

## **Cymorth Cymru**

### **Submission to the Work and Pensions Committee inquiry into Local Housing Allowance**

**12<sup>th</sup> November 2009**

Cymorth Cymru is the representative body for providers of housing-related support, homelessness and supported living services in Wales and as such has three overarching objectives:

- To improve the links between policy and practice by ensuring that those working in frontline service delivery understand and are influenced by the wider policy context, and those working in policy development understand and are influenced by the experiences and knowledge of those working on the ground
- To ensure that the sector maximises its contribution to the lives of citizens and the communities in which they live, by helping to build and develop the sector's capacity and professionalism
- To increase public understanding and support for the sector and the work it does in helping people build the lives they aspire to within the community

This submission to The Work and Pensions Committee inquiry into Local Housing Allowance (LHA) has been put together in consultation with Cymorth Cymru's membership.

## **1 Summary**

The majority of Cymorth members (around ninety organisations) are Third Sector agencies who provide accommodation and/or other assistance to people affected by homelessness, health problems, disabilities or other support needs. As such, the introduction of the Local Housing Allowance has had a significant impact with regard to work with the private rented sector – particularly for those working to support formerly homeless people in accessing and maintaining long-term accommodation.

This paper presents the views and experiences of the following kinds of provision:

- Homelessness hostels and night shelters
- Women's refuges
- Floating support services
- Daycentres, and
- Housing advice and advocacy services

A number of key themes around the impact of LHA emerged:

- 1 Although some aspects of the LHA scheme have been welcomed (such as the 'transparency' of having a set local allowance), the introduction of LHAs has significantly undermined the work of housing-related support providers in Wales in a number of ways. At a local level, procedures have been established to mitigate and manage these difficulties as much as possible, though the consensus is that the introduction of the LHA has created more problems than it has solved.
- 2 The requirement that most claimants may no longer have their rent paid directly to their landlords is causing significant problems for vulnerable people and their ability to access and maintain accommodation in the private rented sector. A number of agencies have developed new arrangements with their local Housing Benefit departments so that rents may be paid directly to the landlord in some cases, though in other areas landlords are no longer prepared to let their properties to people in receipt of benefit, and increasing numbers of tenants are accruing rent arrears.
- 3 Far from providing an opportunity for tenants to retain an excess of their LHA payment, LHA levels are generally sufficient to cover the rent of only a small proportion of local accommodation; properties to rent at rates *lower* than the allowance (where a claimant might retain an excess of LHA) are very rare, and generally of the poorest quality. Many LHA claimants – who by definition are on very limited incomes - are required to find additional monies in order to pay their rent. Monthly fluctuations in LHA levels are causing additional problems.
- 4 The Single Room Rent (the reduced allowance for people under twenty-five) continues to present a huge obstacle to young people seeking accommodation in the private rented sector. This policy perpetuates homelessness among this client group, undermines young people's capacities to develop more independent and fulfilling lives, and maintains dependencies on Third Sector providers.

## **2 Specific points**

The Work and Pensions Committee requested that submissions discuss the following specific points.

Italicised texts are quotations from providers.

### **2.1 The objectives of LHA and whether they are met in practice**

If the primary objectives of the LHA were to promote choice and personal responsibility among (potential) tenants of the private rented sector, the experiences of Cymorth Cymru members is that these have broadly not been met.

*The objectives sound good in theory but many of our service users are suffering hardship as their rent far exceeds the payments they receive.*

*My understanding of the LHA is that it is to make tenants accountable for their own finances. There is a fundamental flaw in this, as the assumption is that most tenants will pay the LHA to the landlords - it hasn't taken on board that tenants that are eligible for LHA are on low incomes and the temptation to use the LHA to pay other pressing bills and not the rent is frequently too great.*

*No evidence of increased empowerment or choice for recipients of LHA. No evidence that landlords are happier – less likely to take benefit claimants, due to direct payments.*

## **2.2 Whether LHA is understood by claimants and landlords**

There is a mixed picture across the country. It appears that the new system is generally understood by claimants and landlords in some areas, though the following concerns remain:

- Tenants are confused as to why the benefit can no longer be paid directly to their landlord, except in special circumstances
- Landlords are often unaware that the rent payments can be changed if there are rent arrears.
- Landlords often do not understand the LHA rate differences across different areas
- Fluctuations in LHB levels are very problematic - for example, in Wrexham, the LHA for under-25s was £60 per week in October 2009, though in November 2009 was reduced to £55 per week. This is causing confusion among both claimants and landlords.

## **2.3 The impact of direct payments to claimants on both claimants and landlords**

The issue of direct payments is a primary concern for Cymorth. Many of our members' service users are affected by significant support needs, such as mental health problems, learning disabilities, drug/alcohol dependencies and other issues commonly associated with social exclusion and poverty. The removal of the free choice to have rent paid directly to the landlord or to the claimant and replacing it with a default requirement that LHB is paid to the claimant is causing significant problems across Wales.

