



Rent Arrears:

Causes and Consequences for CAB Clients

October 2018





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Contents

Executive Summary	1
Summary of Recommendations	2
Introduction and background	4
Who is affected by rent arrears?	7
What specific issues have caused rent arrears for CAB clients?	11
What might be done to reduce problems associated with rent arrears?	18
Appendix A – Details of YouGov full renter sample	26

Executive Summary

Advice in relation to rent arrears has grown by over 40% since 2012, whilst debt-related issues experienced by CAB clients in Scotland have steadily declined over the same period. Given this long-term change, investigating the cause and consequences of rent arrears for CAB clients is a policy priority for Citizens Advice Scotland (CAS).

This report examines the prevalence and reasons why this steady increase in rent arrears has occurred, as well as who is most likely to be affected. It also looks at the consequences for CAB clients who experience rent arrears, how they cope with being behind on the rent, and how they have managed to escape rent arrears – if they have indeed managed to do so. The report also recommends a range of actions that governments at all levels, as well as other key players like landlords can – and should – take to prevent rent arrears from happening, to support people who are affected and help them to clear their debt if they do accrue rent arrears.

Citizens Advice Scotland's findings include:

- The considerable growth in rent arrears as an area of advice has coincided closely with changes to the social security system, particularly the advent of UK Government welfare reform since 2010.
- Almost one-quarter of those living in rented accommodation have experienced rent arrears in the past five years.
- CAB clients with rent arrears are more likely to be in part-time employment, unemployed, be a single person or lone parent, be aged 25-44 and live in the 20% most deprived areas.
- The most common reasons for rent arrears are
 - a benefits-related issue,
 - loss of income, or
 - unexpected costs.

- The most common ways of getting out of rent arrears are borrowing money from elsewhere (such as from friends and family, or on a credit card) or cutting back on essentials. Neither of these are particularly sustainable solutions.
- During the past eighteen months, CAB clients' rent arrears issues have predominantly been caused by them moving onto Universal Credit, and experiencing problems with the delivery of support to pay the rent through the new benefit.
- Evidence from Scotland's CAB network and elsewhere indicates the incidence of rent arrears to be far higher amongst tenants receiving Universal Credit. Housing associations across the UK report that 73% of tenants on UC are in arrears, compared to 29% of others.

CAS recommendations for action to help reduce the problem include action to:

- Address Universal Credit issues
- Promote methods of support to pay rent
- Resolve the issues between the Department for Work and Pensions (DWP) and landlords in terms of the calendar monthly/4 weekly accounting process and use of the third party deduction payment system for bulk payments.
- Ensure that housing support covers the full costs of accommodation
- Ensure that rent levels are affordable
- Encourage landlords to follow best practice in dealing with rent arrears
- Ensure tenants receive the best advice and support when faced with arrears or potential eviction.

Summary of Recommendations

Citizens Advice Scotland recommends:

Address Universal Credit Issues

- > The UK Government reduce how long people have to wait for their first Universal Credit payment. In particular, consideration should be given to a single, additional, non-refundable Assessment Payment being introduced for new Universal Credit claimants to avoid hardship being caused by having no income for at least five weeks.
- > The DWP takes all steps to ensure that the processing of Universal Credit claims are not delayed. In particular, it should ensure that additional information required from claimants, particularly in relation to housing costs, is not unduly onerous and is processed in a timely manner.
- > The maximum permitted deduction rate from UC to repay debts should be reduced from the current level of 40% of the standard allowance.
- > The DWP take a holistic overview of the claimant's circumstances and allow claimants to negotiate the level of deduction before it is applied, particularly if the proposed level of deduction may cause hardship.

Promotion of methods of support to pay the rent

- > The Scottish and UK Governments, in conjunction with social landlords should continue to raise awareness of the availability of Universal Credit Scottish Choices, for people who would find having their housing costs paid directly to their landlord helpful in managing their finances.
- > The UK Government works with organisations representing social landlords to harmonise the frequency of payments of UC Scottish Choices and Alternative Payment Arrangements with Universal Credit payments and cycles of rent payments.
- > The Scottish Government and local authorities ensure Housing Benefit and Universal Credit claimants who are affected by the under-occupancy penalty (often referred to as the 'Bedroom Tax') are able to receive a DHP (Discretionary Housing Payment) mitigating their full losses until such time as:
 - Housing Benefit is fully replaced by Universal Credit and;
 - The Scottish Universal Credit flexibility allowing the under-occupancy penalty to be removed at source is fully operational.
- > The Scottish Government and local authorities review processes to ensure that delays are minimised, and that claims not related to the under-occupancy penalty are treated fairly at all times of the year.
- > The Scottish Government, COSLA and local authorities continue to raise awareness of the Scottish Welfare Fund, particularly amongst hard to reach and vulnerable groups. This could include working in partnership with other organisations, or investing in a specific awareness-raising campaign.
- > The Scottish Government, COSLA and local authorities establish links with other services to ensure people are able to access relevant support and address the causes of their income deprivation.
- > Advice providers, emergency food aid providers and local authorities establish links to ensure that those in need have access to advice about statutory crisis assistance as well as access to emergency food aid.

Ensure that housing support covers the full costs of accommodation

- > Universal Credit and Housing Benefit should cover the full rental costs for temporary homeless accommodation in private rented sector placements.
- > That local authorities consider homeless people facing a shortfall in their rent as a priority for DHP support until the full cost of temporary homeless accommodation is met through reserved benefits.
- > The UK Government review the freeze on Local Housing Allowance rates, with a view to enabling them to cover the bottom 30% of market rents once more.
- > The Scottish Government should consider options, including legislation, to prevent landlords from excluding recipients of benefits when advertising lets.
- > The UK Government reconsider the lowering of the Benefit Cap, with particular regard to the impact on lone parents with large families who will be unable to find paid work or move into a smaller house due to caring responsibilities for multiple young children.
- > The UK and Scottish Governments examine the effects of the Benefit Cap on:
 - People in temporary homeless accommodation;
 - People who have been subject to domestic abuse;
 - The willingness of landlords to accommodate people affected by the Benefit Cap
- > The UK and Scottish Governments put steps in place to ensure that the Benefit Cap does not act as a deterrent to people finding suitable, settled, affordable and appropriate homes.
- > Local authorities should look to make long-term Discretionary Housing Payment awards to people affected by the Benefit Cap, covering the full value of the loss.

Ensure that rent levels are affordable

- > Local authorities and housing associations continue to keep rent levels under review to ensure they are affordable to tenants on the lowest incomes.
- > Local authorities make full use of the power to apply for Rent Pressure Zones, to ensure that rent increases do not make areas of Scotland unaffordable for people needing to rent from private landlords.

Landlords follow best practice in dealing with rent arrears

- > Housing associations follow best practice with respect to flexibility around the first month's rent to protect tenants from hardship.

Ensure tenants receive the best advice and support when faced with arrears or potential eviction

- > Funding for quality independent holistic advice should be a priority for local authorities and the Scottish Government. This should include suitable provision of in-court advice.
- > The definition of 'lay representative' should be clarified, particularly taking into account the duality of current practice: those who undertake the role as a one-off and those who undertake the role as a career.
- > Specific training should be delivered to Sheriffs and Summary Courts on lay representation.
- > Social rented sector cases should be transferred from the Sheriff Courts to the First-Tier Housing Tribunal.
- > The Scottish Government explore options for increasing awareness of tenants' rights. This may include working with specialist organisations, and considering how it might be taught in schools under Curriculum for Excellence.

Introduction and background

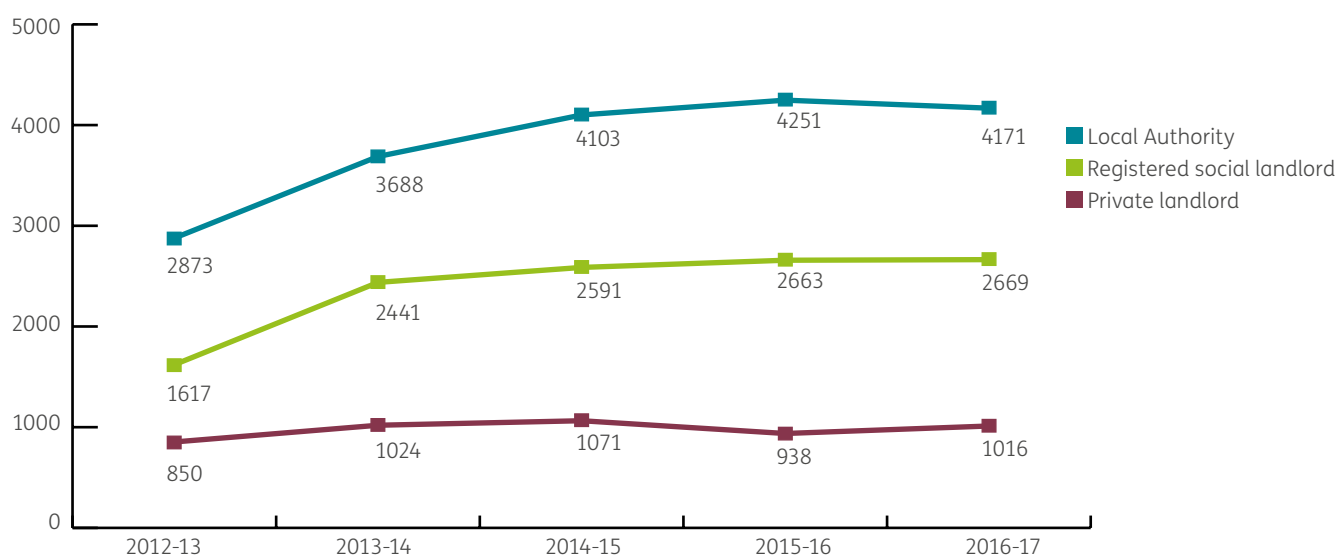
Between 2012 and 2017, issues related to rent arrears have been some of the fastest growing areas of advice in Scottish citizens advice bureaux. As shown in Figure 1 below, in 2016/17 there were 4,171 new issues related to local authority rent arrears (an increase of 45% on 2012/13) and 2,669 new rent arrears issues related to other Registered Social Landlords (RSLs), an increase of 65%. Rent arrears issues amongst private rented sector tenants increased by 20% during the period, with 1,016 new issues in 2016/17.

