

Low Income Families Losing in the Housing Race



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Executive Summary

Those on low incomes have multiple barriers and hurdles to surmount in order to rent a property in the Private Rental Sector (PRS). These include:

- **Affordability Hurdle** – in order to rent an average two bedroom property in Central Bedfordshire, a prospective tenant would need to earn at least £22,560 a year.
- **Housing Benefits Barrier** – Less than a third of letting agents in Central Bedfordshire have landlords who will accept tenants on Housing Benefit.
- **Upfront Costs Hurdle** – To rent a two bedroom property in Central Bedfordshire, a prospective tenant would need to find upfront costs of between £1,761 and £2,937.
- **Rent Levels Barrier** – The percentage of Private Rental Sector properties available within Local Housing Allowance (LHA) rates has plummeted from 19% in 2012 to 0.04% in 2015.
- **Shortage of Properties** – Comparing snapshots for 2012 and 2015 the number of private rental properties available in Central Bedfordshire has dropped by 38%.

This report examines in detail the impact of these barriers and hurdles, it presents examples to show how this affects people and finally it examines the solutions available and puts forward ideas for further support.

This research has been conducted by local Citizens Advice in Central Bedfordshire.

Aim of the Report

The aim of the study is to identify the barriers and hurdles faced by people on a low income¹ seeking a property with a minimum of one bedroom and a maximum of four bedrooms who need to access the private sector.

Objectives

- To find out charges incurred by those accessing housing in the Private Rental Sector (PRS)
- To determine if those in receipt of Housing Benefit will be accepted as tenants in the Private Rental Sector
- To verify that letting agents in our survey advertise online on the Rightmove website in order to validate the availability snapshot
- On a specific day take a snapshot of all housing in the PRS in Central Bedfordshire to assess availability and rental costs
- To identify the issues encountered and assessing how these are addressed by the local authority

Methodology

The report is based on two main pieces of research:

1. During August 2015 a survey was conducted, this was a telephone survey of letting agents throughout Central Bedfordshire, covering all aspects of rental in the private sector. 44 letting agents were identified from the Rightmove website, but only 28 were happy to take part in the survey. The survey included upfront costs and the availability to those on low incomes and benefits. For consistency the study was completed by one person.
2. On 12th Sept 2015 a snapshot was undertaken of all properties available for rent in Central Bedfordshire which were advertised on the Rightmove website. This used the same methodology as was used in 2012 so that results could be compared.

Analysis of this data was completed to identify affordability, upfront costs, actual rents and numbers of properties available.

Affordability Hurdle

Affordability is the first hurdle which has to be faced. Letting agents expect prospective tenants to have an annual income in excess of 30 times the monthly rental before they will consider letting properties. If prospective tenants do not earn enough, some but not all, agents will allow tenants to rent if they have a guarantor who has sufficient income. However the affordability hurdle for guarantors is even higher as they are required to have an income of up to 42 times the monthly rental.

The following table shows what this means to prospective tenants. (The average rent is the mean average of the rents in the snapshot.)

Number of Bedrooms	Average Rent	Annual Income for tenant	Annual income for guarantor
1	£592	£17,760	£24,864
2	£752	£22,560	£31,574
3	£1104	£33,120	£46,368
4	£1422	£42,660	£59,724

Some scenarios of example tenants have been calculated to help understand how this affordability calculation affects those trying to find accommodation. These scenarios are based on Citizens Advice Clients and will be followed through each stage of the report.

A couple receiving JSA

Benefits received per annum:	JSA	£5,972.20
	Council Tax Support	£984.45
	Housing Benefit	£5,357.64
	TOTAL	£12,314.29

The affordability calculation (monthly rent x 30) for this couple would be **£14,850**, so this couple have **failed** at the first hurdle. (The calculation assumes the couple are trying to rent the cheapest one bedroom property in the snapshot which is £495 per month.)

A single parent with one child working 16 hours at the minimum wage.

Income per annum:	Earnings	£5,574.40
	Working Tax Credits	£3,979.56
	Child Tax Credits	£3,329.04
	Housing Benefit	£5,510.96
	Council Tax Support	£447.20
	Child Benefit	£1,076.40
	TOTAL	£19,917.56

The affordability calculation for this family would be **£17,856** (monthly rent x 30), so this family has **passed** the first hurdle. However this family still has 2 more hurdles to pass. (The calculation assumes the family are trying to rent the cheapest two bedroom property in the snapshot which is £595 per month.)

A married couple with three children of 7, 5 and 3, with one parent not working and the other working 35 hours and earning the national average wage.

Income per annum:	Earnings	£26,500.00
	Child Tax Credits	£5,450.64
	Housing Benefit	£4,023.76
	Council Tax Support	£447.20
	Child Benefit	£2,501.20
	TOTAL	£38,475.60

The affordability calculation for this couple would be **£24,750.00** (monthly rent x 30), so this family has **passed** the first hurdle Even though they pass this hurdle there are two more hurdles to be passed. (The calculation assumes the family are trying to rent the cheapest three bedroom property in the snapshot which is £825 per month.)

