HOLDING ON TO HOME

Drivers of Rent Arrears in Social Housing: an Evidence Review

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About the authors

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Acknowledgments

Glossary

BIT: Behavioural Insights Team

DCLG: Department for Communities and Local Government

DoE: Department of the Environment

DWP: Department for Work and Pensions

HB: Housing Benefit

HA: Housing association

LA: Local authority

NHF: National Housing Federation

UC: Universal Credit

WoS: Web of Science

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Executive Summary

This report provides an evidence review which analyses the key drivers of rent arrears within the UK Social Rented Sector. It is the first part of a two-year research study into tenancy sustainment: *Holding on to home: tenancy sustainment in social housing*, which is being funded by the Nuffield Foundation. There has been extensive research conducted about rent arrears in social housing, dating back at least 40 years. However, a number of developments have created a new urgency surrounding rent arrears in the sector. The key difficulties include:

- Pressures on landlords to maximise rental income in an environment of reduced government support and greater need to utilise internal resources
- A 'cost of living crisis', marked by reductions in real income, accompanied by severe increases in fuel costs and food prices
- Welfare reforms which have made extensive use of sanctions and reductions in eligibility
- The impact of the Covid-19 pandemic.

Approach to the review

The literature considered included analysis of: academic articles, research reports and 'grey' literature concerning rent arrears and landlord responses to improve rent collection. In all, 132 sources were reviewed. The 'COM-B model' (Michie et. al., 2018), which considers how behaviour is a result of the interaction between 'capability', 'opportunity' and 'motivation', is used as a loose framework for the analysis - extensive reference is also made to theory from social policy. This review further considers the groups most at risk of arrears and identifies landlord strategies to prevent and reduce arrears, as well as wider attempts to promote tenancy sustainment. This evidence review captures information over a 40 year period and is structured in separate sections which look at:

- Background to the study
- The timeliness of the research
- The approach to the review
- The theoretical framework
- Findings
- Landlord strategies
- Key groups at risk
- Conclusions.

Key Findings

There has been a wealth of research on the causes of rent arrears, but much of this is dated. Landlords have adopted a range of strategies to tackle the issue of rent arrears – involving a combination of incentives and sanction-based approaches. The key drivers of rent arrears have been consistent in highlighting the structural determinants that cause housing debt: low income households, poverty and social deprivation. A number of studies also mention unexpected events; lack of financial skills; poor budgeting; and prioritising other expenses. The research findings have been divided into three main categories:

- 'Capability' - encompassing people's *'physical'* and *'psychological'* attributes and their capacity to impact on behaviour. Relevant factors will include financial literacy; vulnerability, mental health

and the ability to exercise self-control. The section concludes with a discussion of ways in which 'capability' can be developed.

- 'Opportunity' - refers to the impact of external factors, which provide the most common explanations of rent arrears. These opportunities can be *'physical'* (associated with the environment and available resources, including financial resources) or *'social'* (referring to the social influences on behaviour). This section considers financial resources; housing poverty and debt; rent levels; family and social networks (the 'neighbourhood effect'); stereotyping and labelling; welfare reform and the impact of the pandemic.

- 'Motivation' - refers to both *'automatic'* (habitual) and *'reflective'* (choice-based) processes. The relevant issues here will include attitudinal factors; the impact of stigma; and trust and reciprocity (between landlord and tenant).

Low income households are unsurprisingly the most at risk of arrears; beyond this category the key groups identified as liable to accumulate arrears have been identified as:

- Young people (particularly single men under 25)
- Unemployed groups
- Families with young children
- Those with a history of rough sleeping
- Groups previously in institutional accommodation
- Recently arrived refugees.

As noted above, the pressure on rent arrears has been exacerbated owing to:

- The financialisation of housing, with organisations increasingly governed by economic considerations, following grant reductions (specifically since 2010) and shifts towards providing 'affordable' rather than 'social' housing as well as low cost home ownership products
- Welfare reform and benefit cuts particularly since the 2012 Welfare Reform Act
- The impact of the Covid-19 pandemic and a ban on evictions
- The 'cost of living crisis', caused by rising energy and food costs.

The evidence suggests that the more recent pressures are affecting a much wider set of groups, suggesting that many more tenants are likely to be at risk of rent arrears and potential tenancy failure. Landlord responses need to understand how contemporary developments have affected a range of tenants and how to implement more effective processes to predict, manage, monitor and evaluate their interventions to facilitate effective tenancy sustainment.

Strategies for tenancy sustainment: The response of social landlords

A number of studies have indicated concerns that landlords are adopting a tougher stance towards arrears, based on greater use of sanctions and threats of eviction. There is some evidence that some landlords are adopting a 'risk averse' strategy which involves limiting access to vulnerable (financially risky households). Other landlords are instituting more systematic approaches to tenancy support, sometimes referred to as 'Housing Plus' models. These strategies suggest that the idea of housing management incorporates a much wider set of approaches than merely rent collection and property maintenance. Much of the research identifies the issue of landlord tenant communications as central - with a move from enforcement to support, offering flexibility and building trust.

These models (sometimes referred to as 'Housing Plus'), will often incorporate the following approaches:
- Debt prevention support - including measures to tackle fuel poverty and to offer access to credit

- Benefits advice
- Employment and training advice
- 'Floating support' to assist people in living independently - not necessarily linked to tenancy
- Incentivisation strategies - to reward prompt payment
- Opportunities for flexible rent payment - to allow overpayment and non-payment in times of difficulty
- More effective use of digital strategies, including predictive software systems to monitor payments, to identify potential problems at an early stage and to take effective, preventative action before arrears can accumulate.

Need for further research

Whilst the underlying drivers of rent arrears appear to be consistent, more recent developments, including increases in the cost of living, a global pandemic and welfare reforms, demonstrate that further research is needed to understand the specific nature of contemporary housing poverty, debt and rent underpayment. Landlord strategies should be informed by insight into the causes and effects of rent arrears. More specifically these strategies of tenancy support can benefit from a wider discussion informed by insights from psychological theories of behaviour. The report highlights the need for further research into:

- The impact of welfare reform (on rent payment)
- Rent payment and budgeting strategies adopted by tenants
- The impact of the 'cost of living' crisis
- Access to credit for low-income households
- The effectiveness of digital approaches
- The costs and benefits of flexible rent arrangements
- The efficacy of supportive as against punitive mechanisms; and
- The impact of landlord tenant communications on rent arrears
- The impact of the Covid-19 pandemic on rent arrears.

Conclusions

Research has been consistent in identifying the key drivers of rent arrears to be a result of a complex range of processes. At the heart of the issue is the question of *('physical')* 'opportunity' – with social landlords housing an increasingly high proportion of low income and economically inactive households. The problem of rent arrears has been accentuated by an environment where opportunities are further constrained by welfare reform, austerity and economic challenges. The drivers of rent arrears are complicated by 'motivational' factors (where an individual's motivation to meet rental obligations are compromised by other priorities such as council tax, heating and food bills). Individual 'capabilities' (including financial literacy, budgeting skills and health factors) will also play a role, but the evidence shows that in large part tenants are keen to meet their tenancy obligations. Given the significance of contemporary developments mentioned above, the need for further research which can inform tenants' ability to sustain their tenancies is, therefore, vital. The remainder of the 'holding to home' study is concerned with addressing this need, employing a range of quantitative (a tenant survey, rent account analysis; secondary data analysis) and qualitative (in-depth interviews with tenants and stakeholders; a tenant solicited diary keeping exercise; analysis of landlord/ tenant communications; documentary data analysis) research methods to identify the drivers of rent arrears in social housing. Critically, the study will provide guidance and evidence which, it is hoped, will improve landlords' tenancy sustainment policies and practices, making it easier for tenants to pay their rent and fewer tenancies failing.

Section 1 - Introduction

1.1 Introduction

This review looks at the drivers of rent arrears based on a review of the existing evidence on the subject. It is the first output of a Nuffield Foundation funded study into tenancy sustainment: *Holding on to home: tenancy sustainment in social housing.* The overall aim of the study, which began in March and will run to May 2024, is to provide evidence and guidance which will make it easier social housing tenants receiving an income-related housing allowance (Universal Credit (UC) or Housing Benefit (HB)) to sustain their tenancies. The study is particularly concerned with identifying the causes of rent arrears, as this is the main reason tenancies fail (Hickman, 2021). In doing so, it will explore the impact of the following factors on rent arrears:

- Welfare reforms, including Universal Credit, the 'Benefit Cap' and the 'Bedroom Tax'
- The Covid-19 pandemic and associated ban on evictions
- The 'cost of living crisis', referring to reductions in real disposable income, caused by rapidly rising fuel and food costs. This crisis is disproportionately affecting low-income households (Karjalainen and Levell, 2022).
- Landlords' approaches to tenancy sustainment impact on tenants' ability to pay their rent. This will involve assessing the impact of the increasing use of digital technologies
- Landlord/tenant communications and concerns about the affordability of rents.

Furthermore, the study, which will draw-on a range of quantitative (a tenant survey, rent account analysis; secondary data analysis) and qualitative (in-depth interviews with tenants and stakeholders; a tenant solicited diary keeping exercise; analysis of landlord/ tenant communications; documentary data analysis) research methods, will identify which population groups are most likely to experience difficulties paying their rent, and consider ways in which social landlords (i.e. those providing accommodation at below market rents) are offering support to prevent rent arrears and debt accumulation. This review examines the existing evidence base in relation to each of these factors.

