

Research report

Tenants' and advisers' early experiences of the Local Housing Allowance national rollout

by Yvette Hartfree, Grahame Whitfield,
Amanda Waring, Adriana Sandu
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Department for Work and Pensions

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A report of research carried out by Centre for Research in Social Policy (CRSP) on behalf of the Department for Work and Pensions

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Abbreviations

| | |
|------|--------------------------------------|
| ACT | Automated Credit Transfer |
| ATM | Automatic Teller Machine |
| BRMA | Broad rental market area |
| CAB | Citizens Advice Bureau |
| CRSP | Centre for Research in Social Policy |
| CSA | Child Support Agency |
| DHP | Discretionary Housing Payments |
| DWP | Department for Work and Pensions |
| GP | General Practitioner |
| HB | Housing Benefit |
| JSA | Jobseeker's Allowance |
| LA | Local authority |
| LHA | Local Housing Allowance |
| PRS | Private Rented Sector |
| SHBE | Single Housing Benefit Extract |

Summary

The report presents the findings from qualitative research conducted with tenants and advisers from five local authority (LA) areas to explore their experiences of the Local Housing Allowance (LHA) following national rollout. Focus groups with advisers were conducted in each area and a total of 35 in-depth face-to-face interviews were undertaken with tenants (between six and eight per LA area). The tenants included in the research sample were from a range of household backgrounds, as well as varying lengths of claim and tenure in current accommodation.

Following the evaluation of the LHA Pathfinders, LHA was rolled out nationally in April 2008. The new allowance is intended to be simple to administer, more transparent and fairer. It also aims to empower claimants by enabling them to exercise more choice and take more responsibility over their housing decisions.

Key features of LHA are that the amount of the allowance awarded is based upon household size (rather than size of property rented) and the property's location within a 'broad rental market area' (BRMA). The income related means test remains the same as for all Housing Benefit (HB) cases. A further key feature of the reform is that benefit is paid directly to the tenant in most cases. Payment to the landlord is only made where the claimant is considered unlikely to pay their rent, or where they have accrued arrears equivalent to eight weeks rent.

Initial impacts of the rollout of LHA and tenant understanding

The introduction of the LHA nationally did not have as much of an impact on the work of advisers as had been expected, largely due to the phased nature of the rollout. In general, LA advisers were very positive about the changes LHA had made to their work in assessing benefit claims, in particular in speeding up the claim assessment process.

Advisers were overwhelmingly positive about the transparency of the LHA rates as it helped them to advise claimants more effectively yet, despite this, there was variable understanding of the flat rate calculation amongst the claimants. In particular, advisers felt it was more difficult to advise clients who were not entitled to the full LHA rate as to how much they would get. A less positive issue raised by the advisers was a concern over the additional workload associated with collating supporting evidence in relation to vulnerability safeguard applications.

Most of the interviewees in this study were new claimants whose claims for LHA were triggered by unemployment. For tenants that were in receipt of HB prior to the introduction of LHA, the transition was most commonly triggered by a house move. However, advisers reported that some tenants had responded to the introduction of LHA by breaking their existing HB claim in order to transfer onto LHA so that they could benefit from the higher rates under LHA. There were also reports from advisers that some landlords had responded to the introduction of LHA by terminating the tenancies of people in receipt of HB so that they could find new tenants and receive the new LHA rate.

The most common source of information for new claimants was the LA HB offices with some referring to Jobcentre Plus advisers as a source of basic information. Claimants often reported that the information provided was 'patchy'. While there was a general lack of understanding regarding the calculation of the LHA room entitlement and the provision to retain an 'excess', most claimants were aware of the direct payment feature of LHA.

Receiving direct payments, paying rent and bank accounts

The majority of claimants received their LHA as a direct payment with only three having their rent paid to the landlord. Each of the three claimants expressed a feeling of disempowerment.

Claimants had mixed views about direct payments. Where claimants were positive about direct payments they felt in control and confident with regard to paying their rent and managing their personal finances. Where claimants were negative about direct payments they would generally have preferred to have their HB paid to their landlord. This view was particularly common amongst claimants with prior experience of this under the old HB system.