The consequences of accruing rent arrears can be devastating for individuals: not only are they put at risk of eviction and repeat homelessness, but they are then likely to be considered "intentionally homeless" by their local authority, and ineligible for housing support.

However, to be permitted to have their rent paid directly to their landlord, and minimise the risk of arrears, claimants need not only to fall within the accepted definition of “vulnerable”, but also to have the insight and willingness to recognise and declare this when making their LHA claim, and the capacity to *prove it*. This requirement is neither helpful nor particularly dignified, with the consequence that some people are put at significant, though avoidable, risk.

Cymorth members are working with local HB offices to try to manage this risk, though, as one member phrased it, “Our Housing Benefit department has not got the experience to identify different forms of vulnerability”, and many report that the whole principle of having no free choice around direct payments is actively disliked by both claimants and landlords.

*Working with the most vulnerable clients [women who are victims of domestic violence], this creates an extra hurdle where it is clear that direct payments is the most effective way of safeguarding tenancies. There is a fine distinction between giving people independence and making things more complicated, especially those experiencing substance problems and/or financial hardship.*

*In my experience it is usually possible to secure direct payments, with good reasons. However, the onus on the claimant to periodically prove their need for direct payments isn't helpful.*

It should also be noted that some people *not* considered “vulnerable” are also experiencing difficulties as a consequence of the removal of choice around direct payments.

*Not all claimants pay all of the rent to landlords, due to lack of understanding of the process or heavy demands on their finances. Also, a lack of budgeting skills means that they may be tempted to use the money for other things.*

Further issues were raised with regards to setting up and managing bank accounts – something which is far from straight-forward for those with have no fixed abode. When standing orders have been set up to pay rent, delays with LHA payments have caused accounts to become overdrawn, resulting in interest payments and bank charges being incurred by the claimant.

Also, it must be remembered, in cases where the LHB is insufficient to cover rent claimants must find extra money from somewhere, which is causing further debt for some.

A clear result of these difficulties is that Wales, like England, is seeing landlords withdraw properties from people in receipt of benefits. In recent years many homelessness services in Wales have become increasingly ‘silted-up’ due to a lack of social housing for hostel residents, etc, to move on to. In line with Welsh Assembly Government policy, many of these agencies have worked to develop

effective partnerships with private sector landlords to secure new move-on opportunities for their service users. However, the removal of landlords' certainty that rent will be paid in full and on time is undermining this work.

*A lot of landlords will no longer accept claimants who are in receipt of benefits, as they have had bad experiences. This has a major impact on claimants securing a tenancy, especially if they are already on council's and housing association's waiting lists, but are not being offered accommodation.*

*Landlords are becoming reluctant to accept people on benefits as they are no longer certain they will be paid the rent they are owed.*

Finally, landlords may now insist that direct payments to them are set up prior to tenancies being signed (which is not possible), and may hold tenants accountable for rent delays which are out of their hands.

*If the money is not given to the service user at same time the rent is due, this brings about problems.*

In summary, the LHA direct payments policy is having a wholly negative impact on many people's capacity to access and maintain accommodation in the private rented sector. Landlord's are less likely to accept benefits claimants as tenants and are more likely to evict tenants who accrue rent arrears. This undermines agencies' efforts to both prevent and resolve homelessness.

#### **2.4 Whether adequate and consistent mechanisms/processes are in place to help Housing Benefit Departments identify and assess vulnerable claimants**

Cymorth members report a range of difficulties regarding HB departments' capacities to identify and assess vulnerable claimants. The following concerns were reported from different parts of the country:

- HB staff have Insufficient knowledge/expertise to understand the nature of clients' circumstances and support needs, particularly with regards to people affected by mental health problems, homelessness and drugs/alcohol issues
- Forms to apply for direct payments to landlords are not included in Housing Benefit application packs, but must be specifically requested
- Claimants are not always aware that they can apply to have their rent paid directly to the landlord
- The onus is on vulnerable tenant to prove their own vulnerability, though claimants applying for their rent to be paid to the landlord do not always have sufficient evidence to satisfy Revenue officers
- Some HB departments require the involvement of GPs or other third parties to evidence vulnerabilities, which can be problematic – eg, it may not be reasonable for a GP to make a judgment on a whether their patient can

manage their finances, or the process may compromise the GP/patient relationship

- In other cases vulnerable claimants have to prove their inability to manage finances by evidencing previous debts and/or arrears – ie, for these people direct payments to landlords can not be used to *prevent* arrears or eviction in the first instance, but are only available to people *after* they have suffered the consequences of having this option withheld