Note: If this couple were on the minimum wage they would fail at this point.

A **single pensioner** receiving both State Retirement Pension and a small contractual pension. (This uses actual figures for a client as pensions are variable)

Income per annum	State Retirement Pension	£7,906.60
	Contractual Pension	£1,743.08
	Housing Benefit	£4,627.48
	Council Tax	£549.64
	TOTAL	£14,826.80

The affordability calculation would be £14,850 (monthly rent x 30), so this person has also failed at the first hurdle. This scenario shows that even someone with a contractual pension can face difficulties. (The calculation assumes the pensioner is trying to rent the cheapest one bedroom property in the snapshot which is £495 per month.)

Housing Benefit Barrier

If able to satisfy the affordability hurdle there is another barrier for those in receipt of Housing Benefit (HB).

- From our survey responses we know that some letting agents will not consider letting to tenants on Housing Benefit
- Those who will consider Housing Benefit claimants say that it is the landlord's decision and many letting agents who have a policy to let have no landlords who will consider it
- Letting agents who have landlords who will let to Housing Benefit claimants, say the number of landlords who will let are very small. When agents were asked, there was one agent who said 10%, the others were much less.

To put some numbers to this:

Only 32% of letting agents have landlords who will accept tenants on Housing Benefit.

Looking at the 176 properties for rent in the snapshot and linking them to the letting agent survey responses, we find that **only 1** property is advertised by a letting agent who has landlords who are prepared to rent to those on benefits.

As part of the letting agent survey, agents were asked why they were reticent to give a tenancy to a Housing Benefit claimant. The following are examples of the reasons given:

- Buoyant market
- Landlords insurance doesn't allow benefit claimants
- Restrictions on landlords buy-to-let mortgages
- Professional tenants are preferred
- Housing Benefit goes to the tenant and not to the landlord
- Benefit claimants are poorer quality tenants and there is a stigma associated with benefit claimants
- Concerns about payment of rent
- Benefit claimants spend money on other things rather than pay the rent
- Evictions are slower
- Central Bedfordshire Council eviction process/policy
- Advice from Citizens Advice
- Deposit is in Council's name
- Lack of protection from Council

Going back to our scenarios:

The single parent with one child working 16 hours at a minimum wage. This family has passed the affordability hurdle and has found a property but the landlord won't let to someone in receipt of Housing Benefit so she **falls** at the Benefit barrier.

A married couple with three children.

The family is entitled to Housing Benefit but they pass the affordability calculation without including their Housing Benefit, so the landlord is happy to let to them. They have **passed** the Benefits Barrier but still one more hurdle to go.

Case Studies

The following case studies are two of our clients who have been trying and failing to find a property in the Private Rental Sector.

The client is living with her parents and her 18 year old brother in Central Bedfordshire, following a relationship breakdown. She has a fourteen month old baby and is in receipt of income support, child tax credit and child benefit. Her family home is overcrowded and her parents are close to retirement age and seeking to move to a smaller property.

The client applied to go on the housing register early in 2015 but was turned down because she had not lived in the area for 3 years. She went to visit the Housing Options team and was advised to seek private sector housing. She was provided with a list of estate agents in Luton, Stevenage and Central Bedfordshire and a list of Local Housing Allowance rates.

She started her search and was open to moving to anywhere in Bedfordshire or Hertfordshire but it has been fruitless. By the time she came to see us in May she had exhausted her search

"I have tried numerous estate agents but have never got my toe in the door. I encountered the same attitude towards anyone on benefits. A few said they would add me to their list but I now think that was said to humour me. I have never heard a thing from them. Others were much more blunt. It was a flat refusal because I was on benefits"

The client tried to point out that if a tenant was working they could lose their job tomorrow and not be able to pay their rent, whereas a person in receipt of Housing Benefit could guarantee that their rent would be paid. She said that they just shrugged their shoulders. There was one exception which was an Estate Agent in Central Bedfordshire who spotted the Council list in her hand and told her to put it away and forget that she had ever mentioned benefits. She was told that they could get her a tenancy and the landlord would never know. The client was uncomfortable with this as it involved deception.

When asked if she could have afforded a deposit and fees. She said that she never got that far although Housing Options had indicated that they would pay her deposit and fees if she was able to find a tenancy.

On latest contact with the client, her father has served her notice to leave and she has found her situation so stressful she has been diagnosed with depression. As a consequence of the medical evidence provided by her GP she has been allowed to go on the Housing Register although she still does not meet the residency rules.

The client is an assured short hold tenant and lives with a family member who has severe mental health issues and is housebound. The client also has significant health issues himself and for the last few years has been reliant on sickness and disability benefits. They have been on good terms with their landlady, looked after the property and paid their rent for the past five years. The client has now been informed that his landlady is selling his property to enable her to move away to look after her granddaughter who is ill. The client has been served a section 21 notice meaning that he will be required to vacate the property at the end of January.

