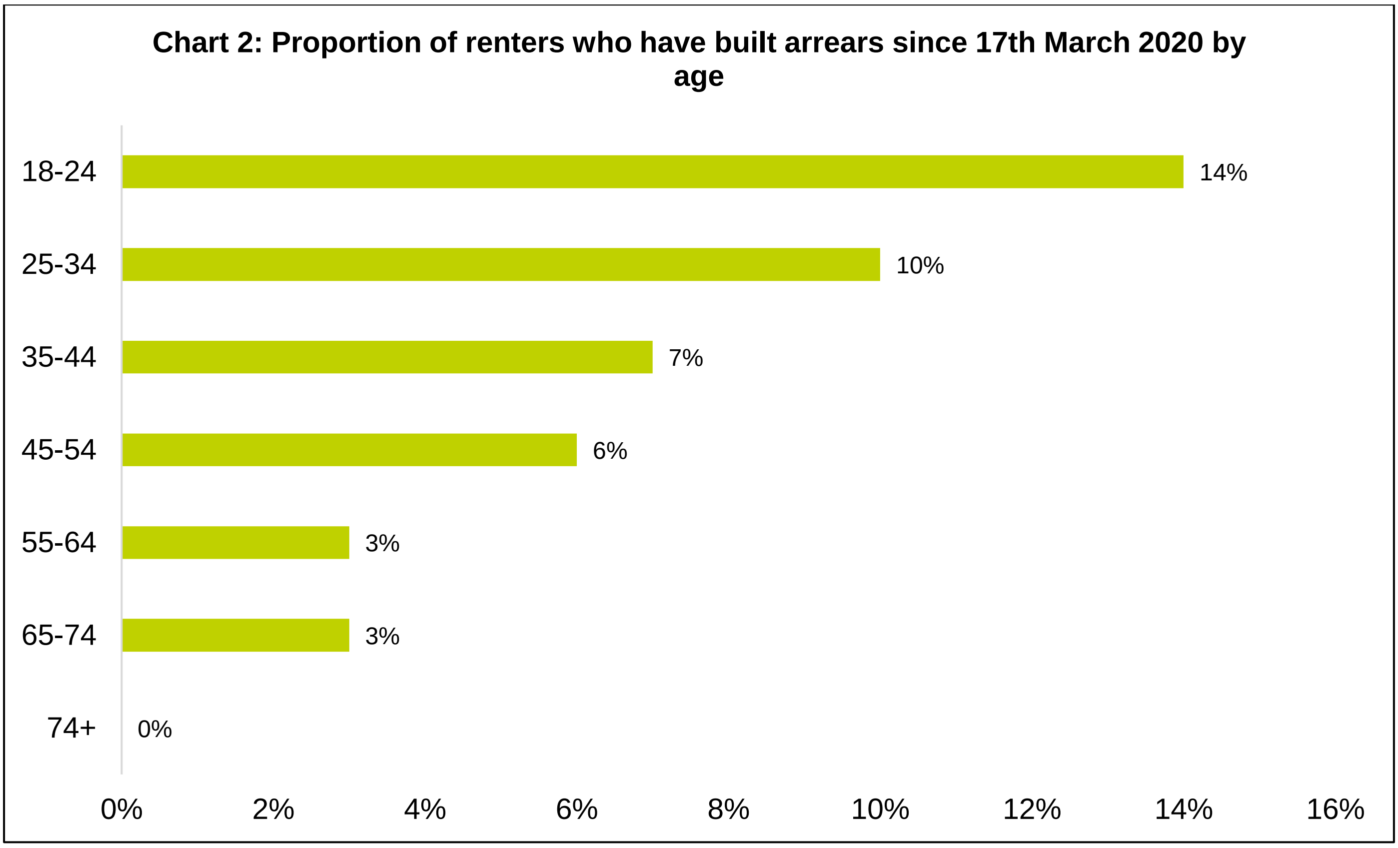
	Pre- March 2020 Lockdown Measures	Current
Employed, working 1 to 30 hours per week	32%	22%
Employed, working 31 or more hours per week	30%	30%
In furlough	-	6%
Self-employment	7%	7%
Not in employment – job seeking	10%	11%
Retired	12%	12%
In full-time education	2%	2%
None of the above	5%	6%
Other	2%	3%

