



Rent arrears amongst social tenants: reasons and responses

Roughly one in seven tenants of Registered Social Landlords experienced rent arrears in 1996/97. Registered Social Landlords are under increasing pressure to recover arrears, more recently rent levels have increased and tenants often have low and fluctuating income. In a recent survey, Janet Ford and Jenny Seavers examined the reasons for arrears and both landlord and tenant responses to arrears. In part, the study considered whether tenants' and landlords' attitudes to debt and repayment are hardening. The project found:

- f** The fundamental causes of arrears have changed little over the last ten years: low income/intermittent work and other financial pressures remain key causes. Housing benefit administration and, particularly, payment of housing benefit in arrears, are the largest factors contributing to arrears.
- f** Tenants were concerned about their debts. Most believed that they should pay on time; however, people's material circumstances often left them little alternative but to live with debt. Landlords shared this view; they noted particular problems amongst those in low paid work. Over two-thirds of tenants had other arrears alongside rent arrears; as a result, not all tenants accorded priority to rent arrears, although many did.
- f** Many landlords are implementing a stricter arrears regime signified by earlier and more frequent intervention. They are also attempting to provide more consistent responses, enhanced monitoring, tighter control and earlier use of court proceedings.
- f** Many landlords had adopted improved IT systems, which enhanced the monitoring, control and management of arrears. There were, however, concerns that these developments then limited the use of housing officer discretion in the management of arrears.
- f** The majority of tenants perceived landlords as helpful over rent arrears, but an increasing proportion saw them as strict. Tenants feared eviction and, from a low base, more were being evicted.

Background

Registered Social Landlords currently house over one million households. Landlords' rent levels have, however, risen and remain significantly higher than those in the local authority sector. In addition, landlords face other changes: a tenant profile characterised increasingly by workless households; a decrease in capital funding; changes in housing benefit payments; alterations in the judicial system; and the introduction of service level agreements. Within this context, this study focused on the responses to and implications of the increasing levels of rent arrears for both Registered Social Landlords and tenants. Approximately one in seven households renting from social landlords had rent arrears in 1996/97.

There is some concern that many of these changes may result in tenants becoming 'habituated' to arrears and the process of arrears management, doubting the landlords' will to evict, and hence reinforcing any tendency towards nonpayment. The research aimed to develop an in-depth consideration of the attitudes, perceptions and responses of tenants to landlords' policies and actions, and to obtain greater insight into landlords' responses to tenants in arrears.

Incidence and influences

The findings suggest that there has been little change in the underlying causes of arrears over the last ten years. Tenants and landlords both recognised that lack of income and variable/intermittent income were significant reasons for rent arrears. Similarly, both recognised the problems relating to housing benefit payments, although sometimes their perceptions of whose responsibility it was to chase up such things differed. Over half of tenants noted that problems with housing benefit had contributed towards their arrears. Problems centred around three

key areas of difficulty:

administrative problems with the housing benefit system, including delays, over- and under-payment, misnotification and lost claims; the need to report all changes in circumstances to housing benefit administration, which compounds the arrears problems of those tenants in intermittent employment; and, inadequate knowledge and understanding by tenants of the structure and administration of housing benefit.

Furthermore, landlords noted that the switch in 1996 to the payment of housing benefit four weeks in arrears in turn generated rent arrears, whilst there was little evidence that earlier initiatives, such as housing benefit runon and extended payments, were having any impact on arrears levels.

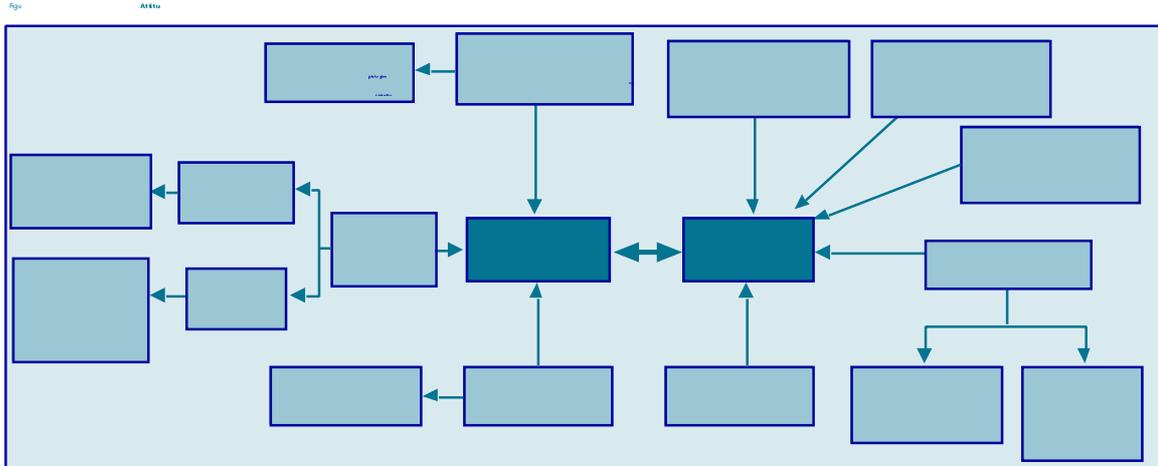
Unsurprisingly, none of the tenants interviewed reported that their arrears were a deliberate strategy to avoid any payment of rent, while landlords felt that this accounted for only a relatively small proportion of cases. There was some indicative evidence that issues around low paid/intermittent work may be growing in relative importance as a cause of rent arrears.