After consulting the Council he was advised to seek alternative private rented accommodation. He has been told that they must force his landlady to obtain a court order which will delay the eviction by 4-6 weeks and must remain in the property until the eviction is enforced. If they fail to do this they will be considered intentionally homeless.

He has conducted an increasingly desperate search of estate agents in an around Central Bedfordshire and has been shocked at the response "There is no compassion as soon as they find out you are on benefits they just show you the door. It was not easy to find a property while on benefits five years ago but this time it has been so much harder and the rejections have been more blunt".

Recently the client managed to view a property in Sandy by saying that he was retired. He met the landlady to go through his financial position at which point he explained that he was reliant on benefits and provided bank statements to demonstrate that he has always paid his rent. The landlady seemed positive but said she would have to check on this. When the client rang the letting agents the following day he was told that the landlady was unable to let the property to unemployed tenants due to her insurance terms & conditions which stipulates that tenants must be in employment.

The client says he feels frightened about the impact on the health of the person he cares for and his own wellbeing when the eviction is enforced. The relationship with his landlady is getting increasing hostile as she needs to move as quickly as possible so that she can support her own family.

Upfront Costs Hurdle

If the prospective tenant has passed the affordability hurdle and the benefits barrier another hurdle now presents itself, upfront costs. The letting agents' survey showed a huge variance in upfront costs with a range of different fees; including credit reference fees, admin fees, deposit and rent in advance fees.

85% of letting agents require an additional deposit for pets, this is generally an additional 2 weeks deposit but some charge 4 weeks. In addition tenants are expected to have carpets de-fleaed and professionally cleaned at the end of the tenancy. (All reasonable expectations by the landlord but an additional cost to those on already stretched budgets.)

The range of upfront costs for number of bedrooms is given below. These figures are calculated from the 2015 snapshot and include all credit reference fees, admin fees, deposit and rent in advance.

Number of Bedrooms	Range of costs for a single person	Range of costs for a couple
1	£1335 - £1960	£1491 - £2060
2	£1761 - £2937	£1800 - £3013
3	£2290 - £4900	£2365 - £4900
4	£2429 - £5370	£2629 - £5490

Tenants on low incomes will often have no access to funds for upfront fees. If they are moving from another rental property they will be unable to use the deposit from that property; even if it is returned in full, it won't be available until after the previous property has been inspected and agreement reached on deductions. If tenants are receiving Housing Benefit, they may be eligible for help with Discretionary Housing Payments (DHP)³.

The demands on the DHP pot are considerable and unenviable decisions have to be made on who will receive help.

For Central Bedfordshire in 2014/2015, the Discretionary Housing Payments which were given to help secure and move to alternative accommodation (e.g. rent deposit) amounted to £3000⁴. This is 1% of the Discretionary Housing Payment pot for Central Bedfordshire compared to a national percentage of 8% used for this purpose. However it is the policy of Central Bedfordshire Council to ensure that

disabled people can stay in their adapted properties and £76,000 of the Discretionary Housing Payment Pot was used for this purpose which represents 26% compared to a national average of 3%.

A final look at our scenarios and only one family has managed to jump all the hurdles and barriers so far.

A married couple with three children.

