

## **Home : no less will do - homeless people's access to the private rented sector**

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# Home

## No less will do

Homeless people's access  
to the Private Rented Sector  
**July 2016**

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## **Disclaimer**

The research reported here is entirely the work of the authors. Views expressed in this report are not necessarily those of Crisis or Sheffield Hallam University.

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## Executive Summary

The research on which this report is based was carried out by the Centre for Regional Economic and Social Research (CRESR) at Sheffield Hallam University. It was commissioned by Crisis in response to concerns that single homeless people are finding it difficult to access the private rented sector, at a time when there is increased reliance on the sector to meet housing need. Changes introduced through the Localism Act 2011 in England, for example, allowed local authorities to discharge their homelessness duty into the private rented sector (PRS) and gave them greater power to determine who qualifies for social housing. The consequence is restricted access to social housing. In the meantime, however, the Government has introduced a raft of measures affecting the private rented sector, particularly at the *low cost* end of the market, focused mainly but not exclusively on changes to Housing Benefit (HB). The concern is that the combined effect of policy changes in the social and private housing markets - alongside wider tenure restructuring and market change - will leave many homeless people unable to resolve their housing problems. This study sought to unpick some of these issues, by exploring landlord views and lettings practices on the one hand, and prospective (homeless) tenants' experiences of trying to access the sector on the other. It also explored views and experiences of *private rented access schemes* - schemes that seek to provide better access to housing for vulnerable people.

The research was conducted between October 2015 and January 2016 and comprised: a postal and online survey of 949 Landlords with properties in England (mostly) and Scotland; a face-to-face survey of 103 people using homelessness services in England and Scotland; and a survey of 58 local authority officers in England. In addition, qualitative insights were obtained

through face-to-face and telephone interviews with stakeholders (seven in total, including landlords, landlord representative organisations, housing advisors and PRS access scheme staff) and 11 interviews with homelessness service users who had recently sought private rented accommodation.

### Key Findings

The following key conclusions emerged from this study:

- **Although the private rented sector has expanded significantly in recent years, access to the sector remains severely restricted for homeless people.** The private landlords surveyed were generally reluctant to rent to people in receipt of Housing Benefit, and even more reluctant to rent to people they know to be homeless. **Only 20 per cent of landlords indicated willingness to rent to homeless people.** A proportion of these would only do so through a private sector leasing arrangement, leaving just 14 per cent with property available to homeless people on the open market. The local authority officers surveyed agreed that it had become more difficult for single homeless people to access the private rented sector in the past five years. Landlord reluctance to rent to homeless people and benefit claimants was reflected in the experiences of the homelessness service users surveyed, more than two thirds of whom had encountered landlords unwilling to rent to people in receipt of HB or people who were homeless. **All but two of the *prospective tenants* surveyed said they had encountered some kind of difficulty when trying to secure a private rented tenancy and in the majority of these cases (72 per cent) the respondent was unable to secure a tenancy as a result.**

- **Government policy is compounding rather than mitigating the difficulties faced by homeless people and benefit claimants trying to enter the private rented sector.** Around two thirds of landlords reported that **direct payment of HB to the tenant** was making them less willing to rent to benefit claimants (68 per cent) and/or to homeless people (66 per cent), while a similar proportion of those currently renting to these tenants reported only doing so if HB is paid to the landlord. This is in direct tension with Government policy to pay HB directly to the tenant in most cases in a measure designed to promote greater *responsibility*. Around half of the landlords surveyed reported that **changes in LHA rates and the four year freeze on HB** had made them less willing to rent to homeless people and/or benefit claimants, and nearly half of those unwilling to rent to HB claimants said the reduction in LHA rates was deterring them from doing so. **Recent taxation changes and increased regulation** (such as immigration checks) also affected landlord willingness to rent to HB claimants and to homeless people.
- Difficulties finding accommodation within the LHA rate was also an issue raised by homelessness service users as well as by local authority officers, nearly all of whom reported that **LHA rates were inadequate in their area and that there was a shortage of accommodation available at the Shared Accommodation Rate**. All but one of the private sector tenants interviewed (homeless people who had managed to secure a tenancy) was topping up their HB and one had moved to a different city - away from his children - in order to find accommodation at a cost that was manageable (albeit still above the LHA rate).
- Landlords clearly perceive both benefit claimants and homeless people to be *higher risk* as tenants. For example, a significant proportion of landlords said they were deterred by concerns about arrears, property damage and a perceived need for more intensive management in relation to these tenants. To mitigate these perceived risks, **landlords acknowledged putting in place additional safeguards when renting to benefit claimants and to homeless people, effectively imposing a premium on these prospective tenants**. For example, when renting to homeless people, 16 per cent of landlords reported increasing the deposit, 12 per cent said they increased the advance rent, and 15 per cent increased the contractual rent. A sizeable proportion also said they made more extensive use of guarantors (32 per cent) and references (31 per cent).
- **Access costs emerged as a key barrier preventing homeless people from accessing the private rented sector** - and these costs can be higher for homeless people than for other potential tenants (see bullet point directly above). The most common difficulties encountered by homelessness service users related to costs (including finding accommodation within this LHA rate, as discussed above). The requirement for a deposit alone was often enough to prevent access to a private rented tenancy, but agent fees and advance rent were also significant barriers. In total 84 per cent of those who had sought PRS accommodation encountered difficulty finding anywhere affordable, 80 per cent encountered problems raising money for a deposit and 73 per cent had difficulty with advance rent requirements. The majority of local authority officers surveyed reported that the cost of securing a PRS tenancy had increased significantly over the past five years and that letting agent fees and upfront costs specifically had increased.
- In response to some of the difficulties accessing the PRS that vulnerable people are facing, a key development has been

the development of *PRS access schemes*. **Evidence from landlords, local authority officers and from tenants suggests that PRS access schemes and similar forms of support can help overcome some of the barriers homeless people are experiencing when trying to secure a PRS tenancy.** Over half (60 per cent) of the relatively small proportion of landlords (14 per cent) who had let through a PRS access scheme said they would only rent to tenants perceived as higher risk through such a scheme. This suggests that, without PRS access schemes, homeless people would not be able to access some of the accommodation currently available to them. Half of the homelessness service users surveyed expressed the view that they would not have secured a tenancy without the help and assistance they received and a further 25 per cent said it would have been more difficult. Local authority officers also lent their support to PRS access schemes but reported that funding was insufficient and, in many cases, reducing. Perhaps not surprisingly, the features of PRS access schemes that landlords valued most were those providing financial reassurances (for example, bond schemes), but tenancy support and training for landlords and tenants were also considered important by a sizeable minority.

- There are **landlord incentives that could be put in place to lift barriers to access for homeless people and/or benefit claimants.** Evidence from landlords suggested a suite of measures that would motivate landlords to let to this group. The largest group of responses related to direct payments of LHA to tenants. Many landlords stated that, if they were paid the rent directly, this would make them more likely to rent to LHA claimants. Another area of improvement related to services and support for both tenants and landlords. Suggestions included better communication from the HB department

and provision of tenant support or training from a third party (such as PRS access schemes – see above). Other incentives related to changes in policy and greater intervention by government, including higher LHA rates, government responsibility for damage and arrears, and addressing mortgage restrictions and insurance premiums which prevented landlords from letting property to out of work tenants or increased insurance costs if they did.

# 1. Introduction

This study was conducted by the Centre for Regional Economic and Social Research (CRESR) at Sheffield Hallam University. It was commissioned by Crisis in October 2015 to explore the experiences of homeless people and those at risk of homelessness who try to meet their housing needs in the private rented sector. In particular, the study sought to understand how accessible the private rented sector is to homeless people, and identify any barriers hindering their efforts to secure accommodation in this sector.

- the Residential Landlord Association (RLA) distributed the survey to all their members in England via an email in their weekly newsletter and a link to an online questionnaire. A total of 701 RLA members returned a questionnaire;
- the Scottish Residential Landlord Association (SRLA) distributed the questionnaire to their members via email, linking to an online version. In total, 39 SRLA members returned a questionnaire.<sup>1</sup>

## 1.1 About the Research

The study was conducted between October 2015 and January 2016 and data collection focused mainly on three surveys, supplemented with a small number of interviews to add qualitative insight and case studies to illustrate key points emerging from the surveys. Further details of each activity are provided below.

The questionnaire explored how willing landlords were to rent to people in receipt of Housing Benefit and to homeless people; their reasons for not renting to these groups, and strategies employed for mitigating the risks they associate with renting to benefit claimants and/or homeless people. The survey also explored landlords' experiences and views of PRS access schemes. In total, 949 private landlords were surveyed.

### Survey of Private Landlords

A questionnaire was distributed to private landlords in England and Scotland via three methods:

- a postal questionnaire (which also contained a link to an online version of the same questionnaire) was distributed to 370 landlords in 19 areas across England and Scotland who had previously been surveyed as part of an evaluation of changes to LHA for DWP that CRESR had conducted. These landlords had all indicated a willingness to be recontacted for future research. In total, 209 of these landlords returned a questionnaire either by post or online;

### Face-to-face Survey of Homelessness Service Users

Homelessness service users were surveyed face-to-face, mainly but not exclusively in Crisis Skylight centres in England and Scotland. The survey focused on people's experiences of accessing (or attempting to access) the PRS and the barriers they faced doing so. It also asked about people's experiences of PRS access schemes. In total, 103 people were surveyed, 82 men and 19 women and including younger people (13 were aged 16-25) and people in older age groups (22 were aged 25-34; 38 were aged 35-49 and 29 were aged 50-64). Just over one third were in settled accommodation in the social or private rented sector at the time

<sup>1</sup> More than 39 landlords had property in Scotland because some landlords based in England rented property in Scotland, but the final figure was still relatively low (68). We do not present the results separately for England and Scotland, despite the different context in which landlords in these two countries operate, because the size of the sample of those with property in Scotland is not high enough to warrant it. In any case, the inclusion of landlords with property in Scotland makes very little difference to the results because of the small size of the sample. All key questions were analysed by geography and we report where any difference between Scottish and English landlords are statistically significant, although this was very rarely the case.



they were surveyed. The vast majority were surveyed in England (98/103).

### **Online Survey of Local Authority Officers**

Local Authority Officers in all local authorities in England were invited to take part in a short online survey. This survey focused on shifts in the PRS over the past few years, and the reasons for any changes, views on the accessibility of the sector to homeless people, and the presence of/need for PRS access schemes. The survey was sent out through the Department for Communities and Local Government to all local authorities in England. In total, 58 local authority officers responded to the survey.

### **Qualitative interviews with stakeholders and homelessness service users**

A small number of interviews were undertaken with stakeholders and people using homelessness services who had attempted (some successfully, others not) to access the private rented sector within the past year or so. The purpose of these interviews was to add qualitative insights to the evidence from the surveys, and provide some case studies for the report as well as to help the team accurately interpret the survey results. A total of 11 tenants/prospective tenants were interviewed face-to-face, with discussion focused on their experience of trying to secure a private rented tenancy and any difficulties they faced. Some had received support from a PRS access scheme and we sought to understand the difference between people's experiences of seeking accommodation with, and without, this support.

Seven stakeholders were interviewed, face-to-face and by telephone, with additional correspondence and comments provided by email and (in one case) letter. Stakeholders included staff from the RLA, landlords, local authority housing advisors and staff in PRS access schemes.

## 2. Policy Context

There is concern in the homelessness sector that single homeless people are finding it increasingly difficult to access private rented accommodation, at a time when there is more reliance on this sector to meet housing need. Changes introduced through the Localism Act 2011 in England, for example, allowed local authorities to discharge their homelessness duty into the private rented sector and gave them greater power to determine who qualifies for social housing, including the right to restrict waiting lists. The consequence is restricted access to social housing. In the meantime, however, the Government has introduced a raft of measures affecting the private rented sector, particularly at the *low cost* end of the market, focused mainly but not exclusively on changes to HB. The concern is that the combined effect of policy changes in the social and private housing markets - alongside wider tenure restructuring and market change - will leave many homeless people unable to resolve their housing problems. This chapter reviews some recent key policy changes and considers the implications for those in housing need.

The past fifteen years have witnessed a major transformation in the tenure structure of the UK housing market. The twin pillars of owner-occupation and social housing have both eroded, for different reasons, and the private rented sector (PRS) has expanded rapidly. The proportion of the households living in the PRS in England has therefore increased markedly within a ten year period - from 11 per cent in 2003 to 19 per cent in 2013/14<sup>2</sup>. For the first time since the war, the proportion of owner-occupiers in the housing market has started to decline, falling from 71 per cent in 2003 to 63 per cent in 2013/14.<sup>3</sup> Meanwhile

the proportion of households living in social housing has continued its long term decline, from 19 per cent in 2000 to 17 percent by 2013/14. These trends all inevitably have a direct and indirect impact on the access to the housing market by homeless households and those who receive Housing Benefit. As one landlord stakeholder interviewed for this study put it succinctly:

*Social housing has been sold off and often ends up in the hands of private landlords. Low income people are increasingly reliant on private landlords...there is hardly any accommodation available to those on low incomes and the situation is getting worse.*

Access to owner-occupation was already tightening in the early 2000s, but became even more difficult in the wake of the financial crisis of 2008. The crisis affected new housing supply, which fell from over 143,000 private sector starts in England in 2007/8 down to 62,000 in 2008/9 and this has, even now, only partially recovered to 112,000 private sector starts by 2014/15. The crash also caused lenders to tighten their lending criteria, which particularly affects more financially marginal applicants. This has now been reinforced by the introduction of the new Mortgage Market Review rules introduced in 2014 to regulate *riskier* lending. These difficulties in accessing owner-occupation have been reflected in increased *deflected* demand for private renting from the cohort of households who might previously have been first time buyers - in the 25 to 34 year old age group. The proportion of households in this age group living in the PRS has more than doubled from 21 per cent in 2003/4 to 45 per cent in 2013/14<sup>4</sup> - a dramatic change given the normally gradual

2 Department for Communities and Local Government (CLG) (2015) *Survey of English Housing: Headline Findings* London: CLG  
3 *ibid*  
4 *ibid*

shifts that take place in housing markets over time, and popularly characterised as the *rise of Generation Rent*.

A recent study estimated that the rental market in Britain will continue to expand by over one million households over the next five years, despite Government measures seeking to expand owner occupation. But demand will continue to outstrip supply, causing further rent increases.<sup>5</sup>

Access to social housing has become more restricted as a result of a series of policy measures introduced by both the 2010-15 Coalition Government and the Conservative Government since 2015. This is not the place for a full discussion of all these measures, but they include limiting the borrowing capacity of local authorities to fund their own building programmes, the introduction of *affordable rents* at 80 per cent of market rents and increased discounts for the Right to Buy in the local authority sector in 2012 and 2013<sup>6</sup>. While the Coalition Government gave a commitment that any additional sales would be replaced on a one-to-one basis and therefore have a neutral effect on the overall stock of social housing, one recent estimate suggested that only a small proportion of those sold will be replaced, even allowing for the time lag between sale and new development.<sup>7</sup>

The Conservative Government has introduced a raft of new measures affecting both the social and private rented sectors since May 2015. Under the current Housing and Planning Act 2016 the Government is enforcing the sale of vacant higher value

council stock, and has introduced *Pay to Stay*, whereby those households with annual incomes of more than £30k (£40k in London) will need to pay market rents in the future if they remain in their accommodation. This may have the effect of stimulating applications for the Right to Buy. The Local Government Association (LGA) has recently estimated that 88,000 council properties will be lost by 2020 as a result of the Right to Buy and the sale of higher value properties<sup>8</sup>. The government is also introducing the voluntary Right to Buy (VRtB) programme in the housing association sector. The government has undertaken to replace any dwellings sold under VRtB with new properties (for sale or rent) but previous experience does not augur well for this intended outcome being achieved. Finally, the reduction in social rents of one per cent per year over the next four years will reduce the ability of social landlords to borrow to invest, whether for refurbishment or new build programmes.

