



## **Protect tenants from arrears, evictions and homelessness – An urgent call to action during and after the coronavirus epidemic**

The UK and Scottish government have taken welcome action to protect tenants and help them meet their housing costs in the current crisis. By sustaining many people's incomes through the furlough scheme and other measures, and by calling a halt to evictions, a temporary respite has been created for tenants. This provides valuable time in which to find a 'post-Covid' solution to the potential crisis that will occur if there is a substantial spike in rent arrears and evictions when the current protections end.

The Chartered Institute of Housing Scotland, has prepared a detailed set of proposals to avert such a crisis. They are described in this paper and set out in detail in the accompanying table.

### **Why is a 'post-Covid' solution needed?**

Finding a longer-term solution and taking early steps to implement it are urgent for several reasons. First, for the 920,000 households who are tenants of private or social landlords in Scotland<sup>1</sup>, a key part of the hardship and suffering during the crisis has been the struggle to pay their rent and worrying if they will be able to keep their home. If society and the economy are to recover from the crisis it is vital that these fears are allayed quickly and thoroughly.

Second, local authorities' and social landlords' resources for dealing with homelessness were stretched before the epidemic and could be overwhelmed if there is a sudden growth in evictions due to rent arrears. This is readily apparent from pre-crisis figures. Loss of a home through rent arrears accounted for fewer than 4 percent of homelessness cases in 2018/19.<sup>2</sup> If even a small proportion of the nearly one million rented households in Scotland were to be evicted in a short period due to arrears, the system could be totally overwhelmed.

Third, while it is impossible to assess the potential scale of the problem it is easy to see that it could be huge. This is because:

- Universal Credit (UC) claims in Scotland have increased from 20,000 per month to 110,000 per month.<sup>3</sup>
- Unemployment benefit claims in Scotland have increased by 67% - which would be up about 75,000 to 188,000 in April.
- Employed renters are more likely than homeowners to work in jobs bearing the greatest economic and health risks in this crisis.<sup>4</sup>
- Scottish Government analysis shows that GDP could fall by around 33% during the current period of social distancing<sup>5</sup>.

Despite the UK Government's job protection scheme, which has supported almost 400,000 people in Scotland<sup>6</sup>, there are reasons to fear a financial cliff edge when the protections come to an end.

Fourth, government measures still leave significant gaps in the protection offered. These include:

- UC's five-week waiting period and other delays in accessing it allow arrears to build up.

- Local Housing Allowance (LHA) rates, though now improved, still fall short of covering many rents.<sup>7</sup>
- UC is not available to all those at risk, because of:
  - income limits that relate to pre-crisis conditions; and
  - some workers not being eligible for UC if they lose their jobs.

The furlough scheme helps to sustain incomes but has a shortfall of 20 per cent if not made good by employers. When the scheme ends people may lose jobs, have lower earnings than before or have used up their savings. Protection against arrears-based eviction currently ends in September which may result in a potentially massive number of eviction actions within a short period.

Fifth, the burden cannot simply be put onto landlords. While they can be expected to play a role, the diverse nature of landlords means that blanket solutions (such as a freeze on all rent payments during the crisis) are not practicable: they could lead to defaults on mortgages and enforced sales which could deplete the sector just when tenancies are most needed.

### What are the main aims of a 'post-Covid' solution?

The epidemic has exposed the fragility of our housing system. Ultimately, the solutions must include more genuinely affordable housing to rent. But in the medium term, a 'post-Covid' solution is required which addresses the scale of the problem just described.

The key requirements of such a solution are that it:

- is as comprehensive as possible, covering all the main groups affected in the crisis and filling the gaps in current initiatives;
- minimises evictions and hence the burden of homelessness on tenants and on local authorities;
- builds on the steps already taken and makes use of the existing support mechanisms – principally UC – if possible without requiring new ones to be developed;
- leaves neither landlords nor tenants with intractable financial problems resulting solely from the current crisis; and
- helps restore or build sustainability in the rented sectors (private and social).