1.2 Timeliness of the research

The concern with rent arrears has been longstanding - as a Department of the Environment (DoE) report commented in the late 1980s:

> Any but the most limited and temporary arrears are damaging to the interest of all concerned: to the tenants involved, who have to manage a mounting burden of debt; to the landlord authorities which are deprived of resources in the Housing Revenue Account; to the other tenants who thereby suffer higher rents or an inferior service; and to ratepayers who in many cases have to bear the costs attached to meeting a larger deficit on the Housing Revenue Account. This inefficiency in the use of resources also damages the case for allocation of resources to local authorities for housing (DoE, 1987, cited in Cameron and Gilroy, 1997, p.32).

There is a large literature on rent arrears, which has been valuable in analysing both causes and effects of arrears, informing landlord strategies. However, much of the research (in terms of the large scale, 'comprehensive' studies) is dated; this is problematic, given on-going recent developments (with tenants and landlords facing an unprecedented situation). A combination of negative developments has created the conditions for a potential crisis in rent arrears. There are significant gaps in knowledge and research is needed to understand rent payment behaviour and the causes of rent arrears. As this review indicates, the situation is complex and in order to analyse these processes a range of methods need to be employed.

The 'Holding on to Home' study, which is drawing on a range of quantitative and qualitative methods, will generate the most comprehensive dataset since the DWP-funded study into the Direct Payment Demonstration Projects (Hickman et. al., 2014). The study will produce a number of outputs and publications, this evidence review being the first of these.

1.3 Structure of the Report

This evidence review captures information over a 40 year period and is structured in separate sections which look at:

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- The theoretical framework
- Findings
- Landlord strategies
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1.4 Background to the Study

As a study by Demos (Jeyabraba and Glover (2022, p.9) has shown, there are longstanding concerns about the impact of rents on tenants. Housing costs are by far the largest outgoing for renters, who face fixed costs (not means-tested) which are subject to widely varying local market conditions. These housing costs are also regressive, meaning that the greatest burden falls on low-income households (p.9). In more recent years the issue of rent arrears has particularly challenging for social landlords and their tenants for two main reasons. The first is that the financial circumstances of residents is a particular concern, as residents cope with a 'cost of living crisis', exacerbated by pressurised labour markets, low wages and increased costs of energy, fuel and rising food prices, which has followed UK government policies of austerity since 2010. Research has predicted the UK will have the fastest fall in real household disposable income since 1956 (Office for Budget Responsibility, 2022) and studies have shown an increasing correlation between poverty and social housing. Research has shown that 27% of social housing residents are regarded as being in poverty (before housing costs); a figure rising to 43%, if housing costs are included (Tunstall *et. al.*, 2013).

A report from the Joseph Rowntree Foundation (Fitzpatrick et. al., 2020) has shown that more than 60% of those defined as destitute (i.e. unable to afford two or more of a basket of essential items) were in the Social Rented Sector (compared to 30% in the private rented sector and 8% owning their own home (p.17). Social rented tenants are also more likely to require support from food banks (Bramley et.al., 2021) and there is evidence of a growing number of tenants (across Europe) who find it difficult to afford social rents. Studies have shown that UK welfare reform strategies (discussed below) implemented since 2010 have entrenched the vulnerability of tenants and increased poverty and debt (Power *et. al.,* 2014; Williams *et. al.*, 2014). A housing association (Metropolitan Thames Valley Housing) found that an average of between 15-20% of their residents were in arrears at any one time (Fitzhugh *et. al.*, 2018).

The second reason is that social landlords are significantly affected by non-payment of rent and associated tenancy failure. Arrears and debt are likely to have a huge impact on financial health (and future borrowing capacity) of the organisation, in an environment characterised and described as

'financialisation', with landlords paying greater attention to the value of their housing stock and prioritising asset management strategies (Aalbers, 2016). These policies have been caused by significant reductions in government funding for housing, necessitating a greater dependency on private finance, as well as increased costs associated with building safety and compliance with environmental sustainability (net zero) guidance. Rent arrears are a key factor in tenancy failure - and often symptomatic of wider problems with tenancy. In cases of eviction there will be no opportunity to retrieve the debt and there are considerable costs associated with reletting the property. There is evidence that rent arrears have been a particular problem in the Social Rented Sector; a (DCLG) report in 2014 showed that about 12% of tenants were not up to date with their rent, compared to 4% in the private rented sector (DCLG, 2014). The 2021 English Housing Survey reported that social renters were more likely to report being in rent arrears than private renters: 8% reported that they were currently in arrears, and 7% reported that they had fallen behind with payments in the 12 months prior to the interview. Between 2019-20 and 2020-21, there was a decrease in social renters reporting being in arrears at the time of interview or in the 12 months prior to the interview. In 2019-20, 23% of social renters were or had been in arrears, compared to 15% in 2020-2021 (DLUHC, 2021).

As Pawson and Munro (2010) found, there are high costs of tenancy failure - including financial costs to the landlord, social costs for individuals experiencing a loss of tenancy and wider, environmental, neighbourhood costs of tenancy breakdown (p.146). In addition to the social cost of a loss of tenancy (following eviction) individuals can suffer additional disadvantage in terms of their future access to social housing.

The Covid-19 pandemic has exacerbated these pressures. Jeyabraba and Glover (2022) estimate that an additional 450,000 people had been pushed into housing debt and Housemark data reported in January 2021 has shown a 30% increase in rent arrears since March 2020 (Housemark, 2021a). This finding contradicts DLUHC statistics from the English Housing Survey, which showed a decrease in the percentage of social renters reported to be in arrears before, and after the first year of the pandemic. Based on data provided by 104 social housing providers, rent arrears reached a figure of £1bn, with areas facing the greatest Covid-19-related restrictions reporting arrears levels at 40% higher than comparable landlords (reported in *Inside Housing* (2021)). Furthermore, many have predicted that increases in cost of living will also result in higher levels of arrears. For example, Housemark (2021b) comment:

> As we near the end of 2021, we are seeing some impact on arrears corresponding with an increased cost of living, with inflation topping 5%. The effect of lower real incomes, paired with the rent increase, will result in challenging conditions for rent and arrears collection teams up to year-end. As a result, we forecast that arrears will be slightly higher in March 2022 than we recorded in March 2021, with increased challenges into the new year.
> https://www.housemark.co.uk/news/housemarks-2022-predictions-for-social-housing/

Studies have highlighted increases in poverty, anxiety, insecurity and fear amongst social housing tenants, accompanied by an expectation of an increase in evictions (Power et. al., 2014). Research reports have pointed to an increasing crisis of housing debt (including mortgage and fuel costs) and rent arrears (Judge, 2021); landlords have therefore attached a strong priority to ensuring prompt rent payment, reducing arrears and supporting tenants to ensure that tenancies do not fail. These strategies of tenancy sustainment have included a range of integrated approaches to ensure preventative measures (reducing the potential for arrears to accumulate) as well as responsive strategies (to ensure that tenant debts do not become unsustainable) and attempts to facilitate greater engagement.

1.5 Approach to the review

This report presents the evidence of the key drivers of rent arrears in social housing. The report provides an examination of evidence over a 40-year period (from the early 1980s to date). The discussion will examine the UK context – and more specifically England, (which is the focus of the 'Holding on to Home' study), considering both academic research and 'grey' literature.

Literature searches were performed as a scoping exercise to inform the study, rather than a systematic evidence review. While search terms were set to perform searches of academic databases such as Web of Science, it was clear that the language used by housing providers to describe what can be broadly classed as 'tenancy sustainment' activity, is diverse. Search terms included various different ways of describing tenancy sustainment activity, including income, debt, arrears, tenants, and encompassed all forms of social housing. This provided a justification for a thematic rather than systematic literature search. 'Hand' searches of relevant journals, high quality policy, research and stakeholder outputs and government statistical data supplemented initial database searches.

The activity started with a literature search matrix from a previous related evidence review conducted by the authors, from which nine relevant sources related to rent arrears and tenancy sustainment were identified, and a small number of international sources with some limited relevance. A new Web of Science (WoS) search using terms relevant to this study was performed and retuned 251 results. 10 relevant papers were included in this search, nine of which were the same as the previous WoS search on tenancy sustainment. Searches were then performed using Google Scholar, and Open Google searches to identify organisational practices and discussions of resident experiences of rent payment.

'Hand' searches of relevant peer reviewed journals, including Housing Studies, Housing, Theory and Society, International Journal of Housing, Urban Studies and Policy and Politics, relevant policy documents, research produced by pressure groups with expertise in housing and poverty, think tanks specialising in public policy and stakeholder outputs and government statistical data supplemented initial database. This information generated a 'snowball' sample which used research and practice-based sources, including good practice guidance on managing rent arrears and advice on sustaining social housing tenancies.

In developing a theoretical approach, additional material was generated, including theoretical discussions of the COM-B framework, approaches to changing behaviour and discussion of the 'capabilities' approach. This information generated over 300 sources; these sources were narrowed to those with a direct bearing on the drivers of rent arrears, landlord practices on tenancy sustainment and approaches to changing behaviour to facilitate rent payment (generating a sample of 132 sources)

This review examines discussions of housing policy in the light of wider debates in behavioural economics and behavioural science. In order to analyse the key drivers of rent arrears, this study applies the 'COM-B' model of behaviour change (Michie et. al., 2011) – looking at 'capabilities', 'opportunities' and 'motivations' as an approach which can make sense of barriers and facilitators – to inform a wider study of landlord strategies to reduce rent arrears. The review shows that landlords can have an important effect on behaviour – in both positive and negative ways. It demonstrates that the 'problem' of rent arrears has been exacerbated by a number of recent developments – including increased consumer costs (specifically energy prices), the impact of the global pandemic and UK welfare and labour market changes.

