



# **Housing Benefit Survey 2010**

February 2010



# Crisis Housing Benefit Survey 2010

In January 2010, Crisis conducted two surveys about Housing Benefit to find out what issues were being encountered with the current system. In particular we wanted to gauge views on the impact Housing Benefit had on people's ability to find and sustain housing and how it affected people's ability to move into and sustain work. We asked both benefit claimants and advisors from Private Rented Sector (PRS) access schemes in order to get a full picture or what was happening across Britain.

## Who we surveyed

We conducted two separate surveys:

### Housing advisors

The first survey was sent to Crisis' mailing list of housing advisors that work for PRS access schemes, built up through training and best practice sharing events and requests for information. PRS access schemes assist homeless and vulnerably housed people with accessing and sustaining privately rented accommodation. Typically this involves the provision of:

- Financial security for the landlord against rent loss, damage, theft etc.
- A month's rent in advance and faster processing of housing benefit claims
- Minimum standards for property conditions, management practices and tenancy length to increase attractiveness to potential tenants
- Careful assessment of each tenant's needs to ensure their suitability for independent living
- Support for both landlord and tenants to ensure a successful landlord/tenant relationship

In total 1042 people were contacted and 208 completed the survey. Respondents were evenly spread across the whole of Great Britain with every nation and region well represented. Over 50% of respondents identified themselves as operating a rent deposit or deposit guarantee scheme whilst others offer a range of services including housing options and lettings/property leasing schemes.

For the purposes of this report, responses and comments received to this survey are referred to in the text as from a housing advisor.

### Benefit claimants

The second survey was sent to a mailing list of 1226 Crisis clients from both our Skylight education, training and employment centres in London and Newcastle, taken from our client database. 146 completed the survey, of which 117 are currently receiving housing benefit. For the purposes of this report responses and comments received to this survey are referred to in the text as from a claimant.

## 1. Executive Summary

*"I am worried as I don't want to lose my home. Sometimes with such high rents it almost feels easier to stay on benefit, unless I can hold down a very well paid job"*

- Claimant

The current Housing Benefit system is making it difficult for people to move back into work and in some cases is preventing them from returning to work altogether. Housing Benefit also causes affordability issues for claimants who face shortfalls between their rent and their benefits, so any change to how rates are calculated which leads to a reduction would in turn result in arrears, debt and, in the worst cases, homelessness.

### Key findings

- **The current system stops people looking for work. 94% of housing advisors said claimants express concerns about what will happen to their Housing Benefit if they move into work. People that do move into work find the Housing Benefit system makes the transition difficult and stressful. For those working fluctuating hours, the over sensitivity of the system makes changes in income difficult to manage. Excessive tapering of benefits once a person is back in work can mean they can find themselves no better off financially than when they were unemployed.**
- **When Housing Benefit levels do not fully cover rent, shortfalls can cause people to fall into arrears and get into debt in other areas, such as credit card debt. In some cases, this contributes to people becoming homeless. If Local Housing Allowance (LHA) rates were reduced, this would have a huge impact on household budgets and people's ability to keep afloat financially. 86% of housing advisors said even a reduction in LHA of as little as £5 per week would make it more difficult for claimants to cover their rent, with 17% saying it would make it nearly impossible.**
- **Housing Benefit claimants have to choose PRS accommodation from a much reduced pool of properties. 68% of housing advisors told us that in their experience, landlords were less willing to let to Housing Benefit claimants than non-claimants. Reasons for this include the insistence on LHA being paid direct to the tenant and Housing Benefit being paid four weekly and in arrears, rather than monthly and in advance, as well as concerns about delays in the processing of claims. This reduction in the number of landlords and properties available to Housing Benefit claimants means that they have far less choice over the quality and location of their homes.**

These findings raise some serious concerns about the current Housing Benefit system and highlights areas in which changes must be made in order to move into and sustain work and find and sustain a home.