Table 1: Employment status of private renters before lockdown measures began in March and at present

Rent Arrears Since 17th March

- 91% of renters had not built any arrears:
    - 88% had paid their rent as usual throughout the pandemic.
    - 3% had agreed a reduced rent or rent-free period with their landlord/letting agent and do not need to pay this back.
- 7% of renters had built arrears:
    - 4% previously had no arrears, but reduced or deferred the amount of rent they were paying and now have arrears.
    - 1% previously had no arrears, but stopped paying rent without prior agreement from the landlord/letting agent.
    - 1% had agreed a rent-free window with their landlord or letting agent and the rent now needs paying back as agreed.
    - 1% had arrears prior to the pandemic which have continued to grow.
- 1% were unsure.
- 1% preferred not to answer.

Younger renters are most likely to have built arrears



Renters in the West Midlands are most likely to have built arrears

North East	5%	East of England	7%
North West	7%	London	9%
Yorkshire and The Humber	8%	South East	8%
East Midlands	7%	South West	3%
West Midlands	11%	Wales	6%

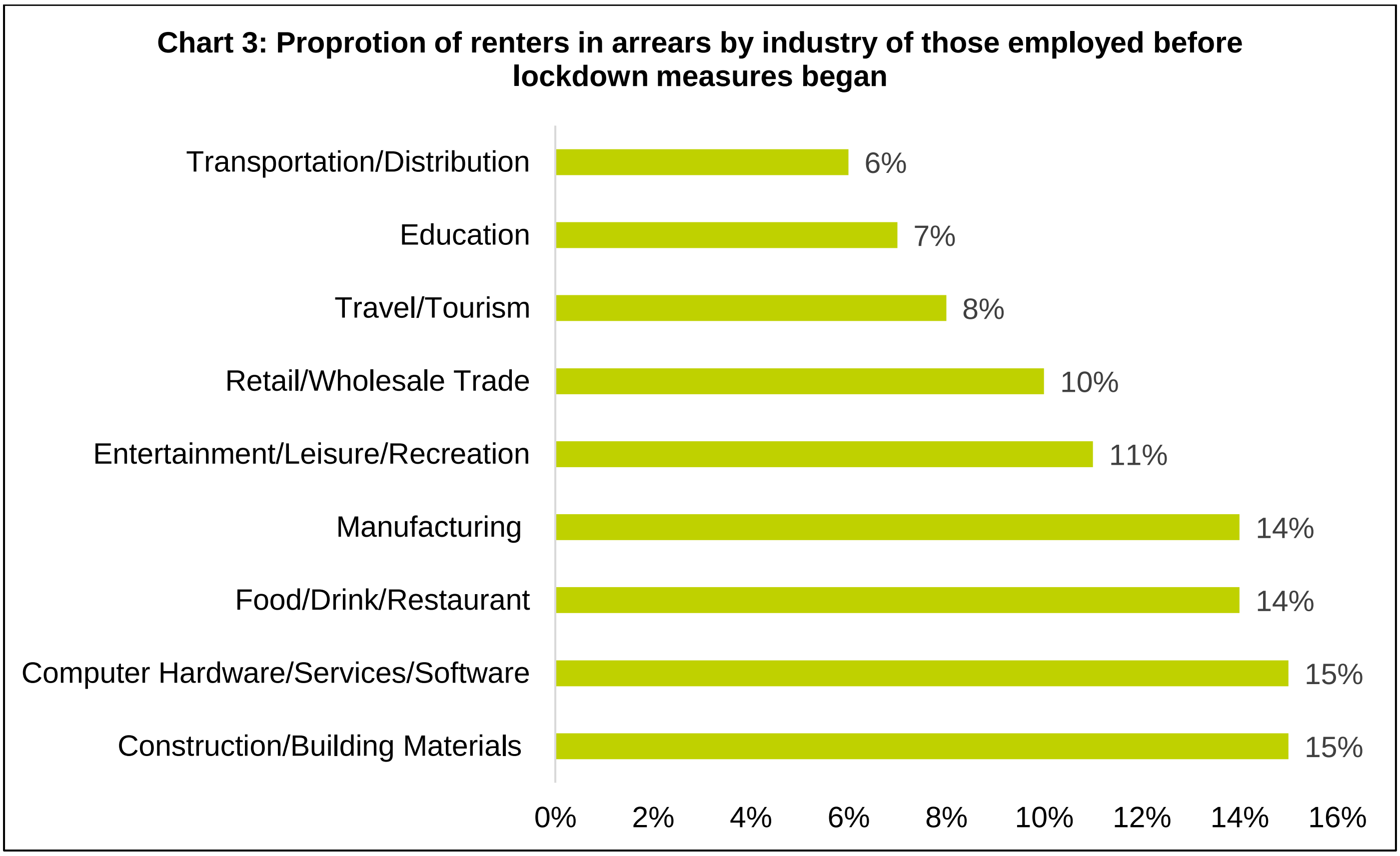
Table 2: Proportion of renters who have built arrears since lockdown measures began by region.

