



THE OBSTACLES TO PRIVATE RENTING

FOR TENANTS ON BENEFITS

A survey of letting agents in the London Borough of Richmond

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INTRODUCTION

1 In September 2017 our Citizens Advice Richmond's Research and Campaigns team completed an investigation into how to reduce the difficulties facing residents of the borough with low earnings or dependent on benefits in finding and keeping private tenancies, and produced a report with recommendations, Supporting Private Renting to Avoid Homelessness (*link*). One issue identified but not explored in this research was the extent to which residents on low incomes, and particularly those in receipt of Housing Benefit (HB), are not even considered for private tenancies in the borough because letting agents, or the landlords whom they serve, refuse to accept anyone whose income depends on welfare benefits- the policy known as "No DSS". Consequently in November and early December 2017, as a follow up to the main report, the team carried out a quick survey of letting agents operating in the London Borough of Richmond to test their attitudes to accepting tenants who would rely on HB, in full or in part, to pay their rent. We also wanted to assess whether it would be worth creating a list of "HB friendly" letting agents to pass on to clients eligible for HB who want to find private tenancies.

How the survey was conducted

2 Based largely on information about letting agents on the Right Move website we identified 74 letting agents operating in the London Borough of Richmond, and surveyed at least one branch office of 34 of them or 46%. However this probably represents more than half of all the letting agents operating in the borough since we discovered in the course of the survey that some previously independent letting agents have recently merged and others based in the borough do not actually offer residential lets in the borough.

3 The short script for the survey questionnaire (reproduced in Annexe A) was adapted from a version used for a similar survey by colleagues in the Research and Campaigns team for Citizens Advice Croydon. We started the survey by cold calling personal visits to the local branch offices in East Sheen and Twickenham of a total of 15 letting agents. In many cases the Manager of the office came forward to answer our questions, and most of our personal visits triggered a frank and helpful discussion of agents' views on a wide range of issues connected with letting to tenants on HB or other benefits. We then contacted the local offices of another 19 letting agents in other areas of the borough to conduct the survey by phone.

MAIN FINDINGS

Letting agents' attitudes to tenants on benefits

4 Most letting agents interviewed, with the exception of two letting at the high end of the rental market, were careful to say that in principle they would be open to accepting tenants on HB but claimed that it all depended on the landlords whose properties were being let. They tended to refer to the landlords registered with them

as “their clients” as they would be paying them. So their job as letting agents was to present their clients with the sort of tenant they wanted. However there was some difference in the way different letting agents interpreted this role. One or two made it clear that 90-99% of their landlords were not prepared to accept tenants on HB so that in practice they did not deal with this type of tenant; but most had a more nuanced approach, claiming to deal with applications for tenancies on a case by case basis, collecting all the relevant information about each applicant and offering it to the landlord to make a choice.

5 However four of the letting agents whom we surveyed seemed prepared to adopt a more positive approach to helping people on benefits. One for example had persuaded a reluctant landlord to accept a tenant in receipt of benefits, and the landlord had found it such a positive experience that he was happy to let to other tenants on benefits as a result. The four individuals we spoke to wanted to do their best for people in receipt of benefits but considered that the way the HB system and the local Council operated made it very difficult to persuade landlords to accept people on benefits. We return to this point in paragraph 8.

6 We asked letting agents if they knew how many landlords they had on their books who were prepared to let to people relying on HB to pay the rent and how many tenants they had currently who relied on HB. Most of the letting agents we spoke to did not know, with the exception of one letting agent based in Whitton; but one or two other agents calculated that between 5-10% of their landlords’ tenants received HB, usually stressing that tenants who received “top up” HB to supplement a regular income independent of HB were more likely to be accepted than those receiving “full” HB.

Why landlords refuse to consider tenants on benefits

7 Letting agents cited a number of reasons, sometimes overlapping, why their landlords were not prepared to consider tenants on HB. In some cases tenants on HB were ruled out automatically. These cases included:

- Restrictions in buy-to-let mortgages, now claimed to be a common source of privately rented property in the borough, to preclude acceptance of tenants receiving HB
- Restrictions in the insurance for rented properties occupied by tenants on HB (either precluding provision of the insurance altogether or substantially increasing the premia)
- Where the property on offer was all expensive, luxury accommodation well beyond the reach of tenants on HB, and the landlords were looking for corporate lets or lets to professional couples who both had substantial and stable salaries. (This was the case for the two letting agents who were acting for landlords at the high end of the rental market).