Claimants were generally positive about receiving their LHA via automatic transfer as it was seen as convenient and safe. Most claimants had not experienced any problems associated with this payment method but there were some isolated examples of late payments due to administrative errors (in most cases these being resolved quickly).

Claimants generally took a pragmatic approach to paying their rent to their landlord and methods of payment included standing order, electronic transfer or paying their landlord manually (either by cash or into their landlords account). Where claimants used standing orders they were generally happy with this method as they regarded it as safe and as a way of effectively managing their personal finances. However, there were some difficulties associated with monthly standing orders as a result of the payment date for receiving LHA changing each month.

From the research most claimants had bank accounts that predated their receipt of LHA and only one claimant was without a bank account. Some advisers gave examples of where claimants received their LHA by cheque. Where this was the case it was typically because they either did not want their LHA to be paid into their bank account or because they had been unable to open an account. Where claimants had encountered difficulties when attempting to open a bank account this was often due to insufficient identification documents. Some LAs had worked with local banks to overcome these difficulties, but advisers were of the view that banks in general could do more to enable people to open basic accounts.

Money management

Claimants generally placed great importance on being in control of their finances and budgeting was an ongoing and often complex process. There were examples of where claimants had effective 'systems' in place to maintain financial stability, such as separating money into different streams to manage outgoings.

Some tenants were experiencing difficulties in balancing their household budget either due to insufficient income or past debts. For some claimants this led to them avoiding standing orders or direct debits (despite the financial benefits of setting these up) as they were considered to be risky in the event of insufficient funds being available and resulting in them becoming overdrawn. Many tenants used prepayment cards or meters to budget for utilities as a way of spreading the payment rather than paying a bill as a lump sum.

Tenants placed a high priority on paying rent and rent arrears were uncommon amongst tenants in this research. Where finances were well organised, paying rent was often seen as just another bill to pay. However, others had developed strategies to deal with direct payment and paying their rent, such as aligning the timing of rent payments to match LHA receipt. For some tenants, direct payment of LHA was a concern as it meant they could have large sums of money available in their account which was perceived as a possible temptation or at risk of being swallowed up by other demands on their income.

Around half of the tenants interviewed had LHA shortfalls and, therefore, had to make up their rent from their own budgets. For some this shortfall was drawn from the general 'pot' of money, whereas others found it helpful to use specific sources such as Child Tax Credit. A further issue was that the amount of shortfall was not always clear to respondents. This lack of clarity was often caused when LHA was paid fortnightly but rent paid monthly, in which case tenants often overestimated the amount of shortfall by comparing a four week LHA amount with the monthly rent. The impact of this was felt when budgeting on a monthly basis. In relation to this point, advisers felt strongly that benefit being paid on a fortnightly or four weekly payment system was problematic in terms of money management.

The overall view of advisers was that the majority of LHA claimants were managing their money well and paying their rent in full and on time. However, they reported that a significant minority of claimants were not managing and that these 'problematic' cases might not have arisen if claimants were given the choice of having their LHA paid to their landlord (as under the HB system). Where claimants were struggling to manage direct payments and pay their rent, advisers perceived this to be due to multiple debts and living long-term on a low income. Advisers also expressed some concern that, whilst most weren't doing so, some claimants might 'dip into' their rent money to pay bills, for example.

Advisers expressed some concern that they were seeing claimants who they considered to be vulnerable who had not been picked up under the LHA safeguard provisions. In particular, they raised concerns about recent immigrants who did not speak English as their first language and who lacked a clear understanding of how the benefit or banking systems worked, and people who had never had responsibility for paying their rent and bills before, for example under 25 year olds.

Some tenants felt that the excess provision should not be removed as it had a positive impact on household income. Amongst advisers, the strongest objection to the removal of the excess was that tenants who had become used to receiving this amount as part of their weekly income could end up in financial difficulties as a result of it being removed. The overwhelming feeling amongst tenants was that the excess should be removed, as LHA should cover rent and no more. Furthermore, advisers and tenants felt that the money spent on giving tenants an excess could be put to better use, for example, on deposit schemes to increase tenants' access to properties in the private rented sector.