The increase in rent arrears issues over the period (up by over 40%) stands out in contrast to a steady decline in debt-related CAB advice given across the period¹. Given this long-term change, investigating the causes and consequences of rent arrears for CAB clients is a policy priority for Citizens Advice Scotland.

An online survey conducted for CAS by Ipsos MORI in 2017, revealed that on the whole tenants in the social and private rented sectors find it harder to manage financially, worry more about being evicted, are more likely to have to borrow money to pay the rent, and that increases in rent are a factor in accumulating more personal debt, compared with owner-occupiers²:

- > A little under half (46%) of social rented tenants and 36% of private rented sector tenants said they were finding it difficult to manage financially, compared with 15% of owner occupiers
- > A greater proportion of social tenants (13%), and of private tenants (17%), have had to use credit or loans three times or more in the last year to pay the rent because they ran out of money before payday, compared with 5% of owner occupiers
- > Respondents considered rent or mortgage payments to be the most important bill or payment
- > Social tenants (15%) and private rental sector tenants (16%) were more likely to be worried about being evicted or having their home repossessed compared with 4% of owner occupiers
- > More than a quarter (28%) of respondents reported having more debt than five years ago. Of these, 28% reported that one of the reasons was an increase in rent or mortgage.

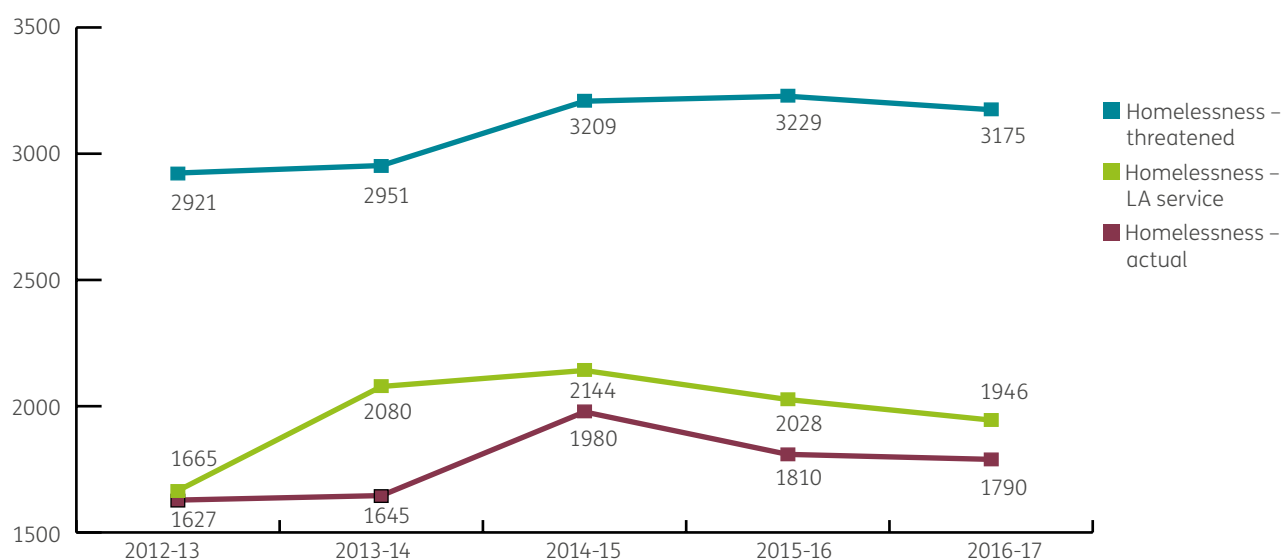
Figure 1 – Number of new rent arrears CAB issues, 2012-13 – 2016/17



¹ Living from one payday to the next: A look at how people in Scotland feel about finances, credit and debt – Citizens Advice Scotland, May 2017 <http://www.cas.org.uk/publications/living-one-pay-day-next>

² Ibid.

Figure 2 – Number of new homelessness CAB issues, 2012/13 – 2016/17



In addition to the stress and worry that rent arrears bring, they also bring a real risk of people being evicted and made homeless. Whilst not as sharp an increase as the demand for advice on rent arrears, the past five years have also seen an increase in the amount of advice provided on issues related to homelessness in Scottish citizens advice bureaux.

As illustrated in Figure 2 above, in 2016/17 across Scotland there were 3,175 new issues related to threatened homelessness, an increase of 9% compared to 2012/13. There were 1,790 new issues related to actual homelessness (an increase of 10%) and 1,946 related to local authority homelessness service issues (an increase of 17% over the past five years).

The noticeable increase from 2013/14 may be reflective of an increase in evictions by social landlords in that period. Shelter Scotland's analysis of official figures revealed that the number of evictions increased by 41% between 2013/14 and 2015/16.³ The vast majority of eviction actions in the social rented sector are in response to rent arrears – 95% for local authorities and 89% of Registered Social Landlords.⁴

The increases in these areas from 2012/13 coincide with the introduction of a number of welfare reforms by the UK Government, including:

- > introduction of the under-occupancy penalty⁵;
- > introduction of Personal Independence Payment⁶;
- > the continued migration of clients to Employment and Support Allowance, followed by the removal of the Work Related Activity component⁷;
- > introduction and subsequent reduction of the Benefit Cap⁸;
- > an increase in the use of sanctions and conditionality in the benefits system⁹;
- > introduction of the shared accommodation rate¹⁰ and subsequent freezing of Local Housing Allowance, and;
- > the freeze on working-age benefits.

³ Evictions by social landlords in Scotland 2012-16 – Shelter Scotland, April 2017 http://scotland.shelter.org.uk/_data/assets/pdf_file/0003/1365186/Evictions_by_social_landlords_in_Scotland_2012-2016.pdf

⁴ Ibid.

⁵ Voices from the Frontline: The Bedroom Tax and disabled people – Citizens Advice Scotland, November 2013 <http://www.cas.org.uk/publications/voices-frontline-bedroom-tax-and-disabled-people>

⁶ Evidence to the Second Independent Review of Personal Independence Payment – Citizens Advice Scotland, September 2016 <http://www.cas.org.uk/publications/cas-response-personal-independence-payment-call-evidence>

⁷ Written evidence: Welfare Reform and Work Bill – Citizens Advice Scotland, October 2015 <http://www.cas.org.uk/publications/welfare-reform-and-work-bill-cas-written-evidence>

⁸ The Impact of Reducing the Benefit Cap – Citizens Advice Scotland, May 2017 <http://www.cas.org.uk/publications/impact-reducing-benefit-cap>

⁹ Written evidence: National Audit Office inquiry into benefit sanctions – June 2016 <http://www.cas.org.uk/publications/national-audit-office-inquiry-benefit-sanctions>

¹⁰ Voices from the Frontline: Shared accommodation rate – Citizens Advice Scotland, December 2012 <http://www.cas.org.uk/publications/voices-frontline-shared-accommodation-rate>

Since 2016 full service Universal Credit has also been rolling out across Scotland, and will eventually replace six working age benefits.¹¹ Previous CAS research, as well as reports from social landlords, has indicated a higher rate of rent arrears amongst tenants who receive Universal Credit.¹²

In 2013, CAS described the impact of the UK Government's welfare reforms on CAB clients as a 'tidal wave of change'¹³. Whilst at that point we

expected families and individuals to struggle as their income decreased, the extent of this struggle has been unanticipated. We did not expect to see clients at citizens advice bureaux who had fallen through the benefits safety net and who were unable to afford food. However, this increasingly became a reality for a number of people in Scotland. And – five years on from when we published our first findings – very little has changed. Last year, CAB in Scotland provided advice related to food banks on almost 8,500 occasions.

This report focuses on examining CAB data, as well as a survey of the wider public to examine the scale and causes of rent arrears. It also makes a number of recommendations for action to prevent rent arrears occurring, and to support those affected to clear their debt.

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- 11 Calling for a halt to Universal Credit – Citizens Advice Scotland, September 2017 <http://www.cas.org.uk/publications/calling-halt-universal-credit>
 - 12 Learning From Testing Times: Early Evidence of the Impact of Universal Credit in Scotland's CAB Network – Citizens Advice Scotland, June 2016 https://www.cas.org.uk/system/files/publications/learning_from_testing_times_uc_report.pdf
 - 13 A tidal wave of change: The impact of benefit reforms, changes and cuts on people and families in Scotland – Citizens Advice Scotland, March 2013 <http://www.cas.org.uk/publications/tidal-wave-change>

Methodology

In order to examine the issue of rent arrears in more depth, two actions were undertaken:

- An analysis of relevant data, both quantitative and qualitative, gathered by the Scottish citizens advice network; and
- Commission given to YouGov to include relevant questions in the Scotland Omnibus Survey.

Citizens advice bureaux in Scotland routinely collect statistical data on the number of pieces of advice given on any particular issue. CAB also annually survey clients to establish a demographic profile of who visits a bureau for advice and on which issue.