1.6 Overarching framework for the analysis: COM-B

As governments are increasingly interested in shaping behaviour, concepts gained from behavioural economics and environmental psychology have become increasingly influential in designing public policy interventions. Concepts such as 'nudging' or 'choice architecture' (Thaler and Sunstein, 2008), based on the idea of 'libertarian paternalism', to provide default mechanisms to influence and predetermine goal-directed activity. The establishment of a Behavioural Insights Team, established by the UK Cabinet Office, has produced a range of research aimed at improving the delivery of public services, including an analysis of interventions designed to reduce fraud, error and debt (BIT, 2012) and a study of rent arrears in Metropolitan Thames Valley Housing (Fitzhugh *et. al*., 2018). In similar terms, a report produced by Capita has used the concept of 'nudge' to 'show how interventions built on behavioural insights have led directly to better rent collection, swifter payment agreements and improved customer response' (Johnson and O'Halloran, 2015, p.5).

A central criticism of the focus on behavioural economics has been the focus on the individual, leading to a judgemental focus in public policy (see for example, Coyle, 2021). Some studies have tended to attribute poverty and marginalisation to poor decision-making, a lack of budgeting skills and deficiencies in character as causes of poverty and marginalisation (see for example, the literature on the 'underclass' and 'cultures of poverty') (Spicker, 2020). Such characterisations are often based on stereotypes, placing emphasis on 'suboptimal decision making' and pathological explanations; they ignore the importance of structural factors and systemic failure. This perspective has been subject to a range of criticisms (see for example, Coyle, 2021) and, in order to counteract the limitations of such individualistic explanation, at a conceptual level, the 'COM-B' framework (Michie *et. al.*, 2011) has been used as a model to explain the influences on behaviour, taking account of structural and systemic features, alongside group and individual factors. This framework identifies behaviour (B) as the outcome of a complex relationship between *'physical'* and *'psychological'* 'capability' (C), *'social'* and *'physical'* 'opportunity' (O) and *'reflective'* and *'automatic'* 'motivation' (M) (Michie et. al., 2014. It should be noted that there is considerable overlap between these categories and the influences on behaviour are complex. Nevertheless, the framework has the benefit of classifying the different elements to explain behaviour (in individuals, groups and organisations) and to enable analysis of specific factors (such as rent payment, arrears management and tenancy support). The key categories are the following:

'Capability' is concerned with an individual's attributes and how they affect their capacity to undertake a behaviour, encompassing '*psychological'* attributes (such as knowledge, skills, reasoning, comprehension and memory) as well as '*physical'* attributes (such as health and disability (Alexander et. al., 2014; Michie et. al., 2011).

'Opportunity' refers to the extent to which behaviour may be constrained or facilitated by external factors, providing a way to understand the wider context for action. These opportunities can be '*physical'* (associated with the environment and available resources, including financial resources) or '*social'* (referring to the social influences on behaviour).

'Motivation' refers to *'reflective'* processes (including beliefs, assessment, reasoning and choice) and *'automatic'* processes (such as desires, impulses and habits) (Alexander et. al., 2014).

> If a desired behaviour is not occurring (or an undesirable behaviour occurring) then an analysis of the determinants of the behaviour will help to define what needs to shift in order for the desired behaviour to occur (or the unwanted behaviour to cease) (Barker, Atkins and Lusignan, 2016, p.91).

One of the strengths of the model is to highlight the extent to which the key drivers of behaviour cannot be seen in isolation - each of the elements influences the other (Hickman, 2021, p.242). The issue of rent

arrears involves a number of different actors and behaviours, with decisions to be made (based on criteria) about which behaviour(s) to target (to facilitate rent payment) and as Michie et. al. (2014) comment, there are a number of criteria to fulfil. These criteria include: likely impact; ease of implementation; likely spillover (collateral impact) and ease of measurement. As the discussion below illustrates, the issue of rent arrears has wide impact and can be measured in straightforward terms (although ease of implementation is more problematic) - and this framework has been used to design a range of interventions, applied by Hickman (2021) to analyse rent underpayment behaviour.

It is important to acknowledge that there is a literature on 'capabilities' in social policy, influenced by the work of Sen (2005). The 'capability approach' is a theoretical framework, based on ideas of poverty, well-being and justice. It entails two normative claims: first, the claim that the freedom to achieve well-being is of primary moral importance and, second, that well-being should be understood in terms of people's capabilities and functionings. Sen (2009) argues for a shift in focus from the 'means of living', such as income, to the actual opportunities a person has, or the opportunities to participate in society. Whilst much discussion of rent arrears has been based on what can be seen as a 'deficit model' of tenants (for example, considering rent arrears as a failure of behaviour), an analysis which foregrounds capabilities and opportunities can focus more effectively on the relationship between structure and agency, offering a promising framework for analysis (Hick, 2011).

So, while this review uses the COM-B model as the principal mechanism to understand the main factors involved in accumulating rent arrears, it also draws extensively on wider social policy theory, such as the 'capability approach'. The following section identifies how these factors have been addressed in research studies, beginning with general explanations of the key drivers of arrears, before analysing the data in more depth, through the COM-B lens.
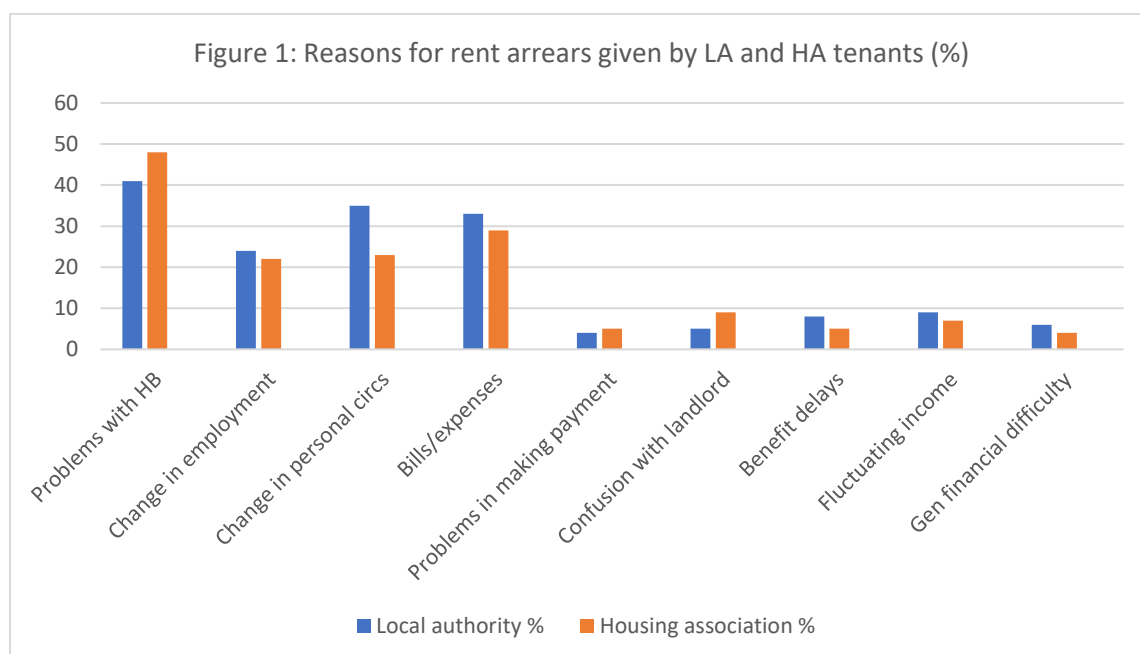
Section 2: Findings

This section considers evidence provided from the literature over a period of forty years - the review adopts a historical approach, starting with Duncan and Kirby's (1983) discussion of the local authority sector, which identified the most important factors in distinguishing those seriously behind with the rent as household type and rent payment method:

> Compared with all council tenants, families with dependent children and those who paid their rent by the Post Office Giro were over-represented among those in serious arrears. Most tenants in serious arrears had financial and social problems such as marital breakdown, sickness and unemployment. Compared with all council tenants they had lower average income per head, a lower take-up of rebates and a higher proportion had other debts in addition to rent arrears (Duncan and Kirby, 1983, p.1).

The Duncan and Kirby study highlighted an increase in gross rent arrears as a percentage of total rent collectable from 1.8% (£13m in 1972/3) to 4.4% (£139m in 1981/2) over less than ten years. Much of the research on rent arrears has highlighted the complex range of reasons behind rent arrears (see below). As a report from the Centre for Housing Research (1989) showed: 'Studies of tenants in rent arrears have found that often the problem does not exist in isolation but instead is part of a more complex set of financial difficulties (p.63).

A research study from the DoE (1994) also reported there was 'no simple explanation for rent arrears among local authority (LA) and housing association (HA) tenants. Nor was there any universally effective management solution to rent arrears recovery' (p.3). The study showed widespread arrears among tenants of social landlords - with figures of 43% (for LA) and 49% for HA tenants (p.3) in some level of arrears. The figure for serious arrears was given as 15% (LA) and 18% (HA tenants). This study was notable in highlighting tenants' own reasons for falling behind with their rent, which are presented in Figure 1, below.