Pursuing and payment

Overall, landlords appear to be moving towards a 'stricter arrears regime' signified by earlier intervention, attempts to provide more consistent responses and enhanced monitoring and control. For example, 52 per cent of landlords in the postal survey had changed the timing of key interventions in the last two years (see Table 1). Over half were sending out the first notification of arrears sooner than two years ago, whilst almost four-fifths were issuing the notice seeking possession earlier. Sixty-one per cent

Table 1: Changes in the timing of arrears intervention (N = 66)

<i>Form of intervention</i>	<i>Earlier</i>	<i>Later</i>	<i>No change</i>
First letter usually sent	36	3	23
First visit usually made	38	5	17
Notice seeking possession usually served	51	1	11
Application for a court summons	44	1	17
Application for an eviction warrant	37	2	22



were applying for warrants of eviction earlier. There were a number of reasons for the earlier interventions reported: a concern to minimise the incidence of arrears; to limit the size of arrears; to achieve tighter control of housing officers and their arrears management; and as a response to the changes in housing benefit. A few landlords had also tried to reduce the incidence of arrears through changes in allocation and lettings policies.

The majority of landlords still used generic housing officers for their arrears management, although a small number of innovative schemes were emerging, such as the use of mobile housing officers and the adoption of housing officers with more specialised roles focusing primarily on arrears recovery. Also, in response to the changing regime many landlords had adopted improved IT systems, which enabled greater consistency and improved monitoring and management of arrears. However, there was some concern that such systematisation did limit housing officers' use of discretion in the management of arrears and so the ability to respond sensitively to individual circumstances.

Landlords now appear to be more willing to initiate action earlier, with greater and earlier use of the court process and a greater willingness to threaten and implement eviction. There are several reasons why landlords might consider the need for a stricter arrears regime: the need to retain the confidence of private financial organisations; the ability to fund routine activities, such as repairs and maintenance; the importance of performance indicators; beliefs that earlier intervention was an effective way of limiting arrears; concern that tenants do not view landlords as indifferent to arrears; and the need to keep rent as a priority item in tenants' budgets.

Attitudes to debt, rent and arrears management

Interviews with tenants showed that they were concerned about their debts and most believed that they should pay on time. Nevertheless, there was also acknowledgement that people's material circumstances often left them with little alternative but to live with debt. Landlords shared this view. A consequence of this, noted by some landlords, was that some tenants treated their rent as an interest-free loan. In addition, landlords also indicated that there was a small core of tenants with little intention of paying, whilst concerns were raised over the attitudes of some younger, single tenants who sometimes tolerated default too easily and would 'walk away' without compunction. Figure 1 summarises the main ways in which attitudes and the responses to rent arrears were shaped.

The study showed that over two-thirds of tenants had other arrears alongside rent arrears, which made budgeting difficult, and there was a considerable mismatch between tenants' attitudes, preferences and behaviour. Most of the tenants reported that they planned their expenditure in advance. However, there was also a wide acknowledgement that while attempts were made to plan and pay bills ahead of any final demand, in practice there was a tendency to give priority to those organisations that exerted the most pressure.

Tenants' attitudes to debt and financial management were typically prudent. Most preferred anticipatory planning, but found that they could not implement these attitudes and preferences and in practice 'got by', paying things as they came in. Thus, while they might have appeared 'easy-going' in financial terms, the evidence from the research suggested that, in most cases, this was an inaccurate

reflection of their attitudes and preferences. In addition, a small number of tenants had no knowledge of how to plan financially and lacked any financial skills, whilst one landlord raised concerns over the lack of financial experience, in particular, of young people leaving care. Nevertheless, most tenants attempted to plan their spending and gain control of their finances by making payment agreements with creditors. However, in the face of multiple debts and demands from creditors not all tenants gave priority to rent arrears, although many did. Notification of the landlords' intention to seek possession often increased the priority given by tenants to rent arrears.

The majority of tenants perceived landlords as helpful over rent arrears, but an increasing proportion saw them as 'strict'. For those who did not think the landlord was helpful and/or thought them strict, the concerns focused on the speed and/or tone of the landlords' action.

Implications of actions

The underlying intention of landlords' more stringent responses to tenants in arrears is to ensure that tenants give a higher priority to rent arrears. However, although earlier intervention may assist many tenants by containing arrears at a manageable level and encouraging the minority who are unwilling to pay to do so, nevertheless it may also produce more negative outcomes. Thus, it may increase the poverty of tenants by, for example, the amount of agreed repayments, or it may simply move the debt around in cases where there is a major imbalance in tenant finances. Also, inevitably it may result in more tenants being evicted; this group is increasingly likely to include those willing to pay, but who have had difficulties doing so. This final point clearly raises questions about the role of social landlords and the appropriate balance of rights and responsibilities between landlords, tenants and the state.

About the study

The study was primarily qualitative and focused on six case studies of Registered Social Landlords, interviewing 17 housing managers/officers and 40 tenant households. The sample of landlords was selected from general needs landlords in the North of England and, within this area, two relatively low, two medium and two relatively high arrears landlords were identified. In addition, a large postal survey of 127 Registered Social Landlords across the country was undertaken to provide an indication of the extent of changes in the management of arrears by Registered Social Landlords more generally.

How to get further information

Further information can be obtained from Janet Ford and Jenny Seavers at the Centre for Housing Policy, University of York (Tel: 01904 433691).

The full report of the study, *Housing associations and rent arrears: Attitudes, beliefs and behaviour*, is published by the Chartered Institute of Housing in association with the Foundation (ISBN 1 900396 92 0, price £13.95 plus £1.50 p&p).