Operation of the LHA safeguards

The process for transferring payments to the landlord when tenants are eight weeks in arrears was straightforward and worked well. However, some advisers did not think that the eight weeks in arrears provision was an effective measure in helping tenants who were not paying their rent on time to maintain their tenancy. At eight weeks of arrears landlords can legally evict tenants and the amount of arrears that tenants could accrue was said to be substantial, making it very difficult - if not impossible - for tenants to pay back. Some advisers did not understand why payments could not be transferred to the landlord sooner.

Local authorities have the discretion to pay LHA to the landlord at the outset of a claim if it is considered improbable that the claimant will pay their rent. Transferring payments to the landlord because the claimant had been assessed as being unlikely to pay their rent were not common and only in Edinburgh did it appear that these provisions were actively used. Where LA advisers did have experience of using this provision the main difficulty in its implementation was identifying tenants who had a history of arrears.

The main issue advisers raised in relation to transferring payments to the landlord where a tenant is considered likely to have difficulty paying their rent was the requirement to provide supporting evidence. Advisers from independent advice agencies commonly found that a supporting letter from themselves on behalf of a tenant explaining why they would have difficulty managing rent payments was not accepted by the LA as sufficient evidence. As a result, independent advisers had to obtain other forms of evidence on behalf of their client which could take considerable time and effort.

Overall, it appeared that the safeguard provisions worked best for tenants with a confirmed diagnosis, such as a mental health condition, a drug or alcohol addiction, which could be backed up with evidence from a healthcare professional. Where the safeguard provisions seemed to work less well was for tenants who did not fall into these categories and who could not provide supporting evidence. Independent advisers felt that the safeguard was not broad enough to cover the circumstances of clients they were supporting.

Housing opportunities and choice under LHA

For those tenants that had moved house since the introduction of LHA, there was no evidence to suggest that LHA had contributed to their decision to move. For most tenants the experience of moving house was positive, but there were some examples of where claimants had found it difficult to find a landlord that was willing to accept tenants in receipt of HB.

Paying a deposit to secure a property was a significant problem for many claimants and in turn the money for up-front payments was often borrowed from family or friends. There were also several examples of tenants that had received financial support from rent deposit schemes. Where tenants had moved property since receiving LHA, most had disclosed to their landlord or agent that they were in receipt of benefits and this had been unproblematic.

The research found that claimants were not always aware of their LHA entitlement and subsequently they would often make an 'educated guess' based on their prior experience of claiming HB under the old system.

Advisers did not think that tenants' housing opportunities and choices had increased under LHA. In most case study areas advisers reported that LHA rates were higher compared to the previous system for assessing rents. However, there was concern that some landlords had put up their rents to match the LHA rates, meaning that accommodation was no more affordable to tenants than it had been previously.

When talking about future moving intentions, a lack of employment was often regarded as a barrier. An inability to pay a future deposit was also a concern for many claimants and there were some concerns about a lack of available housing or a perceived stigma amongst private landlords. In general, claimants felt that their decision to move would be shaped by their knowledge of their LHA entitlement, but there was very little evidence to suggest that decisions would be shaped by the potential to keep a £15 excess.

Most interviewees were actively seeking work and some were working part-time. For some tenants LHA had very little or no influence on their decision to find employment. For others being better off in work was important and the financial impact of starting work and losing some or all of their LHA entitlement had been carefully considered.

Conclusions

The conclusions of this report comment on the extent to which LHA is meeting its policy objectives and compares the findings of this study to those of the Pathfinder evaluation.

Transparency and Tenant Understanding of LHA

Advisers were very positive about the transparency of the LHA rates. Having published set rates made it easier and clearer for them to advise claimants on how much LHA they would be entitled to and therefore what properties they could afford. From this perspective LHA was meeting its policy objective of being transparent. However, where LHA was not meeting its policy objective was in its lack of transparency for claimants, many of whom had very little understanding of LHA. This reflects the findings from the Pathfinder evaluation.

Financial inclusion

One of the key objectives of LHA is to promote financial inclusion. Nearly all of the tenants in this study were financially included in terms of having bank accounts. However, the extent to which claimants were setting up standing orders to pay their landlord was mixed. A barrier to setting up standing orders was the lack of alignment between fortnightly or four-weekly LHA payments and rents that were paid monthly.