Figure 1: Reasons for rent arrears given by LA and HA tenants (%)

Source: adapted from DoE, 1994

The most commonly cited reasons for both LA and HA tenants were: 'problems with HB' (LA: 41%; HA: 48%); 'change in employment' (LA: 24%; HA: 22%); 'change in personal circumstances' (LA: 35%; LA: 23%); and 'bills/ expenses' (LA: 33%; HA:29%). 'Problems in making payment', 'confusion with landlords', benefit delays', 'fluctuating income' and 'general financial difficulty' were all cited by less than 10% of both LA and HB tenants, respectively.

In the early 2000s, a report for the Audit Commission (2003) identified the reasons behind rising levels of rent arrears amongst local authority tenants in England and Wales as a result of a combination of local authority management practices, socio-economic factors and failures in the administration of Housing Benefit (p.3). The report pointed to an increase in arrears of 20% between 1992 and 1997 (from £335m to £403m), with former tenant arrears increasing by 42% (£172m to £244m). One of the explanations offered was that the Right to Buy scheme removed many of the 'good payers' and increased the proportion of indebted and benefit-dependent tenants in council stock (p.3). The main causes of rent arrears at this time were attributed to:

- Changing circumstances and attitudes of tenants
- Increasing Housing Benefit dependency
- Higher turnover of tenancies
- Changing work patterns, and
- Delays in taking cases to court.

A later study (DWP, 2014) identified a number of factors which contributed to rent underpayment. These factors include the following:

- The characteristics and circumstances of tenants
- The challenging nature and complexity of tenants' lives
- Tenants' financial circumstances
- Poor money management
- Tenants' attitudes towards spending and saving
- The prioritisation of other bills over rent
- Confusion about direct payment, HB monies and rent
- Problems with the administration of HB and bank accounts
- Difficulties adjusting to direct payment
- Lack of support
- The temptation to spend HB
- A strategic and intentional attempt to be removed from the direct payment programme (introduced as part of the Universal Credit scheme)
- Accidental underpayment
- 'Triggers' or events that instigate underpayment.

The DWP report identified four main types of underpayment: 'one-off underpayment'; 'frequent, erratic underpayment'; 'frequent persistent underpayment'; and, 'infrequent underpayment'. A key finding from the study was that underpayment was difficult to predict, with most forms of underpayment characterised as 'erratic'. The team found that there were a 'bundle of interlinked factors' (p.16) to explain underpayment, but the most important was the financial circumstances of tenants. Research on the impact of the Direct Payment of housing benefit to tenants found that while many tenants were very used to budgeting with low incomes from benefit payments, the switch to the Direct Payment system undermined this ability and pushed tenants into debt (Hickman, et. al. 2017).

Research by Ambrose et. al. (2015) identified the following as the key factors in rent arrears:
- Insecure and casual employment
- Benefit claims and suspensions
- Surviving on a low income
- Setting up home
- Life events.

The Ambrose et. al. study also found that the quality of data held for individual tenants was associated with an increased risk of arrears (2015, p.4). Studies have described residents as experiencing complex and precarious lives which made them more susceptible (and exposed) to one-off events (such as job loss, relationship breakdown, family illness of bereavement) which can result in arrears (DWP, 2014). The risk of rent arrears was exacerbated by physical and mental disabilities where tenants experienced difficulties in finding appropriate employment and sustaining their employment. Those with caring responsibilities were also disproportionately vulnerable to rent arrears.

Research conducted by Shelter (2003) identified unmet support needs (such as those with language difficulties or alcohol or drug addiction) as an additional factor in rent arrears. A more recent study by Demos (Jayabarba and Glover, 2022) highlighted three specific drivers of rent arrears: low and fluctuating income; the benefits system and unexpected and bulky costs. The analysis below classifies the studies through the perspective of the COM-B framework, using literature on rent arrears and tenancy failure, to consider how these factors are interrelated and their varying significance at different periods in time.

2.1 Capability

Most discussion of rent arrears has focused on the financial circumstances of residents (analysed below in the section on 'opportunity'). The concept of capability has been a secondary feature of discussions of rent arrears, but more recent studies have highlighted the capacity of tenants to meet their rental obligations. One study (Holl et. al., 2016) looked at interventions designed to prevent evictions due to rent arrears and found a range of factors, over and above financial problems. These included a combination of social, economic and health factors, including: a lack of financial skills, addiction or health problems. The following section discusses explanations included in the category of capability, in terms of financial literacy, the vulnerability of residents and self-control.

2.1.1 Financial literacy
Research has shown that low levels of financial literacy have significant impacts on decisions about daily expenditure, budgeting and other financial choices; these can increase the likelihood of debt and reduce the ability to achieve positive outcomes if individuals encounter specific financial problems (Atkinson et. al., 2007). A study in 2011 (Evans and McAteer, 2011) considered the efficacy of debt advice provided by social landlords, finding that debt advice was highly valued by residents with reductions in arrears (of around 37%) for those referred for advice (compared to 8% increase in the control group). The conclusion from the study was that focussing resources on groups in critical need (for example, those facing eviction) was more effective than providing general financial education. However, the impact on behaviour was often difficult to determine. A study by Citizens Advice (2017) found that people need support in gaining confidence about financial matters, but this does not necessarily translate into desired action; with a gap between knowledge (about what should be undertaken) and action (implementing this decision) - the idea of an 'intention-behaviour gap' (Sheeran, 2002).The Financial Services Agency (2005) suggest that there are three key elements that determine financial capability, namely: knowledge and understanding, skills and confidence and attitudes (these latter categories would fall under 'motivation' on the COM-B model). These factors are influenced by personal experiences and circumstances with financial capability measured

by examining individual behaviour. Financial capability contained four discrete behaviours: managing money, planning ahead, making choices and getting help.

Irvine et. al. (2007) identified three different types of money managers: 'ordered', who 'either made comprehensive use of automated banking or operated strict routines in collecting income and paying bills'; 'flexible', who 'were less rigid than ordered money managers in their approach to monitoring and using money'; and, 'chaotic', who 'had difficult financial situations and … could be forgetful about paying bills and/or were generally careless with money' (Irvine et. al., 2007, p1).   In similar terms, a study conducted by the Behavioural Insights Team (Fitzhugh et. al., 2018) identified three kinds of residents, described as 'struggling' (genuinely attempting to meet rent commitments), 'strategic' (deciding to prioritise payments) and 'disorganised' (forgetful or poor managers).

2.1.2 Vulnerability and mental health

The links between the built environment and psychological health have been extensively analysed (see for example, Halpern, 1995) and there is evidence of a strong connection between rent arrears and mental illness (as both cause and consequence) (see for example the study by Bond, Evans and Holkar, 2018). A number of studies have shown how households once in debt, experience high levels of stress with consequences for mental health (Nettleton and Burrows, 1998) - these factors are sometimes compounded by what some writers have described as low levels of 'conscientiousness and emotional stability', leading to a reluctance to confront the problem and the potential for spiralling levels of debt (Parise and Pijnenburg, 2017). Psychological research has highlighted the impact of scarcity ('opportunity') on mental health ('capability') (Mullainathan and Shafir, 2014) arguing that the stress of poverty reduces cognitive capacity.

A report by Patrick et. al. (2022) pointed to the increased risk of poor mental health for tenants caused by economic insecurity, job loss and income reductions. Research conducted by Shelter found that one in four tenants with mental health problems had serious rent arrears (Dunn, 1999; Shelter, 2003). Research has found that the introduction of Universal Credit (mentioned above) has had a negative impact on tenants wellbeing (Wickham et. al., 2020). Other studies have highlighted the severe impact on mental health of sustained poverty and debt (Bond and D'Arcy, 2021). As the 2021 English Housing Survey has shown personal well-being scores varied by tenure. Average life satisfaction among owner occupiers was nearly one point higher than for those living in the Social Rented Sector (7.5 compared with 6.7). Owner occupiers were also less anxious than renters, scoring 2.8, compared with 3.8 for social renters and 3.3 for private renters (p.28). In addition, Covid-19 has increased the precarity of those living in social housing, with greater risk of mental health crises.

2.1.2 Self control

There is a body of work in normative social science which considers the relationship between behaviour and capability, with the issue of self-control sometimes placed centre stage. Research has shown how poverty can have a negative impact on self-control, with a significant gap between intention and outcome. One study (Beerheim, Ray and Yeltekin, 2015) maintains that monetary self-discipline becomes difficult where individuals have less to lose in absolute terms, whereas others have argued that the marginal costs of poor financial decisions are much greater for those on low incomes (Bannerjee and Mullainathan, 2010). An alternative explanation is that immediate gratification (and lack of self-discipline) is a rational approach, within an environment seen as highly contingent, arbitrary and unstable (Kidd, Palmeri and Aslin, 2013). Other research has identified how a 'scarcity mindset' (Noguchi, 2019) can operate, where individual

decisions are affected by financial anxieties (an 'opportunity' factor) and are re-evaluated in the light of budgetary pressures.

This notion is linked to the confidence that individuals have in their ability to control a given situation (what Fitzhugh et. al., 2018 term 'self-efficacy'). Some landlords, such as Metropolitan Housing, have commented that social tenants are likely to have low levels of self-efficacy as poverty and social exclusion have negative impacts on self-image and wellbeing. Landlords (and other public agencies) have therefore focused on developing autonomy, independence and personal responsibility as mechanisms to motivate residents to take rent payment obligations seriously.

