

POSITION PAPER

# Improving access to the PRS for welfare-dependent tenants



Recommendations on how those dependent on welfare support can have **better access to the Private Rented Sector (PRS)** and how letting agents and landlords can be supported to **improve access to the PRS for other vulnerable groups.**

Sep 2024

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# Introduction

We are a member of the Cutting the Cost Coalition, a group formed to collaborate on reforms to Local Housing Allowance. We also attended the Department for Work and Pensions Private Rented Sector Forum and were instrumental in its reintroduction following the withdrawal of the Forum due to the COVID-19 pandemic.

This paper features **five key asks** and recommendations to achieve the aims of a more accessible PRS for all. These include:



**01**

**Ending discrimination for tenants in receipt of benefits.**

**02**

**Learning the lessons from Universal Credit.**

**03**

**The safe migration of legacy benefit claims onto Universal Credit.**

**04**

**Improving access to affordable housing through welfare reform.**

**05**

**Improving landlord and agent confidence in letting to tenants, dependent on welfare.**

# Ending discrimination for tenants in receipt of benefits

In recent years there has been a focus on proposals to introduce legislation to reform the private rented sector (PRS), provisions to end the discrimination of anyone with children or any tenants receiving benefits looking for accommodation in the PRS.

Propertymark supports ending discrimination against tenants receiving benefits. However, to have a sustainable sector, agents must continue to do credit and affordability checks to ensure tenants can afford rent and meet upfront costs such as deposits.

We also think that implementing many of the wider recommendations in this paper would support more people on benefits to access the PRS and, in turn, reduce, and eradicate discrimination.

## RECOMMENDATIONS:

1

Make it explicit through legislation that it is illegal for landlords or agents to have blanket bans on renting to families with children or those in receipt of benefits.

3

Progress has been made in prohibiting mortgage lenders from issuing restrictions on mortgage products to landlords who rent to tenants in receipt of benefits. However, the UK Government must continue this work, by prohibiting insurance companies from issuing similar restrictions.

2

Governments across the UK to work with the sector to raise awareness with a national communications campaign to support the ending of discrimination. Policymakers must also liaise with agent and landlord groups to produce guidance to ensure that landlords and agents do not discriminate.

# Learning the lessons from Universal Credit

With the supply of affordable and social housing not meeting the demand in most areas of the UK, the PRS is increasingly becoming the only housing option for choice for vulnerable people who receive benefits or are on a low income.

Universal Credit (UC) was first introduced in 2013 for people who are seeking employment or are in employment and are on a low wage to top up their incomes. UC replaces a range of 'legacy benefits' including:

- Housing Benefit
- Child Tax Credit
- Income Support
- Working Tax Credit
- income-based Jobseeker's Allowance
- income-related Employment and Support Allowance

The early implementation of UC was met with many challenges resulting in some PRS tenants building up significant rent arrears, and landlords becoming reluctant to let to people in receipt of benefits and documentation and information being poorly handled and administered by the Department for Work and Pensions (DWP).

## REDUCTION IN LANDLORDS RENTING TO UC CLAIMANTS

In February 2017, 34% of ARLA Propertymark letting agents we surveyed told us that they had seen a reduction in landlords renting to UC claimants.

We knew of one landlord who had 49 tenants on UC all with rent arrears—20 of these were on the Alternative Payment Arrangement, whereas 29 were not. The landlord was owed a total of £22,000.

## STAKEHOLDER GROUP

Propertymark was part of the PRS DWP stakeholder group that called for practical changes to improve the infrastructure for landlords to let to tenants on benefits.

Previously, applications for direct payments of tenants' Housing Benefit element of their UC to be paid directly for rent to landlords were administered by a paper UC47 form. These forms took too long to set up, landlords were not notified when they were set up and sometimes documentation was lost.

The challenge for some, especially vulnerable tenants awarded UC, was that they were inexperienced in handling these amounts of money monthly, while others had difficulty budgeting and paying rent.

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**The stakeholder group succeeded in paving the way for Alternative Payment Arrangements (APAs) if the tenant had difficulty paying rent by themselves.**

The introduction of direct payments improved UC payment efficiency and gave some landlords more confidence in letting to tenants, in receipt of UC. However, we believe that there is still room for reform in UC.

