



Crisis' submission to MHCLG Tenancy Deposit Reform Call for Evidence, September 2019

Crisis is the national charity for 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 homeless people to transform their lives. Our eleven UK Skylight Centres offer holistic support across a whole range of issues, including support to secure access to adequate and affordable housing and employment support to help people prepare for, find, sustain and progress in work. Ensuring that homeless people can get access to affordable, decent, secure housing is central to our services for homeless people.

We welcome the opportunity to contribute to MHCLG's call for evidence on the case for reforming arrangements for the return of tenancy deposits and increasing the availability of local authority backed deposit schemes.

The private rented sector is increasingly important in helping to end homelessness and is often the only viable housing option for homeless people. But it is increasingly difficult for people on low incomes to access private tenancies, particularly if they are also homeless. Help to rent projects and rent deposit guarantees play a critical part in overcoming these access problems. Our response to the call for evidence focusses on the case for expanding this provision.

Summary of key points from submission

- Homeless people experience particular disadvantages in seeking access to the private rented sector.¹ They are often not in a position to meet the costs of a rent deposit on a first tenancy, let alone if they have to move to take up a second or subsequent tenancy.
- Our submission addresses the steps the Government could take to increase access to affordability initiatives that help homeless people and others on low incomes access rent deposit assistance.
- Rent deposit guarantees or bonds play a key role in helping homeless people gain access to tenancies. Crisis calls on government to expand the reach of current help to rent funding, by creating a national funding programme that includes provision for a national deposit guarantee scheme. This programme should make available second deposits for households at risk of homelessness who need to move on from their current private sector tenancy.

¹ Gousy, H. (2016) *Home: No less will do*. London: Crisis

The costs of providing a second deposit

Q17. To what extent do you agree that tenants find it difficult affording a second deposit when moving within the private rented sector?

- a) Strongly agree.

Q18. Do you have further evidence about the scale of the problem which you would like us to consider?

The call for evidence highlights the difficulties that tenants can face when they need to move home but are unable to raise a second deposit while waiting for the deposit on their original tenancy to be returned. Problems raising a second deposit and money to cover the other costs of moving can trap people in homes that are unsuitable for their needs, or which have become unaffordable as a consequence of changes in their circumstances.

Longitudinal qualitative research conducted by Crisis and Shelter examining the experiences of people resettled into a private tenancy having been homeless, documented the experiences of people who needed to move but couldn't.² This included experiencing problems with deteriorating property conditions such as damp, or broken utilities such as boilers or toilets, and homes that over time became unsuitable for growing families. As one survey respondent recounted:

"We haven't had the money to get out. [That is] the only reason I have stayed."

Crisis staff report that the inability to provide a second deposit can mean that our clients rehoused in the private rented sector can become trapped in unaffordable homes where their financial circumstances have changed since they first took on the tenancy. Inability to access a second deposit can therefore contribute to the risk of arrears and threat of eviction.

Crisis has called on Government to create a national rent deposit guarantee scheme for households at risk of or experiencing homelessness (further details provided in response to Q26 below). We recommend that provision is made within any national scheme to enable provision of second deposits for households at risk of homelessness who need to move on from their current private sector tenancy (see our response to Q26).

Existing affordability initiatives

Q19 Are you aware of any of these initiatives?

- a. Local authority schemes (deposit loans, deposit bonds, local authority-backed insurance policy)

² Smith, M., Albanese, F., Truder, J. Sustain: A longitudinal study of housing wellbeing in the private rented sector (2014). London: Crisis/Shelter

Crisis is aware of and strongly supports the use of local authority and third sector deposit bonds, which have a critical role to play in enabling homeless people to gain access to privately rented housing. Homeless people experience disadvantages in seeking access to the private rented sector, associated both with landlords concerns about letting to people in receipt of Housing Benefit/Universal Credit and the high up-front costs of renting.³ Homeless people are often not in a position to meet the costs of rent deposits; it can be a challenge even to meet requirements for rent in advance. Rent deposit guarantees or bonds play a key role in helping homeless people gain access to tenancies, alongside the wider support provided to tenants and landlords through private sector help to rent schemes. Research for Crisis found that among landlords with experience of letting to homeless people, 59% said they would only consider letting to homeless households if backed by such interventions.⁴

Bonds are commonly used by local authorities and some homelessness/advice charities to help secure private tenancies for homeless people in place of a cash deposit. They cover certain costs that landlords may incur at the end of a tenancy including damages and, in some cases, rent arrears. They set out conditions under which a landlord may make a claim, and normally amount to a month's rent.