The combination of measures described above has caused Peter Box, the housing spokesperson at the LGA, to comment: "*This loss of social rented housing risks pushing more families into the private rented sector, driving up housing benefit spending and rents, and making it more difficult for families to save the deposit needed for their first house*"<sup>9</sup>.

So, how are the experiences of homeless people, those in acute housing need and households receiving Housing Benefit (HB) being affected by changes in the PRS, given its increasing importance? Before turning to our research findings, we review the impact of recent policies affecting the lower value end

5 Savills (2016) *Spotlight Rental Britain*, London: Savills World Research

6 for London only

7 For example, a survey by CIH, NFA and LGA in January 2015 found that only one in five of the local authorities in the research said that they currently expect to be able to replace at least the majority of the homes they have sold. By contrast almost three quarters (73%) said that they only expect to replace half or fewer, including one in 10 (12%) who said that they will not be able to replace any at all.

8 'LGA: 88,000 council homes could be lost' Inside Housing 29.1.16 [http://www.insidehousing.co.uk/policy/right-to-buy/lga-88000-council-homes-could-be-lost/7013740.article?utm\\_source=Ocean%20Media%20Group&utm\\_medium=email&utm\\_campaign=6715622\\_ih-daily-29.1.16et&dm\\_i=1HH2,3ZXT2,I8YXMS,EFY48,1](http://www.insidehousing.co.uk/policy/right-to-buy/lga-88000-council-homes-could-be-lost/7013740.article?utm_source=Ocean%20Media%20Group&utm_medium=email&utm_campaign=6715622_ih-daily-29.1.16et&dm_i=1HH2,3ZXT2,I8YXMS,EFY48,1)

9 Inside Housing (2016) LGA: 88,000 council homes could be lost 29.1.16 <http://www.insidehousing.co.uk/policy/right-to-buy/lga-88000-council-homes-could-be-lost/7013740.article?adfsuccess=1>

of the PRS market, which (in theory) caters for those in housing need. The Coalition government introduced in 2011 and 2012 a series of complex but crucial changes to the HB regime for private tenants, assessed under Local Housing Allowance (LHA) rules. This was in part an attempt to reduce levels of HB expenditure in the PRS, reflecting the increasing caseload of households, many of whom were in low paid work.

The Institute for Fiscal Studies (IFS) undertook an analysis of the impact of the new LHA measures on claimants and landlords as part of the wider national evaluation. It found that the reforms had acted to reduce maximum HB entitlements by an average of £8.21 per week for *new* claimants. Ninety four per cent of this fell on tenants in terms of reduced LHA relative to contractual rents, and just six per cent fell on landlords in terms of them making rent reductions. The subsequent analysis of *existing* claimants estimated that maximum LHA entitlements in given property types had been reduced by an average of £6.84 per week; 89 per cent of this reduction falling on tenants in terms of reduced LHA relative to contractual rents and 11 per cent on landlords in terms of contractual rent reductions. The reduction in HB for claimants in London was above average (at £13.39 per week), and this was relatively high, both as a proportion of their initial entitlements as well as in cash terms<sup>10</sup>.

Of particular note in terms of impact on single people were the changes to extending the Shared Accommodation Rate (SAR) (previously applicable to the under 25s) to those under 35 years old. When this was introduced in 2012, the HB caseload for the

25-34 group began to fall steadily, especially in central London (where it fell by 39 per cent). The average reduction in the weekly HB entitlement for the 25 to 34 year old cohort was £8.25. Furthermore, a significantly higher proportion of landlords in Inner London (29 per cent) compared to landlords as a whole (17 per cent) said they now no longer let to the under 35s<sup>11</sup>.

The LHA evaluation only examined the initial impact of the measures and this showed a slight increase in the reluctance of landlords to let to out-of-work benefit claimants (those willing to let to claimants went down from 79 per cent to 73 per cent in one year, and down from 66 per cent to 54 per cent in inner London). However, looking ahead, 35 per cent of landlords said they were *considering* or *planning* to exit the market for LHA applicants in the coming year<sup>12</sup>.

The general picture that emerges from the LHA research is that landlords were becoming increasingly nervous about letting to HB claimants, but that some of the more extreme predictions about the social cleansing of the London housing market were over-stated, at least in the early stages. Nevertheless there was a marked *cleansing* of single people in central London under the age of 35 who had been receiving HB and living in self-contained accommodation. It was difficult to assess the destinations of this cohort, but a proportion of this group had moved out of London altogether or were *sofa surfing* or were perhaps returning to the parental home, at least as a temporary measure.

As landlords were becoming more wary of letting to applicants receiving HB, with

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10 Department for Work and Pensions (DWP) (2014) *The impact of recent reforms to Local Housing Allowances: Summary of key findings* Research Report 874 London: DWP

11 *ibid*

12 *ibid*

increasing concern about tenants' ability to meet the shortfall between their benefit and the rent being charged, they attempted to insulate themselves against risk. More said that they were now requesting references and requiring guarantors in the event of non-payment. Where landlords could turn to an alternative market for tenants, they were increasingly inclined to do so<sup>13</sup>.

Since the 2015 election, the government has introduced other policy and taxation measures that might cause private landlords to become even more wary about letting to those perceived as *riskier* tenants, such as homeless people or those receiving HB. The 2015 Summer Budget removed tax relief at the higher rate for buy-to-let landlords (from 2017) and the 2015 Autumn Statement increased Stamp Duty Land Tax above a threshold, affecting buy-to-let investors as well as second home owners. The Government has also introduced the *right to rent* measure requiring landlords to undertake checks on the immigration status of tenants. The policy, which came into force at the start of February 2016, requires landlords to see the original documents allowing tenants to live in the UK, to check they are genuine and to keep copies. The scheme introduces stiff penalties for those who rent a property to someone who has no right to be in the UK, making landlords liable to fines of up to £3,000 per tenant.

Furthermore, in line with other working age welfare benefits, the government has frozen HB for the next four years, amounting to a real terms decrease, as yet of unknown proportions. This combination of increased taxation, increased management responsibility and reduced rental revenue is seen as problematic for some landlords.

But of all the concerns about future developments, the continued roll out of

Universal Credit (UC), in which HB becomes reclassified as the *housing costs* element of the integrated payment, is causing the greatest anxiety for landlords operating in those markets. This is for a range of reasons - such as the reliance on digital transactions and communication, and the replacement of the relationship with local authority staff by a more centralised regime in DWP. But the greatest concern of landlord member and lobbying organisations has been focused on the proposal to reduce significantly the proportion of the housing costs element of UC to be paid to the landlord rather than the tenant.

In the LHA evaluation, around 30 per cent of landlords said they received direct payment of HB for one or more of their tenants. The proportion of landlords who will receive direct payments (known as Alternative Payment Arrangements (APAs)) in a similar way under UC is intended to be much smaller than this. Many landlords are very nervous that tenants, whose budgets are assailed from many different quarters, are simply having to spend some of their ostensible *housing money* on other essentials to make ends meet. Other landlords are equally nervous, but take a less generous view of tenant priorities, and think it will be squandered on non-essentials before the rent is even considered.

This cocktail of influences, it is claimed, will compound the effect of the LHA reforms and will therefore make landlords much more reluctant in the future to let to tenants receiving HB in general, and to homeless and vulnerable people in particular- just at the time when these households are more dependent on the private rented sector than before.

In considering how landlords will react in the coming years, however, one has had to rely so far on the views of landlord organisations

<sup>13</sup> Department of Work and Pensions (DWP) (2014) *The impact of recent reforms to Local Housing Allowances: the response of landlords* Research Report 870 London: DWP

lobbying for policy changes to be made - not much has been heard from private landlords directly, based on independent evaluation. This study provides just such an opportunity - to assess how far the various policy and housing market changes in recent years have caused landlords to resist letting to homeless people and those receiving HB, or at least to increase the cost of accessing the sector - so a much higher wall than before has to be scaled, by those least able to do it. The study also makes it possible to assess these responses against the actual experiences of single homeless people.

### 3. Access to the Private Rented Sector

Single homeless people have always been expected to look to the private rented sector (PRS) to resolve their housing problems. With owner occupation financially out of reach, long waiting lists for social housing and local authorities owing a housing duty only to those meeting stringent *priority need* criteria that do not apply to many single people, the private rented sector is the most viable option (see Chapter 2).

Reflecting this situation, the majority of the homeless service users interviewed had made efforts to find a private rented tenancy in the past year. Table 1 shows that 65 per cent had looked for a private rented tenancy, while nearly half had progressed to enquiring about a tenancy and just over one third had made an application.

Interview respondents were selected because they had recent experience of seeking private rented accommodation, so it is no surprise that all could recount experience of the sector. However, their stories did demonstrate the concerted efforts people make to find accommodation. Respondents described visiting agents, phoning each and every landlord and agent on lists provided to them, walking the streets taking down and calling the telephone numbers on lettings boards, looking in newspapers, on-line, in shop windows, and searching through websites such as Gumtree, as well as seeking the assistance of voluntary sector organisations, local councils, friends and family.

The small number (28) of respondents who had not sought a private rented tenancy gave a range of reasons for this. Over half said that had not wanted to move. These respondents were in a range of housing situations but many were in their own private or social rented tenancies. They had perhaps

**Table 1. In the past year have you done any of the following (respondents answering 'yes')?**

	no.	%
looked for a private rented tenancy	67	65
enquired about a private rented tenancy	47	46
applied for a private rented tenancy	35	34
none of the above	28	27

n=103

been homeless, had now secured adequate accommodation, but were still in need of the help and support provided through the homelessness service through which they were contacted. A small number were living in temporary accommodation. These respondents too may have been benefiting from the help and support often available in hostel accommodation and not yet felt in a position to take on an independent tenancy.

Of the small number of remaining respondents who had not sought private rented accommodation, a few said they did not want to live in the PRS. Some of the stakeholders interviewed for the study had suggested that tenant housing preferences were a barrier preventing homeless people from accessing private rented accommodation. The view was that homeless people were prepared to *hold out* for a council tenancy, even in London. There was little evidence to support this view, although two survey respondents did express reluctance to seek accommodation in the PRS for fear of losing priority need status with the local authority. Some of the homelessness service users interviewed certainly did express a preference for social housing, or reluctance to live in the PRS, but

this had not generally prevented them looking for private rented accommodation. Graham's experience illustrates this point. The lack of security in the private rented sector was a particular concern for him partly because of previous experience of being given (short) notice to quit in tenancies in the past.

*I knew that they [private landlords] had a certain power over you, I've had loads of private lets, I was homeless when I was 15, 16 so I was in private lets all my days and I just knew they always had this power over you that they could put you out, they could write you a letter and that was the reason why I was wanting my own [social rented] tenancy. (Graham)*

Some of those who had not sought private rented accommodation were deterred by a perception - sometimes derived from previous experience - that the PRS was simply not accessible to them. For example, respondents with very limited funds reported that there was *no point* in trying because they had no money for a deposit, for rent in advance or because renting in the PRS was considered too expensive. Others were deterred because they had previously been unable to find anywhere suitable or affordable or had not been able to find a landlord willing to rent to them or because of the perception that private landlords do not rent to homeless people or to people on benefits.

Although these were just *perceptions* - these respondents had not actually sought private rented accommodation recently - the experiences recounted by those interviewed who had sought accommodation (see Chapter 4), and the response of landlords shown in the following section, suggest they

are very valid perceptions.

### 3.1 Lettings Preferences and Practices of Private Landlords

Chapter 2 showed that the PRS has grown significantly in the past ten years, increasing in size and as a proportion of the overall housing market. However, evidence from this study suggests that the proportion of the PRS available to people in receipt of Housing Benefit, and particularly to those who are homeless, is limited.

**Just over half (52 per cent) of the private landlords surveyed for this study said they were *not* willing to let properties to tenants who claimed Housing Benefit,**<sup>14</sup>

(see Figure 1)<sup>15</sup>. This widespread reluctance was reflected in the experiences of the 103 homelessness service users in our survey: more than two thirds (69 per cent) of those who had made efforts to enter the sector (n=64) said they encountered problems with landlords or agents refusing to let to people in receipt of benefits (see Table 2, Chapter 4). The vast majority of single homeless people are in receipt of benefits - a recent survey found that 92 per cent were in receipt of benefits<sup>16</sup> - and so landlord practices in letting to benefit recipients will directly affect homeless people's access to private rented accommodation.

Mark's experiences of trying to secure private rented accommodation are recounted in Case Study 1. This illustrates how difficult it can be for homeless people to find landlords willing to rent to them if they are in receipt of HB, and the consequences for their housing situations. He explained that:

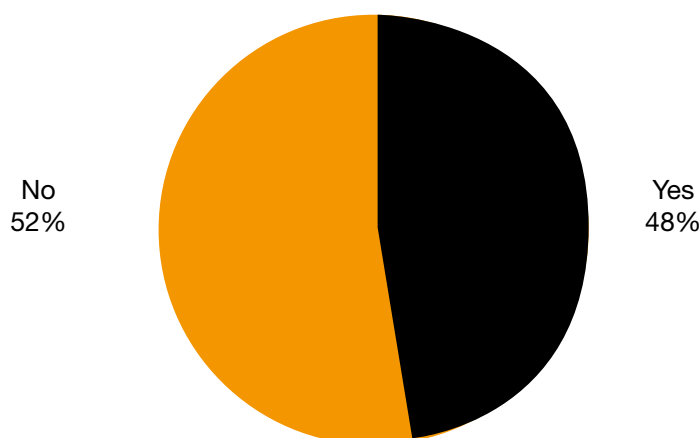
<sup>14</sup> The sample included 220 landlords previously surveyed for a study about Local Housing Allowance and known to have rented to tenants in receipt of HB at some point. As might be expected they were more willing than the rest of the sample to let to benefit claimants. The proportion of respondents willing to let to tenants in receipt of Housing Benefit falls from 48% to 39% if this cohort is removed.

<sup>15</sup> We estimate, drawing on information about the stock profile of these landlords, that the 48 per cent of landlords willing to rent to benefit claimants hold around 61 per cent of the total stock of our full survey sample. We do not know, however, what proportion of that stock they are willing to rent to claimants.