Self-employed renters are most likely to have built arrears since March

Employed, working 1 to 30 hours per week	9%
Employed, working 31 or more hours per week	6%
In furlough	5%
Self-employment	17%
Not in employment – job seeking	8%
Retired	2%
In full-time education	8%
None of the above	6%
Other	10%

Table 3: Proportion of renters who have built arrears since lockdown measures began by current employment status.

Renters working in the construction, computer services and hospitality sectors are being especially badly hit



Note: Industries in which fewer than 30 respondents worked have not been included in the above as these figures were not deemed to be statistically reliable.

For those in arrears the average (median) amount of unpaid rent was £251-500. 18% had accrued arrears of more than £1,000

Up to £250	36%	£2,001-£2,500	0%
£251-£500	24%	£2,501-£3,000	1%
£501-£750	13%	£3,001-£4,000	3%
£751-£1,000	10%	£4,001-£5,000	1%
£1,001 - £1,500	7%	More than £5,000	1%
£1,501-£2,000	5%		

Table 4: Level of rent arrears among those who have built arrears since March 2020

Repossessions

Respondents were asked if they had been served a legal notice that the landlord wishes to take possession of the property they are presently renting.

- 4% said yes of which:

  - 15% had been issued a section 8 notice
  - 58% had been issued a section 21 notice
  - 21% had been issued another type of notice
  - 16% did not know what type of notice had been issued
  - 1% preferred not to answer

- 93% said no.
- 2% did not know.
- 1% preferred not to answer.

Developing a Landlord/Tenant Conciliation Service

The NRLA has proposed the development of a new landlord/tenant conciliation service as part of the Government's planned Renters' Reform Bill. Respondents were asked if the felt such a proposal would be beneficial for those who rent:

- 73% said it would benefit renters.
- 3% said there would be no worthwhile benefits.
- 23% were unsure and needed more details.

Policy Recommendations

- In March the Secretary of State for Housing, Communities and Local Government said: *"The government is clear – no renter who has lost income due to coronavirus will be forced out of their home, nor will any landlord face unmanageable debts."*[1]

- Ministers have also pledged that the planned Renters' Reform Bill will only be brought forward when there is a more stable social and economic terrain in the sector.

- The only way that the Government can meet these ambitions is to develop a financial package that addresses rent arrears built since the COVID-19 lockdown began in March. Simply banning repossessions does nothing to alleviate the impact of these arrears on either a tenant or a landlord. All it does is enable a tenant to delay having to face up to their debts with significant harm to the landlord in terms of allowing debts due to him to continue building. This is more likely to lead to the tenant eventually having to leave their home causing problems for them and potentially for local authorities.