8 In other cases landlords had previous bad experience of dealing with tenants receiving benefits and Richmond Council or were reacting to stories in the media about landlords’ bad experiences in Richmond or other local authority areas. Letting

agents highlighted the following examples of bad experiences that had stopped their landlords from considering tenants on HB:

- Richmond Council was very slow in providing information about the amount of HB that would be paid so that letting agents could not quickly provide their landlords with financial information to assess the viability of accepting tenants who would require support from HB
- The payment of HB four weekly in arrears when landlords required rent to be paid a month in advance created unwelcome complexity in reconciling amounts due compared to amounts received on different timing schedules
- the payment of HB was unreliable and subject to delays if there were changes in the tenants' circumstances as compared with rent paid from earned income (or even in one case from benefits such as ESA awarded for a long period).
- The Council's apparent reluctance to work proactively with letting agents and landlords to find a solution for tenants needing to be rehoused. Landlords' most frequent criticism was the difficulty of evicting tenants due to the Council's policy of telling tenants to stay in their property beyond the date set out in the possession order until they faced court action to leave. This meant that the landlord had to take legal action before the property would become vacant. The time and stress entailed in this course of action, as well as the expense of the court costs and, in some cases, several months unpaid rent, was deeply resented both by landlords and the letting agents working on their behalf. One letting agent cited a case where he had negotiated with a landlord to reduce the rent on his property for three months for a tenant who had lost his job on the understanding that the Council would be rehousing the tenant at the end of this period. However, the Council later denied that it had made any promise to rehouse him or any knowledge of the case, and as a result the landlord ended up losing a lot of money by the time the tenant was actually evicted and said he would never let to tenants on benefits again. Whether or not the letting agent's account is accurate it illustrates the circumstances in which letting agents and landlords lose confidence in the Council.

9 In discussing their views on how the Council could improve its image in the payment of HB towards the rent several of the letting agents we visited mentioned that paying HB direct to the landlord was not necessarily a helpful solution as many landlords in the borough were "accidental landlords" meaning that they only let one or two properties and did not want the hassle of dealing directly with the Council over housing benefit delays or being chased for overpayments directly.

Other reasons why people receiving HB are not offered private tenancies

The financial hurdles

10 Where landlords had not vetoed acceptance of tenants on HB letting agents reported that applicants on HB often had great difficulty meeting the financial requirements to be accepted as suitable tenants. The issues mentioned were:

- The rents for the tenancies they wanted were out of reach even with some help from HB in the form of the LHA. This was particularly true for letting agents specialising in lettings at “the higher end” and more generally for family properties with 3 or more bedrooms
- Every applicant for a tenancy had to supply a set of references including detailed information about their income. Letting agents varied in the criteria they set. Some required applicants to have income equivalent to 2.5 times the monthly rent i.e an annual net salary of £25,000 to pay a monthly rent of £1000, others required an income equivalent to 3 times the monthly rent i.e. an annual net salary of £30,000 to pay a monthly rent of £1000. Since many monthly rents in the borough are well above £1000 many applicants who would require HB to pay the rent would fail to clear this hurdle
- In that case the options available were to pay 6 months’ rent up front, which would usually be impossible, or to provide a guarantor for the rent. However most letting agents expected guarantors to have a higher income than would have been accepted for the applicants themselves. The level of income required varied between £32,000 for a monthly rent of £1000 to as much as £45,000 with figures of £33000 or £36,000 being common. However, as an exception to the rule, the letting manager of one large letting agent said that he did not apply any set figures to determine the financial suitability of applicants or guarantors. Instead he carried out a very detailed assessment of individuals’ sources of income and, in the case of guarantors, other financial commitments such as the mortgages or rents they themselves had to pay and set out all this information for the landlords to inspect, combined with any other information from their references that might indicate whether they were reliable.

Competition from other applicants for the same tenancy

11 Even when applicants who would need HB were considered suitable for a tenancy they would usually be up against stiff competition to get it. The borough was an attractive location for well-paid professionals, and we were told that landlords would almost always prefer them to the more risky option of a tenant dependent on HB.

Geographical differences in acceptance of tenants on benefits

12 Many of the letting agents interviewed had branch offices in different parts of the borough and considered that the same factors applied to tenants on HB in all the areas that they covered within the borough. One long established letting agent in Whitton offered a slightly different picture. He had several landlords who had accepted tenants on HB and would do so again and did not find that there was fierce competition for these tenancies from well paid professionals. However we did not get such clear evidence from other letting agents offering tenancies in Whitton.