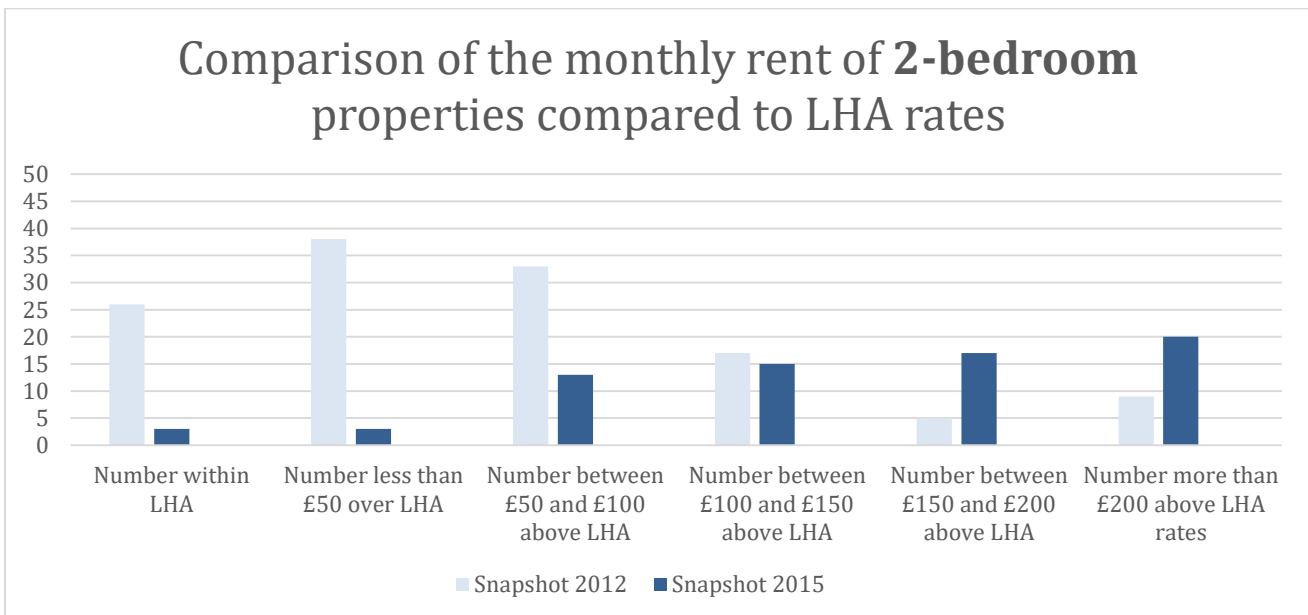
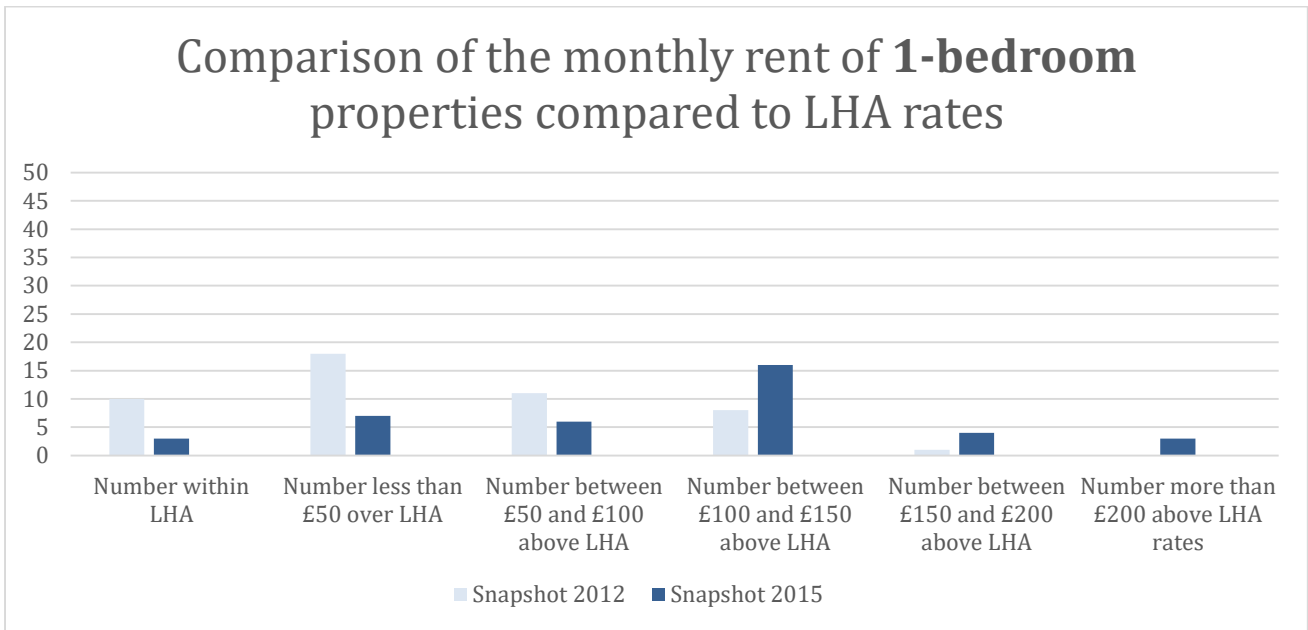
The family has passed the first hurdle and barrier **but** if they are moving because their previous landlord has decided to sell the property, they expect to get the deposit back but not in time for the new property. They need a Discretionary Housing Payment but will the rules allow it and is there any money left in the DHP pot.

Rent Levels Barrier

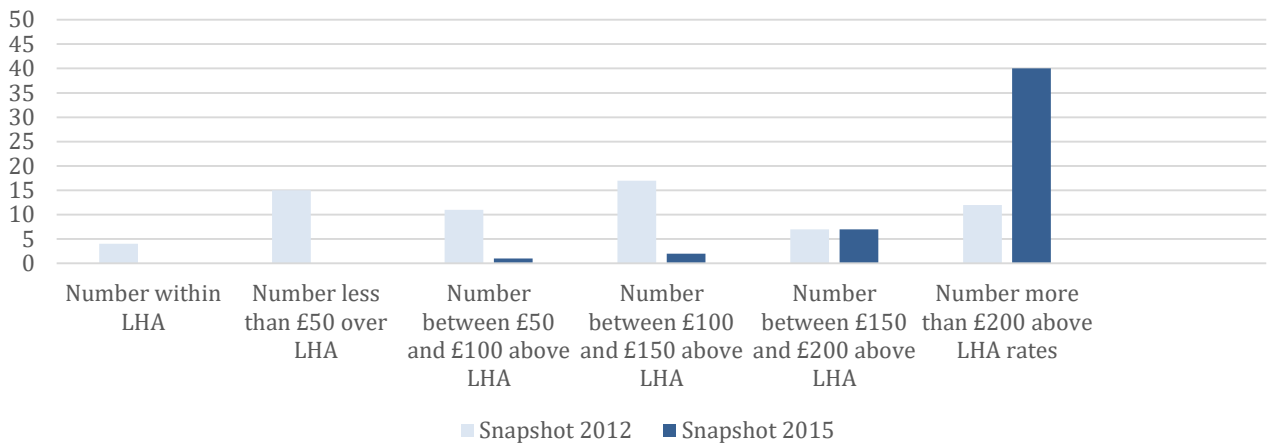
Nationally rents are hitting an all-time high driven by demand and Central Bedfordshire is no exception. Rental levels are difficult for many people but for those on low incomes, especially when claiming benefits, they are often prohibitive. In a previous study completed in 2012, a snapshot of rental prices was taken which allows the comparison of 2012 and 2015 data. The data shows that the percentage of available properties within the LHA rates has plummeted from 19% in 2012 to 0.04% in 2015.