## **Recommendations**

**1. Address barriers to work caused by the Housing Benefit system: ease the transition into work with extended run-on payments as people gain employment, make the system less sensitive to changes in circumstances with fixed levels of payments regardless of fluctuating work hours and ensure that work always pays by addressing the overly harsh tapering of benefits.**

**2. Housing Benefit must reflect the real cost of renting within the PRS: the Government must ensure rents are affordable within LHA rates and any changes to the way in which LHA rates are calculated and how the Broad Rental Market Areas (BRMAs) across which they are set are defined must be carefully modelled to ensure that a suitable range of properties in any given area are affordable within the rates set. The Government should not proceed with any changes that would reduce rates and result in new or increased shortfalls for claimants.**

**3. Barriers to landlords letting to claimants should be removed in order widen the pool of properties and landlords available: choice should be restored on who their benefit is paid to and other reforms should be considered to bring Housing Benefit payments in line with normal renting, including calendar monthly payments and payments in advance. This will enable claimants to better meet their needs concerning affordability, quality and location.**

## 2. Survey Findings

Respondents to both surveys were asked to answer multiple choice questions and to add their own comments, some of which are shown below.

### 2.1 Barriers to Work

The current Housing Benefit system creates barriers that prevent people moving into work. People claiming Housing Benefit worry about looking for work and often find the transition into employment difficult. Those who work fluctuating hours find the over-sensitivity of the system means they are constantly having to report changes in circumstances, having their claims reassessed and facing real uncertainty over their income.

**Housing Benefit can stop people looking for work as they worry about how a change in circumstances would affect their benefit and whether they would be able to cover their rent without it.**

**94%** of advisors said their clients express concerns about what will happen to their Housing Benefit if they move into work.

*“Having seen what happened to others, they are scared of starting work and see not working as the price to pay for keeping their current home. They are not workshy, just rational.”*

- Housing Advisor

**83%** of claimants who responded to the survey of Crisis clients are currently unemployed. Of those, **63%** are currently looking for work.

**64%** of those looking for work said they are worried or very worried about what could happen to their Housing Benefit if they find work.

*“Considering the rent where I currently live, I doubt if I could afford it if I start work”*

- Claimant

**Moving into work can be a difficult time. People face uncertainty over their income and at the same time incur additional costs such as travel and childcare.**

**73%** of advisors said that the Housing Benefit system makes the transition back into work difficult, with **29%** saying it makes it very difficult.

*“Starting work leaves you very vulnerable, it may take a month or two for your wages to settle and jobs not being secure you could find yourself at the start of a fresh claim and all the problems that incurs”*

- Housing Advisor

*“Without the help of the various services I am engaged with, I doubt I could have navigated my way through the system.”*

- Claimant

**Housing Benefit is overly sensitive to changes in circumstances and claimants who work fluctuating hours frequently have their entitlement recalculated causing uncertainty about income and gaps in payments.**

**87%** of advisers said their clients experience difficulties with Housing Benefit when working fluctuating hours.

*“The main problem is understanding the whole system, and when to inform them of changes.”*

- Claimant

*“If regular updated information is provided then Housing Benefit entitlement fluctuates and shortfalls vary, this causes problems with landlords and makes it hard for the claimant to maintain regular rent payments. If updated information is not provided in a timely manner overpayments can be created and/or claims cancelled.”*

- Housing Advisor

## 2.2 Affordability

With waiting lists for social housing running to several years in some areas and single people not usually considered a priority, many of our claimants rely on the PRS as their only source of available housing. In some areas, finding properties that are affordable when on Housing Benefit can be difficult. For those that face shortfalls between their Housing Benefit and their rent, making up this shortfall and balancing other expenses such as bills and groceries can be a struggle. These difficulties can contribute to debt problems and rent arrears and make it very difficult for people to secure a more stable financial future. In the worst cases, this can lead to homelessness.

**Some people are already finding it hard to secure accommodation within their benefit rates.**

Advisors from PRS schemes highlighted the difficulties that their clients face when trying to find affordable accommodation on Housing Benefit.

*Housing Benefit tenants find it very hard to compete with working people*

- Housing advisor

*We have 3 Broad Market Rental areas and only one reflects the actual cost of rented property. The other two are influenced by areas where rents are lower, reducing the average amount to an unrealistic level.*

- Housing Advisor

**This problem is most acutely felt by under 25s who receive the lower Shared Room Rate (SRR) of Housing Benefit**

Many schemes who work with under 25s commented on the huge issues they were already faced with when trying to find accommodation within the SSR rates.

*“The Shared Room Rate needs to be stopped. We find it very difficult to work with under 25 single people.”*

- Housing Advisor

**Any proposal to change how Housing Benefit, particularly LHA, is calculated could potentially lead to an increase in shortfalls and the impact on claimants could be extremely serious.**

**86%** of advisors said even a £5 reduction in LHA would make it more difficult for claimants to cover their rent, with **17%** saying it would make it nearly impossible.