*Our clients [young homeless people] frequently receive correspondence from HB dept stating that the LHA has to be paid direct to them and requesting their bank details. This has worried the clients, who want it paid direct to the landlord to ensure that they don't end up homeless due to rent arrears. We have been struggling to ensure that vulnerable clients are being supported by writing a supporting letter requesting that the LHA is paid direct to the landlord.*

*The allowances are paid out to all regardless of individual circumstances. A number of our service users are having difficulty paying the top up required on their rents. They are often in severe circumstances but this is not taken into consideration.*

## **2.5 The boundaries and rent officer regulations which underpin Broad Rental Market Areas (BRMAs) and their impact on LHA rates and access to affordable rental properties for claimants in all communities including access to transport and work**

It is unclear whether boundaries and/or rent officer regulations are the cause, though, as noted above, LHA rates are problematic for many claimants in Wales:

*The LHA rate for single people under 25yrs is still a major factor in excluding this client group from accessing affordable private rentals.*

*It is difficult to rent properties of affordable rent. Claimants often have to access housing with rents that are beyond their means, as that is all that is available.*

*The allowance rarely pays all of the rent.*

*No, as landlords set rents accordingly.*

## **2.6 Whether LHA incentivises landlords to raise their rents to the BRMA median rate**

There is clear evidence in Wales that some landlords are setting their rents according to the LHA rate.

*Yes. Landlords are asking for more rent.*

*They often ask what the LHA rate is before stating what the rent will be. Many rent levels are higher than the LHA rate.*

*I think it has in quite a few instances.*

## **2.7 The £15 excess entitlement policy and the potential impact of its removal**

Experiences of this fall broadly into two camps:

- The £15 excess is completely unobtainable as no accommodation is available below LHA levels, and
- In areas where it has been possible to rent for less than the LHA rent, the entitlement has been achieved only by accepting the very poorest quality accommodation

*No one has received this as the rent is to the maximum.*

*Most minimal rents are higher than LHA rate.*

*I don't understand the logic behind it. Clients have gone for cheaper properties which are in a very poor state, just so that they can receive extra money.*

Thoughts on removing the £15 excess (whilst maintaining a fixed local allowance) are that the few properties which are currently rented at below LHA level may simply have their rent increased.

*There are not many situations where there is an excess entitlement.*

*With its removal, I hope landlords won't put the rents up on their poor accommodation to the LHA level.*

## **2.8 The 5 bedroom cap**

No comment.

## **2.9 Whether advice services have the capacity to adequately support LHA claimants.**

The introduction of LHA has generated additional work for advice services and other support providers. As noted, the removal of choice around direct payments has required many providers to develop new and additional protocols with HB departments and other partners, and more time is now spent on homelessness prevention with clients who have accrued arrears.

*No – this extra work, especially vulnerability issues, is unacceptable and requires time which should be spent on other advice services.*

*We can adequately support our service users, but there are many claimants who are not able to access services.*

*We are stretched to capacity, due to the volume of claimants in this economic climate – ie, trying to find affordable accommodation for clients, writing support letters, etc*

*Our appointments are usually fully booked well in advance.*

### **3 Recommendations**

The Local Housing Allowance scheme has caused real and significant problems for users and providers of housing-related support services in Wales, particularly with regards to the prevention and resolution of homelessness.

- 3.1 LHA regulations around direct payments, though designed to promote ‘empowerment’ and personal responsibility, are having the opposite effect: people who would otherwise make the free, informed and responsible decision to have rent paid directly to their landlords are being prevented from doing so, or are having significant obstacles placed in their way.

Vulnerable people are subject to a ‘postcode lottery’, according to whether they are able to access suitable and effective advice and advocacy, and the varying policies and approaches of individual HB departments. As a consequence people are being put at unnecessary risk of debt and homelessness, and many private sector landlords are becoming less willing to let their properties to benefits claimants. The default requirement that LHA claimants must have their benefit paid to them should be abolished, and the free choice reinstated.

- 3.2 The Single Room Rent is iniquitous and discriminatory. It excludes young people from most - if not all, in some areas - private sector accommodation, and denies the opportunity for people to build more independent and fulfilling lives. The Single Room Rent perpetuates homelessness, social exclusion and dependencies on Third Sector providers, and must be abolished.

- 3.3 Although some Cymorth members comment that a set LHA rate has brought benefits such as greater transparency and certainty (if only on a monthly basis), there is a significant flaw in the system in that landlords are free to set their rents as they see fit, and are unlikely to do this at a level below the local allowance – except, generally speaking, where the poorest quality

accommodation is concerned. This fundamental problem sustains the ‘bottom end’ of the (broadly unregulated) private rented sector, and makes a nonsense of the “£15 excess entitlement” policy.

For the benefits of local allowances to be fully and properly delivered, they must be set at rates which provide claimants with genuine choice, rather than providing private sector landlords with indicators by which to set their rents.

**For further information, please contact:**

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