2.1.3 Developing capability
The 'capabilities approach' has become increasingly influential in debates around housing, at time when housing policy discussions have been losing human and social dimensions. The importance of autonomy, choice and control has been acknowledged within a contest in which housing has increasingly become financialised (UN Human Rights Council 2017; Aalbers 2016) and treated as 'a commodity, a means of accumulating wealth and often as security for financial instruments' and disconnected from its social function (UN Human Rights Council 2017, 3) (Kimhur, 2020, p.257). Nussbaum has identified control over one's environment as a central capability - referring to political participation, property ownership and workplace conditions. A reduction in the availability of affordable rented accommodation and lack of choice in housing has had a significant impact on individuals' capability to move.

Moreover, as Watts and Blenkinsopp (2020) argue, this analysis neglects the more banal everyday elements which include 'when people can come and go from where they live; whether, when and for how long they can have friends, family or romantic partners visit; when and how much they can eat; when and how they can do their laundry, etc' (p.110). Discussion of capabilities can therefore focus on normative evaluations and ethical foundations - for example, to emphasis a Right to Housing. As Foye (2020), amongst others argues, housing outcomes should be evaluated in terms of people's housing capabilities - that is the effective freedoms that people have in their own homes and neighbourhoods to do things that they value.

2.2 Opportunity

The literature clearly shows that the most significant factor in determining the potential for (and scope of) rent arrears related to factors which can be classified under the heading of 'opportunity'. Whilst there is limited evidence that social 'opportunity' or peer pressure played a role in rent arrears (Hickman, 2014), there is considerable evidence that physical opportunities, including tenant resources (financial circumstances), levels of rent levied by landlords and difficulties associated with the administration of housing and social security benefits have been significant factors in the growth of arrears amongst social landlords. An additional factor is the literature on 'neighbourhood effects' (Buck, 2001), which analyse the impact of location and social networks on the life chances of individuals.

2.2.1 Financial resources of tenants
There is a large literature on the changing social profile of tenants in the Social Rented Sector; one which has been variously described as 'residualised' and 'an ambulance service for the poor' (Fitzpatrick and Pawson, 2013). Much of the literature refers to the stigmatisation of social housing (Hunter and Nixon, 1999); a factor strongly associated with the social profile of the resident population; based on allocation policies which have prioritised housing need as a category. As Hickman (2014) has highlighted:

> The context within which tenants lived their lives - 'opportunity' - was very unfavourable. They had limited resources and very challenging financial circumstances. They had low incomes and little or

no savings, with many having deductions from their incomes. Many had experienced a financial shock in recent times. All of these 'conditions' contributed to underpayment (p.257).

A number of studies have identified a strong correlation between low income and rent arrears (Duncan & Kirby, 1983; Ford & Seavers, 1998; Gray *et. al.*, 1994). The Ford and Seavers (1998) study estimated that one in seven housing association (formerly known as 'Registered Social Landlord') tenants experienced rent arrears. These figures are anticipated to increase significantly in 2022, owing to rising living costs and pressure on household budgets. The challenges presented by an increasingly severe 'cost of living crisis' has led a number of social landlords to pay attention to improving the resilience of their tenants to financial vulnerabilities. Data from the 2021 English Housing Survey highlights the vulnerability of social rented tenants to rent arrears - 50% were in the lowest income quintile. Furthermore:

> Among social renters, 25% were working full-time, a decrease from 31% in 2019-20. A further 13% of social renters were in part-time work, a similar proportion to 2019-20 (14%). Between 2019-20 and 2020-21 there was an increase in unemployment of social renters from 6% to 11%. Over half (51%) of social renters were retired, in full-time education or 'inactive', a group which includes those who have a long-term illness or disability and those who were looking after the family or home (DLUHC, 2020-21, p.12).

Much of the literature on housing debt relates to the owner-occupied sector. There is currently a lack of evidence about the impact of debt on tenants within social housing. As highlighted above, studies have pointed to the impacts of debt upon wellbeing. For example, Taylor, Pevalin and Todd (2007) have identified significant psychological problems associated with both mortgage and rent arrear debts as well as negative associations between poor health and rent arrears (Duygan-Bump and Grant, 2009). However, part of the problem of rent arrears is the extent to which the effect of austerity policies is both 'hyper-visible, on every street corner and at every supermarket exit, and unseen or perhaps *unseeable*' (Tyler, 2020, p.173, emphasis in original). In the words of Mills (2018):

> austerity is lived and felt as an affective force and atmospheric fear, a pervasive psychological and bodily anxiety, shame and anger, differing in intensity at different times, and fatiguing the body - physically and psychologically wearing it out (p.315).

2.2.2 The unaffordability of rents
A shift from 'social' to 'affordable' rents (which can be up to 80% of market rents) has underpinned much of the recent concern about the affordability of rent levels. Pawson and Wilcox (2012) have shown how council rents increased from 7% to 11% of average weekly earnings between 1980 and 2009. For housing associations, the figure was from 11% to 13% over the same period. As Davis et. al. comment 'the rising cost of social housing…can have huge effects on minimum household spending requirements (p.27). As Preece, Hickman and Pattison (2020) have shown (in a study of housing associations), changes to landlord rental systems (including extensive use of affordability assessments) have highlighted the potential for exclusion from housing on the basis of ability to pay - both at the point of tenancy access and at renewal of fixed term tenancies. Other studies (for example, Green et. al., 2016) have questioned the extent to which rent levels are themselves contributing to an increase in arrears. The study showed that whilst only 6% of properties were seen as unaffordable a much higher proportion (32%) were at risk of unaffordable rents if there was a negative change in their financial circumstances (including a risk of further welfare reform).

2.2.3 Welfare reform
There is growing evidence that the administration of housing and social security benefits has resulted in an increase in rent arrears amongst social housing landlords and higher levels of debt amongst residents

(Power et. al., 2014; Hickman et. al., 2018). As Power et. al. (2014) comment 'the welfare system has become tougher and tighter with greater use of sanctions, reclassification of disability, exclusion from entitlement and suspension of payments' (p.5). Similarly, Beatty et2. al. (2015) have argued that the use of sanctions may itself contribute to a higher risk of homelessness.

One of the main aims of welfare reform has been to secure retrenchment and a reduction in public expenditure (Beatty and Fothergill, 2018; Beatty et. al., 2014; Ferrari, 2015). A further objective has been to promote individual responsibility and to reduce dependency on state support. The Welfare Reform Act 2012 has been accompanied by a shift towards greater use of conditionality, and a benefits system which is based upon increasingly punitive mechanisms. This emphasis on conditionality involves a reliance on (the threat of) sanctions or (the promise of) incentives as a means of facilitating behaviour change (Watts and Fitzpatrick, 2018, p.82).

The introduction of principles of conditionality in welfare (Watts and Fitzpatrick, 2018), as an attempt to introduce 'responsibilisation' amongst tenants, has had particular significance for landlord strategies (see Watts and Fitzpatrick, 2018). As Power et. al. (2014) comment in a system designed to reduce dependency: 'welfare reform may end up making tenants more, not less dependent and certainly more vulnerable (p.8). The reform programme has also had uneven impact and disproportionately negative effect on disadvantaged neighbourhoods: 'As a general rule, the more deprived the local authority the greater the financial loss' (Beatty and Fothergill, 2016, p.3). The following sections consider specific reforms in more detail.

2.2.3.1 Benefit cap
The proposal for a four-year 'benefit freeze' and benefit cap in the Welfare Reform and Work Act 2016 - designed to introduce a ceiling on total payments per household (regardless of family size), has seen a reduction from £25k p.a. to £23k in London and £20k for the rest of the country. This measure is likely to have a significant impact on arrears levels. As one study (Forbess and James, 2016) (conducted by the LSE) stated:

> We found that in Hammersmith and Fulham, now one of the most expensive boroughs in London, Citizens Advice frequently fielded queries from families who, owing to the benefits cap, were no longer able to afford their rent. In one case, an Eritrean single mother with young children was moved by the council to Essex, where rents were more affordable. Unable to speak English competently, her isolation was compounded by her removal from the community and family networks on which she relied for survival.

The House of Commons committee on work and pensions found that the 'benefit cap' had a significant impact on rent arrears. Evidence presented to the committee (by Plymouth Community Homes) stated: '55% of tenants affected by the cap are now in rent arrears. As we have some of the lowest social rents in the country it is not a realistic option to move to a cheaper property' (cited in House of Commons, 2019).

2.2.3.2 Bedroom tax
Introduced in 2013, the 'Removal of the Spare Room Subsidy' or 'bedroom tax' as it is more popularly known, has had a detrimental impact on rent arrears. An initial assessment of the policy, (Tunstall, 2013) based on analysis of the DWP impact evaluation questioned the ability to make cost savings on housing benefit (one of the main objectives of the policy) and warned of additional costs of rent arrears, relet times rent collection and tenant support' (p.16). The Department for Work and Pensions has estimated that 59% of tenants subject to the tax are in rent arrears as a consequence of the policy. Gibb (2015) has written of the multiple failures of this tax and highlighted concerns raised in initial research from the DWP:

According to landlords in the first 6 months only 41% of tenants had paid the full shortfall arising from the bedroom tax (and 20% had paid none of it). There was widespread concern…that many were making cuts in household essentials or borrowing to pay for the reduction in HB. Total landlord arrears grew by 16% in the first 6 months (though it cannot all be ascribed to the HB changes) (Clarke et. al., 2014).

One study based in Leeds (Hodkinson et. al., 2016) showed that households were trapped within their own accommodation due to a lack of available smaller properties. Of this group, 85% were in rent arrears. Bogue (2019) argues that social housing tenants have been the group most adversely affected by the retrenchment of welfare, in large part as a result of the introduction of the bedroom tax.