*“Our service users are struggling to financially meet their needs; a reduction of the rate of LHA will result in the increase the exceptional pressure that they are faced with and it will affect the most vulnerable persons more”*

- Housing Advisor

When asked how a £15 reduction in LHA would affect claimants, the majority of advisors expressed deep concerns about the damaging effects this could have upon their client’s financial situations. **90%** said a £15 reduction in LHA would make more difficult for claimants to cover their rent, with **54%** saying it would make it nearly impossible.

At a £20 reduction, **58%** of advisors said it would be nearly impossible for their clients to cover their rent.

*“It is likely that most households could not cover such a shortfall and rent arrears would accrue, which in turn may create a threat of homelessness and increased debt problems”*

- Housing Advisor

*“They would not be able to afford the top-up so we would be setting clients up to fail”*

- Housing Advisor

**For those that do face a shortfall and struggle to make up the difference, the effects can be far reaching and damaging.**

**92%** of advisors said that their clients fall behind with their rent if faced with a shortfall.

*“People get evicted for rent arrears as the debt builds up slowly and they are not able to clear it.”*

- Housing Advisor

It is not just rent arrears that can build up; other areas of household budgets are affected too. **63%** of advisors said that their clients fall behind with bills when faced with a shortfall.

**Many people find themselves coping with shortfalls by getting into other types of debt.**

55% of advisors said that their clients are getting into debt in other areas such as loans and credit cards when faced with shortfalls.

*“These debts impact on tenants ability to ever 'get straight' financially, thus increasing the poverty and deprivation.”*

- Housing Advisor

Many people who responded to the claimant survey said they had experienced difficulties such as rent arrears, falling behind with bills and getting into debt as a result of shortfalls between their Housing Benefit and their rent.

24% of those who experienced these problems said they had contributed to or resulted in them becoming homeless.

*“I fell into debt because my income cannot cover everything. It was the first step of homelessness caused by poverty.”*

- Claimant

## 2.3 Accessibility

**Despite 49% of advisors saying LHA rates in their areas are currently about right, we know from claimants who responded to our survey that it is hard to find suitable properties.**

68% of advisors told us that in their experience, landlords were less willing to let to Housing Benefit claimants than non-claimants.

**Landlords are unwilling to let to claimants for a number of reasons:**

88% said that payments going directly to the tenants was a factor.

*"If Housing Benefit were paid direct to the landlord more properties would become available to more people"*

- Housing Advisor

83% said that delays in processing payments contributed to the reluctance.

*"The whole thing is too complicated. It needs to be easier to claim and easier to process"*

- Housing Advisor

79% said that the fact Housing Benefit is paid in arrears also played a part in landlord's decisions.

*"I have landlords refuse to take HB claimants since the introduction of LHA. Rents are monthly in this sector and benefits should be calculated in this way. It is very confusing for both tenant and landlord"*

- Housing Advisor

### 3. Recommendations

Our surveys show that the Housing Benefit is still trapping some of the poorest and most vulnerable people in our society in a cycle of debt, worklessness and lack of housing choice.

If the Government wants to ensure that Housing Benefit is better able to help people into work, is fairer, more efficiently delivered and represents good value for money for the taxpayer<sup>1</sup>, we believe big changes need to be made.

#### 1. Address barriers to work caused by the Housing Benefit system

##### a) Ease the transition into work

At present those who have been out of work for 26 weeks or more are entitled to a four week run on if their job lasts for at least five weeks. We would like to see these restrictive conditions relaxed so that payments would run on for four weeks regardless of the how long the job lasts or how long the claimant has been out of work.

Additionally those who have been out of work for longer periods (one year or more) are likely to require greater support when moving into work and we would therefore like to see the rate of payment immediately before the claimant moves into work run on for three months.

##### b) Make the system less sensitive to changes in circumstances

Benefit payments should be set for a fixed period so that those affected by fluctuating hours and income do not have to keep submitting details of their changes in circumstances, but with the option for those who experience a significant drop in income to have their payments recalculated. Fixed payments will help provide claimants with some certainty over their income and will also help reduce the administrative costs associated with Housing Benefit.

##### c) Make work pay

Work just does not pay for many Housing Benefit claimants, especially for those facing high rents (including the rents often experienced in the private rented sector, hostels and temporary accommodation) and particularly for single people who do not benefit from many existing in work schemes, such as tax credits. When claimants move into work, 65 pence of Housing Benefit is withdrawn for every extra pound earned. When combined with the Council Tax Benefit taper this goes up to 85 pence. If the Government is serious about supporting people into work and increasing employment rates, these excessive tapers must be addressed to ensure that work really pays and people who return to work are always sufficiently better off as a result.