Throughout this document, we also highlight 'Citizens Alerts'. These are cases that have arisen across the Citizens Advice service in Scotland – examples of real issues faced by real people that bureaux advisers have supported. They provide clear illustrations of the impact set out in this report. You'll see them across this report, indicated with the exclamation mark symbol.

Through use of the YouGov Scotland Omnibus, it was possible to consult 875 Scottish adults in rented accommodation on their experiences of rent arrears. Given that the average number of renters is around 250 per omnibus, this was achieved by running questions across two consecutive Omnibuses and including a renter 'boost' in the first of these. Details of the full renter sample, along with other relevant data, can be found at Appendix A.

Who is affected by rent arrears?

Number of CAB advice issues

While there is always a natural fluctuation in the number of overall queries recorded by bureaux year-on-year, advice related to housing has remained broadly static since 2013/14 at a little over 40,000 queries. The most common housing-related queries recorded during 2016/17 can be found in Table 1.

As housing-related advice accounted for 7% of all bureaux business during 2016/17, and a little fewer than 275,000 clients were seen, this would correspond to approximately 19,000 individuals approaching bureaux for this type of advice. In addition to this there are other types of housing-related advice recorded under other advice code categories; the most common of these can be found in Table 2.

The number of enquiries regarding eviction in relation to rent arrears has increased by 16% since 2015/16 (see Table 3) taken together, there were a total of 7,856 new rent arrears issues in 2016/17. In terms of reduction in the number of queries, the category of debt has seen the largest decrease; however, queries in relation both to local authority and social landlord rent arrears have remained broadly static, while those relating to private sector rent arrears have increased by 6% over the same period.

CAB Client Profile

From analysing the demographic profile of a sample of CAB clients in 2016, there were 557 clients who received advice in relation to rent arrears, which represented 25% of all clients who had received debt-related advice. Of these clients, the largest proportion (55%) had debts related to local authority housing; 33% to social housing; and 11% to private housing.

A higher proportion of bureaux clients live in rented accommodation (59%) than the Scottish population as a whole (35%)¹⁴. A full breakdown across the different rental sectors can be seen in Table 4.

The client profile also indicates that those seeking advice on rent arrears are demographically different from bureaux clients as a whole. As can be seen in Table 5, clients seeking advice on any type of rent

arrears are more likely than the average bureaux client to: be in part-time employment; unemployed; live in a single person (non-pensioner) or single parent household; be aged between 25 and 44 years; and live in the 20% most deprived areas of Scotland.

In some cases, differences can also be seen across the three tenancy types. For example, while those in any type of employment seeking advice in relation to local authority rent arrears (32%) are proportionately equivalent to all clients in employment (33%), those seeking advice in relation to private or social tenancies are much more prevalent (40% and 43% respectively). Also, while those living in the 20% most deprived areas were more likely than average to have sought advice in relation to local authority rent arrears (42%, compared with an average of 30%); those seeking advice in relation to private tenancy arrears were less likely (24%) to live in the most deprived areas.

Scotland Omnibus Survey

Sample demographics

Overall, the sample was 56% female and 44% male. The highest proportion of respondents (31%) was in the 55 years and over age group, while the smallest proportion (15%) was aged 18 to 24 years. There were a higher proportion of respondents in the C2DE¹⁵ social grade group (55%) than in the ABC¹² group (45%). In terms of geography, the sample was split proportionately across all 8 of the Scottish parliamentary regions, with the highest proportions in the Lothians and Glasgow (both accounting for 17%), and the lowest proportion in West Scotland (8%).

The largest proportion of the sample (45%) was in either full- or part-time employment, while the lowest proportion (6%) was unemployed. Almost equal proportions were either married/co-habiting (42%) or had never married (39%), while a little over one-fifth of respondents (22%) had children living in their household.

15 Social Grade definitions are based on occupations and are as follows: AB – Higher & intermediate managerial, administrative, professional occupations; C1 – Supervisory, clerical & junior managerial, administrative, professional occupations; C2: Skilled manual occupations; DE – Semi-skilled and unskilled manual occupations, unemployed and lowest grade occupations

14 Figures sourced at www.scotlandscensus.gov.uk

Table 1: Most common housing-related queries

Housing (total)	40,395	
Private sector rented property	10,731	27%
Local authority housing	5,443	13%
Owner-occupier property	5,036	12%
Environment and neighbour issues	3,476	9%
Access to and provision of accommodation	3,257	8%

Table 2: Housing-related queries not covered by the 'Housing' advice code category

Debt (total)	91,900	
Arrears – private sector rent	1,016	1%
Arrears – LA rent	4,171	5%
Arrears – registered social landlord rent	2,669	3%
Rent Arrears – all	7,856	9%
Arrears – council tax	12,130	13%
Arrears – all	19,986	22%
Legal issues (total)	25,748	
Eviction – rent arrears	1,474	6%
Benefits issues (total)	253,663	
Housing Benefit	21,598	9%
Universal Credit	7,883	3%

Table 3: Rent arrears queries over different tenancy types

	LA rent arrears		Private rent arrears		Social rent arrears	
	2016/17	% change*	2016/17	% change*	2016/17	% change*
Difficulty making payments	2,719	-9%	663	1%	1,819	-1%
Eviction for arrears	1,121	16%	156	12%	444	13%
Liability for debt	832	5%	219	27%	529	7%
Possession claim for arrears	830	5%	121	27%	426	3%

* Percentage change in numbers from 2015/16

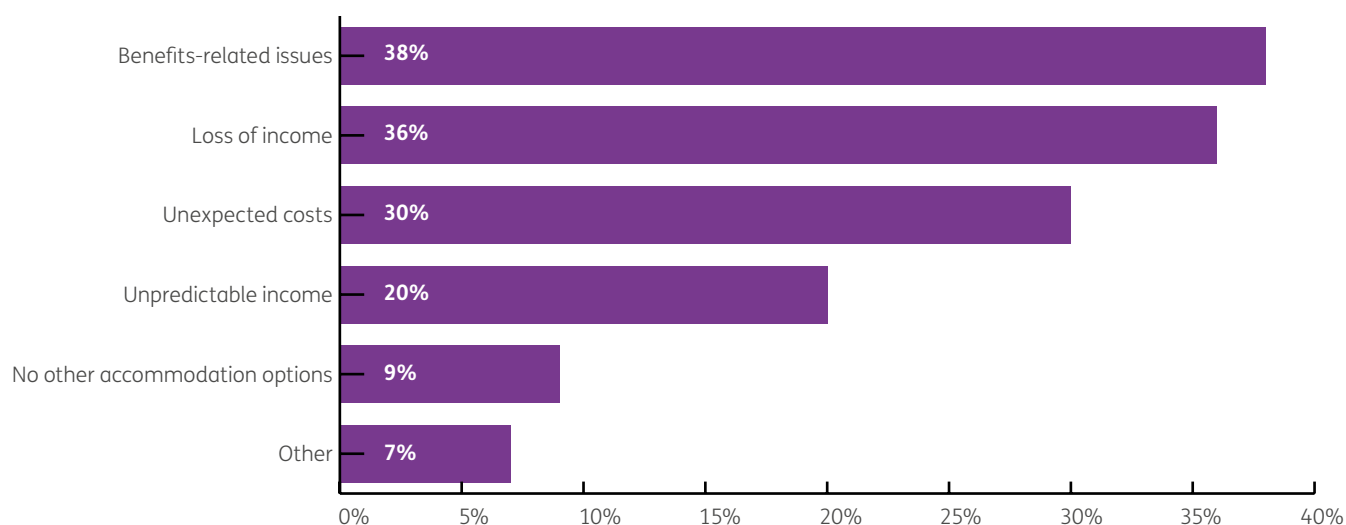
Table 4: Proportion of bureaux clients by rental type

	Proportion of bureaux clients	Census 2011
Local authority tenant	28%	13%
Private tenant	16%	11%
RSL tenant	15%	11%
All housing types	59%	35%

Table 5: Client demographics across different rental types

	Local authority arrears	Private landlord arrears	Social landlord arrears	Citizens advice network (All)
Unemployed	25%	23%	23%	16%
All in employment	32%	40%	43%	33%
Part-time emp. only	18%	18%	21%	12%
Single/non-pensioner	37%	40%	41%	31%
Single parent	24%	18%	24%	12%
Age 25-44 years	52%	55%	51%	35%
20% most deprived areas (SIMD)	42%	24%	36%	32%

Figure 3: Reasons for rent arrears (n=179)



The sample was evenly distributed between private and social rented housing, almost half (49%) lived in private rented sector accommodation. Just over a quarter (27%) lived in council housing, with just under a quarter (24%) renting from a housing association.

Of the sample, just over a quarter (26%) were in receipt of Housing Benefit, with a further 3% receiving Universal Credit. Of the Housing Benefit recipients, 74% lived in social housing, with 26% living in the private rented sector (PRS). By way of comparison, according to the most recent official statistics, there were 410,065 Housing Benefit claimants in Scotland, 82% of whom lived in social housing, with 18% in the private rented sector.¹⁶ Of the 33,960 households in Scotland who received Universal Credit with a housing entitlement, 72% were in the social rented sector, with 28% renting from a private landlord.¹⁷ This would indicate that the survey sample was broadly comparable to the Scottish population as a whole on these demographics.

Experience of rent arrears

Across the whole sample, a small proportion (8%) reported that they were currently experiencing rent arrears. Of these 73 respondents, two-thirds (49 respondents) had also been in rent arrears on at least one other occasion in the previous 5 years. A further 128 respondents (15% of the entire sample) had experienced rent arrears at least once in the

previous 5 years, though were not in arrears at the time of the survey (November 2017). Overall, therefore, almost one-quarter of the sample (23%) had experienced rent arrears in the previous 5 years.