For 2015, that is just 7 properties within the whole of Central Bedfordshire (three 1-bedroom properties, three 2-bedroom properties and one 4-bedroom property).

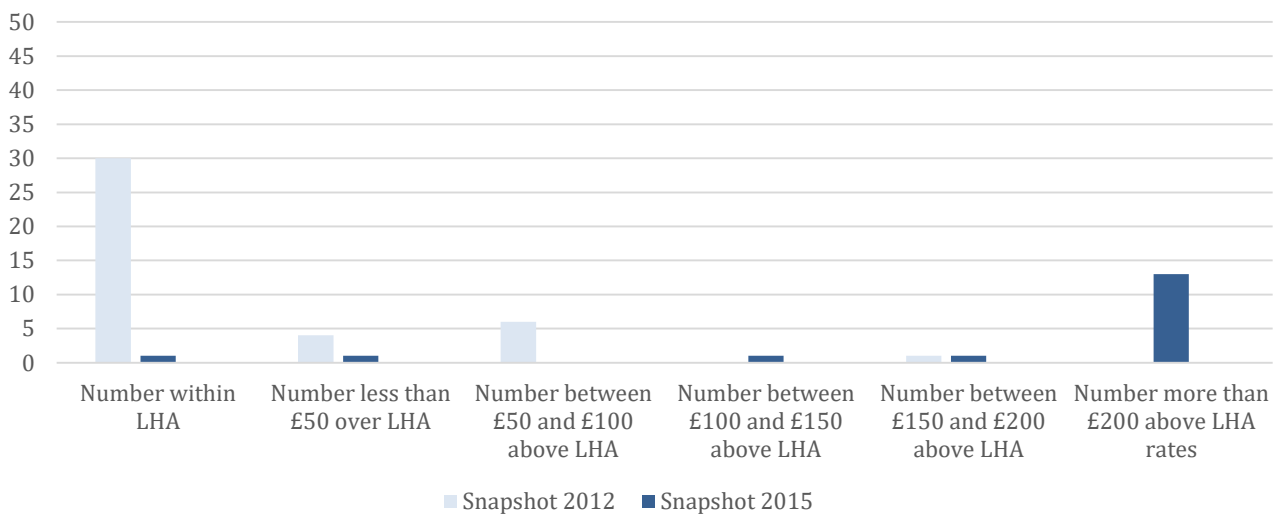
The comparisons are showed in the charts below. The properties have been grouped according to number of bedrooms.



Comparison of the cost of 3-bedroom properties compared to LHA rates



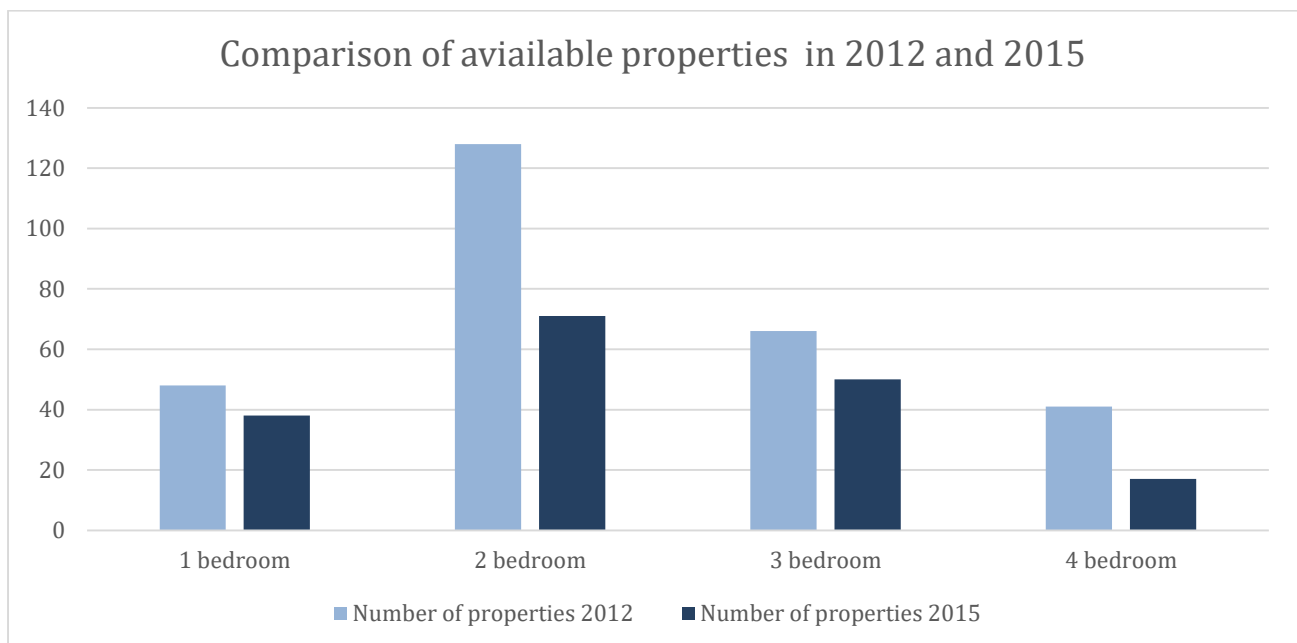
Comparison of the monthly rent of 4-bedroom properties compared to LHA rates