2.2.3.3 Universal credit

The introduction of Universal Credit in 2013 has been found to have had a significant impact on rent arrears. The benefit was introduced to replace six existing benefit schemes, and studies have highlighted difficulties caused by this scheme, which involves payment direct to tenants (rather than landlords) and monthly payment. There is increasing evidence that arrears are caused by: delays in processing Housing Benefit applications; the policy of only granting benefit on one tenancy (when moving from temporary accommodation) (Communities Scotland, 2001); and, problems with the direct payment of Housing Benefit (to the tenant rather than landlord). Hunter (2020) analysed rent accounts of council tenants across 12 London boroughs, finding that:

> for the majority of tenants the experience of claiming Universal Credit is accompanied by a significant increase in rent arrears. Arrears rise sharply in the weeks immediately following a Universal Credit claim, before plateauing after approximately 12 weeks. Although arrears generally stop increasing further, they do not get paid down, suggesting that the five-week wait creates a spike in claimant debt that they are then unable to pay off (p.4)

A project titled 'State of Hunger' (commissioned by the Trussell Trust) has identified how debt to government has played a significant role as a driver towards destitution, with 47% of people referred to a food bank were in debt to the DWP (Bramley et. al., 2021; Bennett Clemmow et. al., 2022). A study by Hickman, Pattison and Preece (2018) called for a better understanding of budgeting and money management strategies. However, it reported that 'UC made budgeting more difficult because: it changed the budgeting cycle of tenants from (typically) two weeks (under HB) to a month; it made tenants responsible for paying their rent; and, with, the delay in the first UC payment, adversely affected the financial circumstances of tenants transitioning onto the benefit' (p.73). Universal credit has been seen as a particular problem with respect to rent arrears as tenants are faced with conflicting goals which can reduce incentives to pay rent:

> One of the reasons that new arrears are likely to accrue under UC is that **there is economic logic in tenants (with no or little arrears) not paying all or some of their rent when faced by a financial emergency.** This is because interest is not charged on rent arrears with underpayment representing an 'interest free loan', although the clawback arrangements ('third party deductions') for repaying unpaid rent under UC are onerous. (Hickman, Pattison and Preece, 2018, p.12, emphasis in original).

As noted above the introduction of direct payments of Universal Credit (to the tenant rather than the landlord) in an attempt to facilitate 'responsibilisation' amongst rent payers, has been found to have a negative impact on both rent collection and arrears (Wilson, 2019). There is also growing concern about

the impact of deductions from benefit payments (specifically Universal Credit) to repay loans, claim back arrears or overpayments. Survey data shows that people who had experienced such deductions were around twice as likely to have gone without food, toiletries and utilities as those who had not experienced these reductions in income. A study conducted by Lloyds Bank Foundation (2022) refers to an 'unfair and inefficient system', 'contributing to a concentration of vulnerability where deductions are more common for those on low incomes and of ill health/ or those with caring responsibilities' (p.7.) As the report states an 'unclear, confusing and disempowering system' (p.13) has resulted in deductions described as 'a systemic driver of low income for many households' (p.7), driving up debt (with government as the main creditor).

2.2.4 Family and social networks - Neighbourhood Effects
An influential body of work in housing and urban studies has identified the significance of neighbourhoods in determining life chances - the so-called 'neighbourhood effect' (Buck, 2001). One study (Brown, 2015) had pointed to a correlation between repayment behaviour and neighbourhood effects, suggesting that households in regions with strong neighbourhood ties are less likely to report being in arrears. The conclusion drawn from this study argues that neighbourhood and community groups, which can enhance social interaction and strengthen social connections can provide effective channels of financial support.

Social networks are therefore sometimes seen as an important driver of arrears. The importance of social ties has long been recognised in social policy; a number of studies have pointed to the significance of high levels of social support in maintaining employment, facilitating emotional resilience and building trust (Granovetter, (1973). Studies have shown that people feel better when they feel they can control their environment and there is a wider literature on the benefits of resident participation in decision-making (Preece, 2019). Control over one's environment also has great significance over opportunities, capabilities and motivations. For example, Watts and Blenkinsopp (2020) have shown how a lack of control within temporary accommodation can lead to 'corrosive disadvantage that actively damages peoples bodily and mental health and affiliation related capabilities' (p.98).

At the same time there is increasing concern that a 'cost of living crisis' may erode some of the benefit of neighbourhoods. Social networks may be of limited assistance in an environment where resources are highly constrained and tenants face difficult choices about their use of limited funds. Research by the Institute of Fiscal Studies (IFS) has shown that the bottom 10% of income groups faced an inflation rate of 10.9% (3% higher than the highest income groups). This can be explained by the fact that poorer households spend a greater percentage of their income on electricity and heat (11%) compared to 4% for the richest households (Karjaleinen and Levell, 2022)

2.2.5 Impact of the pandemic
Research studies have shown how the pandemic has disproportionately affected those on low incomes. The *Covid Realities* project identified the specific problems associated with the social security system, which ensured an increased vulnerability to the pandemic:

> the social security system budget was £36 billion per year less just before the pandemic than in 2010…This huge reduction in spending was a combination of cuts, freezes, and changes to how benefits are delivered. For much of the 2010s, support for families in the social security system did not keep pace with the rising cost of living and lost value over time…When the pandemic began, 4.3 million children were living in poverty (31 per cent of all children in the UK) (Department for Work and Pensions, 2021a) (Covid Realities, 2022).

Other studies have shown how mental health has been affected by day-to-day pressures and the impact of the global health pandemic. As the *Covid Realities* report comments: 'Mothers in particular faced enormous pressures managing work, home-schooling, childcare and domestic tasks, and didn't get a break because the children were at home all day' (2022, p.11). Moreover:

> Formal mental health support became harder to access during the crisis. Support services that did move online were often inaccessible to those who needed them most. Families also had to cope with less access to family support networks, which are often vital for both emotional and financial support. Navigating the social security system in itself and being left without enough money to meet basic needs both could have caused negative mental health effects (*ibid*.).

As the Resolution Foundation has demonstrated in the Nuffield-funded *Pandemic Pressures* report (Brewer and Patrick, 2021), there are a number of reasons for these problems:

- Higher food and energy costs, as families were restricted to their homes
- Additional costs associated with home schooling, including purchase of laptops, broadband charges and additional study materials
- Increases in the cost of food, lower levels of store promotions, costs of home delivery and needing to use more expensive local shops (for households without a car).

The Demos study (Jeyabraba and Glover, 2022) found that social housing residents experience two main forms of income precarity which will increase the risk of rent arrears - namely from work and benefits (p.14). These systemic disadvantages highlight the importance of social 'opportunity' as a central driver of rent arrears.

2.3 Motivation

The interest in behavioural change and policies to introduce conditionality in welfare rest on a model of motivation - namely that individuals will respond to sanctions and incentives as rational actors, based on the costs and benefits of particular courses of action (Watts and Fitzpatrick, 2018, p.82). However, these 'rational actor' assumptions have been challenged by writers on behavioural economics who have stressed the 'bounded' nature of rationality (Simon, 1957) and the impact of 'cognitive bias' in decision-making (King, 2006).

In relation to rent arrears, Halpern et. al. (2004) have argued that in conditions of uncertainty people will tend to 'discount the future', attaching priority to short rather than long-term goals. The implication of this is that people living 'chaotic and impoverished lives' are less likely to make longer-term investments in the realms of health, finance or welfare (Watts and Fitzpatrick, 2018, p.83). Some have argued that conditions of deprivation or 'scarcity' can create a mind-set that makes it harder to process information and make long-term decisions (Mullainathan and Shafir, 2014).

Studies have shown that a key driver of motivation is 'goal attainment' (Carver and Scheier, 1998) and have pointed to a hierarchy of goals - in times of difficulty it is suggested that tenants may not choose to see rent payment as being at the top of such a hierarchy (Hickman, 2021). The Fitzhugh et. al. (2018) study drew a distinction between 'struggling', 'strategic' and 'disorganised' consumers (p.5) highlighting differing motivations faced by tenants encountering challenging circumstances. At the same time, research has found that most tenants were committed to paying rent in full and on time (Kemp, 2014). There was a high level of shame associated with rent arrears, but some preferred to prioritise conflicting goals, such as

food, heating or bills to appliance providers (Hickman, 2021). These factors relate to individual (and group) incentives towards behaviour and can be categorised according to ideas about self-control, efficacy, social trust and peer pressures.

2.3.1 Attitudinal factors
Research by York University (no date) found that young people had a much more casual attitude to debt, meaning that they were more prepared to accrue arrears when situations became difficult. On the question of management and mismanagement Duncan and Kirby, (1983) found that: 'overall, the balance of evidence suggests that while extravagance and mismanagement are a factor in a minority of arrears cases, reduced income and large bills are far more important in explaining arrears' (p.39). These conclusions were also supported by studies of the direct payment of housing benefit (Kemp et. al., 2012; Hickman et. al., 2017). The pressure on household budgets in response to the 2022 'cost of living crisis' is likely to exert additional pressure on motivations to pay rent where there are other important conflicting demands.