Female respondents (25%) were marginally more likely than male respondents (20%) to have experienced rent arrears. Those aged 35 to 54 years (31%) were more likely than average to have experienced rent arrears, while those aged 18 to 24 years were the least likely (14%). However, the latter figure is more than likely influenced by the high proportion of students in the survey sample.

Respondents in the lower social grade category (29%) were almost twice as likely to have experienced rent arrears as those in the higher social grade category (15%). In terms of employment status, those working part-time (32%) were more likely than those working full-time (21%) to have experienced rent arrears, while almost half of unemployed respondents (45%) had experienced rent arrears.

Those who were separated or divorced were most likely to have experienced rent arrears (33%), while widowed respondents were the least likely (9%). Almost one-third of respondents with children in the household (30%) had experienced rent arrears.

Reasons for rent arrears

Of those respondents (201) who had experienced rent arrears, 179 of these provided a reason for falling into arrears; these are illustrated in Figure 3. It was possible to select multiple reasons and so percentages will not sum to 100.

¹⁶ February 2018 figures. Calculated from DWP Stat-Xplore <https://stat-xplore.dwp.gov.uk/webapi/jsf/login.xhtml>

¹⁷ December 2017 figures. Calculated from DWP Stat-Xplore <https://stat-xplore.dwp.gov.uk/webapi/jsf/login.xhtml>

The most common reason for falling into rent arrears (38%) was a benefits related issue, such as a delay or change in payments. This was closely followed by loss of income (36%) for example due to redundancy or illness. A very small minority of respondents (n=5) reported that the arrears came about as a result of either an error they had made, or “spending outside [their] means”.

Those who were currently experiencing rent arrears were asked how they were dealing with this, and 70 provided a response. Two-thirds (66%) stated that they were currently taking active steps and/or receiving support in order to deal with their rent arrears. The remainder were equally split between these taking no steps to address the arrears (17%), or were doing neither of these things (17%).

Recovery from rent arrears

Those who had been in rent arrears previously, but were no longer in that situation, were asked how they had managed to clear those arrears. A total of 114 respondents provided an answer and these are illustrated in Figure 4.

The highest proportion (34%) reported that they had cut back spending on other essentials (such as groceries) in order to clear their arrears. A further 25% of those who had previously been in arrears

had their benefits issues resolved and 17% reported a stabilisation of income.

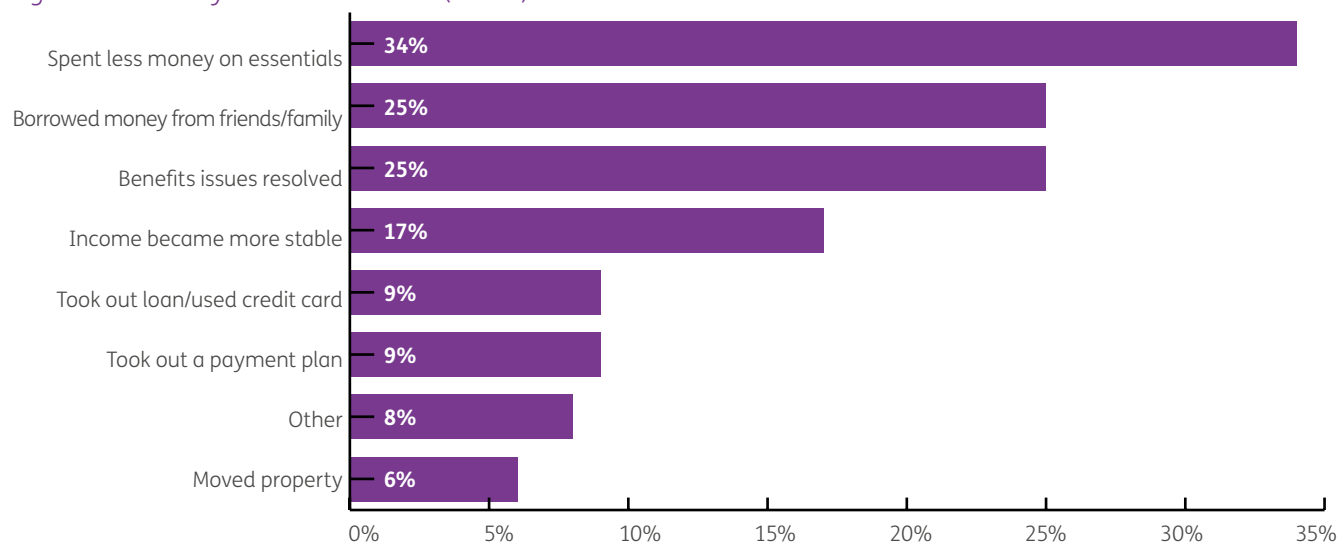
With one-quarter of respondents reporting they had borrowed money from family or friends and 9% stating they had taken out a loan or used a credit card to cover rent payments, this indicates that at least 34% of those who had previously experienced rent arrears had essentially substituted one type of debt for another. In fact, two respondents reported that their rent arrears issue had only been ‘resolved’ due to bankruptcy.

Taken together, the majority of respondents escaping rent arrears were only able to do so either by depriving themselves of essentials, or by ‘robbing Peter to pay Paul’. None of these ways are particularly sustainable.

Awareness of tenant rights

Respondents were also asked how much they felt they knew about tenant rights in Scotland, ranging from ‘nothing at all’ to ‘a lot’ (n=833). Only a small proportion (5%) stated that they knew ‘a lot’ about tenant rights, while one-third (33%) felt they knew ‘a fair amount’. The remaining respondents and overall majority felt they either did not know much (50%), or knew nothing at all (12%) about tenant rights.

Figure 4: Recovery from rent arrears (n=114)



What specific issues have caused rent arrears for CAB clients?

Evidence from CAB cases indicate some of the multiple difficulties faced by clients in rent arrears. In a number of cases, the arrears have arisen from issues associated with changes to the social security system, particularly related to Universal Credit.

Length of wait for a first Universal Credit payment

There is an in-built delay between making a Universal Credit claim and receiving a first payment due to the way it is designed¹⁸. Starting in February 2018, the length of the delay was reduced from six to five weeks, following the removal of the seven 'waiting days' at the start of the claim. Despite this move, which CAS campaigned for and welcomed, CAB clients have experienced rent arrears due in part to the length of the period before the first payment.

Citizens Alert: An East of Scotland CAB reports of a client who has recently changed from claiming Carer's Allowance (CA) to claiming Universal Credit (UC) with limited capacity for work-related activity. She has been informed since she changed benefits that she has incurred over £500 of rent arrears. She was confused as to

where the arrears have come from as she was entitled to housing benefit when she claimed CA and she is also entitled to help with her housing costs while claiming UC. It emerged that the arrears were caused by the five week wait for her first Universal Credit payment, which meant that her rent payments were also in arrears by five weeks. Although some of the arrears were covered by a Discretionary Housing Payment, the client had to arrange a payment plan with the council to repay the remainder.

Citizens Alert: A South of Scotland CAB reports of a client who was on Universal Credit and working. The client stopped work three months ago due to stress and bullying. Due to when the Universal Credit assessment period was and when she received her wages, the client has been left with no payments for a month. The client has £30 left to last the next four weeks and is already being called 'constantly' by her housing association regarding a week's rent arrears.

¹⁸ For further details of the reasons for this see pages 16 – 17, Learning From Testing Times: Early Evidence of the Impact of Universal Credit in Scotland's CAB Network – Citizens Advice Scotland, June 2016 https://www.cas.org.uk/system/files/publications/learning_from_testing_times_uc_report.pdf

Administrative delays to Universal Credit housing payment

The in-built delay is compounded in some cases by further administrative delays. CAB clients have experienced the entire Universal Credit payment being delayed, the first payment arriving without housing costs being included, incorrect housing costs being included, or, in the event of housing payments being made directly to the landlord, the amount being deducted from the Universal Credit payment but not being paid to the landlord. Some of these issues seem to stem from difficulties with verifying the claimant's housing costs.

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- **Citizens Alert:** A West of Scotland CAB reports of a client who had been sent a letter by his housing association regarding rent arrears of £538.50 which he had accrued in three months. The client had recently split up from his wife, his Housing Benefit payment had been delayed, and only covered £190 of his £400 rent. This has caused him financial hardship.

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- **Citizens Alert:** A South of Scotland CAB reports of a client who came into the CAB to discuss his financial situation. He is employed but is currently off sick following his mother's death a few months ago. He is single with no dependents and lives on his own in a flat rented from a housing association. He is claiming Universal Credit (UC) to help with his housing costs. He said that when he applied for UC initially he asked for the housing costs to be paid direct to his landlord. This was not done and as a result he has built up rent and council tax arrears. He also has an outstanding balance on his credit card and he cannot afford to make repayments. With the CAB's help he arranged for his housing costs to be paid directly to his landlord, but he remained in arrears.

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- **Citizens Alert:** A West of Scotland CAB reports of a client who has received a call from his local authority landlord stating that he has rent arrears of £641. The client was aware of some arrears, but it seems that his direct housing payment from Universal Credit was not made to the council despite being deducted from his UC award, so his arrears have increased by £309. When the CAB adviser contacted the local authority housing team they advised that this is "a common problem" and there are lengthy delays with the local authority receiving the payments from DWP.

High cost temporary accommodation rent

An issue that has caused rent arrears for some homeless CAB clients is living in temporary accommodation with high rental costs, which is not covered in full by Housing Benefit or Universal Credit. Reasons why this is the case are detailed later in this report.