They reduce the financial risk for landlords should damage occur, or where applicable rent arrears. They reduce administration costs in comparison with cash deposit schemes as less administration is involved, and it is up to landlords to make a claim for payment as appropriate.

Providing guarantees is a cost-effective way of helping people. In Crisis' experience of supporting help to rent schemes, typically the total value of bonds issued is greater than the guarantee fund held to cover them at any given time, whilst claims typically do not exceed 15%-20% of the value of the bond.

However, the resources available to councils and local charities to provide bonds are inadequate to meet the scale of need. Schemes previously supported through the former DCLG's Private Rented Sector Access Development Programme (which funded the set-up of 153 access schemes in England between 2010 and 2014) have reported increasing difficulties accessing funding to enable them to continue operating.⁵ Whilst 54 local authority/sub-regional projects have subsequently received funding through the current Private Rented Sector Access Fund,⁶ this leaves many parts of the country with a continuing funding gap for help to rent support.

Crisis has called on Government to create a national rent deposit guarantee scheme, providing public backing to expand the number of people able to access to this support. The case for a national scheme is explained further in response to question 26.

b. Deposit replacement products (known as zero deposit schemes)

Crisis has significant reservations about the emergence of insurance-based deposit replacement schemes. Many tenants who may not have been subject to a claim on their deposit at the end of their tenancy will have paid an upfront insurance payment which, unlike a conventional deposit, will not be returned to them. We are concerned that tenants

³ Gousy, H. (2016) *Home: No less will do*. London: Crisis

⁴ Reeve, K et al *Home: No Less will do – Homeless people's access to the Private Rented Sector*. Crisis July 2016

⁵ Gousy, H. (2016) *Home: No less will do*. London: Crisis

⁶ <https://www.gov.uk/government/publications/private-rented-sector-access-fund-prospectus>

who are least able, financially, to raise a full deposit will be most likely to take up insurance-based schemes but will end up incurring greater costs than would have been the case with a conventional deposit. This is an area that the government could take steps to address as part of its wider reforms to make tenancy fees fair for tenants, as well as by expanding provision for local authority-led schemes through a national rent deposit guarantee scheme.

We urge government to conduct an in-depth review of the nature and impact of this emerging area of practice, and to act to protect low income households from incurring unfair charges.

Q26 What could be done to improve availability of local authority schemes (deposit loans, deposit bonds, local authority-backed insurance policy)?

Crisis has called on Government to create a national rent deposit guarantee scheme, providing public backing to expand the number of people able to access to this support.⁷ Creating a single national scheme, through which funding is allocated to local agencies, would be more cost effective than the current approach in which individual agencies raise and hold funds at local level. As noted above, in Crisis' experience of supporting help to rent schemes claims typically do not exceed 20% of the value of the bonds.

There would be significant economies of scale if bonds issued locally are underwritten by a national fund. Crisis commissioned WPI Economics to identify the cost to government of funding a national rent deposit guarantee scheme alongside accredited help to rent projects. This analysis identified that £6.7 million would be required to fund the national rent deposit service, with a £24.2 million requirement for help to rent projects. Together these funds could support in excess of 30,000 households each year to access and sustain a private rented tenancy.

Government backed provision of rent deposits could also be used to increase access to second deposits for households at risk of homelessness who need to move because their home is no longer suitable for their needs or has become unaffordable, including households who are already renting with the support of a bond or guarantee. Help to rent schemes would work with tenants to assess and manage the risk of any claim on the first bond, and enable households to move with the support of a replacement bond where appropriate.

It will be critical to take steps to raise awareness of the availability of support. In research for Crisis the majority of landlords surveyed were not aware of the existence of access schemes operating in their area.⁸ The introduction of a national scheme could address this lack of awareness, engaging with local authorities and tenant and landlord representative groups to raise awareness of the scheme and promote take up.

In the autumn 2017 budget, the Government committed £20 million to fund access schemes, going some way to addressing the scale of provision recommended by Crisis. However, the Government did not commit provision for a national deposit guarantee scheme, missing an opportunity to expand the impact of help to rent funding. We therefore to continue to call on government to expand the reach of current help to rent funding, by

⁷ Downie, M., Gousy, H., Basran, J., Jacob, R., Rowe, S., Hancock, C., Albanese, F., Pritchard, R., Nightingale, K. and Davies, T. (2018) *Everybody In: How to end homelessness in Great Britain*. London: Crisis.

⁸ Reeve, K et al (2016) *Home: No Less will do – Homeless people's access to the Private Rented Sector*. London: Crisis

creating a national funding programme that includes provision for a national deposit guarantee scheme.