2.3.2 Stereotyping and labelling
There is also evidence that stereotyping and stigma attached to poverty (and to social housing as a tenure, in some instances) can affect motivations for rent payment as these factors impact on beliefs, emotions and confidence. Negative stereotyping can impact on behaviour in cases where individuals 'non-consciously experience anxiety about the stereotype to which they believe they conform, leading to decreased performance on related tasks' (cited in Fitzhugh *et. al.*, 2018, p.55). A BIT study for Metropolitan suggested that 'aside from the actual challenge of poverty there is an additional negative impact from real or perceived inequality on financial decision making' (Fitzhugh et. al., 2018, p.56; see also Sheehy-Skeffington, 2015). Poverty is often accompanied by a strong sense of shame. As Tyler (2020) explains: 'People frequently go to great lengths to conceal the scale of the difficulties they are facing from others, including from their own families and friends' (p.175), making it much more difficult to access social support in cases of rent arrears. Hickman's (2021) study highlighted the importance of previous experiences of housing (see below). However, 'these studies highlight the importance of vulnerability, and 'capability', as a driver of tenancy failure, but (understandably) given their focus, pay relatively little attention to unpacking the drivers of rent arrears accrual and the process by which they accrue' (p.244).

2.3.3 Trust and reciprocity
Issues of trust and reciprocity are sometimes linked to rent payment behaviours. Poor communications and perceptions of poor service can often lead to a reduced motivation to communicate with landlords and a reluctance to meet obligations of tenants (see for example, Fitzhugh et. al., 2018). Studies have shown that debt, spending and financial behaviours can be affected by social norms (Cynamon and Fazzari, 2008). The study carried-out by the Behavioural Insight Team (Fitzhugh et. al., 2018) showed the existence of strong social networks amongst Metropolitan Housing tenants, including sharing information about rent arrears. These social networks relate to discussion of social 'opportunity', but the study concluded that motivation was significant in that social norms can facilitate positive financial behaviour (such as saving) as well as negative norms about non-payment of rent as well as negative, adversarial relationships (based on 'them and us' attitudes) between tenants and landlords (p.55).

Some research studies have identified a lack of involvement from tenants in discussions about rent arrear policies, highlighting the problem of trust. For example, a report commissioned by the Welsh Assembly Government (Wyatt, 2004) demonstrated that only 14% of landlords involved tenants in rent arrears policy and procedure.

Research studies have shown there is also often a reluctance to claim benefits, with figures of around one third of those entitled, actually claiming benefits (Aldridge *et. al.*, 2012). This reluctance can be a function of stigma (mentioned above), related to a lack of knowledge about entitlement, or unwillingness to claim the value of benefits compared to the effort required to make claims or discouragement from official agencies (Bramley, Lancaster and Gordon, 2010; Aldridge et. al., 2012)

Sometimes the motivation for rent payment can be associated with the level or repairs, maintenance and property condition, although this may be a high risk strategy which invites legal action from landlords (Joubert and Hodkinson, 2018; Hickman, 2021). Ford and Seavers (1994) comment: There is some concern that…tenants become 'habituated' to arrears and the process of arrears management, doubting the landlords will to evict, and hence reinforcing any tendency towards non-payment' (p.1).

As the study suggests, however: 'the issues raised by a stricter arrears regime go to the heart of the aim of social housing and the appropriate balance of rights and responsibilities between landlords, tenants and the state' (p.54). The study argues for an 'earlier, more systematic and more proceduralised response', which 'while recognising fraud is an issue, [the report] has found little evidence to support the still expressed view that most tenants do not wish to pay and in contrast has noted the impact of wider social and economic trends on the ability of both RSLs and tenants to fulfil their responsibilities appropriately' (p.54). This latter point indicates how tenants may be motivated to pay rent, but face a range of ('capability' and 'opportunity') barriers. In order to produce effective (desirable) behaviours, 'motivation' needs to be supplemented with 'opportunity' and 'capability'.

2.4 Key Groups at Risk of Rent Arrears

As Ford and Seavers (1994) comment: 'The incidence of arrears remains stubbornly constant while the fundamental causes of arrears have changed little over the last 10 years (1994, p.54). Some studies have found that the social profile of tenants is associated with the accumulation of arrears. For example, demographic composition was seen as significant by Scott et. al. (2001) who identified single people under retirement age, unemployed groups and families being more likely to experience arrears, in contrast to Gray et. al.'s (1994) identification of pensioner households and couples with no children as less likely to incur arrears. Ambrose et.al. (2015) identified single men aged 21-25 to be most at risk of serious arrears and potential eviction (p.iv). In addition to those solely reliant on social security benefits (most specifically those with large families and single parents) Research suggests that the following groups are particularly vulnerable to rent arrears, and at risk of losing their tenancies:

- Households with a history of rough sleeping (Randall and Brown, 2002; Dane, 1998; Harding and Willett, 2008)
- Young people, particularly those who have no history of independent living (Fitzpatrick, 2000)
- Households with a background in institutional accommodation such as local authority care, prison or the armed forces (Crane, 1999; Johnsen et. al., 2008; WAG, 2004)
- Households facing domestic violence (Wilcox, 2002)
- Recently arrived refugees (Carter and El-Hassan, 2003).

There is some evidence that minority ethnic groups are disproportionately affected by household debt and rent arrears (*Inside Housing*, 2022c) as well as subject to stringent tenancy controls (and risk of eviction) (Preece and Bimpson, 2019; JRF, 2021). However, the more recent studies have highlighted that all groups are vulnerable to arrears following welfare reform measures, with households with disabilities and social

housing tenants specifically impacted by measures such as the bedroom tax (Power et. al., 2014; Hickman et. al., 2018; Dwyer et. al., 2020). Further research is needed to understand the effects of debt and arrears on different tenant groups.

2.5 Strategies for Tenancy Sustainment: The Response of Social Landlords

A DCLG study (2006) produced guidelines for rent arrears management, emphasising a need for preventative measures and efforts to maximise tenants' incomes. Landlords were encouraged to have a clear strategy for preventing and managing rent arrears with robust systems in place to ensure early intervention. There is some evidence that landlord strategies can make a difference where there are effective strategies to ensure resident engagement, for example, by providing targeted support and personalised measures, accompanied by transparent and consistent sanctions as a last resort (see for example, Johnson and O'Halloran, 2017; Fitzhugh et. al, 2018). However, the evidence is limited and there is a need for further systematic research into the effectiveness of different strategies.

Given the challenges presented by poverty, debt and increasing rent arrears, social landlords have introduced a range of innovations and interventions (sometimes using ideas gained from behavioural economics and science). The study by the Behavioural Insights Team for Metropolitan Thames Valley Housing (Fitzhugh et. al, 1987) was designed to: increase the number of customers paying by direct debit; reduce the number of customers who enter arrears; and. increase the rate at which customers exit arrears. As the report commented: 'Human behaviour can be very difficult to change, particularly in light of the fact that some customers face significant barriers (e.g. a genuine inability to pay) or strong conflicting motivations (e.g. a strong aversion to signing up to Direct Debit to maintain greater financial control over outgoings)' (Fitzhugh et. al., 2018, pp.33-4). Nevertheless, the use of randomised control trials demonstrated significant success in reducing the numbers of customers in arrears, increasing the number of customers paying by direct debit and increasing the number of customers making contact. The study was less conclusive about success in bringing forward the point at which customers exit arrears, suggesting that this last objective was more difficult to achieve. Specifically, the report mentioned a 'last mile problem' - 'where customers intentions are thwarted at the final stage through obstacles and extra frictions that make it challenging to follow through' (Fitzhugh et. al., 2018, p.36). One specific problem mentioned in this regard was a difficulty in contacting staff to discuss arrears issues.

In the early 1990s, Ford and Seavers (1994) highlighted the emergence of a harsher arrears regime, defined here as earlier intervention (to identify potential arrears, to take effective, preventative action and to engage with resident groups on an ongoing basis), greater and earlier use of the court process and a greater willingness to threaten and implement eviction (Ford and Seavers, 1994, p.54). There is some evidence that strategies adopted by social landlords may involve rigorous scrutiny of tenants' ability to pay rent. This can potentially involve exclusionary processes in allocations policies (see for example, Preece, 2018; Hickman et. al., 2018) Other studies have demonstrated how landlords have become much more proactive in preventing arrears problems and identifying issues at an early stage - identifying problems, engaging with residents and offering flexible responses which take account of individual circumstances (Preece, 2018). The Hickman et. al. (2018) research also showed that these approaches to arrears may result in risk minimising strategies which can prevent financially vulnerable tenants from being housed. A study of 16 housing associations conducted by Power et. al. (2014) demonstrated some of the approaches used; which are enabling greater levels of interdependence between landlords and tenants:

> Social landlords are providing advice on jobs and benefits, tackling fuel poverty and meeting financial crises through hardship funds and support for food banks. They increasingly advise tenants about managing rent payments, Council Tax food and energy bills. Both government and

housing associations have developed a strong focus on work, training and skills. 'Housing Plus' is growing as associations realise the importance of wider social investment (2014, p.6).

The significance of these 'Housing Plus' models is that they offer the potential to address 'opportunity' and 'capability' barriers to rent payment. Landlords have been engaged in a range of support mechanisms to ensure tenancy sustainability; for example, 'floating support' (not necessarily linked to the property), which can help people to live independently and provision for tenancy support amongst previously homeless applicants (Henessey and Grant, 2006; St. Mungo's, 2018). A report published by Placeshapers (2022) claimed that many landlords ended the pandemic with lower arrears than previously, due to introducing a range of cultural and legal changes, including what was described as a move from 'process' to 'freestyle'. The 'cultural' changes included: 'increased reliance on the judgement and knowledge of colleagues; moving from enforcement to support, and from a rigid approach to a more fluid, empathetic style' (p.9). Trust between tenants and landlord was seen as a key factor in the success of rent arrears policies - 'court action is a waste of time' as one respondent suggested (ibid.), which meant that landlords were able to focus on helping tenants in times of difficulty rather than moving rapidly to enforce the conditions of tenancy.