Citizens Alert: A West of Scotland CAB reports of a client who is living in temporary homeless accommodation. Her Housing Benefit does not cover the full costs of her rent and arrears are accruing on a weekly basis. The client works part time and pays a lump sum towards the debt when she can. She has applied for Discretionary Housing Payment twice but has been declined on both occasions.

Citizens Alert: A North of Scotland CAB reports of a client who sought advice relating to rent and Council Tax arrears. He is currently in temporary homeless accommodation which has a rent of £128.72 per week. This is in excess of typical rental costs for the area, due to additional costs for homelessness services being added. The client was in rent arrears of £845.88 which he had no means of paying off. He had made a claim for Universal Credit but was waiting to receive his first payment.

Citizens Alert: An East of Scotland CAB reports of a client who has been living in a private rented property for the past three years having been placed there by the local homelessness team. He believes he is still classed as homeless. His rent, including a service charge is £806 per month. He has built up rent arrears of around £2,000 from when he started working, so is also trying to pay £25 per month towards this and is being pursued for Council Tax arrears. He has been signed off from work with anxiety and depression and receives Universal Credit, including £500 housing element. He has applied for a Discretionary Housing Payment to cover the remainder of his rent, but was not hopeful about this as he has been refused in the past. He was given a Notice to Quit a year and a half ago but then made a repayment plan. He is now worried about being issued with another one and being made homeless again.

First month's rent and Universal Credit

An issue that has affected a number of CAB clients is accruing rent arrears in the first month of their tenancy, particularly when they are claiming Universal Credit. In some cases the landlord's response to this has caused further problems for the client.

Citizens Alert: A North of Scotland CAB reports of a client who called regarding an issue he is having with his housing association landlord, who has just taken over from a different association. The client receives Universal Credit. He has had 'heaps of letters' from his landlord saying he is in arrears because his housing assistance paid through his Universal Credit is paid in arrears. He says he is being 'driven crazy with it all' and is feeling stressed. He has letters asking him to pay £5 per week to collect a whole month's rent so by being in advance he will not be in arrears. The client was also worried about not being able to pay for gas or being put into debt by the amount.

Citizens Alert: A North of Scotland CAB reports of a client who has received a letter from her housing association which stated that she did not appear to be paying her rent in line with her tenancy agreement and asked that she call them immediately. When she called them she explained that she was in receipt of full Housing Benefit and therefore was not responsible for any rent payment. The association then said that even if on full Housing Benefit she needed to make payments so her account would not be in arrears, due to the Housing Benefit being paid in arrears by the local council. The client reported that the association officer was 'quite aggressive in her manner' in the way that she spoke to the client. They told her that all tenants have to pay rent even if in receipt of full Housing Benefit. When the client said she could not afford to pay any rent she was told that 'other tenants manage'.

High third party deductions for rent arrears


If a person is in rent arrears, landlords can apply to have the amount deducted directly from their future Universal Credit payments. Whilst this can be a good way for people to manage their debt, in some cases the total amount deducted can leave clients in hardship. This is discussed further later in this report.


Citizens Alert: A West of Scotland CAB reports of a client who has received a notice of court action for eviction by his local authority landlord over rent arrears of £420.16. The client receives Universal Credit which he applied for four months ago after his job was made redundant. The local authority has also applied to Universal Credit to have deductions taken from the client's payment at a rate of 20%, prior to eight weeks' rent arrears having accrued, and without informing the client of this action.

Citizens Alert: An East of Scotland CAB reports of a client who requested a referral voucher for a food bank. He is receiving Universal Credit and has deductions of £43 per month for the repayment of a UC advance, and £63 per month for rent arrears. His phone and broadband have been disconnected and he has difficulty finding money for energy. He had applied last month for a Crisis Grant, and has also accrued Council Tax arrears.

Unpredictable income


Some CAB clients have experienced rent arrears as a result of an unpredictable, fluctuating income. This often arises in connection with zero hours contracts. CAS has previously reported on issues caused for clients by misuse of zero hours contracts, including accruing rent arrears.¹⁹

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Citizens Alert: An East of Scotland CAB reports of a client who was an agency worker on a zero hours contract previously working full time hours. However, for the last two months he has been working zero hours and is now in rent arrears. He receives Universal Credit, which fluctuates depending on his pay. His next payment will cover the last month's rent, but he will still owe arrears for the preceding month. The client fears he may be evicted as a result of the letter notifying him of the arrears.

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Citizens Alert: An East of Scotland CAB reports of a client whose Housing Benefit had been recalculated following a change of circumstances and has been informed that she is in rent arrears of £324. She works on a zero hours contract so has variable earnings and is a carer for her disabled son. The change of circumstances occurred when her daughter turned 17 and moved into an educational course that was non-approved. Her Child Benefit and Child Tax Credit stopped and she was no longer counted as a dependant for Housing Benefit. She is putting aside £20 per week to cover the shortfall in HB. She will need some assistance in negotiating the repayment of rent arrears. Her variable earnings have led to an overpayment in Housing Benefit and subsequent rent arrears.

Private rented sector issues

Whilst the majority of CAB clients who received advice on rent arrears lived in social housing, a number experienced rent arrears in private lets. Some of these issues also related to social security benefits.

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Citizens Alert: An East of Scotland CAB reports of a client who is a single parent with two children and is expecting a third. The client had lived in a private let for four years whilst in receipt of Income Support. The rent was £620 per month, but she never had any issues paying the rent until a change of circumstances meant that she had to claim Universal Credit. Due to the waiting period and administrative delays it was 12 weeks before she received any housing payment, and her monthly award continually varied for no apparent reason. She tried for a few months to explain to her private landlord her situation with Universal Credit but 'was getting nowhere and gave up'. She was eventually evicted a few months later and is now in temporary homeless accommodation. She is still experiencing issues with her Universal Credit claim and was seeking advice in relation to a letter from the Sheriff Officer pursuing her for £3,592.24 rent arrears from her previous tenancy.

¹⁹ Fair Enough? Protecting Scotland's Workers from Unfair Treatment – Citizens Advice Scotland, February 2015
<https://www.cas.org.uk/publications/fair-enough>

Citizens Alert: An East of Scotland CAB reports of a client who received a Notice to Quit from her private landlord from the flat she shares with her partner and 5 year old son. The client is currently unemployed after a temporary Christmas job finished and her partner works 12 hours per week. The couple applied for Universal Credit at which point their Housing Benefit claim was closed which led to them accruing rent arrears of £1,045 due to a long wait for the first payment. The client has rent arrears of £2,310 from a previous tenancy and has no payment plan in place. The client has received a Universal Credit advance payment but understands this needs to be paid back.

Citizens Alert: An East of Scotland CAB reports of a client who lives in a private rental accommodation and is a single occupant. He was previously on ESA and received Discretionary Housing Payment. He was transferred to Universal Credit and his DHP will cease next week. There is a shortfall of £107 per month between the housing element of his UC payment and the rent due to the LHA cap. His landlord is asking how he will be able to bridge the gap. He wants to apply for DHP again.

Loss of income

Some CAB clients have built up rent arrears as a result of an unexpected loss of income, most commonly due to being made redundant or losing a job.

Citizens Alert: An East of Scotland CAB reports of a client who has received a court summons for a hearing served by his private landlord. He had been made redundant from his job in the oil industry and shortly afterwards been diagnosed with cancer which he is being treated for. He had made a verbal agreement to pay a reduced rent until he was well enough to find a new job, but his landlord now denies this. His rent arrears do not amount to 2 full months. The client had joined the emergency housing list when the Notice to Quit was served and was allocated a property by the council, but this does not meet his wife's mobility needs. As it was temporary homeless accommodation they were obliged to accept the unsuitable property, with the council advising them to arrange a mutual exchange to get a suitable one.

Citizens Alert: An East of Scotland CAB reports of a client who lives with a flatmate in a privately rented property. Both parties have recently lost their jobs and the rent is one month in arrears (£500). The landlord asked them to pay in full by last Friday, but the client told him that was not possible because they did not have money to pay. The landlord has since sent the client threatening texts to say that unless the arrears are paid by this Friday he will change the locks on the property. The client has applied for Universal Credit and has already been given an advance payment, and cannot afford to pay the landlord. He wants to know what his rights are.

Benefit Cap

CAB clients have experienced rent arrears due to the Benefit Cap being applied to them. This is detailed further elsewhere in this report.

Citizens Alert: An East of Scotland CAB reports of a client who lives with his partner and three teenage sons in a three bedroom housing association tenancy. His partner receives ESA, and the family receive Child Tax Credit, Child Benefit, Housing Benefit and Council Tax Reduction. They are subject to the Benefit Cap. The client has rent arrears of £1,900 which are increasing due to a shortfall between their Housing Benefit and the rent of £171 per week. The client has no spare income to pay the rent arrears, and was declined Discretionary Housing Payment due to the council having insufficient funds.

Citizens Alert: An East of Scotland CAB reports of a client who came to the CAB for help to apply for a Discretionary Housing Payment. She is a lone parent of four children and has been affected by the benefit cap which has left her with a shortfall of £55 per week on her rent. As a result she now has arrears of £2,300, and her housing association landlord has threatened court action.



What might be done to reduce problems associated with rent arrears?

There are a range of actions that governments at all levels, as well as landlords could – and should – take to reduce the incidence and level of rent arrears, and to provide additional support to those affected. This section of the report examines what could be done, and makes recommendations for action.