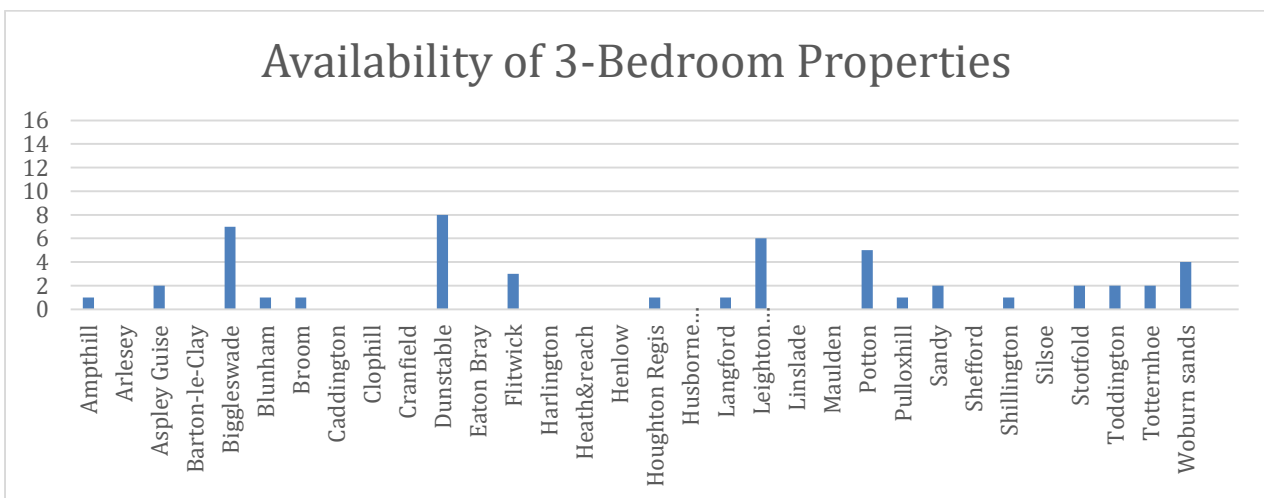
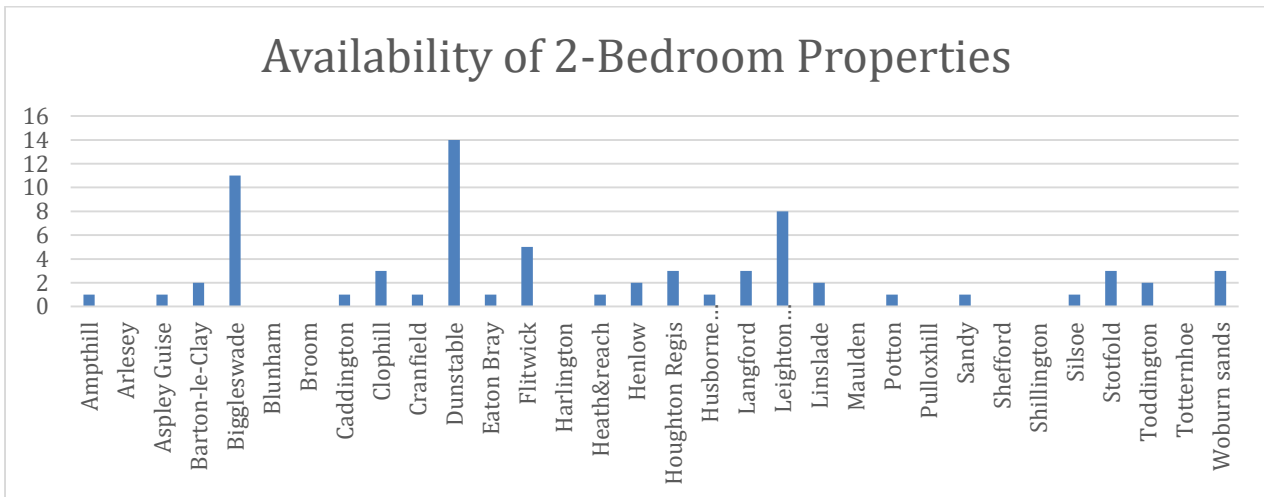
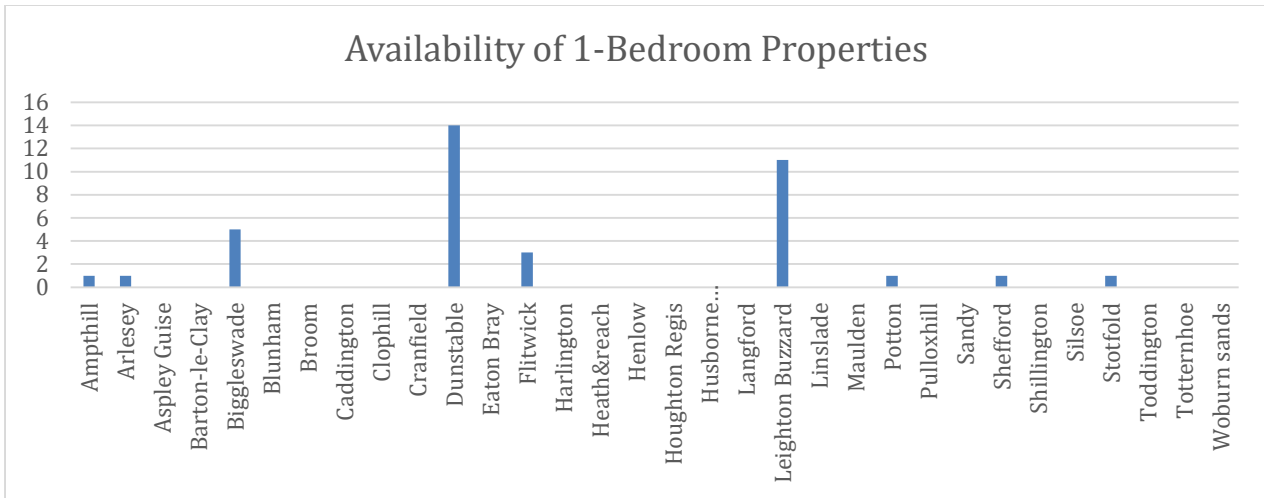
Shortage of Private Rental Properties