<sup>16</sup> Batty, B., Beatty, C., Casey, R., Foden, M., McCarthy, L., Reeve, R. (2015) *Homeless people's experiences of welfare conditionality and benefit sanctions*. London. Crisis.



Figure 1. Private landlords: Are you willing to let to people claiming HB/LHA/UC?



n=948

*I've been trying to understand why nobody wants DSS but I understand landlords are not interested....I've gone a lot to letting agents and as soon as I tell them about my situation, if I'm going to be able to pay them I guess I would have been able to get a place by now but once they know that there's going to be a DSS thing then... (Mark)*

*Sometimes they did nae take anyone on benefits which I expected because I'd had that before back in the 80s, some landlords preferred people on benefits back then, some landlords were as dodgy as anything back then, but it just seems to have got so much tighter these days. (Graham)*

Landlords are, apparently, even more reluctant to let to homeless people than they are to let to benefit recipients: only **20 per cent of those surveyed indicated that they were willing to let to homeless applicants** (see Figure 2).<sup>17</sup> In addition, a proportion said

they would only rent to homeless people through a Private Sector Leasing Company/ Scheme, reducing further the supply available to this tenant group on the open market. Only **14 per cent of the landlords in the survey said they were willing to rent to homeless people outside a Private Sector Leasing arrangement.** Again, this was reflected in the experiences of homelessness service users who had attempted to secure a private rented tenancy: 42 per cent (n=57) said they had encountered problems with landlords or letting agents refusing to let to homeless people (see Table 2).

The majority (74 per cent) of the landlords willing to let to homeless people reported that they were currently renting less than 10 per cent of their stock to tenants who were previously homeless (see Figure 3). It is important to note that this may reflect the level of demand and the number of applications received, rather than necessarily reflecting specific letting practices by landlords.

<sup>17</sup> We estimate, drawing on information about the stock profile of these landlords, that the 20 per cent of landlords willing to rent to homeless people hold around 30 per cent of the total stock of our full survey sample. We do not know, however, what proportion of that stock they are willing to rent to homeless people.

Figure 2. Private landlords: Are you willing to let to homeless people?

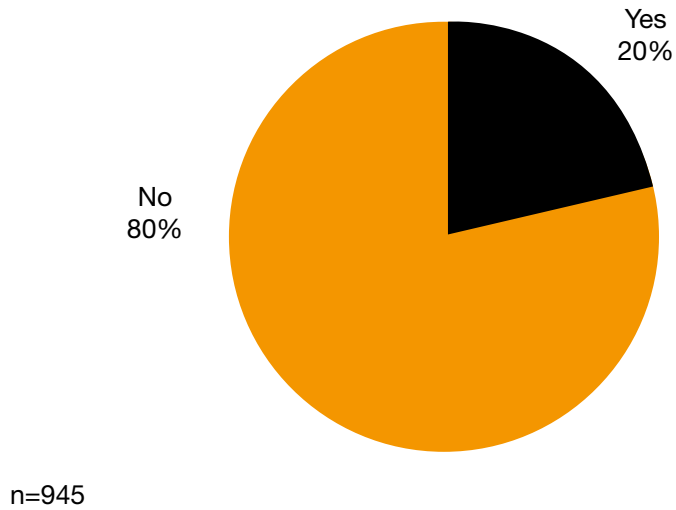
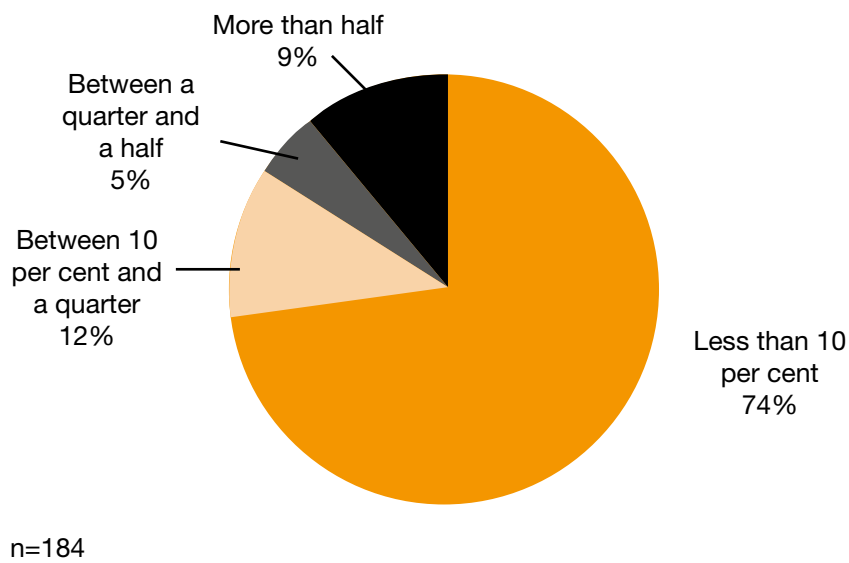


Figure 3. What proportion of your stock is currently let to tenants who were homeless?



Some landlords were more willing to rent to HB claimants and to rent to people who were homeless than others<sup>18</sup> and they included:

- full time landlords;
- landlords with larger property portfolios (those with six or more properties were more likely to rent to people in receipt of HB, while those with 11 or more properties were more likely to let to homeless people);
- more experienced landlords (those with 10+ years experience as a landlord);
- landlords with property in the North (North-West, North-East, Yorkshire and Humber, and Scotland) were more likely, and landlords with property in London less likely, to let to tenants in receipt of HB: landlords with property in Scotland were more likely to let to tenants who were homeless.<sup>19</sup> Figure 4, for example, shows that 61 per cent of landlords with property in the North-West were willing to let to HB claimants compared with 33 per cent of landlords with property in London. Figure 5 shows that 30 per cent of landlords with property in Scotland were willing to rent to homeless people compared with 16 per cent in London.<sup>20</sup>

These findings are consistent with the national evaluation of changes to LHA undertaken two years earlier, which found that twenty per cent of landlords in inner London (for example) said they no longer let to tenants receiving Housing Benefit/Local Housing Allowance, whereas just seven per cent of those in LHA dominant areas (mostly

based in the North, but also including some seaside towns in the South) said they did not let to them<sup>21</sup>. For many of these landlords, continuing to let to HB tenants was simply an acceptance of market realities, in that alternative sources of applicants for some properties were limited or non-existent. Those who have recently become landlords may also feel more *at risk* (whether justified or not), especially if they have small portfolios and have taken out buy-to-let mortgages. This renders them more exposed to any reduction in rental income if they have mortgage repayments to meet.

It is clear from the survey results in this study that many private rented tenancies are not available or accessible to homeless people, especially in *tighter* rental markets. The evidence also suggests that the **supply of private rented accommodation accessible to single homeless people is declining**.

- The vast majority of the local authority officers surveyed for this study (84 per cent, n=56) reported that it had become harder for single homeless people to access private rented accommodation in their area in the past five years. (Three respondents reported that it had become easier, five reported no change and one did not know).
- Thirty one per cent of landlords willing to rent to people in receipt of HB and the same proportion of those willing to rent to homeless households, expected their property portfolio to decrease over the next five years. However, it is not possible from the survey to assess the relative impact this would have on homeless applicants.<sup>22</sup>

18 Wherever we have reported differences between sub-groups of landlords in their responses to the survey questions, this reflects a statistically significant difference, at  $p < 0.05$ .

19 Despite this, removing landlords renting in Scotland from the sample has little effect on the overall figures. This is because the number of respondents with property in Scotland willing to rent to homeless households is very small.

20 Note that many landlords had property in more than one region so a landlord with stock in, say, London who reported being unwilling to rent to HB claimants may also have had property in the North-West.

21 Department of Work and Pensions (DWP) (2014) *The impact of recent reforms to Local Housing Allowances: the response of landlords Research Report 870* London: DWP

22 Landlords willing to rent to benefit claimants and to homeless households typically rented only a proportion of their stock to these households so a stock reduction could potentially affect all applicants in receipt of benefits or who are homeless, or none at all.

Figure 4. Geographic variation in willingness to let to people claiming HB/LHA/UC



Figure 5. Geographic variation in willingness to let to homeless people



- Landlords in our survey were more likely to report a reduction in the proportion of their stock rented to benefit claimants and to homeless people in the past two years than to report an increase. **Twenty six per cent of the landlords who rented to people in receipt of HB (n=456) said they were renting fewer properties to benefit claimants compared with two years ago**, while just 13 per cent said they were renting more (sixty one per cent reported no change). **One quarter of the 183 landlords willing to rent to homeless people reported renting fewer properties to these households than two years ago**, while ten per cent said they were renting more. Sixty five per cent reported no change.

It is not possible to specify from these findings how far the reported reduction in lettings to homeless people (and to benefit claimants) reflects wider shifts in demand in the PRS or results from landlords changing their letting practices. It cannot be assumed from these results that the landlords in our survey had actively sought to avoid renting to homeless households. However, many of these landlords did report that recent policy and legislative changes were making them more reluctant to rent to both homeless households and to people in receipt of benefits. We discuss this in more detail in the next Chapter.

### 3.2 Key Points

- The private rented sector is the main tenure through which single homeless people are expected and are most likely to resolve their housing problems. Reflecting this fact, the majority of the homeless service users interviewed had made efforts to find a private rented tenancy in the past year.
- Although the private rented sector has expanded significantly in recent years, many private rented tenancies are not

available or accessible to homeless people. Just over half (52 per cent) of the private landlords surveyed for this study said they were *not* willing to let properties to tenants who claimed Housing Benefit (the majority of single homeless people) and only 20 per cent were willing to rent to homeless people. A proportion of these would only do so through a private sector leasing arrangement, leaving just 14 per cent with property available to homeless people on the open market.

- Landlord reluctance to rent to homeless people and benefit claimants was reflected in the experiences of the homelessness service users surveyed, more than two thirds of whom had encountered landlords unwilling to rent to people in receipt of HB or people who were homeless.
- The evidence also suggests that the supply of private rented accommodation accessible to single homeless people may be declining. For example: the vast majority of the local authority officers surveyed for this study reported that it had become harder for single homeless people to access private rented accommodation in their area in the past five years; and landlords were more likely to report a reduction in the proportion of their stock rented to benefit claimants and to homeless people in the past two years than to report an increase.

## 4. Barriers to accessing private rented accommodation

In the previous chapter we saw that the majority of private landlords were reluctant to rent to homeless people, either by virtue of their reliance on Housing Benefit (HB) or their homelessness. It is perhaps not surprising, then, that of the 75 homelessness service users surveyed who had sought private rented accommodation, all but two reported encountering difficulties with their search. The majority experienced problems with access and rental costs (finding money for deposits, agency fees and advance rent, finding properties at affordable rents or within the LHA rate) and with landlord discrimination, while other access requirements (guarantors, references) also posed problems for many. One interview respondent, who eventually gave up his search, found the process of seeking private rented sector (PRS) accommodation so difficult that he described it as *'like flogging a dead horse'* (Graham). We discuss these and other issues in more detail in this chapter.

In most cases, the problems encountered were insurmountable: 72 per cent of respondents said the difficulties they faced prevented them from securing a private rented tenancy at the time, although some went on to find accommodation with the help of a PRS Access Scheme, something we return to in Chapter 6.

Drawing on evidence from the surveys of landlords, local authority officers and homeless service users, as well as qualitative insights from landlords and tenants, this chapter discusses some of the reasons explaining homeless people's restricted access to the private rented sector.

### 4.1 Landlords' Perception of Risk

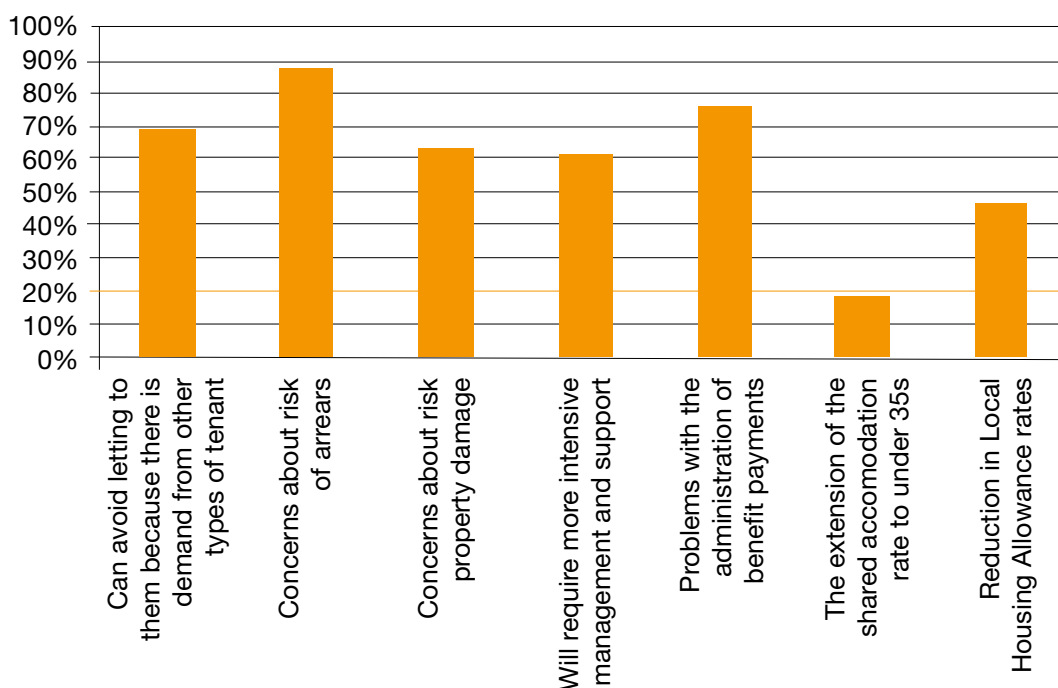
We saw in Chapter 4 that much private rented housing stock is not accessible to homeless people because many landlords are unwilling to rent to this group - either by virtue of their homelessness or because of their receipt of benefits. These letting practices are therefore likely to present a significant barrier to homeless people seeking private rented accommodation.

To understand this process in more detail, landlords unwilling to rent to homeless people and/or to HB claimants were asked to specify, from a list provided, those factors deterring them from doing so. The results are presented in Figure 6 and Figure 7 and show that **landlords clearly perceive a greater risk is associated with letting to HB claimants and homeless people**. They think there is a greater risk of arrears, of damage to property and the need to manage the tenancy more intensively as a result. The following comments from two of the landlords surveyed who no longer rent to benefit claimants or homeless people illustrate this point:

*My experience is that people in this situation are high risk, require intensive management, resulting in very high costs in terms of my time and damage to the property.*

*I cannot afford to take the risk of even worse cash flow problems and higher costs of repairs from misuse of my properties from non-payment of rent now that I am to be taxed on turnover rather than profit under the new taxation changes. I have always had to spend more money on properties at the end*

**Figure 6. Have any of the following factors deterred you letting to people that receive HB/LHA/UC (Landlords unwilling to rent to claimants, answering 'yes')**



*of tenancies where people have been unemployed and on benefits than when they have been employed (even though some have, of course, received benefit top ups).*

The vast majority of the landlords surveyed who were unwilling to rent to benefit claimants (88 per cent), and unwilling to rent to homeless people (83 per cent) reported that concern about arrears deterred them from letting doing so (see Figures 6 and 7). This was also the most common reason given by landlords to explain why their lettings to HB claimants had reduced (75 per cent cited risk of arrears, while 44 per cent cited higher risk of breach of tenancy conditions and 51 per cent cited difficulty managing these tenants<sup>23</sup>).