### What is CIH's 'post-Covid' solution?

The table annexed to this paper sets out our proposals for a 'post-Covid' solution that aims to meet these requirements. The key points are these:

- *Arrears payments.* Require that reasonable payment plans for Covid-related arrears will not result in eviction provided the tenant agrees with and complies with the plan.
- *Reforms to UC.* End five-week wait; temporary suspension of the benefit cap and the two-child limit; increase LHA to 50th percentile of rents for existing tenants whose income is impacted by COVID-19; end 'shared accommodation rate' for under 35s.
- *No access to UC because of immigration status.* One-year lifting of 'no recourse to public funds' and other restrictions on claiming benefits.
- *Landlords' loss of rental income;* address the concerns with buy to let mortgage holidays, ensure landlords pass relief onto tenants, widening of Scottish Government loan scheme to more than one property.
- *LAs and HAs lose rent income.* Consider one-off payments to stabilise landlord accounts where these can be shown to be needed.

Please see the table for more details and further proposals not included in this short summary.

**Table: Measures needed to avoid post-lockdown evictions, deal with rent arrears and avoid a substantial spike in homelessness**

Problem	Measures already taken by government	What more is needed now?	What more is needed after lockdown?
<b>Evictions</b>			
<p>Evictions – sudden increase when the temporary ban on possession proceedings is lifted, potentially leading to huge homelessness increase and unrealistic demands on local authorities</p>	<p>Pause on process to commence income related evictions for six month and behaviour related evictions for three months.</p> <p>Pre-action requirement for private landlords seeking eviction under rent arrears ground.</p> <p>LA housing options services engage with tenant to prevent homelessness before eviction commences.</p>	<p>Pre action requirement to include reasonable repayment arrangements-over which arrears can be paid.</p> <p>Pre-action protocol guidance to include reasonable repayment arrangements and time periods, as well as a referral process to local authorities when possession action begins.</p> <p>Government to support local authorities purchasing PRS properties and bringing into social sector where landlords wish to leave the market.</p>	<p>Commitment to a new affordable and social housing building and acquisition programme so that social landlords can provide a home for those unable to agree a repayment plan and others at risk of homelessness.</p>
<b>Rent arrears and access to universal credit (UC)</b>			
<p>Rent arrears from loss of income not covered by present UC scheme - inadequate general allowances and a near six-year freeze put household budgets under severe stress reducing resilience to homelessness.</p>	<p>Raised Local Housing Allowance (LHA) rates to the bottom 30th percentile of local rents (but LHA has not recovered its original levels).</p> <p>Work-related conditions for UC suspended for three months during lockdown can be extended if required.</p>	<p>Following reforms to UC should take effect asap:</p> <ul style="list-style-type: none"> <li>• End five-week wait.</li> <li>• Temporary suspension of the benefit cap and the two-child limit.</li> <li>• increase LHA to 50<sup>th</sup> percentile of rents for existing tenants<sup>8</sup> where COVID has impacted income.</li> <li>• reinstate three-month rule (present in HB but not UC) when claiming help for first-time housing costs, based on actual rent before LHA starts to bite.</li> </ul>	<p>Retain £20 increase going forward and conduct independent inquiry into the general adequacy of UC benefit levels with attention to resilience to homelessness.</p>

Problem	Measures already taken by government	What more is needed now?	What more is needed after lockdown?
	<p>Prisoners on temporary release allowed to claim UC/HB until 12 November (can be extended).</p> <p>£20 per week increase in standard allowance for 2020/21.</p>		
<p>Rent arrears among single people under 35 who were not expecting to need UC.</p> <p>Very low allowances for under 25s, the zero-rated work allowance and a lower minimum wage (especially apprentice rate) mean people in work get no support even at low levels of pay.</p>	<p>No special measures – still affected by the ‘shared accommodation rate’ limit</p> <p>NB. Budget 2020 introduced limited new exemptions for under 25s (at risk of violence/trafficking, etc.) but these are not due to start until 2023/24.</p>	<p>End shared accommodation rate for under 35s – they should get one-bed LHA rate unless sharing, when they should get 100% of rent<sup>9</sup>.</p> <p>Temporary partial help for those with reduced earnings just outside UC entitlement.</p>	<p>Permanently withdraw shared accommodation rate.</p> <p>Align standard allowances for under 25s with general benefit rates.</p>
<p>Rent arrears from loss of income</p>	<p>Discretionary Housing Payments (DHPs) can be used to help meet emergency gaps in housing costs.</p>		<p>Tenants and Landlords agree plan to repay arrears– no eviction possible if comply with reasonable repayment plan.</p>