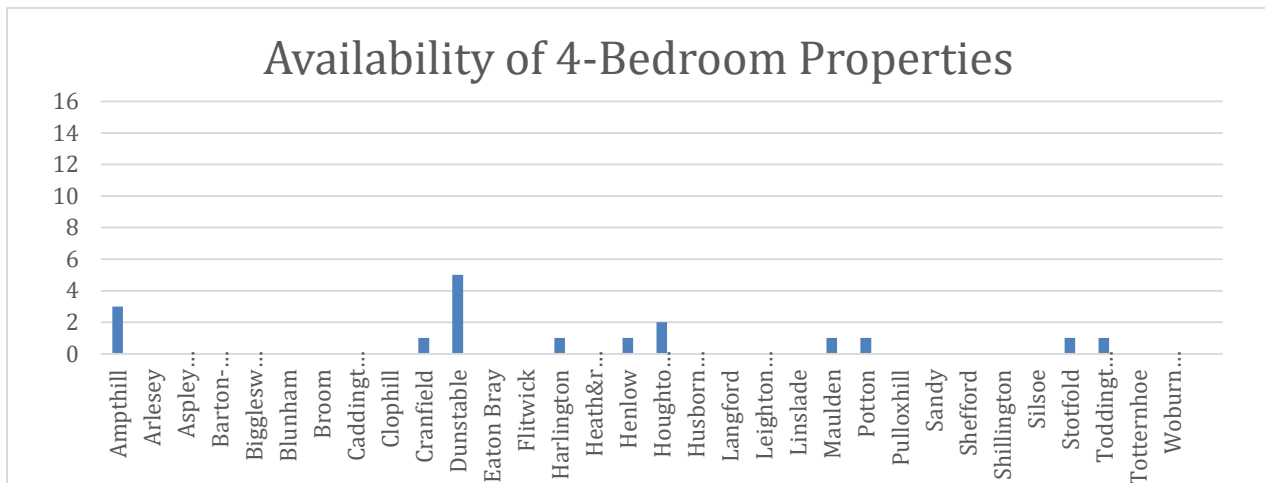
Estimates put the need for additional housing in England at between 232,000 to 300,000 new units per year, a level not reached since the late 1970s and two to three times current supply.⁶ With too few new houses being built nationally and prices excluding many people from buying property the pressure on the Private Rental Sector is increasing. This is reducing the number of properties which become available for rent.

Comparing the snapshots for 2012 and 2015 shows that Central Bedfordshire is suffering from a decline in the number of private rental properties. In 2012 there were 283 properties for rental in Central Bedfordshire, in 2015 this has dropped by 38% to 176. The chart below shows the distribution according to number of bedrooms.