While APAs have supported many tenants and have improved the confidence of landlords, they are not a default option and can only be set up under certain circumstances. DWP will generally consider an APA if the tenant has addiction problems, serious rent arrears, a history of mental health problems, a learning difficulty or has previously been made homeless.

The UK Government should end the five-week waiting time for new UC claimants to receive their first payment award from UC. The concept is designed to make UC feel like a salaried wage. However, with some claimants not having any income while waiting for the first payment, many find themselves getting into debt.

The UK Government acknowledged the issue that the five-week waiting time had on claimants' debt levels and difficulties in paying for rent and essentials by introducing advance payments. While the advance payments were welcome to many, they were paid in the form of loans and had to be repaid later. This simply resulted in the claimant's accruing higher levels of debt further along.

**i** APAs is an online system that pays rent directly to landlords, saving time and supporting tenants having difficulty managing finances.

**RECOMMENDATIONS:**

**1**

**The UK Government should end the five-week waiting time for claimants to receive their first payment of UC.**

**2**

**Universal Credit advance payments should be converted into non-repayable grants rather than loans to help reduce rent arrears.**

**3**

**Tenants should have the option of their rent being paid directly to landlords rather than factors being considered by DWP staff.**

**4**

**DWP should allow Propertymark registered agents with specific training, and the ability to discuss their tenant's claim with a work coach if there is a problem. For example, if rent has not been paid.**

# The safe migration of legacy benefit claims onto Universal Credit

The DWP intended to migrate all claimants on legacy benefits onto UC safely and to achieve this at scale. Recent developments have made the department speed up the process of the managed migration of legacy benefits to UC.

The DWP has announced in a bulletin sent to local authorities that it is planning to begin notifying employment and support (ESA) claimants that they need to move to UC in September 2024, to notify everyone affected to make the move by December 2025. This is likely to impact around 800,000 people with around 500,000 migrated from the housing element benefit.

Propertymark understands that it is estimated that approximately 50% of these claimants will be around £100 better off with those that are negatively impacted being protected by unlimited transition protection which will reduce as their UC award increases.

## RECOMMENDATIONS:

DWP should promote their plans for the accelerated managed migration of legacy benefits to UC with landlord and agent membership bodies and tenant groups.

DWP should raise awareness of the benefits calculators with agents and landlords and encourage them to signpost these to tenants to see if they would be better off voluntarily migrating to UC. This could be supported by case studies of specific demographics who would be better off on UC.

# Improving access to affordable housing through welfare reform

## LOCAL HOUSING ALLOWANCE (LHA)

Unfortunately, some of the most vulnerable tenants in receipt of benefits face further barriers and exclusion from some housing options in the PRS due to the inadequacy of Local Housing Allowance (LHA) rates.

For those in receipt of UC or housing-related benefits from legacy benefits and renting privately, the LHA rate is calculated on the claimants' age, number of people they live with, rent levels in their area and other variables such as disability and care history.

The LHA rate is designed to provide people with enough support through the benefits system to afford the cheapest 30 per cent of housing in an area, adjusted for household composition. LHA rates went up in April 2024 after a four-year freeze by the UK Government.

With LHA having been frozen since 2020 and not keeping up with market rents, housing options have become extremely difficult in many areas across the country. To improve housing options, Propertymark has consistently called on the UK Government to set LHA levels at the thirtieth percentile and for these rates to increase annually to keep up with market rates.



LHA is a flat rate allowance for tenants in private rented accommodation based on the size of a household and the area in which a person lives, which came into effect in April 2008.

## LHA LEVELS ACROSS THE UK

The difference in the inequality between LHA rates and rents differs across the country. It is a challenge for many people in receipt of Housing Benefit to find affordable accommodation in most parts of the UK with some regions being even more challenging.

### WALES

**In Wales, the Bevan Foundation found that of the 22 local authorities in Wales, only 6 have any properties available at or below LHA rates, Cardiff, Ceredigion, Conwy, Gwynedd, Powys and Rhondda Cynon Taf. In Ceredigion and Conwy, there was only a single property available at LHA rates.<sup>1</sup>**

## ENGLAND

In the South East, areas like Eastbourne and East Sussex have less than 10% of rented homes that are available at LHA rates. The situation is even more critical in some areas of the South West such as Yeovil where only 7% of properties are available. Larger urban areas are not immune with only 5% of properties available in Tameside in Greater Manchester.

