

Finding a home: accessing private sector rented accommodation when receiving housing benefit or on a zero-hour contract

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This research was carried out in November and December 2017 in response to concerns around accessing accommodation in the private rented sector. In light of Universal Credit being rolled out in Nottingham in October 2018, and the rising number of people without permanent homes - Advice Nottingham conducted research to understand how easy, or how difficult it is, to find a home when receiving housing benefit or on a zero hours contract.

To undertake the research I called 58 estate and letting agents based in Nottingham city. I undertook a telephone interview with each agency, asking several questions around housing benefit and zero hours contracts.

I rang all the estate and letting agents listed within Nottingham City wards, I found these lists on Rightmove and Zoopla. Some agencies had multiple branches, in which case I spoke only to the one branch. As Nottingham is a University town and has many student letting agents, I omitted all student letting agents as most full-time students cannot claim housing benefit.

Telephone interview

I called agents and conducted a brief telephone interview asking agents the following questions:

1. Would you let a property to someone in receipt of housing benefit?
2. Would you let a property to someone who is on a zero hour contract?
3. Have you heard of Universal Credit?

I also offered agents the chance to make comments, sign up for Universal credit training in the future and to be placed on a list of agents who would let to people in receipt of housing benefit.

Key findings

58 estate and letting agents were called
5 requested an email survey, and 1 returned the survey
10 did not answer the phone or return calls

In total, I interviewed 44 agents.

Letting to people on housing benefit – jumping through the ‘hoops’

Out of 44 agents, 31 said ‘Yes’.

At first, this appears to be quite positive. However, all 30 ‘Yes’s’ came with several caveats. Conditions needed to be met by potential tenants, essentially these included:

1) The landlord needed to be happy about it

Most agents said ‘Yes they would let, but it was at the discretion of the landlord’ – all agents said the decision was ultimately the landlord’s and whilst these agents said it was possible, by and large renting to people on housing benefit was not their first choice. One agent said around 90% of properties on their books weren’t available to people on housing benefit.

2) We would need extra security

Most agents required additional security from a housing benefit tenant, even if rent was being paid directly to the landlord. Some agents had more flexible ways of working, for instance, one agent had 3 month contracts and then extended if the rent was being paid on time and there were no arrears, another agent asked for a deposit of £300 from housing benefit tenants. It should be said these initiatives were specific to certain areas, in some areas, landlords felt they had to take housing benefit tenants, in others areas they had more choice. By and large, when receiving housing benefit, prospective tenants will be asked to provide the following:

- A UK-based homeowner to act as a guarantor
- 6 months rent up front

On top of this, housing benefit tenants still needed to go through referencing checks, meet affordability criteria and provide a deposit/bond.

The likelihood of people on housing benefit having access to a friend or relative who meets the UK-based homeowner guarantor criteria is extremely slim. Some agents requested a guarantor who was a homeowner, others did not – all guarantors are required to pay the rent should the tenant not do so. One agent stated that a guarantor must earn 36 x rent and be able to pay for their accommodation and living costs, and the tenants.

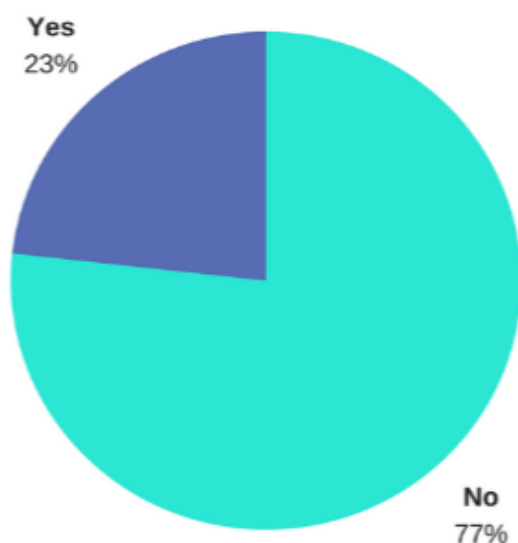
European and foreign nationals often struggle to find a UK based guarantor, leading them into securing accommodation which is often unregulated and unstable. Paying rent up front was a way for some agents to negate this issue, however most agents were firmly in favour of a guarantor – 6 months rent up front would suffice, however the tenant would keep paying 6 months up front at each renewal if they couldn't find a guarantor.

A more telling question

30 agents did say they would accept people on housing benefit, however, across all agents the pool of properties available for people on housing benefit was extremely limited. More than one agent said there were 'only a handful properties' and many said they didn't have anything available at the moment.

In addition, out of the 43 agents I spoke to, only 10 agents wished to advertise the fact. I asked during questioning if the agents would like to be on a public list for advice centre staff to give to clients if they needed to find accommodation within the private rented sector. Some felt, although they did rent to people on housing benefit, that they couldn't meet demand and being on a list would not be appropriate for them, adding that there were so few properties that it wouldn't be fair to the person who was looking.

Would you like to be placed on a public list of estate agents who are happy to take people on housing benefit?



Reasons why landlords and agents will not rent to people on housing benefit

There are a few different reasons why landlords and agents prefer not to rent to people on housing benefit. A common perception is that tenants will not be able to pay the rent and will get into arrears. Some tenants already have housing benefit paid directly to landlords, however, some tenants pay the landlord direct.

A few agents cited insurance as an issue, stating that some landlords do not have adequate insurance cover for people in receipt of housing benefit. It can also be the case for students in certain cases. Many landlords are concerned about the state of a property if a housing benefit tenant lives there.

Issues with the Housing benefit system

Some agents said that landlords are weary of letting to people on housing benefit if housing benefit comes directly from the council. The payment cycles of housing benefit do not run in line with monthly mortgage payments, one agent said that although housing benefit staff reassure agents that payments add up to the same amount, agents felt this was not the case, and payments never quite added up correctly. One agent said rent arrears weren't taken seriously and that letters and phone calls were simply ignored, whilst another two agents said bonds weren't paid out or there were issues accessing the money.