Problem	Measures already taken by government	What more is needed now?	What more is needed after lockdown?
	Increased emergency fund for DHPs in Scotland by £5m.		
Rent arrears from loss of income – no access to UC because of immigration status.	None except limited emergency funding via LAs.	One-year lifting of no recourse to public funds (NRPF) and other restrictions on claiming benefits.	End this aspect of the 'hostile environment' permanently.
<b>Loss of landlord income</b>			
Private landlords lose rent income and their ability to sustain lettings is at risk.	Zero interest loans for small landlords in Scotland.  Payment holiday for some buy-to-let landlords whose tenants have lost income - landlords are expected to pass on this relief to their tenants.	Extend loan scheme so landlords can use against more than one property and require any landlords given mortgage holidays on rented properties to pass relief onto tenants.	No evictions for arrears reasons while arrears plan is in place and/or loan is in place and tenant is complying with plan which is reasonable.  Credit rating not impacted by accessing COVID-19 mortgage holiday.
LAs and HAs lose rent income – social landlord finances destabilised, jeopardising tenant services and new investment.	None except changes in UC noted above.	Consider one-off payments to stabilise social landlord accounts where these can be shown to be needed.	Compensation scheme to apply to local authority HRAs and RSL accounts for the year 2020/21 where the landlord can show that it has a potential serious deficit that cannot be eliminated by making other reasonable savings.  In long term, provide substantial funding to allow social landlords

Problem	Measures already taken by government	What more is needed now?	What more is needed after lockdown?
			to invest in building safe, secure, social housing
<b>Other tenure issues</b>			
Asylum seekers lose supported accommodation once a decision is made on their case.	Suspended evictions from Home Office asylum accommodation.	Further delay to and then phasing of evictions to reduce the impact on homelessness services.  Request LAs to provide homelessness assistance now in cases where an asylum application is approved.	

## Chartered Institute of Housing Scotland

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<sup>1</sup> Scottish Household Survey 2018 <https://www.gov.scot/publications/scotlands-people-annual-report-results-2018-scottish-household-survey/>

<sup>2</sup> In the year 2018/ 2019, of 36,465 households that made a homelessness application to a local authority, 1,440 gave rent arrears as the reason for losing their accommodation (<https://www.gov.scot/publications/homelessness-scotland-2018-2019/pages/3/>)

<sup>3</sup> <https://www.gov.scot/news/additional-110-000-universal-credit-claims-since-coronavirus-outbreak/>

<sup>4</sup> Resolution Foundation (2020) *Risky business: Economic impacts of the coronavirus crisis on different groups of workers* (April).

<sup>5</sup> <https://www.gov.scot/publications/state-economy-april-2020/>

<sup>6</sup> <https://news.stv.tv/politics/furlough-scheme-has-saved-374000-jobs-in-scotland?top>

<sup>7</sup> CIH (2018) *Missing the Target: Is targeted affordability funding doing its job?*

<sup>8</sup> The 50th percentile rent is on average around 9% higher than the 30th percentile rent, the cost would be something less than that because the award is based on the actual rent if that is lower than the LHA figure – and also because in some areas (but not very many) the LHA has reached the maximum figure (and presumably would do so in more areas if it was raised to the 50<sup>th</sup>).

<sup>9</sup> Under-35s are one of the groups where there could be a huge increase in possession cases as things stand because the median gap between UC payments and rent is £37 per week and in many cases a lot higher. Resolution Foundation work ('Risky Business', April 2020) shows that 16-24 year-olds are most at risk of losing their job and least able to do their job from home: "Overall, 2.9 million 16-34-year-olds in the UK are in the 'shutdown sectors' group, which comprises notoriously low-paid work. Four-in-ten of those working in retail and whole get less than the real Living Wage."