According to London Councils, just under 15% of renters are reliant on LHA to meet their housing costs in the capital. Further analysis from Alma Economics found that potentially up to 22,000 people living in London could be made homeless by 2030 if LHA rates remain at the current level. <sup>2</sup>

## SCOTLAND

In August 2023, LHA rates did not cover the rents of over 40,000 households in Scotland. When analysed, the average shortfall for those on Universal Credit was nearly £1,500 per year. <sup>3</sup>

## NORTHERN IRELAND

In March 2023, there were 35,290 households in Northern Ireland in receipt of LHA through Universal Credit. 30,190 (86%) had a shortfall between their housing support and the cost of their rent. The average shortfall was £116 per month. <sup>4</sup>



1. [www.bevanfoundation.org/wp-content/uploads/2023/03/Wales-Housing-Crisis-Winter-2023.pdf](http://www.bevanfoundation.org/wp-content/uploads/2023/03/Wales-Housing-Crisis-Winter-2023.pdf)
2. [www.crisis.org.uk/media/240978/alma-economics\\_local-housing-allowance-options-for-reform-002.pdf](http://www.crisis.org.uk/media/240978/alma-economics_local-housing-allowance-options-for-reform-002.pdf)
3. [www.scottishhousingnews.com/articles/housing-minister-calls-for-end-to-local-housing-allowance-uncertainty](http://www.scottishhousingnews.com/articles/housing-minister-calls-for-end-to-local-housing-allowance-uncertainty)
4. [www.housingrights.org.uk/professionals/news/press-release-82-private-renters-ni-face-shortfall-between-their-housing-benefit](http://www.housingrights.org.uk/professionals/news/press-release-82-private-renters-ni-face-shortfall-between-their-housing-benefit)



## SUSPENDING THE SHARED ACCOMMODATION RATE

The Shared Accommodation Rate (SAR) was first introduced in 1996 as part of the Housing Benefit (General) Amendment Regulations 1996.<sup>5</sup> The SAR was designed to restrict LHA allocations for single persons aged twenty-five and under who are privately renting. During the UK Government's 2010 Spending Review, the age that SAR would be applied was extended to single persons privately renting aged 35 and below.<sup>6</sup>


Shared accommodation is not always appropriate for some single private renters. In addition, both the Government and local authorities have implemented restrictions on Houses of Multiple Occupation (HMOs) with local authority property licensing and Article 4 Directions, sometimes making it difficult for single renters to find suitable accommodation.

In addition, the 2019 Covid pandemic and the more recent Cost-of-Living crisis have adversely impacted young people in terms of the job market and finances. People aged 35 and under were more likely to occupy employment impacted by lockdowns and the current economy. Due to these challenges facing young people, PropertyMark has called for the SAR to be abolished or at the very least suspended until the economy and job market improves.

## IMPROVING RENTAL DATA

Discussions PropertyMark have had with the Rent Office Wales and the Valuation Office Agency (VOA) in England, have suggested that rental data submitted by letting agents is limited.

Landlords and agents must submit their rental data to contribute towards improving the quality of government data. By supplying rental data, more accurate rates for LHA levels can be set.



BY SUPPLYING RENTAL DATA,  
MORE ACCURATE RATES FOR  
LHA LEVELS CAN BE SET.

Accurate rental data can also impact loans, mortgages, investments, pensions, benefits, and numerous other products.

The Rent Office Wales has informed us that there appears to be a reluctance from agents in supplying data, because of a lack of understanding on how their data is important and can contribute. We have worked with the VOA on producing a guide for landlords on the importance of submitting data and how they can do so. In Scotland and Wales, where letting agents are required to be licensed, the Scottish and Welsh Governments could make submitting rental data a mandatory requirement for licensing and registration.

We also think the UK Government should consult on this matter and investigate ways in which agents could be encouraged to collaborate. If the Northern Ireland Executive continue with their early work with the regulation and licensing of property agents in Northern Ireland, similar recommendations on the submission of rental data could be added requirements.

## BROAD RENTAL MARKET REFORM

LHA rates are allocated to Broad Rental Market Areas (BRMAs.) BRMAs can sometimes incorporate multiple areas or more than one local authority area. Within BRMAs there could be areas with different variances in property values, leading to concern that some wealthy areas with high private sector rents can inflate LHA rates within a BRMA.