Agents also provided additional anecdotal evidence when asked if they would rent to someone on housing benefit.

"Most landlords have had issues before and are not keen. We've also struggled with the housing benefit system and being paid. The system works on a weekly payment cycle, however, mortgages are monthly."

"Landlords would prefer people on full-time, permanent contracts."

“As an agency, we tend to stay away from it, we’ve had housing benefit tenants before and there are too many issues”

“Landlords aren’t willing to rent people on housing benefit - numerous issues with rent arrears, payment schedules and bonds not being received.”

“Landlords are becoming more hesitant towards housing benefit tenants and have had their fingers burnt. The bond scheme doesn't work out and never pays out.”

“Housing benefit tenants are great for us, we have a lot of housing benefit tenants”

“Housing benefit can make rent guarantee insurance invalid, in addition some other insurances means landlords can't take people on housing benefit”

“Most landlords aren't keen, we have only a handful of properties with tenants on housing benefit. Only one property currently. We offer 3 month tenancies for people who do not pass checks, e.g zero hours and self employed, after 3 months the tenancy would be extended.”

“As an agency we would accept housing benefit, but landlords won’t”.

“Our policy is not to take on people on housing benefit”

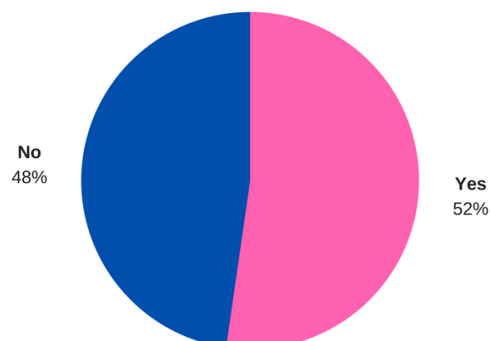
“Guarantors need to be UK based so this is difficult for people from overseas. The guarantor has to be able to pay both theirs and the tenants rent. Affordability criteria says the rent needs to be no more than a third of the tenant's income”

“Questions are asked when taking on landlords as to whether they will accept tenants on housing benefit”

Universal credit

When asked about Universal credit, 23 agents said they had heard of the new benefit. Around 4 agents expressed concern about Universal credit, however many agents were unaware of the potential changes.

Have you heard of Universal Credit?



When asked about Universal Credit, agents had the following responses:

“I have two tenants currently on Universal Credit. Both ended up in arrears. One tenant was already in receipt of UC, so no delay waiting for an initial payment, however the tenant quickly got into arrears. They are now 4 months in arrears. I spoke to UC about getting payments direct and have been refused direct payments. UC said 1 month arrears is not enough and wouldn't change payments for just that, but at 4 months they refused as well. We would be unable to house people on UC if we don't get payments direct to the landlord. We won't take people on UC now. I would advise landlords not to accept UC claimants.”

“I think it is a disaster. The evidence of the roll out has shown huge increases in tenants going into debt and rental arrears. I think the effect will almost certainly be to reduce numbers of Landlords who will offer their properties to Tenants in receipt of UC and make a housing crisis even worse.”

“We are really concerned about Universal Credit already - think the waiting times will lead to really bad arrears”

Another agent who has many years' experience renting to housing benefit tenants said he will not take any tenant without a UK based homeowner guarantor. For him, the same will apply for Universal Credit – however he said it was very difficult to people find someone like that.

Zero hour contracts

Many of our clients are on zero-hour contracts and because of this sometimes struggle to rent within the private sector. This is due to the referencing largely and the need for prospective tenants to have a stable income – ideally a permanent contract. People on zero hours won't have a contract which states their actual hours. Many people work full-time hours but only have a zero-hour contract, this can often trip them up when applying for accommodation. During the telephone interviews, I asked agents what would be the protocol if someone was on a zero-hour contract. Similar to someone receiving housing benefit, someone on zero-hours, would need to have:

- A UK-based homeowner to act as a guarantor
- 6 months rent up front

In addition, they would still need to provide satisfactory references, meet affordability criteria and provide a deposit/bond.

One agent said sometimes with zero-hours they are able to get 3 or 6 months rent up front to begin with, and then the tenant pays rent as normal every month, so they were always ahead. Another agent said they would take people on zero-hours if they were applying for someone else.

A guarantor and/or rent up front both seem very challenging means of securing accommodation. It's unlikely that someone on a zero-hour contract would have 6 months of rent up front, and as we've discussed finding a guarantor is really difficult.

Conclusion

There are agents who currently have a 'blanket ban' on people in receipt of housing benefit. We can't afford to have this with Universal Credit, as so many more people will be affected. It is unclear whether agents distinguish between people receiving full or part housing benefit, and whether they will discriminate against anyone in receipt of Universal Credit – or just people who are not working.

We need to educate agents and landlords and make them aware of the changes around Universal Credit, encouraging them to look closely at the guidelines - there can be no room for 'blanket bans' in a benefit system which is so tailored to the individual.

If estate agents say 'No to Universal Credit', they will be saying no anyone claiming child tax credit, income support, jobseeker's allowance, employment and support allowance and working tax credit. Ultimately, that will affect families, single parents, unemployed people, people with health issues, people on low incomes, and many more people.

Training on Universal Credit

We offered to arrange some training to be given in the new year and collected email addresses for all agents. Most agents were keen to get this information and happy to talk to us in more detail.

Lobby MPs and Government

We need to lobby local MPs to raise this issue and make rent payments to landlords a normal part of Universal Credit. This means streamlining DWP systems and ensuring this option is offered to all Universal Credit claimants.