More than two in three landlords (68 per cent of those unwilling to rent to benefit claimants and 72 per cent of those unwilling to rent to homeless people) cited demand from other types of tenants as a reason. This suggests that benefit claimants/homeless people are considered less *desirable* or higher risk, and that many landlords consider renting in this market only if there is insufficient demand from other sources. Thus, landlords with property in higher demand housing markets in the South of England, for example, were more likely to cite *demand from other tenants* as a deterrent than those with property in the North of England (80 per cent of landlords with property in the South East and 83 per cent of those with property in London, compared with 52 per cent and 63 per cent respectively of those with property in the

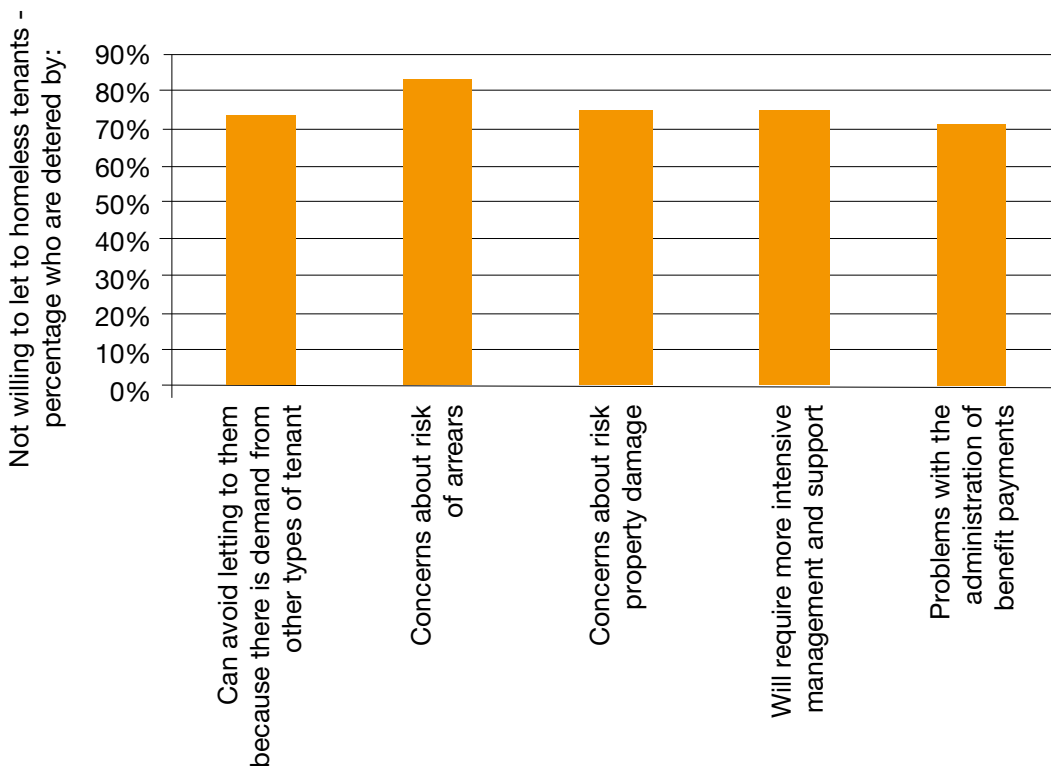
North-West and in Yorkshire and Humber).

Interestingly, some landlords *willing* to rent to homeless people and/or to benefit claimants also reported that the factors shown in Figures 6 and 7 deterred them from doing so. For example, 73 per cent of landlords currently letting to HB claimants, and 65 per cent of those renting to homeless people, said they were deterred from letting to these groups because of a risk of rent arrears, while 48 per cent and 57 per cent respectively were deterred by concerns about risk of property damage. Clearly, these landlords have not been deterred altogether from renting to these tenants, but the results suggest their continued willingness to do so may be fragile. Landlords may, for example, let only a small proportion of their stock to

*higher risk* tenants, or consider changing their letting practices in the future, especially if other sources of demand for their properties increase.

Figures 6 and 7 show that problems with benefit administration also emerged as a key deterrent (second only to concerns about arrears), as did aspects of welfare policy, notably the rate at which Local Housing Allowance is payable. We discuss these issues in more detail when assessing the influence of government policy on shaping homeless people’s access to the PRS (see 4.4). First, we consider the response of landlords to the additional risk they perceive in renting to homeless households - a response likely to present further barriers when they attempt to secure private rented accommodation.

**Figure 7. Have any of the following factors deterred you letting to homeless people (Landlords unwilling to rent to homeless people, answering 'yes')**





## 4.2 A premium for homeless people wanting to rent?

The respondents to the landlord survey were putting in place a range of measures or additional requirements as *safeguards* against the additional risk they perceived to be associated with renting both to benefit claimants and to homeless people. For example, Figure 8 below shows that the majority of landlords required HB to be paid directly to themselves. This preference is in direct conflict with the Government's policy of paying HB direct to most tenants - in both the social and private rented sectors - wherever possible, in order to promote more responsibility amongst tenants for rental payments. Only 26 per cent of the landlords willing to rent to homeless people did not require direct payment of HB (or an alternative payment arrangement (APA), for those on Universal Credit (UC)).

This problem is likely to intensify in the coming months and years, as the *roll out* of UC continues. The Government has suggested that landlords would receive direct rent payments in only a small minority of cases where claimants are eligible for the *housing costs* element of UC. This could therefore become an increasingly important deterrent for landlords to even consider letting to claimants in general, and homeless people more specifically. The intention to pay UC claimants on a monthly basis, to simulate salary payments, also met with a distinctly cool response from one of the landlord stakeholders:

*The government pay housing benefit direct to some tenants who are not able to manage their finances, don't pay their rent and are evicted. Under Universal Credit they all pay benefits in one monthly lump to people who will never had had so much money in their pockets at one time and have no idea how to manage it. This is in a misguided belief that it makes the*

*unemployed ready for a regular monthly income. If these people found work, how many would be paid monthly? Many entry level jobs are paid weekly, proving the government is out of touch with the real world.*

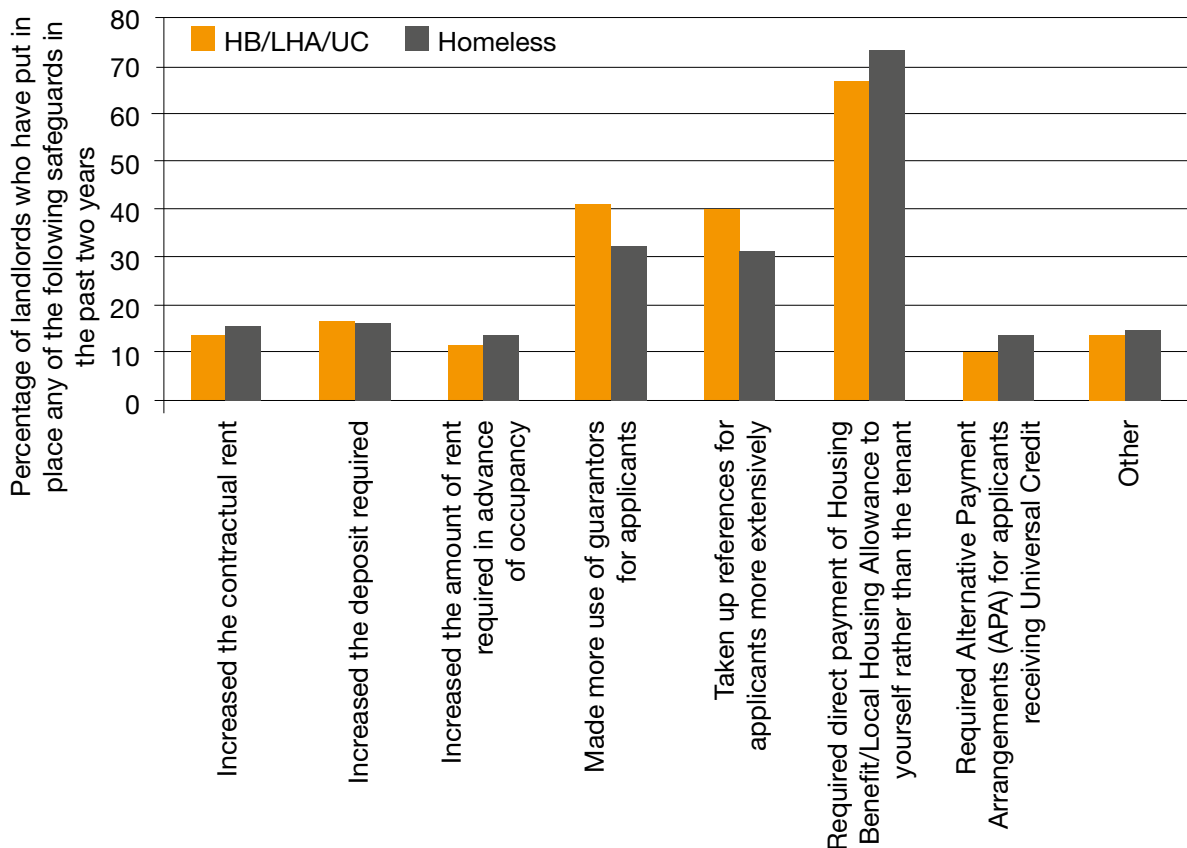
Some landlords also confirmed that they increased access and rental costs when letting to these groups. A landlord stakeholder claimed that some insurance companies would not cover them, or would ask for higher premiums, if the property was let to an HB claimant. Sixteen per cent of those renting to HB claimants, and 16 per cent of those renting to people who had been homeless, said they increased the deposit required. Eleven per cent and 13 per cent respectively said they increased the rent in advance. Thirteen per cent and 16 per cent respectively increased the contractual rent. A sizeable proportion of landlords in the survey also said that they made more extensive use of guarantors (41 per cent and 33 per cent) and references (40 per cent and 31 per cent).

One landlord stakeholder expressed his concern about the increased risk of letting to homeless people as follows:

*We can get repossession cover (legal expenses) and a rent guarantee on approved tenants, thus removing any risk of default, say if the tenant loses their job or violates their tenancy agreement. That cover is not available to landlords taking a homeless person.*

Many landlords are therefore imposing a premium on homeless applicants and benefit claimants, in order to limit what is perceived to be the greater risk of letting to these groups. Indeed, only 13 per cent of landlords letting to benefit claimants and 21 per cent of those letting to homeless people did not put in place any additional requirements before renting to these groups.

**Figure 8. Have you put in place any of the following measures in the past two years as additional safeguards when letting properties to people receiving HB or who are homeless? (n=399 and 147)**



These practices may be preventing people from accessing accommodation. For example, 30 per cent (22 respondents) of the homelessness service users surveyed said they had been asked to provide *additional security* specifically because they were in receipt of benefit and 21 per cent (15 respondents) specifically because they were homeless (n=73). Of these, only two respondents said they were easily able to provide the additional security required. Others managed to do so but with difficulty, and some were unable to meet the requirement but managed to find somewhere else to rent. However, 41 per cent (12 respondents) of the service users who had been asked to provide additional security could not do so and were unable to find somewhere else to rent. The experience

of one respondent - a 43 year old woman - demonstrates how the requirement for additional upfront rent and/or a guarantor can prevent access to accommodation.

*If I wanted to rent a studio flat in Pimlico they requested that, because I was in receipt of benefits that I would pay eight months rent up front. If, however, I could find a guarantor then I would only have to pay the equivalent of a months rent upfront. I am unable to provide a guarantor and I was unable to proceed further with this enquiry. (survey respondent)*

This respondent's experience also illustrates well the way in which some landlords impose *additional securities*. It was only because she was in receipt of benefit that she was asked

for eight months advance rent, and only because she could not afford such hefty up-front costs that she was asked for a guarantor.

The measures landlords are putting in place to mitigate the perceived risks associated with renting to homeless people are reflected in the reported difficulties faced by homelessness service users who were trying to secure private rented accommodation. Table 2 shows that 66 per cent of service users had encountered difficulties in finding guarantors, 80 per cent in securing the funds for a deposit and 73 per cent in paying rent in advance. Nearly half (48 per cent) said they had difficulty providing references for landlords. As we reported above, in nearly three quarters (72 per cent) of cases, respondents said these difficulties were insurmountable, and prevented them from securing a private rented tenancy at that time.

### 4.3 The Impact of Government Policy

Trends in the wider housing market suggest that the barriers facing homeless households and benefit claimants from gaining access to the PRS are likely to increase, as affordability problems grow and supply fails to keep pace with demand. The evidence from landlords, homeless people and local authorities in this study suggests that government policy is compounding, rather than mitigating, the difficulties faced by homeless people and benefit claimants trying to resolve their housing problems. Various government policies are also affecting the willingness and ability of landlords to rent to people they consider 'higher risk'. As two survey respondents commented:

*We used to work with tenants who needed a chance in life; however with the recent government changes we are now only prepared to let to high income tenants who are low risk and have absolutely spotless records.*

**Table 2. When you were looking for PRS accommodation did you encounter any of the following difficulties (homelessness service users answering 'yes')<sup>24</sup>**

	Count	%	n=
difficulty finding somewhere with rent you could afford	57	84	68
difficulty raising money for a deposit	53	80	66
difficulty raising money for rent in advance	47	73	64
difficulties finding somewhere to rent within the LHA rate	31	70	44
landlords/letting agents refusing to let to people on benefits	44	69	64
difficulty finding a guarantor	38	66	58
difficulty finding somewhere in decent condition	40	65	62
difficulty raising money for agency or other fees	35	59	59
difficulty finding references	29	48	60
landlords/letting agents refusing to let to homeless people	24	42	57
landlords/agencies refusing to consider you for other reasons (e.g. age, pets)	14	26	54

<sup>24</sup> The base numbers are low against some of the difficulties specified in the table because they will have been 'not applicable' to some respondents. For example, those who had not been asked to provide a reference could not have experienced difficulties meeting such a requirement and are likely to have responded 'not applicable'.

*Changes in Government policy (taxation, Universal Credit, LHA caps, immigration checks) transfer too much risk and liability to private landlords. Even those of us wanting to support disadvantaged tenants and invest in local communities are being put off.*

### Direct payment of housing benefit

We have already noted that government policy to promote direct payment of HB to tenants directly conflicts with the requirement of the majority of landlords in our survey to receive HB themselves if they are to rent to homeless people. In the social rented sector a direct rent payment policy has no effect on homeless applicants' access to a tenancy: social landlords cannot refuse to rent to someone because the rent is paid direct to them. But a private landlord can.