Some provisions rent officers should periodically review BRMAs to assess whether they accurately reflect market rents within BRMAs, and their boundary recommendations are subject to approval from the Secretary of State.

**Propertymark would recommend a review of BRMAs. However, BRMA reform and new geographies should only be considered if sufficient data can be extrapolated to accurately reflect local market trends as there is a danger smaller geography with insufficient data could further limit LHA levels.**

## RECOMMENDATIONS:

1

HM Treasury should set the LHA level at the thirtieth percentile and annually top this up to keep up with market rents. When the public finances improve, the UK Government should consider setting rates at the fiftieth percentile.

2

The Shared Accommodation Rate (SAR) should be suspended to support young people under 35 to secure tenures in the Private Rented Sector.

3

The UK Government should investigate encouragement methods so landlords and letting agents submit rental data to the Valuation Office Agency.

4

Once rental data is at a sufficient level to reflect a true and accurate picture of localised rental values, the UK Government should investigate reform of Broad Rental Market Areas. If accurate data can be extrapolated, smaller geographies should be considered.

5. The Housing Benefit (General) Amendment Regulations 1996: [www.legislation.gov.uk/uksi/1996/965/contents/made](http://www.legislation.gov.uk/uksi/1996/965/contents/made)
6. The Housing Benefit (Amendment) Regulations 2011: <https://www.legislation.gov.uk/uksi/2011/1736/made>

# Enhancing landlord and agent confidence in letting to tenants dependent on welfare

Overall Propertymark thinks that if welfare reform and our recommendations are implemented, then not only will discrimination of tenants in receipt of benefits significantly reduce, but such tenants will increasingly be seen as a more desirable group to let property to.

## IMPROVING COMMUNICATION

Propertymark was a member of the PRS Stakeholder Engagement Group with the Department for Work and Pensions until 2019 when the group stopped meeting. This was a group made up of membership organisations that represented the interests of landlords and letting agents. The group was successful in improving systems for landlords who let to tenants in receipt of benefits, including an online managed payments system for tenants in receipt of Universal Credit who find themselves in rent arrears.

Understandably, due to the pressures of the COVID-19 pandemic, which resulted in a significant increase in benefit applications, the stakeholder group discontinued due to DWP officers having to prioritise the increase in applications.

Back in January 2023, Propertymark wrote to the Secretary of State for Work and Pensions calling for the return of the Stakeholder Group due to the reduced impact and threat of COVID-19, but also due to the increased challenges of the Cost-of-Living crisis and the managed migration of legacy benefits to Universal Credit. We were pleased that the group was reintroduced with engagement from landlord and agent membership bodies.<sup>7</sup>

## ENHANCING COMPLAINT HANDLING

When things go wrong with a benefit application, individual landlords and property agents will be required to contact the DWP. The waiting time for complaint handling can be a major frustration for both landlords and agents in terms of the time taken to respond to correspondence and sometimes even if a response is received at all. The DWP should improve the relationship between Partnership Managers, landlords and agents.

Partnership Managers should be encouraged to engage with the sector including attending landlord forums or any other channels of communication with landlords and agents. Partnership Managers should also be supported with the resources and capacity to support landlords and agents.

If an agent or landlord remains unsatisfied with the response from the DWP regarding their complaint, they can refer the complaint to the Independent Complaints Examiner (ICE).<sup>8</sup> While it is positive that there is an independent function to review complaints, in disputes where a landlord or property agent has lost money due to DWP malpractice, ICE should have the ability to call for government departments such as the DWP to compensate landlords and agents in such cases.

## RECOMMENDATIONS:

1

**The DWP must maintain the PRS Stakeholder Engagement Group and engage with landlord and agent membership bodies on key developments for changes to welfare.**

2

**Regional and national DWP Partnership Managers should engage with landlords and agents more effectively and become a focal point of support for landlords and agents when things go wrong with tenants' benefit applications.**

3

**In cases where the Independent Case Examiner finds that landlords and property agents have lost money due to DWP malpractice, ICE should be able to call for compensation.**

7. [www.propertymark.co.uk/resource/propertymark-instrumental-in-the-return-of-uc-forum.html](http://www.propertymark.co.uk/resource/propertymark-instrumental-in-the-return-of-uc-forum.html)

8. [www.gov.uk/government/organisations/independent-case-examiner](http://www.gov.uk/government/organisations/independent-case-examiner)

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