Address Universal Credit Issues

Citizens Advice Scotland has previously reported on the substantial number of issues associated with the rollout of Universal Credit that have caused stress, detriment or hardship to CAB clients.^{20 21 22} These issues have also been echoed by a number of other organisations including the Scottish Government, COSLA and the Scottish Federation of Housing Associations.

CAS believes that, at the very least, the problems need to be fixed before the start of ‘managed migration’, in summer 2019, when people on legacy benefits – including all existing recipients of Housing Benefit – begin to be moved onto UC.

Whilst some changes have been made, such as the introduction of a two-week run-on for Housing Benefit when a person is transitioning to UC, there are other issues that should be addressed. Recent research from CAS indicates that the maximum deduction rate from Universal Credit to cover debt, including rent arrears, is too high and

has left clients in hardship.²³ Additionally, there is growing evidence, as detailed throughout this report, of a link between tenants receiving Universal Credit and falling into rent arrears.

- > **CAS recommends the UK Government reduce how long people have to wait for their first Universal Credit payment. In particular, consideration should be given to a single, additional, non-refundable Assessment Payment being introduced for new Universal Credit claimants to avoid hardship being caused by having no income for at least five weeks.**
- > **CAS recommends the DWP takes all steps to ensure that the processing of Universal Credit claims are not delayed. In particular, it should ensure that additional information required from claimants, particularly in relation to housing costs, is not unduly onerous and is processed in a timely manner.²⁴**
- > **CAS recommends the maximum permitted deduction rate from UC to repay debts should be reduced from the current level of 40% of the standard allowance.**
- > **CAS recommends the DWP take a holistic overview of the claimant’s circumstances and allow claimants to negotiate the level of deduction before it is applied, particularly if the proposed level of deduction may cause hardship.**

²⁰ Citizens Advice Scotland response to House of Commons Public Accounts Committee inquiry on Universal Credit, July 2018 – https://www.cas.org.uk/system/files/publications/pac_uc_inquiry_written_evidence_july_2018.pdf

²¹ Learning from Testing Times: Early Evidence of the Impact of Universal Credit in Scotland’s CAB Network – Citizens Advice Scotland, June 2016 https://www.cas.org.uk/system/files/publications/learning_from_testing_times_uc_report.pdf

²² Calling for a halt to Universal Credit: A Citizens Advice Scotland briefing for key stakeholders – July 2017 https://www.cas.org.uk/system/files/publications/halting_universal_credit_-_citizens_advice_scotland_briefing_july_2017_0.pdf

²³ Voices from the Frontline: the impact of deductions from Universal Credit payments – Citizens Advice Scotland, September 2018 <https://www.cas.org.uk/publications/voices-frontline-impact-deductions-universal-credit-payments>

²⁴ Learning from Testing Times: Early Evidence of the Impact of Universal Credit in Scotland’s CAB Network – Citizens Advice Scotland, June 2016 https://www.cas.org.uk/system/files/publications/learning_from_testing_times_uc_report.pdf

Promotion of methods of support to pay rent

In addition to addressing design and administrative issues related to Universal Credit, there are a number of additional sources of support for people who are struggling to pay the rent.

In October 2017, Universal Credit Scottish Choices were introduced. These were introduced as part of the devolution process in the Scotland Act 2016 and allow the Scottish Government to offer Universal Credit claimants the choice of having their UC payments made twice-monthly rather than monthly; and the choice of having their housing payments made directly to their landlord, instead of to themselves as part of their single Universal Credit payment. The Scottish Choices, along with Universal Credit payments are delivered by DWP. CAS supported these positive changes, based on feedback from CAB clients that these choices had the potential to make it easier for people to manage their household finances.²⁵

The Scottish Choices sit alongside the existing reserved Alternative Payment Arrangements (APAs), which allow DWP to initiate a direct housing payment to landlords or a more frequent payment in the same manner. These are however on application and in response to a claimant experiencing difficulties managing a single monthly UC payment, or it appearing likely that they will do so. APAs are time limited. The Scottish Choices put the decision in the hands of the individual, and allow them to opt to take them up if it would be more convenient for them, without needing to demonstrate difficulties or vulnerabilities.

Initial statistics revealed that in the first three months of operation, of 5,800 people who were offered the UC Choices, 36% chose to be paid twice-monthly, and 17% elected to have their housing support paid directly to their landlord.²⁶

Both UC Scottish Choices and APAs are paid to landlords on a four weekly basis, which do not match the calendar monthly basis that Universal Credit payments are made, or that direct ('managed') housing payments to landlords are sent to the

system. This creates a discrepancy as there are thirteen payment cycles each year, and twelve monthly assessment periods.²⁷ Organisations representing social landlords have expressed concern at the administrative problems this causes them,^{28,29} which has led to some reluctance to recommend tenants to take up the Scottish Choice of a direct housing payment. Administrative issues should not be a barrier to people choosing an option which should benefit them, so it is in the best interests of all to find a suitable solution.

- > **CAS recommends the Scottish and UK Governments, in conjunction with social landlords should continue to raise awareness of the availability of Universal Credit Scottish Choices, for people who would find having their housing costs paid directly to their landlord helpful in managing their finances.**
- > **CAS recommends the UK Government works with organisations representing social landlords to harmonise the frequency of payments of UC Scottish Choices and Alternative Payment Arrangements with Universal Credit payments and cycles of rent payments.**

Additional support for people to pay rent can be found in the form of Discretionary Housing Payments (DHPs). Discretionary Housing Payments (DHPs) were first introduced in 2001 to provide those in receipt of Housing Benefit (since extended to those claiming the housing element of Universal Credit) with further financial assistance if they are in need of it. Local authorities decide who receives a DHP and, in theory, have fairly wide discretion over who it is paid to, how much they receive, and for what housing-related purpose. However, they must take account of national guidance in making a decision over how a limited pot is spent. Since April 2017, the guidance has been the responsibility of the Scottish Government.

²⁵ Designing a Social Security System for Scotland: Universal Credit Flexibilities – Citizens Advice Scotland, December 2015 <https://www.cas.org.uk/publications/designing-social-security-system-scotland-universal-credit-flexibilities>

²⁶ Scottish Universal Credit Choices: initial management information – Scottish Government, January 2018 <https://www.gov.scot/Topics/Statistics/Browse/Social-Welfare/SocialSecurityforScotland/ScottishUCchoices>

²⁷ See 'Third party payment cycle explained' from <http://www.cih.org/resources/PDF/Membership/webinar%20PDFs/CIH%20Webinar%20presentation%20combined%20final%20version.pdf>

²⁸ Housing Federations across the UK say "flawed" Universal Credit is causing debt and hardship for families in social housing – Scottish Federation of Housing Associations, National Housing Federation, Community Housing Cymru and Northern Irish Federation of Housing Associations, July 2018 <https://www.sfha.co.uk/mediaLibrary/other/english/25942.pdf>

²⁹ DWP hear concerns of associations on managed payments to landlords at Glasgow event – Scottish Federation of Housing Associations, March 2018 <https://www.sfha.co.uk/news/news-category/sfha-news/news-article/dwp-hear-concerns-of-associations-on-managed-payments-to-landlords-at-glasgow-event>

DHPs have been used as a vehicle to mitigate the negative effects of changes to the reserved social security system. Since 2013, the Scottish Government has provided funding to fully mitigate the under-occupancy penalty through Discretionary Housing Payments, together with funds intended to mitigate some of the effects of the Benefit Cap.

On the whole, the DHP system works reasonably well, though there are areas for improvement. CAS has previously made recommendations on mitigating the under-occupancy penalty, Benefit Cap and to address administrative issues, such as cases where claims unrelated to the under-occupancy penalty (and therefore not guaranteed to be accepted) have been rejected or delayed unfairly. This seemed to most commonly happen at the start or end of the financial year, apparently due to budgetary pressures.³⁰ In addition, given the issues highlighted in this report, consideration should be given to how the DHP scheme could be used to further support people who are in rent arrears as a result of issues related to Universal Credit.

- > **CAS recommends that the Scottish Government and local authorities ensure Housing Benefit and Universal Credit claimants who are affected by the under-occupancy penalty are able to receive a DHP mitigating their full losses until such time as:**
 - Housing Benefit is fully replaced by Universal Credit and;
 - The Scottish Universal Credit flexibility allowing the under-occupancy penalty to be removed at source is fully operational³¹.
- > **CAS recommends the Scottish Government and local authorities review processes to ensure that delays are minimised, and that claims not related to the under-occupancy penalty are treated fairly at all times of the year.**

The increase in rent arrears over the past five years must be considered alongside a wider context of an increasing number of CAB clients who seek advice because they are facing income crisis. Previous analysis of CAB case evidence³² has revealed that more and more bureaux clients were experiencing periods of no income, and were unable to afford essentials including food, gas and electricity to heat their homes, as well as priority payments such as rent. More worryingly still were the number of clients who presented at bureaux having not eaten in a number of days. In 2016/17, Scotland's CAB network advised clients on 5,526 new issues related to Scottish Welfare Fund Crisis Grants and 8,497 related to food banks and food parcels.

There needs to be an adequate social security safety net to ensure that people do not suffer when crises and emergencies happen, which increases the risk of people either accruing rent arrears, or going without food or essentials to pay their rent. This safety net of government, local authority and charity support needs to work as a coherent well-integrated system, and be quick and responsive to need.