The distribution is variable throughout Central Bedfordshire. Looking at the 2015 snapshot, the distribution of available properties is shown in the graphs below. (Any towns not included had no properties of any size in the snapshot.)





Issues for concern

1. Recent Central Government policies proposed and implemented are reducing the social housing stock and at the same time dis-incentivising the buy to let market.⁷

These policies include

- Extending Right to Buy to Housing Association Tenants
- Forcing the sale of council houses to fund Right to Buy
- Reducing rents in the social housing sector by 1% year on year.
- Lifting the requirement for developers to factor affordable housing into developments
- Increasing stamp duty on buy-to-let properties
- Reducing tax relief on buy-to-let mortgages
- Reduction in the benefit cap to £20,000 outside London
- 5 year freeze on Housing Benefit/ Local Housing Allowance Rates

2. Universal Credit, the rollout of which started in 2013, has absorbed Housing Benefit. The housing element is the element which will be reduced if the benefits cap applies.

3. Housing and Homeless strategies for Central Bedfordshire are based on the following good practice.

- It is recognised that the wellbeing of residents is improved by access to good housing.
- Early intervention is recognised as being important to prevent homelessness.
- The Lets Rent scheme has provided homes for 90 homeless families.

However

- Good housing is increasingly difficult to obtain.
- In order to combat the shortage of social housing stock those threatened with homelessness are told they must wait for eviction before they can be considered homeless.
- Limitation of the Lets Rent scheme in that landlords are reluctant to sign up and it is only available for homeless people or those threatened with homelessness.

Conclusion

Those on low incomes have multiple barriers and hurdles to surmount in order to rent a property in the Private Rental Sector.

Letting agents will not consider a prospective tenant unless they consider they meet an income threshold and are able to find significant upfront costs.

If their income and savings are sufficient most letting agents and landlords are reluctant to consider prospective tenants who receive Housing Benefit.

The national housing crisis is also impacting prospective tenants in Central Bedfordshire. The shortage of properties and Local Housing Allowance failing to keep up with rising rental prices hits those on lowest incomes hardest.

Recent and proposed Central Government policies are also further limiting the options for low income individuals and families, reducing the social housing stock, disincentivising the buy-to-let market and making benefit recipients less attractive tenants to landlords.

The combination of market forces means that social housing must play a bigger role in housing provision. It will be increasingly difficult for local authorities to discharge their duty to the private sector

There is clear evidence that Central Bedfordshire Council policies enable support in this area through the Lets Rent Scheme⁵ and DHP. But unregulated letting agents fees and charges put a potentially unsustainable burden on Central Bedfordshire Council funds. The size of the DHP pot means that not everyone can be helped and some people who need help will not be eligible.

Because of high rental costs and shortfall of Local Housing Allowance, families are being forced to move to new areas without support from their family networks, in addition this move can lead to further expense for those already struggling to pay

their bills; they may be required to buy new school uniforms, have to pay more for commuting to work and lose support of family and friends who provide child care.

All these factors combine to mean individuals and families looking to access the Private Rental Sector in Central Bedfordshire face often insurmountable barriers and hurdles in their attempts to find somewhere to live.

To help overcome these barriers and hurdles, the following are some suggestions that Central Bedfordshire Council might consider:

- Expansion of the Lets Rent scheme
- Central Bedfordshire Council could work more closely with landlords to dispel some of the myths and give reassurance about the support that can be offered
- A scheme to help those who have a temporary lack of funds during the take-up of their tenancy and the sale of their property
- Change the policy on findings of intentional homelessness so that tenants facing eviction do not have to wait for the landlord to take possession proceedings. This may incentivise landlords to take tenants on low incomes
- Consider additional finance for leaving costs so that landlords can be happy that the tenants won't leave without completing tasks, for example carpet cleaning when they have a guide dog
- Ensure that temporary and permanent social housing accommodation has discretion to allow pets which may be the only 'friend' of the elderly or disabled.
- Prioritise processing HB claims to private landlords, including change of circumstances
- Lobby Central Government to rescind changes which reduce social stock.

References

¹ For the purpose of this report low income is defined as being a person or family whose earnings are at or below the national average wage of £26,500 per annum.

² Central Bedfordshire Housing Strategy 2011/2012 - 2015/2016

³ A Discretionary Housing Payment is an additional sum of money that can be paid to those in receipt of Housing Benefit and who require additional help to meet housing costs. It can cover additional rent or upfront costs.

⁴ Department for Work and Pensions: Use of Discretionary Housing Payments: 25th June 2015

⁵ Central Bedfordshire Council Lets Rent Scheme

⁶ Housing supply in 2015-2020: Key issues for the 2015 Parliament

<http://www.parliament.uk/business/publications/research/key-issues-parliament-2015/social-protection/housing-supply/>

⁷ Budget 2015 &Chancellors Autumn statement

All data presented in this document is the property of Citizens Advice Mid Bedfordshire. Reproduction of this data can be obtained by contacting the Bureau.

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