Direct payment of HB to tenants also emerged as the policy most likely to deter landlords from renting to homeless people. Figures 9 and 10 below show that 68 per cent of landlords said that direct payment of HB to the tenant was making them more reluctant to let to benefit claimants and 66 per cent said it was making them more reluctant to rent to homeless people. One of the landlords interviewed for this study highlighted concerns over the lack of a right for landlords to insist on direct payments once any arrears reach a set amount - currently set at eight weeks. The landlord was also concerned that he would not be able to obtain reliable information about the progress of tenants' claims in the future, when responsibility for monitoring shifted from the local authority to a more centralised system with DWP. He felt that the DWP job coaches dealing with UC claimants would not have anything like the same level of understanding of the complexities of housing issues that specialist local authority officers had built up over time, in dealing with HB claimants.

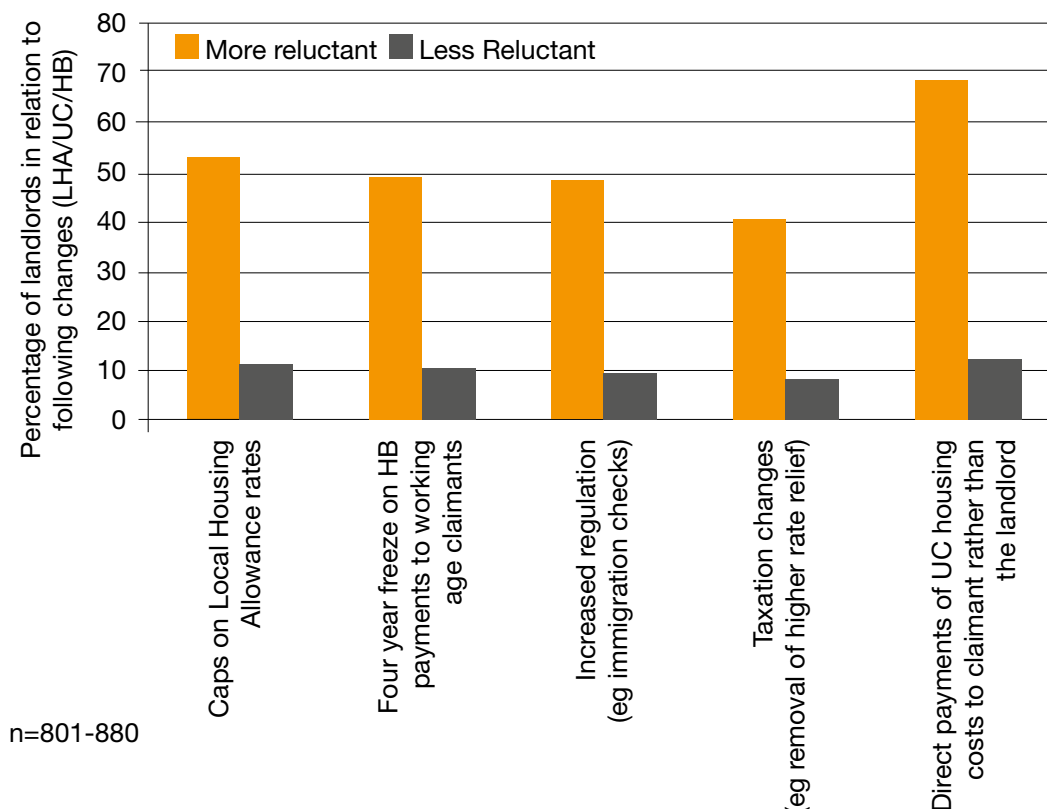
Housing advisors interviewed for the study also emphasised the impact of direct rent payment to tenants on the reluctance of landlords to rent to people in receipt of benefits. They thought that this was a key barrier. One housing advisor, working in the North of England, suggested that many landlords do not have *a priori* negative views of HB claimants, but do see them as a higher financial risk because of their low income. These landlords, she suggested, would happily rent to tenants in receipt of HB if they could receive the rent directly, thereby mitigating this additional risk. This view was supported by comments made by the landlords we surveyed.<sup>25</sup> The landlords indicated that they were motivated primarily by financial/economic considerations in their lettings priorities rather than underlying negative views about the characteristics of benefit claimants or homeless people. This would suggest that measures that help mitigate financial risk will increase the proportion of landlords willing to rent to financially riskier tenants, while measures and policies that increase risk (such as direct payment, or lowering LHA rates so that more tenants have to pay a 'top up') will have the opposite effect.

### Changes to LHA rates

Changes to the LHA rate (the level of HB paid to claimants), also appear to be having an effect on single homeless people's access to the sector. From April 2011<sup>26</sup>, LHA rates were reduced from the 50<sup>th</sup> percentile to the 30<sup>th</sup> percentile of local market rents. Caps were also placed on the maximum HB that could be paid (by property size), which has affected some London boroughs. Furthermore, as stated in Chapter 2, the age threshold for the 'Shared Accommodation Rate' (or SAR) was extended from 25 to 35. As part of a freeze on working age benefits, in 2015 the Government announced that LHA rates would

<sup>25</sup> The survey included a small number of open ended questions and respondents were invited to make any additional comments they had at the end of the survey.

**Figure 9. Have the following changes made you more reluctant or less reluctant to let to people receiving Housing Benefit/Local Housing Allowance/Universal Credit? <sup>27</sup>**



be frozen for four years. If rents increase, LHA rates will not keep pace. These changes have had the effect of reducing the stock of private rented accommodation available at a rental cost fully covered by HB. As one landlord stakeholder commented:

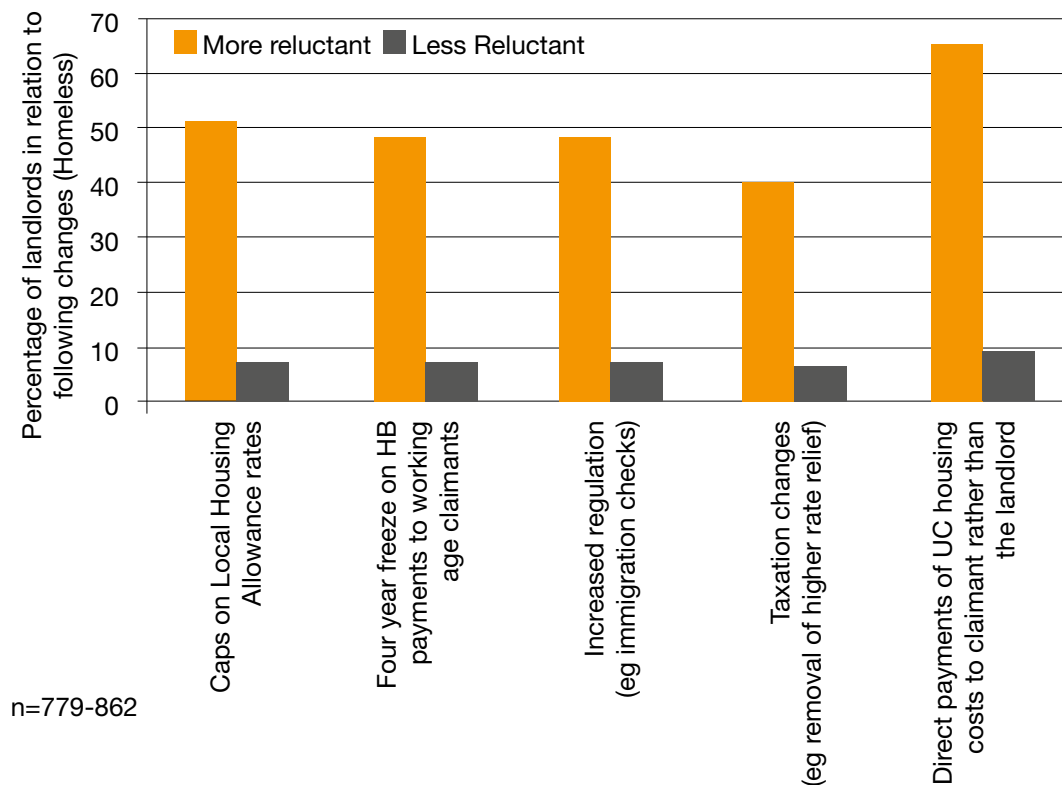
*LHA is set at below average rents so often provides for below average property or property a long way from jobs. That is not what decent, sensible landlords invest in.*

There was consensus across the different survey samples that LHA rates were hindering single homeless peoples' access to private rented accommodation. For example:

- 70 per cent of the homelessness service users surveyed said they had encountered difficulty finding somewhere to rent within the LHA rate (Table 2);
- 53 per cent and 51 per cent of landlords respectively reported that caps on LHA rates were making them more reluctant to let to benefit claimants (Figure 9) and to homeless people (Figure 10);
- Nearly half of landlords also reported that the four year freeze on LHA rates made them more reluctant to rent to people in receipt of HB and to homeless people (Figures 9 and 10).

<sup>26</sup> for new and repeat benefit claimants; changes were introduced for existing claimants during 2012, depending on the date of claim renewal  
<sup>27</sup> These percentages do not sum to 100 because between 19% and 51% of landlords indicated 'no change'.

Figure 10. Have the following changes made you more reluctant or less reluctant to let to homeless people? <sup>28</sup>



The local authorities surveyed also raised concerns about the impact of welfare policy on the availability of private rented accommodation with nearly all (93 per cent) expressing the view that LHA rates in their area were inadequate for some claimants to secure housing. The vast majority (90 per cent) of local authority officers also reported a shortage of accommodation available at the SAR.

All but one of the respondents interviewed who had secured a private rented tenancy were 'topping up' their HB with other income. Michael, in particular found it '*nigh on impossible*' to find accommodation within his eligible LHA rate' (see Case Study 2). Eventually he moved to a different city where

the gap between the SAR and the cost of available property was less. In doing so, he also had to move away from the city in which his children live. Richard, meanwhile, needs to find £100 per month from his JSA to meet his rental payments.

#### Landlord management and taxation

Two other aspects of government policy towards the PRS were mentioned in the survey questionnaire for landlords. The first concerned the taxation changes announced by the Chancellor in the Summer Budget (July 2015), restricting Mortgage Interest Relief for residential landlords to the basic rate of income tax (20%). Landlords will also no

28 These percentages do not sum to 100 because between 25% and 53% of landlords indicated 'no change'.

longer be entitled to an automatic entitlement to a wear and tear allowance for furnished properties. The taxation changes will be phased in from 2017 onwards. In November 2015, the Chancellor also increased Stamp Duty Land Tax for buy-to-let investors above a specified level, to take effect from April 2016 - a measure which, according to one landlord stakeholder, will 'freeze portfolios'. Forty one per cent of landlords said these changes would make them more reluctant to let to benefit claimants and 40 per cent said it would make them more reluctant to let to homeless people. One landlord surveyed explained the effect these changes would have on their business:

*With new tax rules it is not arithmetically possible [to let to LHA claimants].*

The interim findings of a survey of its members by the Residential Landlords Association (RLA) found that 65 per cent of respondents were now considering increasing rents as a direct result of the taxation changes in the Budget.<sup>27</sup> Set against this, one of the landlord stakeholders interviewed for this research suggested that ways would be found to mitigate the impact of this measure, for example by dividing up the business between different partners, and one of the other landlords interviewed (with 19 properties in the North-West of England) was actively considering such a measure at the time of interview. As one landlord stakeholder put it:

*Three quarters of buy-to-let landlords will look to increase rents to cover costs and the remaining quarter will look to sell up and get out of the sector. I am not sure that stock reduction and increased costs was what the government had in mind here.*

The introduction of compulsory immigration checks on tenants was mentioned in Chapter 2. Forty eight per cent of landlords said that the immigration checks would make them more reluctant to let to benefit claimants, and 49 per cent more reluctant to let to homeless people. According to a survey of over 1,500 landlords by the Residential Landlords Association, 72 per cent of landlords said they did not understand their obligations under the policy. The RLA claims that the result will be that many landlords are unlikely to rent to those who cannot easily prove their right of residency. The survey also found that 44 per cent of landlords will only rent to those with documents that are familiar to them: this will cause serious problems for the estimated 17 per cent of UK nationals without a passport, which will include a higher proportion of young people and poorer households. There is also concern that checks will cause problems for UK citizens who do not hold a passport or may expose landlords to accusations of racism.

Interviews with landlord stakeholders revealed concerns about other aspects of government legislation - such as changes to HMO legislation on minimum room size and the extension of Article 4 provisions, and the potential re-banding of bedsits for Council tax purposes. The outcome, according to one interviewee 'is to keep hitting us at the same time that social housing is drying up.' Another expressed his concerns more bluntly:

*Under regulations, landlords are expected to provide the poor with the same standard of accommodation as the better off... This is not realistic. The result is regulations (that) prevent good landlords from providing low cost accommodation. Rogues ignore regulations and rip off the poor.*

#### 4.4 Access and Rental Costs

It is notable that the most common difficulties encountered by homelessness service users who had sought private rented accommodation in the past year related to costs. Table 2 shows that finding an affordable property, raising money for a deposit, raising money for advance rent and finding somewhere within the LHA rate were the most common difficulties reported (with 84 per cent, 80 per cent, 73 per cent and 70 per cent respectively reporting these difficulties<sup>28</sup>).

The homelessness service users interviewed also talked about the impossibility of raising hundreds of pounds for a deposit and/or advance rent while in receipt of benefit. One pointed out that he would have to save every penny of his income from JSA for two months to raise the deposit, without adding the cost of advance rent and or agent fees. Another described the requirement for a deposit as ‘my biggest hurdle’ and one he was unable to meet. Joey reported that the agent he approached required a finder’s fee and a fee for background checks (CRB and such like) in addition to a £500 deposit, and Graham and Damian described the kind of funds they were faced with raising in order to access a tenancy:

*I think you’re talking, what I was finding the most part of it was £1000, you’re talking a month’s rent in advance and a month’s rent deposit, the biggest part of £1000 and nowhere to get that from. (Graham)*

*Everyone wanted a big deposit for £1,800 or £2,000 which I didn’t have at that time...the deposit to get you started is the hardest thing. (Damian)*

This was an extremely common theme amongst those interviewed. The requirement for a deposit alone (even a reasonable one)

was often enough to prevent access to a tenancy, but respondents also talked about high rents, agent fees and advance rent as prohibitive. Some respondents felt they may be able to raise, or had already raised, enough to cover some costs but not all. As a result, it made little difference that they had a deposit, or enough for agent fees. Without a bond, and advance rent, and fees, they could not secure a tenancy. For example:

*‘I had enough for the fees but I didn’t have enough for the fees and a bond, I had enough for one or the other’ (Joey)*

*I try to stay away from the agencies cos they’re so high in the admin fee. Fair enough you can get a bond or whatever but then you’ve got this admin fee and admin fees can be anything from £50 to £250 just for signing a few bits of paper. That’s a lot of money, especially when you’re homeless and you’ve got nothing. (Michael)*

We have already noted that the vast majority of the local authorities surveyed reported the view that LA rates were inadequate and that there was a shortage of accommodation available at the SAR in their area (see 5.3). Michael’s experience of seeking a tenancy in a city in the North East illustrates this point well (see Case Study 2) where rents ‘are about £350 or over; but then if you’re only getting roughly £250 [HB] it’s £25 easy out of your Job Seekers, you cannot do it, it’s impossible.