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<sup>1</sup> <http://www.dwp.gov.uk/consultations/2009/supportingpeopleintowork.shtml>

## 2. Ensure rents are affordable within benefit rates

### a) Housing Benefit rates must be in line with real rental costs

The Government must ensure that Housing Benefit reflects the true cost of renting in the PRS.

### b) Changes to the system must not increase shortfalls

Any changes to Housing Benefit must be carefully modelled to ensure the number of people experiencing a shortfall is kept to an absolute minimum. This means that any changes to the Broad Market Rental Areas (BRMAs) and to the calculations of the median rent within them must not increase shortfalls for those trying to find PRS accommodation or further restrict property choice. Any changes to the Housing Benefit system must include a mechanism to check that payment levels are sufficient to meet a suitable range of rents in each area.

### c) Shared Room Rent should be abolished.

The Shared Room Rent for under 25s is still putting young people at a great disadvantage and must be abolished.

## 3. Barriers to landlords letting to claimants should be removed in order to widen the pool of properties available. This will ensure claimants are better able to meet their needs over affordability, quality and location.

### a) Improve the process

If rent is due on a calendar monthly basis, Housing Benefit should be paid in this way rather than four weekly payments. Delays in processing claims must be minimised.

### b) Payment in advance

The Government should give consideration to paying Housing Benefit in advance.

### c) Choice over direct payments must be restored

Allowing all claimants to have a choice over who their LHA payments are made to (the landlord or themselves) would empower claimants and stop so many falling into rent arrears and being evicted from their homes after failing to manage their finances effectively. This would also help to restore confidence in Housing Benefit tenants amongst landlords, ultimately providing more choice and flexibility for tenants and helping to drive up property standards in the sector. A whole series of research reports by a range of tenant and landlord organisations have highlighted this issue and the need to restore choice for claimants over who their Local Housing Allowance is paid to – the Government must now act.

## About Crisis

Crisis is the national charity for single homeless people. We are dedicated to ending homelessness by delivering life-changing services and campaigning for change. Our innovative education, employment, housing and well-being services address individual needs and help people to transform their lives. We are determined campaigners, working to prevent people from becoming homeless and advocating solutions informed by research and our direct experience. We have ambitious plans for the future and are committed to help more people in more places across the UK. We know we won't end homelessness overnight or on our own. But we take a lead, collaborate with others and, together, make change happen.

## Crisis and the Private Rented Sector

Crisis' involvement with PRS access schemes dates back to 1997 when it launched its best practice model deposit scheme 'SmartMove'. Crisis SmartMove is delivered by a network of 27 partner organisations around the UK and has enabled over 11,000 people to access housing.

Building on the expertise gained through SmartMove, Crisis has taken on a wider remit in recent years as the national advisory body for PRS access schemes across the UK. Crisis has played a key role working with the Scottish and Welsh Assembly Governments to advise on the establishment of schemes and improving their quality and development. Crisis is now also working in partnership with the Department of Communities and Local Government and regional and local authorities in England to further support the growth and development of PRS schemes.

PRS access schemes traditionally assist those without recourse to other housing options, particularly single homeless people. However, the PRS is increasingly seen as a viable option for a range of homeless or vulnerably housed people, including statutory homeless households. PRS access schemes also can and do cater successfully for very vulnerable claimants including rough sleepers, people with mental health needs and problematic drug users.

For further information on PRS access schemes and to access resources visit Crisis' bespoke PRS website at [www.privaterentedsector.org.uk](http://www.privaterentedsector.org.uk) or e-mail Crisis at [smart.move@crisis.org.uk](mailto:smart.move@crisis.org.uk)

For further information on this report or to discuss Crisis' views on Housing Benefit, please contact: Katharine Sacks-Jones, Policy Manager, on 020 7426 5668 or email [katharine.sacksjones@crisis.org.uk](mailto:katharine.sacksjones@crisis.org.uk).



## Get in touch

### **Crisis Head Office**

66 Commercial Street  
London E1 6LT  
Telephone: 0844 251 0111  
Facsimile: 0844 251 0110

### **Crisis Skylight Newcastle**

City House  
1-3 City Road  
Newcastle-upon-Tyne  
NE1 2AF  
Telephone: 0191 222 0622

[www.crisis.org.uk](http://www.crisis.org.uk)

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