CONCLUSIONS AND RECOMMENDATIONS

13 We believe that letting agents' responses to our survey support several of the recommendations made in our report Supporting Private Renting to Avoid Homelessness to improve access to private renting for residents in the borough on low incomes including benefits.

Action by central government

14 The responses to our survey confirm that restrictions on some mortgages and housing insurance agreements hinder or prevent acceptance of private tenants who depend on benefits. **The Government should legislate to make any such restrictions unenforceable.**

15 Most of the letting agents whom we interviewed claimed to be open to applications for tenancies from people receiving benefits. None admitted to any kind of "No DSS" policy. However most also confirmed that they would not challenge instructions from a landlord registered with them not to consider anyone for a tenancy who was receiving benefits. **This evidence strengthens our view that the Government must legislate to outlaw discrimination against people in receipt of benefits in the provision of private tenancies, with substantial financial penalties for this type of discrimination.** This addition to the current law against discrimination would not reduce the requirement for applicants in receipt of benefits to provide satisfactory references for the tenancies on offer on the same basis as other applicants or limit landlords' final choice of whom to accept as their tenants; but it will ensure that people in receipt of benefits have their applications considered and processed.

16 One reason why most of the letting agents whom we interviewed had few dealings with people in receipt of benefits was that the rents for their landlords' properties were too expensive for them. In particular letting agents confirmed that, at the current Local Housing Allowance (LHA) rates of HB, families on benefits could not afford the rents for three or four bedroom properties in most parts of the borough. **This evidence underlines the urgent need for the Government to raise LHA rates immediately to at least 30% of current market rents in all Broad Market Rental Areas, but particularly in London, and to review the case for restoring the LHA rates to 50% of current market rents.**

17 Letting agents' responses have confirmed that the hassle involved in reconciling some rent paid by the tenant in advance and some paid through HB in arrears is a major disincentive to accepting tenants who rely on HB. So **the Government should legislate to provide for all HB payments to be made a month in advance and no longer four weeks in arrears.**

Action by Richmond Council

18 One of the strongest impressions that we gained from our face to face discussions with several letting agents in their offices was their deep distrust of the Council as a result of past experiences, their reluctance- and the reluctance of many

of their landlords- to deal with the Council in future and a belief that the Council has no interest in helping tenants who for whatever reason can no longer pay their rent and may need to find a cheaper private tenancy or be found social housing. We think it important to record this impression because it suggests that to change the views of letting agents and private landlords the Council will need to improve its delivery of HB to private tenants and mount a positive campaign aimed at letting agents and landlords in the borough to persuade them to collaborate in its efforts to implement the requirements of the Homelessness Reduction Act (HRA) 2017 to help tenants served with Section 21 notices for possession of their Assured Shorthold Tenancies.

19 Specifically **we recommend that:**

- **to meet private landlords' requirements for their private tenancies the Council put more staff in place in its Revenue and Benefits Department to reduce current delays in deciding, and calculating, HB payments**
- **to improve its reputation for helping tenants facing eviction the Council develop a marketing campaign for letting agents and landlords to set out in detail its plans in response to the HRA for supporting tenants served with Section 21 notices to avoid them becoming homeless**
- **in addition to these measures the Council create a new post for a Liaison Officer with a remit to meet, and develop positive relationships with, letting agents and landlords in the borough and act as the first port of call to deal with letting agents' and landlords' queries and problems concerned with private tenants who are having difficulty paying their rent.**

Our own action to help our clients

20 Given the dependence of letting agents on the views of their landlords we see no advantage for our clients in drawing up a list of letting agents who will be willing to register applicants for tenancies who are in receipt of HB or other benefits. Instead **we will consider the merits of producing a step by step guide for our clients to help them assess the affordability of particular tenancies and to prepare for the references that they will need to complete to establish their suitability.**

ANNEX A

Script for Letting Agent Survey

Good Morning.

We are from Citizens Advice Richmond. We often have clients who come to us looking to rent accommodation in the private rented sector but are finding this difficult because they are in receipt of housing benefit. We would like to understand the main barriers to securing private sector accommodation for people on benefits and what might be done to mitigate against these.

We have a few questions we would like to ask you if are willing to spare 5 minutes of your time.

Estate Agent Name:

Do you have any tenants who are in receipt of housing benefit?

Are you then in principle, happy to let to people who receive Housing Benefit?

YES:

NO:

If **Yes**: Do you have any special conditions attached to people on benefits? Can you please tell me what these extra conditions are?

If **NO**- can you please give me some of idea why you won't?

If their landlords do not want to take clients on benefits, ask "Do you know the reason?"

Any other comments?

Thank you very much for your time. Goodbye.