- > **CAS recommends the Scottish Government, COSLA and local authorities continue to raise awareness of the Scottish Welfare Fund, particularly amongst hard to reach and vulnerable groups. This could include working in partnership with other organisations, or investing in a specific awareness-raising campaign.**
- > **CAS recommends the Scottish Government, COSLA and Local Authorities establish links with other services to ensure people are able to access relevant support and address the causes of their income deprivation.**
- > **CAS recommends advice providers, emergency food aid providers and Local Authorities establish links to ensure that those in need have access to advice about statutory crisis assistance as well as access to emergency food aid.**

³⁰ Pages 153 – 155, Response to A New Future for Social Security: Consultation on Social Security in Scotland, October 2016 https://www.cas.org.uk/system/files/publications/social_security_consultation_-_response_from_citizens_advice_scotland.pdf

³¹ The Scotland Act 2016 gives the Scottish Government the power to disapply the Bedroom Tax for Scottish Universal Credit claims. It is currently proposed that this will not be implemented before May 2020 at the earliest. [http://www.parliament.scot/S5_Social_Security/General%20Documents/20180403_MinisterSStoConvener_bedroomtax\(1\).pdf](http://www.parliament.scot/S5_Social_Security/General%20Documents/20180403_MinisterSStoConvener_bedroomtax(1).pdf)

³² Living at the Sharp End: CAB clients in crisis – Citizens Advice Scotland, July 2016 https://www.cas.org.uk/system/files/publications/living_at_the_sharp_end_-_2016.pdf

Ensure that housing support covers the full costs of accommodation

One of the issues contributing to rent arrears is in situations where the Housing Benefit or Universal Credit housing element a person receives is not enough to cover their full rent, and they do not have the means to pay the remainder. In particular, this tends to happen when people are homeless and living in temporary accommodation, are living in the private rented sector, or are subject to deductions, in particular the Benefit Cap.

As detailed elsewhere in this report, CAB clients have accrued rent arrears due to high rents in temporary homeless accommodation. Rental costs for temporary accommodation are generally higher than other rented accommodation, due to additional charges for support and management costs. In many cases, Housing Benefit or Universal Credit will pay full rental costs – if the accommodation is provided by a local authority or housing association, or is a hostel or refuge.³³ However, if the temporary accommodation is provided by a private landlord, then the full costs will not be covered.

According to the latest official statistics³⁴ there were 1,378 temporary accommodation placements in private sector lets in 2017/18, with an average of 177 days spent in the accommodation. 11% of these placements lasted longer than one year.

It is unfair that the eligibility of someone in temporary homeless accommodation to have full rental costs covered by social security payments depends on the type of accommodation they are allocated, a factor outwith their control. As we have seen from CAB cases, people who are homeless often do not have sufficient income to make up the difference and are faced with rent arrears as a result.

- > **CAS recommends that Universal Credit and Housing Benefit should cover the full rental costs for temporary homeless accommodation in private rented sector placements.**
- > **CAS recommends that local authorities consider homeless people facing a shortfall in their rent as a priority for DHP support until the full cost of temporary homeless accommodation is met through reserved benefits.**

More widely, people who live in the private rented sector and are entitled to Universal Credit or Housing Benefit have the support they receive capped at Local Housing Allowance (LHA) rates, as opposed to being connected to their actual rental costs, as is the case for social sector tenants.

As part of the UK Government's welfare reforms between 2010 and 2015, a number of changes were made to the LHA rate. These changes included reducing the amount that could be claimed from the 50th percentile of market rents in the area to the 30th, and freezing the level that could be claimed for four years from 2015.

The effect of these changes has meant that in some parts of Scotland, there are very few properties available for rent in the private rented sector that could be covered in full by LHA – and in some cases none at all. Recent research by the Scottish Government³⁵ revealed that in practice, less than 10% of private rented properties would actually be covered by LHA rates in the following areas, severely limiting the options for anyone on a low income who needs to rent in the PRS:

- > East Dunbartonshire (shared accommodation rate for under 35s; 2 bedroom rate)
- > Greater Glasgow (2 bedroom and 4 bedroom rates)
- > Lothian (1 bedroom and 2 bedroom rates)
- > Perth and Kinross (1 bedroom rate)
- > West Lothian (2 bedroom and 3 bedroom rates)

In the case of the Lothian 1 bedroom rate, in practice it would cover less than 5% of private lets in the area.

This theme was also further explored in the Social Security Advisory Committee's recent inquiry into the experience of the benefits system for young people living independently.³⁶ Their research found that in many areas, there were almost no areas available to young benefit claimants on the Shared Accommodation Rate (SAR). In particular, their research found that just 4 out of 587 rooms advertised in Edinburgh would be affordable on

³³ Living in temporary accommodation and paying your rent – CPAG in Scotland, August 2016 <http://www.cpag.org.uk/content/living-temporary-accommodation-and-paying-your-rent>

³⁴ Homelessness in Scotland: 2017-18 – Scottish Government, June 2018 <http://www.gov.scot/Publications/2018/06/9554/354950>

³⁵ Annual Report on Welfare Reform Follow up Paper: Housing and Social Security – Scottish Government, May 2018 <http://www.gov.scot/Resource/0053/00535332.pdf>

³⁶ Page 37-41, Young People Living Independently: A study by the Social Security Advisory Committee, May 2018 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/709732/ssac-occasional-paper-20-young-people-living-independently.pdf

the SAR. This problem was compounded by all of the affordable rooms being listed as not open to Housing Benefit claimants. This effectively meant that there were no advertised private sector properties available to Housing Benefit/Universal Credit claimants in Edinburgh at all.

Whilst not a new phenomenon, the reluctance, or in many cases outright refusal, of private landlords to let to tenants in receipt of Housing Benefit – the ‘No DSS’ advertisements³⁷ – contributes towards people being unable to find anywhere to live that they can afford on their income. As recognised in this report, there are many instances of people who are in receipt of housing benefits accruing rent arrears. Private landlord refusal to let the few available affordable properties can effectively force people into renting a property they cannot afford, compounding the problem. With a total of 143,100 applicants on waiting lists for local authority housing in Scotland,³⁸ it is not possible to accommodate all people in receipt of housing benefit in social housing, so it needs to be possible for the private rented sector to be an affordable option for people on the lowest income too.

- > **CAS recommends the UK Government review the freeze on Local Housing Allowance rates, with a view to enabling them to cover the bottom 30% of market rents once more.**
- > **CAS recommends the Scottish Government should consider options, including legislation, to prevent landlords from excluding recipients of benefits when advertising lets.**

Another way in which people’s rental costs may not be covered in full by Housing Benefit or Universal Credit is if they are affected by the Benefit Cap. The Benefit Cap restricts the amount of benefits a family can claim at £384.62 per week, even if the combination of benefits they receive would entitle them to a higher amount.

Previous research from CAS has shown that the groups most likely to be affected by the Benefit

Cap were larger families and lone parents. The research found that more than three quarters of those affected by the Benefit Cap had three or more children, with two thirds constituting a lone parent with children. The majority of families affected comprised of a lone parent with three or more children.³⁹

Given that in those situations it is difficult for larger families to move into smaller accommodation, or for lone parents to easily take on extra paid work, CAB case evidence showed that the impact of the reduction of the level of the Benefit Cap in November 2016 saw clients quickly accruing rent arrears. This included situations where clients were unable to pay an extra contribution towards their rent, and in some cases requiring to be referred to a food bank due to being unable to afford rent and food.⁴⁰

- > **CAS recommends the UK Government reconsider the lowering of the Benefit Cap, with particular regard to the impact on lone parents with large families who will be unable to find paid work or move into a smaller house due to caring responsibilities for multiple young children.**
- > **CAS recommends the UK and Scottish Governments examine the effects of the Benefit Cap on:**
 - People in temporary homeless accommodation;
 - People who have been subject to domestic abuse;
 - The willingness of landlords to accommodate people affected by the Benefit Cap
- > **CAS recommends the UK and Scottish Governments put steps in place to ensure that the Benefit Cap does not act as a deterrent to people finding suitable, settled, affordable and appropriate homes.**
- > **CAS recommends local authorities should look to make long-term Discretionary Housing Payment awards to people affected by the Benefit Cap, covering the full value of the loss.**

³⁷ ‘No DSS’: A review of evidence on landlord and letting agent attitudes to tenants receiving Housing Benefit – Shelter Scotland/I-SPHERE, Heriot-Watt University, October 2017 https://scotland.shelter.org.uk/_data/assets/pdf_file/0009/1432746/Shelter_No_DSS_Report.pdf/_nocache

³⁸ Figures as at 31 March 2017, Housing Statistics for Scotland: Housing lists – Scottish Government, September 2017 <http://www.gov.scot/Topics/Statistics/Browse/Housing-Regeneration/HSfS/HousingLists>

³⁹ The impact of reducing the Benefit Cap – Citizens Advice Scotland, May 2017 https://www.cas.org.uk/system/files/publications/impact_of_reducing_the_benefit_cap.pdf

⁴⁰ Ibid.

Ensure that rent levels are affordable

Alongside improvements to social security to help people pay their rental costs, it is important that the amount they are charged in the first place is, and remains, affordable.

The cost of rent and the availability of affordable housing generally have been high on the news and political agendas over the past few years, both in Scotland and across the UK. As discussed above, there is clear evidence of a chronic shortage of affordable private rented sector lets that people on the lowest incomes can afford in a number of areas in Scotland, most notably in Edinburgh and Glasgow.

Ensuring an adequate supply of new housing⁴¹ is important for resolving this issue in the long-term, but there is also more that could be done to make sure that the homes that already exist are affordable.