2.5.1 Landlord communications

A report by Power (1991) highlighted the importance of preserving concepts of 'privacy' and 'self-respect' in the management of rent arrears. As she claims: 'the relationship between landlord and tenant is most delicate and most open to misinterpretation and breakdown over rents' (p.177). 'Distant impersonal and paper methods reduce contact and sensitivity. They also make collection in the case of irregular or poor payers much more difficult' (p.177). Power argues that people 'whatever their income' will pay more readily for: 'A reasonable service, to a known and friendly person and through a simple and clear rent collection system' (p.176). As one study found communications were central to effective rent collection, highlighting the positive role of proactive tenant engagement in the process:

> Adopting a friendly, personal tone and invitation to 'have a chat' about arrears resulted in a 16% higher rate of tenant engagement. Sending an invoice instead of a letter resulted in a 10% higher engagement rate (Johnson and O'Halloran, p.19)

The above study emphasised the dual role of highlighting the number of evictions (designed to instil a fear factor) whilst emphasising how many tenants pay their rent on time (to create a norm of behaviour (p.19). The study also found positive effects of personalisation (framing letters as in introduction to the sender and including photos and offer of personal help) as well as sending 'thank you' texts to those who paid on time (p.20). The 'tone' of these communications was also seen as important, albeit there were differing results:

> The possibility that a stronger, more threatening tone may trigger quicker and more payments was balanced by the possibility that a softer, more supportive one would lead to greater engagement and a more positive atmosphere for the resolution of the issue (p.23).

The above point is supported by psychological studies which have found that issuing threats are only effective in changing behaviour if people have sufficient coping capacity. If this condition is not met, a more common response will be one of denial or avoidance (see for example, Lazarus and Folkman, 1984). Within a housing context, the Fitzhugh (2018) study suggested that 'the strongest indicator of a future arrears event was previously having been in arrears' (p.66) and suggested that effective communications were therefore crucial in preventing arrears accrual at an early stage. A wider study of attempts to reduce

debt, error and fraud (BIT, 2012, p.4) used the 'EAST' framework which argues that interventions need to be easy, attractive, social and timely. This study offered seven key insights, namely:

- Make it easy - provide simple, straightforward mechanisms to communicate problems and repay debt
- Highlight key messages - emphasise the importance and priority attached to rent payment
- Use personal language - ensure that people understand why messages are relevant to them
- Prompt honesty at key moments - e.g. when completing forms and answering letters
- Tell people what others are doing - highlight the positive behaviour of others
- Reward desired behaviour - provide incentives for prompt payment and effective engagement with landlords; and
- Highlight the risk and impact of dishonesty - emphasise the consequences of non-payment, failure to disclose relevant circumstances or active fraud.

Research by Ambrose et. al (2015) also suggested that landlord communications were key to resident engagement, emphasising the importance of good relations, effective knowledge of tenants and creating 'key customer interaction points' (p.7) to facilitate opportunities to provide support. These lessons include both content (what landlords deliver) and mode of communication (how they delivered it) and can be applied to the context of housing in using strategies to recue rent arrears.

2.5.2 Digital strategies

As mentioned above, Ambrose et. al. (2015) found that the quality of data held for individual tenants was a key factor associated with rent arrears (specifically in cases where information was inaccurate, incomplete or missing). Whilst there is considerable evidence that social housing providers are making extensive use of digital processes in rent collection strategies, there is a notable lack of research into the use, effectiveness and application of these approaches. Landlords are making use of predictive analytics systems in order to identify groups at risk of rent arrears and to encourage online payment and direct debit agreements with tenants. As the director of Thirteen Housing Group commented:

> based on the data, we know who we don't need to chase [for arrears], perhaps because they typically pay at a certain time of the month; who needs a gentle nudge; and who needs more one-to-one support (cited in Inside Housing).

These insights demonstrate how interventions are most effective when based on need. According to the behavioural economic theory, nudges are likely to work for those who are motivated to pay, but who have not yet translated that intention into action. If there are more complex barriers, then more complex solutions will be required. Effective interventions therefore require a full understanding of the different influences upon behaviour.

Notwithstanding the above difficulties, organisations (such as Hyde Housing Group) have used digitisation to ensure more effective support - for example, in establishing 'UC Helper' to assist residents with Universal Credit applications. Organisations are making use of business intelligence software to support sharing of information and collaboration within and outside their organisation. In response to the challenges of Universal Credit, housing associations were increasingly investing in software, such as 'rent payment analysis, autodialers and benefit calculator tools' (NHF, 2019, p.3). These digital strategies can help provide targeted support and enable flexible arrangements to allow for overpayment and rent holidays (although these arrangements are difficult to plan and manage). Landlords have always allowed this, but normally on an informal basis.

2.6 Gaps in knowledge

The above sections have analysed existing knowledge about drivers of rent arrears. As mentioned above, many of the larger-scale studies are now dated and there is a lack of detailed information about how both landlords and tenants are responding to current challenges, most notably involving a full range of 'capability', 'opportunity' and 'motivation' barriers. Research is needed into:

- The impact of welfare reform (on rent payment)
- Rent payment and budgeting strategies adopted by tenants
- Access to credit for low income households
- The effectiveness of digital approaches
- The costs and benefits of flexible rent arrangements
- The efficacy of supportive as against punitive mechanisms and
- The impact of the 'cost of living crisis'
- The impact of landlord/ tenant communications on rent arrears
- The impact of the Covid-19 pandemic on rent arrears.

The research studies mentioned above have highlighted the importance of tenant engagement and the effectiveness of clear communication strategies. However, there is limited information available about how these strategies have been implemented and how effective they have been in improving rental payment. A further gap in knowledge relates to how social landlords have implemented rent collection strategies when managing private rented accommodation.

Section 3: Conclusions

This review has provided evidence that the drivers of rent arrears involve an interrelated and muti-dimensional range of factors. Research into the causes of social exclusion identified a 'complex interplay of demographic, economic and behavioural factors that are linked and mutually reinforcing' (Bradshaw et. al., 2004, p.103) and this analysis can be applied to the drivers of rent arrears. The research studies considered in this review, over a 40-year period, have been remarkably consistent in emphasising the interaction between socio-economic factors and failure to pay rent in full. What has exacerbated the problem of rent arrears has been the interaction between:

- A changing social profile of residents (including higher numbers of economically inactive households, greater insecurity in the labour market, with a growth of low income, part-time employment)
- Increased living costs - including fuel and food prices
- A punitive welfare system, designed to promote responsibility (including direct payments of Universal Credit and reduced welfare spending (Ferrari, 2015)), which has negatively affected poorer households (and social rented housing tenants more specifically).

These factors have been exacerbated by the Covid-19 pandemic, which has had a disproportionate impact on households with the lowest incomes (Patrick et. al., 2022). In analysing the different drivers of rent arrears, the COM-B model provides a useful framework for understanding this interaction between the different explanations, involving a dynamic relationship between 'opportunity', 'capability' and 'motivation' as a guide to predict potential behaviour. Whilst it is clear that there is a central role for financial factors, within an environment of rising living costs, reductions in benefits and the financialisation of social housing, landlords can use a range of strategies to mitigate the negative impacts of the external and internal drivers identified above. The impact of welfare reform, a global pandemic and financial crisis has exacerbated these factors.

There is evidence that despite some earlier concerns about a more punitive approach to arrears (Ford and Seavers, 1998), landlords have become more proactive, making positive interventions which can build reciprocity, trust, whilst maintaining effective communications between landlord and tenant. Studies have pointed to the important role of neighbourhoods and the impact of positive social networks in providing both formal and informal support, preventing social isolation, disengagement and social exclusion. Research shows that the most effective landlord approaches include an integrated set of strategies to combat poverty, facilitate social integration, through 'personalisation' and individual, targeted support.

This review shows how behavioural science has informed a number of landlord approaches to rent collection, highlighting the complexity of explanations for rent arrears, the dominance of structural factors and the importance of avoiding simplistic judgements about individual behaviour. The evidence shows that an effective strategy for social landlords should consider the drivers of rent arrears within an analysis which acknowledges the interdependence of structure and agency, situating the debate within an analysis of 'capability' which foregrounds the idea of a right to housing.

Research has been consistent in identifying the key drivers of rent arrears to be a result of a complex range of processes. However, a consistent finding is the central significance of (physical) 'opportunity' - with a tenant group comprising a high proportion of low income and economically inactive households. The problem of rent arrears has been accentuated by an environment where opportunities are further constrained by welfare reform, austerity and economic challenges. The drivers of rent arrears are

complicated by motivational factors (where an individual's ability to meet rental obligations are compromised by other priorities such as council tax, heating and food bills). Individual capabilities (including financial literacy, budgeting skills and health) also play a role, but the evidence shows that in large part tenants will be keen to meet their tenancy obligations (i.e., high levels of both 'capability' and 'motivation'). The need for further research which can help tenants to sustain their tenancies is, therefore, vital. The remainder of the 'holding to home' study is concerned with addressing this need, employing a range of quantitative (a tenant survey, rent account analysis; secondary data analysis) and qualitative (in-depth interviews with tenants and stakeholders; a tenant solicited diary keeping exercise; analysis of landlord/ tenant communications; documentary data analysis) research methods to identify the drivers of rent arrears in social housing. Critically, the study will provide guidance and evidence which, it is hoped, will improve landlords' tenancy sustainment policies and practices, making it easier for tenants to pay their rent and fewer tenancies failing.

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