

## Private tenants and restrictions in rents for housing benefit

Local authorities may restrict the amount of rent they take into account when calculating housing benefit if they consider the rent to be unreasonably high or the accommodation too large. A study by the Centre for Housing Policy at the University of York looked at whether private tenants had moved upmarket and how housing benefit recipients responded to having their rent restricted.

- f** Tenants on housing benefit were equally as likely as those not on housing benefit to shop around when looking for new accommodation.
- f** Private tenants on housing benefit were no more likely than other tenants to have improved the standard of their accommodation when they moved from the previous address.
- f** Lack of information about what rents would be acceptable for housing benefit and difficulty of obtaining a place were two major factors behind recipients taking on accommodation the rent for which was subsequently restricted for housing benefit purposes.
- f** An estimated one in six tenants whose rent had been restricted had moved on for that reason.
- f** A third of tenants had had their eligible rent restricted for housing benefit purposes.
- f** Half of the tenants whose rent had been restricted for housing benefit purposes asked the landlord to reduce the rent; and in half again of these cases the landlord had agreed to do so, mostly to the restricted level. Thus a quarter of tenants whose rent had been restricted successfully negotiated a lower rent.
- f** A substantial minority of tenants, including those not on housing benefit, were having difficulty affording the rent; these were most likely to be students (among non-recipients) and tenants whose rent had been restricted (among those on housing benefit).
- f** Cutting back on non-essentials, being careful with spending and getting help from relatives were the main ways in which people were getting by rather than falling into debt.

## Policy background

There has been increasing concern about the rising cost of housing benefit, especially payments made to tenants in the private rented sector. It is claimed that private tenants on housing benefit have no incentive to shop around for cheap accommodation and hence may move upmarket to more expensive properties than other low-income households not on benefit could afford. This is why the Government is introducing, from October 1995, new restrictions in eligible rents where tenants live in accommodation with a rent above the mid-point in the range of rents for the locality.

Local authorities already have powers to restrict the rent that is eligible to be taken into account in calculating housing benefit, where they consider that the rent is unreasonably high or the accommodation unreasonably large for the claimant's needs.

But until now little was known about how tenants whose rent has been restricted cope with this. Nor was much known about whether tenants do shop around for accommodation or seek to move upmarket.

## Moving on benefit

The research found little evidence to support the claim that tenants were deliberately moving home in order to take advantage of the housing benefit scheme. Indeed, far from being an opportunity to take advantage of the scheme, moving home appears to be a process that is especially fraught with difficulties for private tenants who are on housing benefit, compared with those who are not.

Finding a landlord who will accept people who are on housing benefit or unemployed; being able to pay deposits or rent in advance or, failing that, finding a landlord who will accept tenants without these up-front payments; taking on a tenancy without knowing whether or not the local authority will restrict the rent (see Table 1), and therefore

whether or not they will in the end be able to afford the rent; and having to wait for weeks - and in some cases months - while their housing benefit is processed; all these obstacles and uncertainties mean that the search and transaction costs, both in terms of money and psychological well-being, are high for private tenants moving home while on housing benefit.

The research also found that most people on housing benefit do shop around for their accommodation. Because of the difficulties described above, recipients are almost forced to do so. The greater the difficulty tenants had, the more places they looked at (Table 2).

A minority of both recipients and non-recipients appeared not to be systematic shoppers; but, whereas housing benefit recipients who had not shopped around were paying a higher rent than recipients who *had* done so, this was not the case for non-recipients.

Lack of information about what rents would be acceptable for housing benefit and the difficulty in obtaining accommodation were important factors behind recipients taking on accommodation

Table 2: Number of other places HB recipients had looked at by ease or difficulty of finding their current accommodation

	No. of other places looked at
Very easy	1.0
Fairly easy	1.3
Neither easy nor difficult	1.5
Fairly difficult	3.8
Very difficult	6.9
Total (Base)	2.9 (368)

Table 1: Whether tenants agreed or disagreed with the statement that 'It is hard to know what rent the local authority will accept for Housing Benefit (HB)'

	Receiving HB %	Not HB %	HB calculated on:		Total %
			Restricted rent %	Full rent %	
Agree	71	31	81	67	62
Neither	6	8	6	6	6
Disagree	9	8	7	13	9
Don't know	14	54	6	14	23
Total (Base)	100 (364)	100 (106)	100 (121)	100 (220)	100 (470)

Table 3: Whether tenants were behind with the rent at their present address

	HB calculated on:					
	Receiving HB %	Not receiving HB %	Awaiting outcome of claim %	Full rent %	Restricted rent %	All %
Currently behind	11	9	24	7	14	11
Previously behind	16	5	9	13	18	14
Never behind	71	86	62	78	66	73
Don't know/refused	2	-	4	3	2	2
Total	100	100	100	100	100	100
(Base)	(371)	(106)	(34)	(154)	(217)	(523)

the rent for which was subsequently restricted for housing benefit purposes.