The local authorities surveyed also reported issues with other costs associated with a private rented tenancy, and expressed the view that these were rising. Table 3 shows that the majority of local authority officers thought that access costs and letting agent



fees had increased significantly in the past five years.

#### 4.5 Measures that may incentivise landlords to lift barriers to access

Landlords were asked an open-ended question: *Is there anything that would make you more willing or more likely to let to people on Housing Benefit/Local Housing Allowance/ Universal Credit?*

513 respondents replied to this question, and of those 94 indicated that **nothing would persuade them to rent their properties to people claiming benefits**. Some reported that previous negative experiences had put them off; some said it was not financially viable and others reported that they do not rent in this particular sub-market of the PRS. Other respondents referred to measures that would incentivise them to rent to people claiming benefits. The following measures were suggested, in order of frequency:

- **Direct payment to landlords.** The largest group of responses related to direct payments of LHA to tenants. Many landlords stated that if they were paid the

rent directly, this alone would make them more likely to rent to LHA claimants. Many added how detrimental direct payment to tenants had been to their businesses. Moreover, some landlords also wanted payment methods to change. In particular, that LHA should be paid in advance, rather than arrears, and per calendar month and that tenancies to LHA claimants should be adequately supported by a tenancy deposit and a month's rent in advance. This, they claimed, would make payment methods the same across the PRS.

*Return to direct payments gives better security and information so you can quickly know if there has been a problem with the application.*

*Housing benefit tenants are poor, so rent payments need to be guaranteed and damage paid for. I cannot sue people who have no money.*

- **Overpayment claims from landlords.** While a return to direct payments to landlords appeared to be a popular incentive, landlords also wanted to end one of the vagaries of the direct payment

**Table 3. Do you agree or disagree with the following statements about the private rented sector in your area? (Local authority respondents) (n=58)\***

	Agree %	Neither agree nor disagree %	Disagree %	Don't know %
The costs of securing a PRS property have increased significantly over the past five years	87	9	3	0
The LHA rates are inadequate for some claimants to secure adequate housing	93	3	3	0
There is a shortage of accommodation available at the SAR	90	2	2	7
Letting agent fees have increased significantly over the past five years	79	12	3	5
The upfront costs associated with starting a tenancy in the PRS have increased significantly	76	12	7	5

\* Due to rounding figures may not add up to 100

system (as they see it) - that overpayments of HB made to the landlord are reclaimed from the landlord and not the tenant.

*Landlord not to be liable for return of overpayments made due to tenant not advising council of change in circumstances or benefit entitlement stopping.*

*Stopping recovery from landlord in event tenant's claim is disallowed would be greatly appreciated. More cooperation from housing benefit officers would be a big plus.*

- **Improved services to landlords.**

Respondents reported that better communication with, and services from, the LA would incentivise them to rent to people claiming LHA. In particular, landlords wanted to see an improvement in the way HB services operated and information about the tenants' claim status was shared with them:

*Clarity from the start as to how much benefit they will receive. Councils require the tenant to give them a signed lease before they will process the housing benefit application so you have to have faith that they will receive enough to cover the rent.....!!*

*The biggest problem is the almost entirely useless council system and employees who run the HB service. If they were proactive, helpful, transparent and worked with landlords rather than against them, I would be more inclined to rent to HB tenants. We've regularly had rent not paid (by the council) without any notification as to why, enormous delays in payments starting (up to 2-3 months is not uncommon), and when you try to find out*

*what's going wrong you hit a brick wall.*

*Accurate payments of benefits on time. My tenant on housing benefit is frequently distressed when her benefit is not paid on time and she has to contact me.*

Landlords expressed concern about the switch to UC, where claims are handled centrally, rather than locally. One landlord indicated the experience so far:

*Not impressed by UC helpline. Could not get answers even to basic questions; form promised - nothing received yet!*

- **Increase LHA rates.** Landlords also reported that rental increases would incentivise them to rent to people on LHA; and that raising the LHA rate would support this (43 respondents). Many respondents in this group wanted the rent at the 'market rent', rather than the 'suppressed rent' that the LHA offered them.

*If the amount claimants receive was enough to cover the rent. A PRS ex-council 2 bed flat here rents for about £60 a month more than LHA*

*Fair rates of benefits. Landlords who offer rubbish properties are paid the same as those offering properties in excellent condition. This is madness. Paying no more than the open market rates should be re-introduced and the money saved could be put towards going back to the 50th percentile. This would make more properties available and make it more attractive for landlords to provide better properties and stop rewarding those with the most rubbish properties.*

- **Government responsibility for damage and arrears.** Landlords wanted 'the state' to take responsibility for damage to properties and rent arrears when letting to people claiming LHA.
- **Improved support for tenants.** Landlords reported that they would be more willing to let to people on LHA, where the tenant received some assistance, training or support from a third party - measures we consider in more detail in Chapter 5.

*I'd be interested in any council run scheme that helped arrange and manage tenancies with people on these benefits - I'd happily consider longer term tenancies at below market rate with some sort of index linking if there was council guarantee of payment and I was able to retain property management.*

*Direct and helpful liaison with any assistance they are getting, i.e. drug abuse counselling, job seekers, CAB, so that everyone knows what is happening. All the care about data protection is a nonsense. Many of these people need a lot of help and cannot get clear and correct advice that is joined up.*

- **Abolish new tax measures.** Some landlords reported concerns that tax changes announced in the 2015 Budget would negatively impact on their business interests and make them less willing to rent to people claiming LHA. Currently, the interest payments made on landlords' mortgages are a valid deductible expense, so landlords only pay tax on actual profits. From 2017-18 onwards this mortgage interest relief will be gradually reduced.

*Due to Clause 24 of the Summer Budget being brought in, it will soon be very hard to let to HB/LHA/UC by any landlord who*

*has a mortgage. So then my answer would be remove Clause 24.*

- **Mortgage restrictions and insurance costs.** Some landlords reported that mortgage agreements often prevented them letting to people who were out of work. Similarly, some landlords reported that insurance premiums were far higher if a property was occupied by out-of-work tenants.

*If insurance companies didn't charge more for having benefit claiming tenants I would be more willing*

*Several of my mortgages do not allow it, and buildings insurance is £100 per annum more expensive. This is where you should be looking to lobby for change. Landlords' hands are tied. I find it offensive that these institutions seek to override my judgement on who I trust to be a good tenant. Honesty has nothing to do with income in my experience.*

#### 4.7 Key Points

- All but two of the 'prospective tenants' surveyed said they had encountered some kind of difficulty when trying to secure a private rented tenancy and in the majority of these cases (72 per cent) the respondent was unable to secure a tenancy as a result.
- Landlords consider both benefit claimants and homeless people to be 'higher risk' as tenants. To mitigate these perceived risks, some landlords put 'additional safeguards' in place when renting to benefit claimants or homeless people, effectively imposing a premium on these prospective tenants. For example, when renting to homeless people, 16 per cent of landlords reported increasing the deposit, 13 per cent said

they increased the advance rent, and 16 per cent increased the contractual rent. A sizeable proportion also said they made more extensive use of guarantors (33 per cent) and references (31 per cent)

- Around two thirds of landlords currently renting to HB recipients or to homeless people reported only doing so if HB is paid to the landlord. This is in direct conflict with Government policy to pay HB directly to the tenant in most cases in a measure designed to promote greater 'responsibility'. This is likely to intensify in the coming months and years, as the 'roll out' of UC continues.
- Government policy is compounding rather than mitigating the difficulties faced by homeless people and benefit claimants trying to enter the private rented sector. Direct payment of HB is one example but around half of the landlords surveyed reported that changes in LHA rates and the four year freeze on HB had made them less willing to rent to homeless people and/or benefit claimants. Recent taxation changes and increased regulation (such as immigration checks) were also found to affect landlord willingness to rent to HB claimants and homeless people.
- Difficulties finding accommodation within the LHA rate was also an issue raised by homelessness service users as well as by local authority officers, nearly all of whom reported that LHA rates were inadequate in their area and that there was a shortage of accommodation available at the SAR.
- Rental costs were not the only financial barrier that homeless people faced when trying to secure a PRS tenancy. Access costs were also found to be prohibitive. The requirement for a deposit alone was often enough to prevent access to a private rented tenancy but agent fees and advance rent were also significant barriers. In total 84 per cent of those who had sought PRS accommodation encountered difficulty finding anywhere affordable, 80 per cent encountered problems raising money for a deposit and 73 per cent had difficulty with advance rent requirements.
- Landlords cited a range of changes that would make them consider renting to 'higher risk' tenants such as homeless people. These included: direct payment of HB to the landlord; higher LHA rates; support to tenants; better HB administration; and the abolition of the new tax changes.

## 5. Responding to difficulties accessing the PRS: the role of 'PRS Access Schemes'

One of the abiding features of the private rented sector (PRS) has been its flexibility and the fact it often provides ready access for households facing difficulties. However, as the evidence from this study has shown, it is becoming increasingly problematic for households to surmount the barriers of high tenancy deposits, high lettings fees, landlords' requirements to pay four or more weeks' rent in advance as well as landlord reluctance to rent to tenants they consider 'higher risk'. High 'entry costs' for those managing to secure a private rented tenancy then make it more difficult for households to sustain tenancies in the longer term, as they try and repair the damage done to their already overstretched household budgets.

In response to such problems, a key development has been the expansion of 'PRS Access Schemes' across the country. These schemes aim to provide better access to housing and better sustainment of tenancies. They often provide services to both tenants and landlords (tenancy training, ongoing support, tenancy deposit schemes etc.). They can benefit tenants by providing the right conditions for settled and sustained tenancies and improve the availability of accommodation in the sector by developing a constructive ongoing relationship with landlords. However, coverage is far from universal across the UK - some areas do not have any provision, and in other areas schemes cannot satisfy the demand for their services.

### 5.1 Support and assistance available

The majority of the local authorities surveyed reported that there was some kind of assistance available for people seeking accommodation in the private rented sector in their area (see Table 4). This included local authority housing advice services (95 per cent), bond deposit schemes (83 per cent) and provision of online and written information (81 per cent). PRS access schemes were less common - just over one third reported a PRS access scheme operating in their area - as were PRS accreditation schemes (43 per cent).

The majority of local authority respondents (76 per cent) also reported that services were available locally specifically to assist single homeless people not in 'priority need'. However, most also indicated that this provision was not adequate to meet need. For example, Table 5 shows that only 11 per cent said they thought there were adequate services in the LA to meet the needs of single homeless people wishing to secure private rented accommodation. Three quarters 'agreed' with the statement that more assistance needs to be provided locally for single homeless people, while 70 per cent pointed to limited funding available for PRS access schemes, despite a clear consensus that there is demand for such schemes (all but one LA respondent disagreed that there was no demand for PRS access schemes in the area).

Despite the view of local authority officers that there was not currently enough provision to help single homeless people gain and sustain private rented accommodation, many

**Table 4. Are any of the following services available in your LA area for prospective tenants in the PRS (Local Authority respondents answering 'yes')**

	%
LA-based housing advice service	95
Bond deposit scheme	83
Specific information about accessing the PRS (online or leaflet)	81
PRS accreditation scheme	43
Use of Private Sector Leasing	40
PRS Access Schemes run by another organisation	36

n=58

**Table 5. Do you agree or disagree with the following statements about the private rented sector in your area? (Local authority respondents)**

	Agree %	Neither agree nor disagree %	Disagree %	Don't know %
More assistance needs to be provided in this LA for single homeless people	75	14	11	0
There is a shortage of funding available for PRS access schemes	70	7	23	0
There is a lack of expertise locally to establish and manage PRS access schemes	21	17	58	4

n=56-57

(40 per cent) said they thought such services would contract in the following two years. Nearly three quarters of respondents (72 per cent) reported that the local council provided funding for services assisting single homeless people with a non-priority need and over half of these (59 per cent) said this funding was likely to reduce in the next two years or be withdrawn altogether. No respondent said they thought funding for these services would increase.

The majority (71 per cent) of the landlords surveyed were not aware of PRS access

schemes running in their area.<sup>29</sup> This could reflect lack of provision as well as limited awareness, although levels of awareness rise when considering only those landlords who rent to tenants who are most likely to use PRS access schemes: 35 per cent of landlords willing to rent to HB claimants and 42 per cent of those willing to rent to homeless people were aware of PRS access schemes operating in the area where they let property.<sup>30</sup>

A smaller proportion of landlords (14 per cent) had let properties through a PRS access

<sup>31</sup> The survey provided a description of PRS access schemes, making it clear to respondents who may not know such schemes by this specific term.

<sup>32</sup> The association between using PRS access schemes and willingness to rent to homeless people and to HB claimants is statistically significant although we do not know the direct of causation. In other words we do not know whether using a PRS Access Scheme increases willingness to rent to these client groups or whether it is landlords already willing to do so that are most attracted by such schemes.

scheme although, again, the figure is higher amongst those renting to benefit claimants (23 per cent) and/or homeless people (34 per cent). Landlords with the following characteristics were more likely to have let through a PRS access scheme:

- those with larger property portfolios (11+ properties)
- full time landlords
- landlords with property in Scotland (although the sample is very small)
- landlords with more experience (6+ years, although the sample is small)

When asked to explain why they had *not* let properties through a PRS access schemes landlords' most common responses were: lack of awareness of such schemes; having no need of such schemes; and not letting 'in that market'.

Just under half (46 per cent) of the homelessness service users surveyed had received some kind of assistance to secure

and/or sustain a private rented tenancy, including advice, help with costs, or support in the early stages of a tenancy (see Table 6).

## 5.2 Benefits of PRS Access Schemes

Evidence from the local authority officers, homelessness service users and private landlords participating in this study suggests that PRS access schemes and similar types of support can help overcome some of the barriers identified in Chapter 4 currently hindering single homeless people's efforts to resolve their housing needs in the private rented sector.