According to the latest published figures for the social rented sector shown in table 6 below, the average cost of renting from a local authority is £69.20 per week (£3,598 per year), and £80.28 per week for RSLs (£4,175 per year). Average annual increases over the past four years have ranged from a high of 3.6% in 2013/14 to a low of 1.9% in 2015/16. The average increase for the most recent year (2016/17) was 2.3% across the social rented sector.⁴²

- > **CAS recommends that local authorities and housing associations continue to keep rent levels under review to ensure they are affordable to tenants on the lowest incomes.**

In the private rented sector, the Private Housing (Tenancies) (Scotland) Act 2016 introduced the ability for local authorities to apply for all or part of their area to be designated as a Rent Pressure Zone. This would cap rent increases (at the rate of the Consumer Prices Index plus 1%) in areas where it has been identified that increasing rents are making it difficult for citizens to afford anywhere to live.⁴⁴

At the time of writing, no rent pressure zones had yet been introduced in Scotland, although they appear to be under active consideration by a number of local authorities. Implementing this measure has the potential to make a positive impact on the number of lets that are affordable to people on the lowest incomes, as well as helping to address the issue of rent increasing whilst benefit support in the form of LHA remains frozen, as detailed above.

- > **CAS recommends local authorities make full use of the power to apply for Rent Pressure Zones, to ensure that rent increases do not make areas of Scotland unaffordable for people needing to rent from private landlords.**

Table 6 – Average Weekly Rent for lettable self-contained units in the social rented sector, 2016/17⁴²

	Registered Social Landlords	Local Authorities
1 bedroom	£69.96	£59.71
2 bedroom	£77.87	£64.90
3 bedroom	£78.32	£68.89
4 bedroom	£86.68	£73.66
5+ bedroom	£96.36	£79.36
Total	£80.28	£69.20
Average increase for next year	2.2%	2.6%

⁴¹ Pages 11-15, A blueprint for Scotland's future – Commission on Housing & Wellbeing, June 2015 <http://housingandwellbeing.org/assets/documents/Commission-Final-Report.pdf>

⁴² Charter Indicators and Data by Outcomes and Standards – Scottish Housing Regulator <https://www.scottishhousingregulator.gov.uk/publications/charter-indicators-and-data-outcomes-and-standards>

⁴³ Ibid.

⁴⁴ Rent Pressure Zone: application requirements – Scottish Government, November 2017 <https://beta.gov.scot/publications/rent-pressure-zone-rpz-application-requirements-local-authorities/>

Landlords follow best practice in dealing with rent arrears

As seen in some of the CAB cases above, landlords have developed a range of responses to dealing with rent arrears, in particular the arrears caused in the first month of a tenancy as a result of the way housing benefits are paid. The rollout of Universal Credit has caused particular issues for social landlords.

Recently published figures from housing associations across the UK indicate a clear correlation between tenants receiving Universal Credit and rent arrears, with 73% of Universal Credit tenants in debt, compared with 29% of all other tenants.⁴⁵ The Scottish Federation of Housing Associations (SFHA) estimates that if this level of indebtedness were to be maintained as tenants are migrated to Universal Credit, the level of arrears owed to Scottish housing associations will exceed £110 million.⁴⁶

Against this backdrop, whilst it is understandable that housing associations would look to review their practices for managing arrears, this should be done in such a way that does not require tenants to pay additional sums they cannot afford, put undue pressure on them to do so, or to make them unnecessarily fearful of eviction.

Shelter Scotland and SFHA have jointly produced a good practice guide for social landlords focussing on the first month's rent. They place a strong emphasis on flexibility and finding ways to empower housing associations to continue to be flexible with regard to the first month's rent. Other key recommendations include reducing the amount of rent up front to weekly instead of monthly, increasing resources directed towards financial, budgetary and welfare advice, and improvements to the administration of the Scottish Welfare Fund.⁴⁷

- > **CAS recommends housing associations follow best practice with respect to flexibility around the first month's rent to protect tenants from hardship.**

⁴⁵ Housing Federations across the UK say "flawed" Universal Credit is causing debt and hardship for families in social housing – Scottish Federation of Housing Associations, July 2018 <https://www.sfha.co.uk/mediaLibrary/other/english/25942.pdf>

⁴⁶ Ibid.

⁴⁷ First Month's Rent Flexibilities: Good Practice Guide – Scottish Federation of Housing Associations and Shelter Scotland, August 2017 https://scotland.shelter.org.uk/_data/assets/pdf_file/0007/1413394/First_Month27s_Flexibilities_-_FINAL.pdf/_nocache

Ensure tenants receive the best advice and support when faced with arrears or potential eviction

An increase in levels of rent arrears increases the risk that people will face proceedings to evict them from their home. In this situation, good quality, independent advice can make all the difference between someone being made homeless and negotiating a plan to pay off their arrears.

As highlighted earlier in this report, Scotland's CAB network advised clients on 3,175 new issues related to threatened homelessness and 1,790 related to actual homelessness in 2016/17. In this situation, people often require holistic advice on a range of issues – incorporating help with housing issues, money and debt advice, income maximisation and welfare rights advice. If proceedings are taken against the tenant, then they may need in-court advice and lay representation. The CAB network in Scotland is in the unique position of being able to provide all of these as part of a holistic package.

- > **CAS recommends that funding for quality independent holistic advice should be a priority for local authorities and the Scottish Government. This should ensure suitable provision of in-court advice.**

Previous research from CAS and Shelter Scotland sought to assess the provision of lay representation in Scotland's civil court system, which includes action taken by landlords against tenants in rent arrears.⁴⁸ It revealed a substantial amount of good work across the country, but that the backgrounds of representatives, rules and roles for different types of cases, and relationships with the legal profession were disparate across the country. Given the continued importance of lay representation, including in supporting clients appearing in court in connection with rent arrears, we echo our key recommendations from that report:

- > **CAS recommends that the definition of 'lay representative' should be clarified, particularly taking into account the duality of current practice: those who undertake the role as a one-off and those who undertake the role as a career.**
- > **CAS recommends that specific training should be delivered to Sheriffs and Summary Courts on lay representation.**

⁴⁸ Lay Representation in Scotland's Civil Courts – Citizens Advice Scotland and Shelter Scotland, June 2015 https://www.cas.org.uk/system/files/publications/lay_representation_in_scotlands_civil_courts_0.pdf

More widely, CAS continues to support moving cases in the social rented sector from the civil courts to the Housing Tribunal, which currently hears private rented sector cases.⁴⁹ Business before civil courts can present many barriers to users:

- > the length of time taken for a case to reach court
- > frequent delays
- > low priority of housing cases within the court system
- > difficulty understanding/following process and procedure made worse by lack of representation
- > inconsistent and unpredictable decisions

Characterised by their specialist, interventionist and less formal nature, tribunals create a level of accessibility which courts do not offer users. CAS believes that the new specialist tribunal jurisdiction for housing is a positive development for users for the following reasons:

- > by offering a single gateway for claims, the complexity and confusion of multiple processes is lessened;
- > hallmarked by expeditors and user-focused procedures, delays are lessened and proceedings themselves are more accessible;

- > by encouraging a specialist and interventionist approach, parties are less likely to require representation. Tribunal members (judges) know the questions to ask to get to the root of issues using plain English.

Tenants within the social rented sector (SRS) face the same barriers as those within the PRS. Accessibility is no less of a problem and so the decision to keep SRS cases within the court system creates a disparity which disadvantages those with a social landlord.⁵⁰

- > **CAS recommends that social rented sector cases should be transferred from the Sheriff Courts to the First-Tier Housing Tribunal.**

Finally, from the survey detailed elsewhere in this report, it is clear that the majority of people in Scotland know very little or nothing about their rights as a tenant. There would appear to be a need for greater awareness-raising and education amongst renters to help them assert their basic housing rights.

- > **CAS recommends that the Scottish Government explore options for increasing awareness of tenants' rights. This may include working with specialist organisations, and considering how it might be taught in schools under Curriculum for Excellence.**

⁴⁹ Housing (Scotland) Bill: Evidence to the Scottish Parliament Infrastructure and Capital Investment Committee – Citizens Advice Scotland, March 2014 <https://www.cas.org.uk/publications/housing-scotland-bill>

⁵⁰ Ibid.



Appendix A – Details of YouGov full renter sample

				Currently behind on rent		Ever behind in the past 5 years	
		N		N		N	
All respondents		875		73	8%	201	23%
Sex	Male	383	44%	28	7%	77	20%
	Female	492	56%	45	9%	124	25%
Age group	18-24	132	15%	4	3%	18	14%
	25-34	157	18%	16	10%	41	26%
	35-44	155	18%	25	16%	48	31%
	45-54	164	19%	17	10%	49	30%
	55 and over	267	31%	11	4%	45	17%
Social grading	ABC1	390	45%	20	5%	59	15%
	C2DE	485	55%	53	11%	142	29%
Parliamentary region	North East Scotland	124	14%	16	13%	31	25%
	Highlands & Islands	74	8%	5	7%	13	18%
	South Scotland	113	13%	10	9%	23	20%
	West Scotland	72	8%	10	14%	23	32%
	Central	79	9%	9	11%	25	32%
	Mid-Scotland & Fife	112	13%	4	4%	17	15%
	Lothians	150	17%	8	5%	30	20%
	Glasgow	151	17%	11	7%	39	26%
Working status	Working full time	287	33%	21	7%	61	21%
	Working part time	108	12%	14	13%	35	32%
	Full time student	99	11%	6	6%	16	16%
	Retired	146	17%	4	3%	16	11%
	Unemployed	49	6%	10	20%	22	45%
	Other	186	21%	18	10%	51	27%
Children	Children in household	192	22%	25	13%	58	30%
Marital status	Married/Cohabiting	369	42%	28	8%	79	21%
	Separated/Divorced	134	15%	13	10%	44	33%
	Widowed	32	4%	1	3%	3	9%
	Never Married	340	39%	31	9%	75	22%

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