We propose the following:

- **Tenant hardship loans** should be made available to enable tenants in arrears, but who are not in receipt of benefits, to pay off arrears built since lockdown measures began in March. These would be interest-free and government-guaranteed. The loans would be paid directly to landlords and follow similar schemes adopted in Scotland and Wales. This would benefit:

  - Workers who would normally have a reasonable income, have been made redundant but expect to get back into employment relatively quickly

[1] MHCLG, *Complete ban on evictions and additional protection for renters*, 18th March 2020, available at: https://www.gov.uk/government/news/complete-ban-on-evictions-and-additional-protection-for-renters.

- Those who are furloughed and are losing income but expect to return to full pay.

- Those with savings that disqualify them from Universal Credit.

- Those with rent arrears who were just about coping prior to COVID but are now struggling to make their full rent payment and other outgoings on a reduced income.

- Couples where only one is now able to work who might now earn just above the threshold to qualify for Universal Credit but who are nonetheless struggling to cope with reduced income and high costs.

• We would anticipate the loans scheme working as follows:

  - It would be administered by a third party, such as a credit union, bank or building society

  - Tenants should be able to claim for support from the fund to cover any arrears built up since lockdown measures began in March. This should be paid as a lump sum directly to the landlord

  - The landlord, as a condition of receiving the payment, must provide the tenant with a new fixed term Assured Shorthold Tenancy (AST) of at least six months in length. This will mean that the landlord is prevented from using Section 21 to seek possession over this period

  - Where appropriate, the landlord and tenant should also seek to engage in a conversation about how they can work together to sustain the tenancy over the period of the fixed term, which may include considering the level of rent the tenant can afford.

  - Where tenants are in receipt of a loan:

    - The loan must be Government-backed to reduce the risk to intermediaries

    - The Government and their intermediaries should ensure that repayments are affordable proportionate to income. Assessment of affordability should first take into account tenants' essential living costs, for instance by using the Standard Financial Statement

    - There should be zero interest charged on outstanding amounts

    - There should be a limit on the period during which repayments are made. Any outstanding amounts after this period should be written off

    - The Government should commit to good practice in managing any deductions and repayments and require this of any intermediaries administering the loan.

• This is a measure which has the support of, among others, the debt charity, StepChange[2].

• **Covid-19 hardship funds administered by local authorities** should be boosted to support those in receipt of benefits.

• At the very least, there should be a commitment to retain the **Local Housing Allowance** at the 30th percentile from April next year, and preferably increase it to cover average rents in any given area. We were seriously concerned by the decision in the Spending Review to freeze the Local Housing Allowance rate in cash terms from next year. We agree with the Institute for Fiscal Studies which has warned that the measure means that: *"some high rent areas get less support than some in low rent*

[2] Step Change, *Tackling the coronavirus personal debt crisis*, November 2020, page 16-17, available at: https://www.stepchange.org/Portals/0/assets/pdf/tackling-the-coronavirus-personal-debt-crisis.pdf.

ones."[3]

- Those under the age of 35 who find themselves unemployed and reliant on benefits will come up against the shared accommodation rate (SAR) which will mean they can only claim benefit support for a room in a shared house. We are calling for the **SAR** to be suspended as called for by the Social Security Advisory Committee[4]. It should be a 12-month suspension to sustain tenancies and allow house moves where need be.

[3] IFS, *Spending Review 2020: IFS Analysis – Welfare and the national living wage*, 26th November 2020, available at: https://www.ifs.org.uk/uploads/Welfare-and-the-National-Living-Wage.pdf.
[4] Social Security Advisory Committee, *Letter to the Secretary of State*, 27th May 2020, available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/888504/ssac-letter-to-secretary-of-state-covid.pdf.