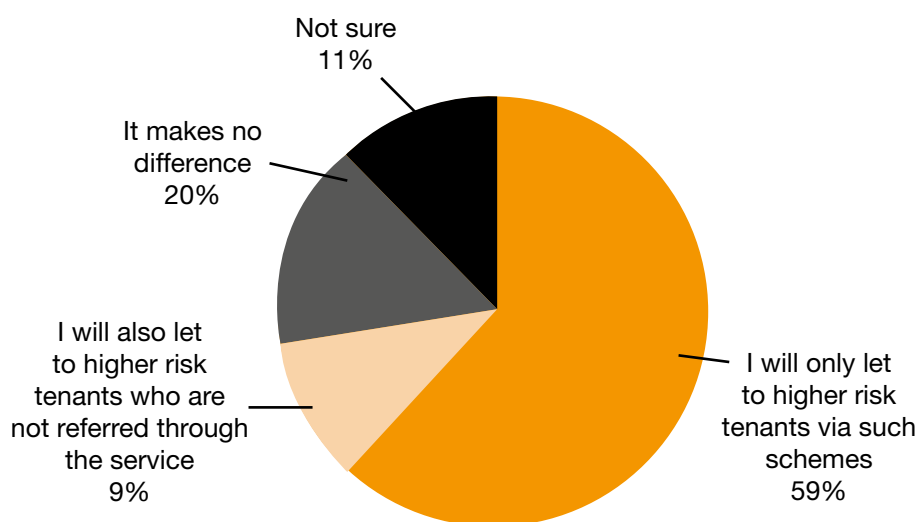
For example:

- 59 per cent of the 128 landlords who had used a PRS access scheme said they would only rent to tenants they perceived as higher risk through such a scheme (see Figure 11). These landlords' properties are, therefore, only available to 'higher risk' tenants because of PRS access schemes, and their willingness to rent to these tenants may be dependent on the

**Table 6. In the past year have you received any of the following assistance to secure a private rented tenancy?**

	No.	%
Advice about looking for, and applying for, PRS housing	28	29
A project that found you a flat or house to live in.	18	18
Help with the costs of a tenancy (e.g. a rent deposit scheme)	15	15
Ongoing one-to-one support during the early months of your tenancy	13	13
A training course on managing a tenancy yourself	11	11
Any other support	4	4
n= 98 (totals do not sum to 100% as respondents could give multiple responses)		

**Figure 11. How important are access schemes when letting to tenants perceived as higher risk, such as homeless people? \***



\*These figures do not sum to 100 due to rounding

provision of access schemes in the areas where they have stock;

- the majority of local authority officers surveyed expressed the view that the kinds of help and support offered through PRS access schemes - tenancy support and training, bond schemes and help with other costs - improves single homeless people's access to, and ability to sustain, private rented tenancies (see Table 7);
- just under half of the homelessness service users surveyed had received some kind of assistance to help them secure a private rented tenancy, including assistance through a PRS access scheme. When asked what difference this had made to them, half said they would not have been able to get a private rented tenancy without this help, an additional 25 per cent said it would have been more

difficult to do so and a further 14 per cent said they may have been able to secure a tenancy but it would not have been affordable or suitable (see Table 8). Only four respondents (11 per cent) said it had made no difference to them.<sup>31</sup>

The experiences of the small number of individuals interviewed for this study emphasise the difference a PRS access scheme can make. Sharon, Joey and Ian, for example (see Case Studies 3, 4 and 5) were all struggling to secure tenancies but, with the help of a PRS access scheme were able to do so quickly. They were all of the view that without this help they would have remained homeless and/or had to sleep rough. Joey was not able to progress any further with his search than initial enquiries because he could not meet demands for a bond. A local PRS access scheme was able to cover the

**33** These results must be treated with caution as the sample is very small - only 36 people answered this question. In addition, all respondents were surveyed in homelessness organisations and so, on the one hand, this is likely to have skewed the sample toward people who did not secure a tenancy as a result of the assistance received. On the other hand, some of these organisations were involved in providing PRS access schemes and so the proportion of respondents using and benefiting from such schemes may be higher than in the wider single homeless population. Despite these significant caveats, we have reported the results from this question because it does demonstrate that people who use PRS access schemes clearly derive some benefit from doing so.



**Table 7. We would like to know more about PRS access schemes in your area. Thinking about the PRS in your area and the needs of single homeless people, to what extent to you agree or disagree with the following statement? (LA respondents)**

	Agree %	Neither agree nor disagree %	Disagree %
Tenancy training for prospective tenants would improve access to the PRS	65	21	14
Ongoing support for vulnerable tenants would help sustain tenancies in the PRS	96	0	4

n=57

**Table 8. What difference, if any, did this assistance/scheme make to you?\***

	no.
I would not have been able to get a private rented tenancy without this help	18
It would have been more difficult for me to get a private rented tenancy without this help	9
I probably would have been able to get a private rented tenancy without this help but it would not have been as affordable/suitable/decent	5
It made little difference - I would have been able to get a similar private rented property without this help	4
Total	36

\* Numbers rather than percentages have been used because of the low sub-sample size

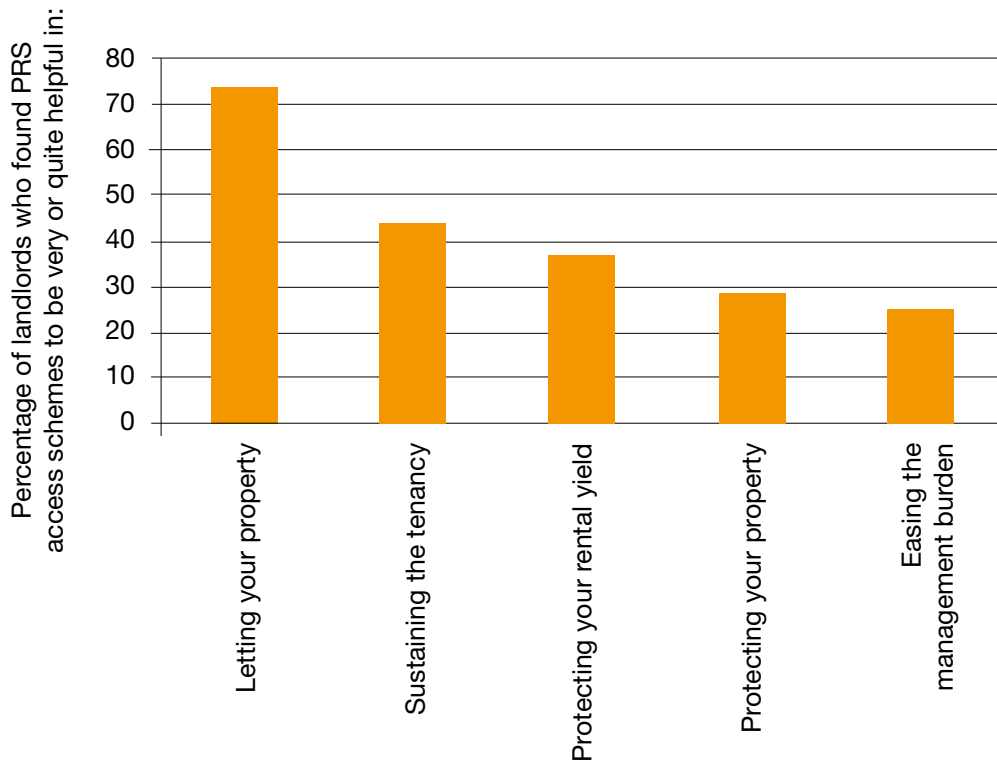
cost of a deposit and Joey quickly found a flat. He expressed the view that without this help ‘I’d probably be living on the streets by now.’ Sharon, meanwhile (Case Study 3), was ill equipped to navigate London’s private rented sector. But with support from a PRS access project that focussed on employment, housing and tenancy sustainment (in that order) she found a way through, improved her life and reduced her reliance on state support. She explained the difference this had made to her life:

*I came here [organisation providing the access scheme] I was not having a job, I was homeless but now I’ve got a job, I’ve got a house, somewhere I call home, even though it’s hard for me.....It’s like I’m starting from the ground but now I’m*

*up the ladder. From being homeless, from nearly losing my life, now I’ve bounced back. I am so happy.*

Landlord views and experiences of PRS access schemes were a little more mixed, although many reported benefits and successes of the schemes that they had let through. Figure 12, for example, shows that over 70 per cent thought the scheme had been very or quite successful in helping them let their property, 44 per cent reported it had been successful in helping with tenancy sustainment, while 37 per cent said the scheme had helped protect their rental yield. Fewer thought the scheme had been successful in protecting their property or easing the management burden. Of course we do not know the details of the schemes

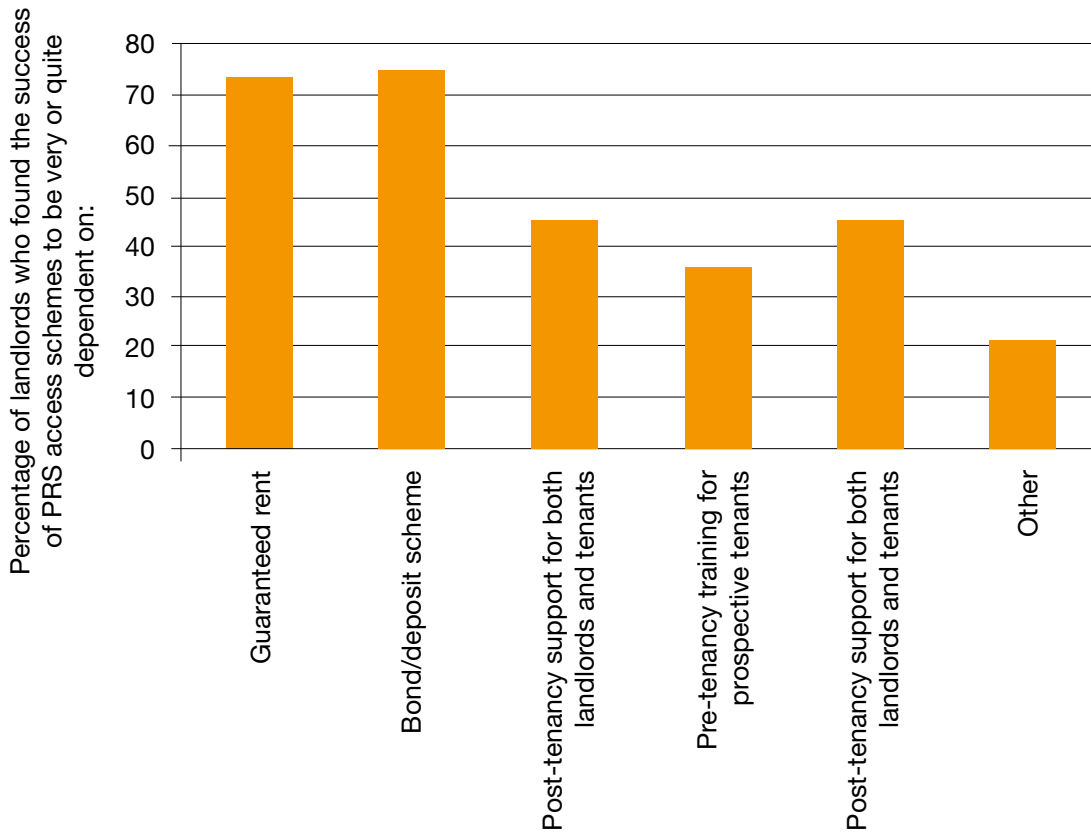
**Figure 12. How successful has the PRS access scheme been in terms of the following: (Landlords who have let through a PRS access scheme)**



each landlord was using and each scheme will offer different forms of support. Not all, for example, will guarantee rent or provide deposit schemes and so may do little to protect landlords' rental yield. Others will provide this financial support but will not offer tenancy support, and so are less likely to ease any management burden. Nevertheless, from the additional comments provided by landlords, it is clear that the expectations of a small number of landlords were not met. A couple, for example, reported that assurances about guaranteeing bonds and rent were not honoured, while others reported that the tenancy support for the tenant 'evaporated'.

Nevertheless, many landlords remained positive about their experiences of PRS access schemes and of the potential of such schemes to promote successful and sustainable tenancies. The type or features of PRS access schemes that landlords valued most were those providing financial reassurances. When asked what aspects of a PRS access scheme were important for a successful tenancy, landlords who had let through such schemes were most likely to cite 'guaranteed rent' and 'bond/ deposit schemes' as very or quite important (see Figure 13). It is not surprising that the mitigation of financial risk provided by these measures is highly valued by landlords when letting to 'higher risk' tenants: we saw in Chapter 4 that risk of rent arrears was the

**Figure 13. What aspects of the PRS access scheme were important for a successful tenancy? (Landlords who have let through a PRS access scheme)**

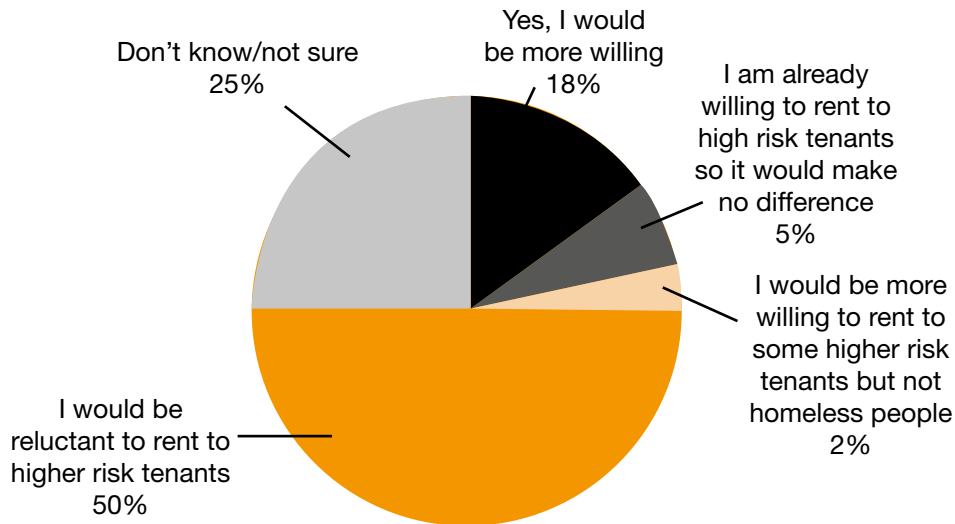


issue that most deterred landlords from letting to tenants in receipt of HB or who are homeless. However, tenancy support and training for both landlords and tenants was also considered important by a sizeable minority.

Despite the benefits and value of PRS access schemes reported by tenants, local authority officers and landlords, half of the landlords surveyed said they would remain reluctant to rent to 'higher risk' tenants regardless of the availability of PRS access schemes (see Figure 14). But, of course, some landlords are unlikely to consider renting to people in receipt of benefits under any circumstances,

no matter how much support, assistance, or finance is provided, or what direction government policy takes in the future: some simply do not let in that market. Landlords renting luxury properties, or those offering short term lets to visiting professionals, for example, are unlikely to be swayed by the promise of a guaranteed deposit. And their properties would not be affordable to most homeless people in any case. Increased awareness of, and confidence in, PRS access schemes might make a dent in the numbers of landlords falling into this category but there will always be some whose business lies elsewhere. On a more positive note, Figure 14 also shows that a relatively high proportion

**Figure 14. Would you be more willing to rent to tenants perceived as higher risk, such as homeless people, if you used a PRS access scheme?**



- one quarter - were not sure whether PRS access schemes would make a difference to their letting preferences, indicating that they could, perhaps, be swayed, and 18 per cent said they would be more willing to let to 'higher risk' tenants if using a PRS access scheme.