There was also little evidence to suggest that 'upmarketing' was common. People on housing benefit had not generally improved the standard of their accommodation more than people who were not on housing benefit when moving from their previous home. Nor did they appear to be living in better accommodation than non-recipients.

#### Responding to rent restrictions

About a third of recipients had an eligible rent that had been restricted (in some cases after an appeal) for housing benefit purposes. Where the rent is restricted, tenants have three main options: they can try to negotiate a lower rent with the landlord, they can make up the shortfall themselves, or they can move elsewhere.

#### Negotiating with the landlord

Half of the tenants whose rent had been restricted had asked their landlord to reduce the rent. In half again of these cases, the landlord had agreed to do so, in most instances to the housing benefit level. Thus altogether a quarter of the tenants whose rent had been restricted had successfully negotiated down the rent; the remaining three-quarters had not. The net result was that about a quarter of all recipients were paying a rent that was in excess of the eligible rent for housing benefit purposes.

Although it is not clear why some tenants were able to negotiate the rent down while others were not, it is apparent that the administrative problems of housing benefit did not help. Delays in the processing of housing benefit claims increased tenants' feelings of insecurity, added tension to their relationship with the landlord, reduced tenants' bargaining power if they were in arrears, and probably made it that much more difficult for them to ask the landlord to lower the rent.

#### Affording the rent

A substantial minority of all tenants interviewed, including people who were not on housing benefit, were finding it difficult to afford the rent. That so many non-beneficiaries were finding it difficult to afford the rent reflected in large measure the fact that students are no longer eligible for housing benefit.

Not surprisingly, among housing benefit recipients, it was people whose eligible rent had been restricted for housing benefit who were most likely to be finding it hard to afford the rent.

Recipients whose housing benefit was calculated on a restricted rent were twice as likely as those whose benefit was calculated on the full rent to be in rent arrears. Tenants awaiting the outcome of a claim were most likely to be in arrears; about a quarter of this group were behind with the rent (Table 3).

The qualitative interviews revealed the difficulties which people whose rent had been restricted were facing and the strategies they were using to pay their rent. Economising on expenditure, living frugally, cutting back on non-essentials and getting help from relatives were ways in which people managed to get by rather than by falling into debt.

#### Moving on

A tentative estimate suggests that possibly one in six tenants whose rent had been restricted had moved on for that reason. Among the tenants who were still resident at the sampled address at the time of the survey, those on housing benefit and those whose rent had been restricted were no more likely to be trying to move than tenants not on housing benefit or whose rent had not been restricted. Only a minority of those trying to move were doing so because of the rent being too high.

Despite having a restricted rent many people in the in-depth, qualitative interviews said they did not

want to move. In some cases this was because they were happy enough with their present accommodation, while in others it was because of the hassles and difficulties of moving house while on benefit. But many of those who wanted to stay put were not sure how long they would be able to because of what they felt was their limited security of tenure.

#### Landlord-tenant relations

The great majority (83%) of tenants - irrespective of whether or not they were on housing benefit and whether or not their eligible rent had been restricted - said they were on good terms with their landlord; only a very few (3%) were on bad terms. But some tenants who were still awaiting the outcome of the claim were uncertain about their relations with the landlord, a factor that reflected the rent arrears that some tenants in that situation had accrued.

#### Advice and assistance

Many of those interviewed in-depth felt that they had been left very much in the dark about why their rent had been restricted. They would have liked more help and advice from their council or other organisations, so that they understood their entitlements more clearly and had a better idea of why and how the council had reached certain decisions. The general feeling was that both before they found accommodation and once the council had decided what housing benefit they were going to pay, the claimant had to cope with the situation, largely on his or her own. Claimants thought that the help they received from their local authority was limited and in many cases inadequate.

#### About the study

The research involved an interview survey, in six local authority areas, with a total of 527 private tenants who were living in accommodation that had been referred to the rent officer in the previous 12 months. By the time of the survey, 36% of the original tenants had moved on. One in five of the interviewees - mainly students and people in low-paid work - were not on housing benefit and the remainder were either receiving housing benefit or awaiting the outcome of a claim. In addition, semi-structured qualitative interviews were carried out with 26 tenants whose rent had been restricted for housing benefit purposes.

#### Further information

The full report - Private Tenants and Restrictions in Rent for Housing Benefit - by P A Kemp and P McLaverty is published by the Centre for Housing Policy, University of York, (price £7.50).

#### Related Findings

The following *Findings* look at related issues:

- 65** The impact of the poverty slump on BES assured tenancies (Aug 92)
- 70** Unreasonable rents and housing benefit (Nov 92)
- 90** The state of private rented sector (May 93)
- 93** Higher rents and work disincentives (Jun 93)
- 95** Fiscal incentives to regenerate the private sector (July 93)
- 109** The impact of higher rents (Mar 94)
- 131** Housing support and poverty traps: lessons from abroad (Nov 94)
- 139** The supply of private rented housing (Mar 95)

The following Summary is also relevant:

- 1** Private renting after the BES (Dec 93)

For further details of these and other *Findings*, call Sally Corrie on 01904 654328 (direct line for publications queries only; answerphone may be operating).



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