### 5.3 Key Points

- Some kind of support or assistance was available in most of the areas in which the local authority officers surveyed were based. PRS access schemes were not widespread but just over one third of local authority respondents reported a PRS access scheme operating in their area.
- Most local authority officers indicated that provision for single homeless people without a priority need was not adequate to meet need. For example, only 11 per cent said they thought there were adequate services in the LA to meet the needs of single homeless people wishing to secure private rented accommodation. Many (40 per cent) also thought that existing services were likely to contract in the next two years.
- Evidence from this study suggests that PRS access schemes and similar forms of support can help overcome some of the barriers homeless people are experiencing when trying to secure a PRS tenancy. Over half (60 per cent) of the relatively small proportion of landlords (14 per

cent) who had let through a PRS access scheme said they would only rent to tenants perceived as higher risk through such a scheme. This suggests that without PRS access schemes, homeless people would not be able to access some of the accommodation currently available to them. Half of the homelessness service users surveyed expressed the view that they would not have secured a tenancy without the help and assistance they received and a further 25 per cent said it would have been more difficult.

- Perhaps not surprisingly, the features of PRS access schemes that landlords valued most were those providing financial reassurances (for example, bond schemes) but tenancy support and training for landlords and tenants were also considered important by a sizeable minority.

## 6. Conclusion

This study has examined, through surveys and interviews, the question of the access of single homeless people to the PRS in England and Scotland from three different perspectives - those of landlords, users of homelessness services and local authority officers involved with the PRS. It is quite possible that the research could have identified differences of view, but there was in fact a great deal of consensus. All were agreed on the underlying findings - first, that access to the PRS for homeless people in particular (and for benefit claimants more widely) is limited, especially in tighter, higher value markets such as London; that this problem has grown worse in recent years, for a range of complementary reasons; and that the costs of gaining entry to the PRS have increased, with landlords making more use than before of references and guarantors, or requiring an additional premium from homeless applicants (as well as benefit claimants) through increasing deposits and contractual rent.

Only a fifth of nearly a thousand landlords responding to our survey said they were willing to let to homeless applicants. Of those who were willing to do so, three quarters said they were letting less than ten per cent of their stock to homeless applicants. This was important, as it allows them to spread what they perceived as the 'risk' of letting to this group. Around one in eight said they increased the rent in advance of letting to homeless people or increased the contractual rent (to cover what they saw as higher management costs in the future). About a third said they made more extensive use of guarantors and references in letting to homeless applicants.

Another area of consensus between the three different agents we covered in the research was that the situation facing homeless people seeking access to the PRS was going to get worse, perhaps much worse, in the future rather than improve. There are four interacting trends here. The first concerns long term structural change in the housing market - while predicting future housing trends is a hazardous exercise at the best of times, it is widely agreed that the PRS is likely to grow in significance in the years ahead, and that the long-term contraction of the alternative for renters - social housing - will probably be intensified rather than mitigated over the next few years. The private landlord will therefore remain an increasingly important port of call for those who are homeless or in acute housing need.

The second trend is that ongoing reforms to the welfare benefits system (such as freezing HB rates for working age tenants and, especially, the extension of Universal Credit), will weaken still further the position of homeless people specifically and those in receipt of benefits more generally. The Government's drive to expand home ownership through Starter Homes and similar initiatives will have no relevance to the housing position of these groups. As with many housing-related measures, this will have a geographically uneven impact - local housing market context is vital. Given the erosion of HB in real terms, claimants will be fighting a losing battle to gain a foothold in the local PRS where there are alternative sources of demand. Landlords are often wont to say that they are running a business rather than a social service, so they will naturally express a preference for applicants who seem more able to pay the rent, and, crucially, to meet any rent increases in the future.

The third trend concerns wider Government policies towards the PRS. The views of landlords revealed in the survey, and reinforced in interviews, were consistent. Policies have increased costs of renting property, especially in buy-to-let, and have increased the regulatory burden on landlords to make them ever risk averse: and that translates into bad news for homeless applicants, and poorer households more generally. A case might be made that landlords are over-reacting, and that the damage to their business will in the event be less than they claim, but in this instance, perceptions are crucial, as they govern strategic decisions that landlords are making now. And, for many, this will amount to getting out of the 'riskier' end of the market at all costs.

The interaction of these three factors means that homeless people increasingly dependent on the PRS will face a housing future marked by overcrowding, poor quality, low standards of management and insecurity. As one landlord stakeholder put it, current policy changes: *'will simply do nothing for those in housing need. Where will they go? Hostels and more emergency accommodation.'*

## Appendix: Case Studies

### Case Study 1: Mark

Mark is 46 and has been homeless for over a year. He had to vacate his home of five years with his wife and three children when the family friend he rented from required the flat back. During this difficult period, his marriage ended. Mark sometimes sleeps in the office where he works as a night time cleaner, and occasionally sleeps at the homes of his brother and a friend. He is managing to hold onto his job, but this precarious situation is taking its toll.

Mark has been actively seeking accommodation since he was made homeless and initially approached the local authority homelessness department. He did not have priority need and so was told he would not be housed by the Council but was referred to Tower Hamlets' Single Person homeless service. They assessed his income and personal circumstances and decided he was eligible for the one-bed rate of LHA and should seek accommodation in the private rented sector. They gave him a list of local letting agents for him to approach.

Mark approached the lettings agents on the list and found that none would consider people in receipt of HB (*'not accepting DSS'*, as Mark put it). He received the same message when he tried other agents and landlords across London, including 'less costly' boroughs around east and north London. Mark always explained that he was working and so would only be paying a proportion of the rent with HB, but still the message was 'Sorry, no.'

*it's over a year now and it's very difficult getting accommodation, in the first place getting a one bedroom in East London is very difficult. I've gone to a whole load of, I've gone to Hackney area, I've talked to housing agents there, I've gone to the Stratford area, I've gone to Leytonstone, I've gone to all the areas, it's very difficult, some told me there's a long queue for one bedroom accommodation and one problem too that I've been facing is nobody's interested in DSS, in housing benefit so as soon as you tell them the housing benefit will come to them they completely shut off.*

There was one exception: Mark was told about an agent in Shepherds Bush who specialised in letting to HB claimants. He went to view several properties but found the conditions unacceptable. Mark does not feel he was being fussy - it included a property with no heating or hot water, and another with severe damp. Mark reported that the properties he viewed were not fit for him to inhabit and he certainly would not be able to have his children there for an occasional overnight or even a day visit.

Mark did not think the rental cost was a barrier. He was confident that his LHA claim and his wages were sufficient to rent a one bed flat at the going rate of around £1000 - £1100, although his wage was very low so it is not clear how realistic Mark's financial calculations are. But the main barrier he perceived was that nobody was prepared to rent to a single person claiming benefits.

In the last 2 months, Mark has been receiving help and advice from a Housing Coach Service operated from Crisis Skylight in London. This is helping him search for properties in the PRS more effectively. He is also doing some work experience - he currently has a placement with an accountant - to try and improve his chances of getting a higher paid job.



## Case Study 2: Michael

Michael is 34 and when he was interviewed he had just moved into a private rented property after a period of homelessness.

In 2012 he was renting a bed sit but was affected by the extension of the LHA Shared Accommodation Rate. He initially received a Discretionary Housing Payment to cover the shortfall in his Housing Benefit but once this ceased he could not afford to make up the £30 extra per week needed from his JSA and he gave notice on the tenancy. He could not risk falling into arrears because he had initially borrowed money for the deposit from a friend and knew this would not be returned to him if he were in arrears.

He stayed with an ex-partner for a while but that arrangement was not sustainable and he then spent time staying temporarily with various friends and living in a tent. He applied for social housing - although found the bureaucracy and the bidding process complicated and daunting and so could not pursue that avenue as vigorously as he would have liked - and also looked for private rented housing.

He found it very difficult to find any accommodation within the LHA Shared Accommodation Rate, describing it as '*nigh on impossible to find a property*' and describing the realisation when he first began his search that '*I've got no chance, no opportunity round that area*'. He also found the 'upfront' costs, and agency fees prohibitive, as he explains:

*The bonds are nearly £1000, you're talking a bond, then your admin fees, then your month's rent in advance. Any place now you're talking £1000 before you even sign the bit of paper, that's a big barrier.*

*I try to stay away from the agencies cos they're so high in the admin fee, fair enough you can get a bond or whatever but then you've got this admin fees and admin fees can be anything from £50 to £250 just for signing a few bits of paper. That's a lot of money, especially when you're homeless and you've got nothing.*

Initially Michael sought accommodation in the same city as his children so he could see them regularly but there was nothing he could afford. On realising that accommodation costs were lower, but the Shared Accommodation Rate the same in another city nearby he started searching there and, with the help of a local PRS access scheme, managed to secure a tenancy a little over the SAR. He still has to 'top up' his HB, but this is just about manageable. This has solved his housing problems but '*but then again I don't see the kids*'.

### Case Study 3: Sharon

Sharon was working in the NHS, living in a council flat in London when, a couple of years ago, she was convicted of fraud and served ten months in prison. Her mental health deteriorated and on release from prison she was transferred directly to a mental health unit where she spent three months recovering. During her period of institutionalisation she lost her council flat.

On discharge from hospital Sharon initially went to stay with a cousin in his one bed flat but this was a temporary arrangement and she was eventually asked to leave. She approached the council for housing assistance, but was told she was not vulnerable enough to be considered in priority need and was given a list of private landlords and agents - *"What they told me over there is go and look at private landlords, we can give you a list..."*. She started working her way through the list but soon gave up, realising there was no way she could meet the access costs. Landlords were asking for bonds and two months advance rent and these costs were substantial. *"I went to housing agents and it was something like £4000"*. Sharon also reported that some landlords were unwilling to rent to people in receipt of HB.

Sharon spent some time in a night shelter and, after considerable effort compiling evidence about her mental health issues, the local authority placed her in a B&B. While in the B&B, Sharon was made aware of a local voluntary sector organisation providing support for single homeless people to find work and private sector accommodation. With the help of the Job Coach there she secured a trial job with a hotel chain which soon became a permanent full-time position. The Housing Coach, meanwhile, who is part of a funded PRS access scheme, successfully helped Sharon find a private rented tenancy. While her studio apartment is small she is very grateful for it. She receives partial HB and makes up the difference with her wages. Finances are tight, but she is managing. The PRS access scheme helped her search and find her flat, provided the deposit, a fund for essential furnishings, and have been providing ongoing tenancy support. She sees an adviser once a week who helps with budgeting advice, and supports her 'general wellbeing'.

Sharon's situation does remain precarious. Her housing is only just affordable and there is a possibility that her hours at work could be reduced, putting this at risk. She is particularly concerned that a deterioration of her health could put the job at risk. Because of these factors, Sharon says that her job and housing are maintained by continued involvement with her PRS access scheme advisor – without which she would 'struggle to cope'.

#### Case Study 4: Ian

Ian is 38. He has had a troubled life and has been homeless for long periods in the past. Although he now has settled accommodation - a privately rented studio flat in London - getting there has been a long and difficult journey.

After a relationship breakdown and addiction problems Ian became homeless. He spent time sleeping rough, but eventually secured a place in a hostel. During this time he dealt with his addiction, but he found the hostel a very difficult environment. Ian lived at the hostel for more than two years - the maximum time he was allowed to remain there - and was then given notice. Ian recognised that he needed more settled accommodation, but found it very difficult to find anything. The requirement for a deposit combined with reluctance of landlords to let to benefit claimants were the biggest barriers he faced. He explained:

*I knew that somebody would ask for a deposit and I just hadn't got that...I have to have the money to pay for a deposit cos I'm not going to get a place without a deposit. I was looking at agencies but a lot of them wouldn't take someone on benefits, that's a big problem. ... Yeah there's a lot of agencies that won't accept DSS. ... No they don't want somebody that's on benefits because I think they feel like the money won't come through to them or it can stop at any minute.*

More recently, Ian has received help from a PRS Access scheme. He has a key worker who assisted him. Within two months, his key worker found him a privately rented flat, with a landlord who often made his properties available to the project. Ian's housing benefit is sufficient to cover the rent - £236 per week including council tax. He is now looking for a job, but fears that if he gets a job, his flat will be unaffordable expressing the view that *'if I start working that all changes, there's no way I'll be able to get a job that would cover that rent each week.'*

We asked how he thought things would be different without the assistance of a PRS Access scheme, Ian made the following comments.

*I'd probably be living on the streets by now. There's no room at my mum and dad's, my nan's had to give her flat up cos she's in a home, I haven't really got friends I can stay with so there's no doubt about it, I would have been on the streets.*

## Case Study 5: Joey

Joey is 51 and had a settled home life before going to prison. He served 15 months and was released to a bail hostel. He began looking for work (he was claiming JSA, although has since been awarded ESA) but was aware that his stay at the hostel was time limited and so prioritised looking for accommodation.

He approached the council and put his name on the waiting list for a tenancy but it was clear it would be some time before he would be allocated a tenancy. He was under the impression that he would have a better chance of securing a social housing tenancy if he was able to prove himself to be a good tenant (although this is certainly not local authority lettings practice) and so started concerted efforts to find a private rented tenancy. He explained:

*I tried the council but when I was due to come out of prison they want good guys living in their houses so... I've got my name down but they want us to, a year to see if I pay my bills, keep my nose clean and after that....They [the council] said where've you been for the last two years, where were you before you went to prison and that, why don't you go back to Northumberland? So the idea was get in the private sector, get a rented house, show I can pay my bills and pay my way and see what the council say in a year or so.*

Joey had no recent experience of searching for private rented accommodation and little idea how to start his search. Prior to his period in custody he had lived with his wife and children for many years in a house he owned:

*it would be better if people knew where to go rather than just having to guess... there's no information for people to know where to look, if you don't know what you're doing you'll never get the help, you're going to find it really hard, and if you don't know, like when I first came out of prison, you don't know where to go, it can be a big struggle.*

He walked around different areas 'to look for houses with boards up, take numbers down, phone them when I got back to the hostel' and approached a number of letting agents but did not have enough money to cover a bond. He had saved an amount but this was only enough to cover agent fees, not a deposit as well. This prevented Joey from getting any further than initial enquiries. He explained:

I went to a couple [of agents] and as soon as I went in you get the look of 'he's got no money'. They all want £500 bonds and stuff like that...so it was go in 'have you got a bond?' 'no' 'well we can't help you'

Eventually someone at the hostel where Joey was staying mentioned a local organisation running a PRS access scheme. The scheme offered advice (and computer facilities) to help with property searches, a bond scheme, and post-tenancy advice and support - for example help applying for HB, and funding for basic furniture and furnishings. The bond scheme made all the difference to Joey - *they said 'we'll be able to help you with the bond but we can't help you with [fees]' which I was chuffed about coz I had enough money to pay for the fees anyway*. He used the computer facilities available and took advice about searching and soon found a tenancy. The PRS access scheme helped Joey with the associated administration, including making claims for HB and for a community care grant to furnish the flat.

## About Crisis

Crisis is the national charity for single homeless people. We are dedicated to ending homelessness by delivering life-changing services and campaigning for change.

Our innovative education, employment, housing and well-being services address individual needs and help homeless people to transform their lives. We measure our success and can demonstrate tangible results and value for money.

We are determined campaigners, working to prevent people from becoming homeless and advocating solutions informed by research and our direct experience.

We have ambitious plans for the future and are committed to help more people in more places across the UK. We know we won't end homelessness overnight or on our own. But we take a lead, collaborate with others and together make change happen.

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## Homelessness ends here