Advisers described resistance amongst tenants with debts or overdrafts to having LHA paid into their bank account and resistance amongst older claimants to opening a bank account. Advisers also reported that some tenants had difficulty opening a bank account. In some areas this was linked to wider issues around the lack of promotion of basic bank accounts by banks.

The issues raised by tenants and advisers replicate those found in the Pathfinder evaluation studies, which suggests that tenants' financial inclusion has neither worsened nor improved.

Personal responsibility and money management

Reflecting the findings from the Pathfinder evaluation, claimants took their responsibility for paying their rent very seriously and paying rent was viewed as the most important 'bill' to pay. In this sense LHA was meeting its policy objective of encouraging personal responsibility for paying rent. However, one aspect of LHA administration that caused real difficulty for some tenants in managing their finances was the mis-alignment of LHA payment cycles and rents that are paid on a calendar month basis.

An issue found in this study that was not apparent in the Pathfinder evaluation, was the additional financial pressure a few tenants faced as a result of their LHA entitlement going down following the annual review of their claim. This reflects changes in the wider economy at the time of conducting this research.

Although advisers felt that most tenants were managing direct payments well, they were aware of a significant minority of tenants who were not managing. This included tenants who they considered to be vulnerable, but who had not been picked up under the LHA safeguard provisions. It also included a broad group of tenants who were on the margins of the safeguard criteria. More pro-active methods for identifying less experienced, vulnerable tenants could help prevent some tenants from getting into financial difficulty.

The LHA safeguard provisions

Overall, the safeguard provisions did not appear to be working effectively in protecting tenants. Transferring payments to the landlord when a tenant has built up rent arrears of eight weeks or more was felt to be too late. The 'unlikely to pay' provision was not commonly used. Use of this safeguard was hampered by the difficulty advisers had in identifying tenants with a history of arrears. This safeguard might operate more effectively if a flag or identifier could be added to the IT systems used by HB departments to identify tenants who had consistently not paid their rent.

Two main issues were raised by advisers in relation to the safeguard provision for claimants likely to have difficulty paying their rent. The first was the difficulty advisers had in getting supporting evidence accepted by HB staff. The second issue raised by advisers was that they felt the criteria for accepting people under the safeguard criteria needed to be broadened to cover the wide range of reasons why some tenants struggled to manage their rent. Further guidance is needed on the status of evidence provided by independent agencies and on the circumstances where it is justifiable for payments to be transferred to the landlord.

Housing opportunities and choice

Through having a flat-rate payment system that is clear and transparent, LHA aims to give tenants choice between the quality and price of their accommodation. There was no evidence that LHA was influencing tenants' housing decisions or providing tenants with more choice. Many tenants were not in a position to make an informed choice between the quality and price of their accommodation because they were not aware of their LHA entitlement prior to starting their property search. There was very little evidence that tenants had, or were interested in, moving to cheaper accommodation in order to keep an excess. Findings in this study mirror those of the Pathfinder evaluation and there were no discernable differences between these studies as a result of the capping of the excess at £15 per week.

A number of key issues were raised by tenants and advisers that impacted on tenants' housing opportunities and choices in the private rented sector (PRS), more so than LHA. These included stigma and discrimination by landlords, and (in some areas) the predominance, or lack of, certain types of housing stock. The ability to pay a deposit was a main determinant of housing choice and had been a difficulty for many tenants. Further investment in rent deposit schemes would help improve housing opportunities and choices for tenants in receipt of LHA.

Increased work incentives

Providing greater certainty about what in-work benefit claimants might expect to receive is intended to help claimants move from unemployment into employment. From the perspective of tenants there was no evidence to suggest that LHA acted as a work incentive. In contrast, in Islington in particular, the significantly higher rates under LHA were thought to be acting as a work disincentive, whereby claimants would not be able to afford the rents landlords were charging if they moved off LHA and into work.

Comparison with the LHA pathfinder evaluation

One of the aims of this research was to assess whether any new issues were arising under the national rollout model, which were not apparent in the LHA Pathfinder evaluation. Overall, the findings from this research are very similar to those of the Pathfinder evaluation. There was very little difference in the views and experiences of tenants. The only new issue that arose in this research, from the perspective of tenants, was the additional financial pressure experienced by a few tenants as a result of LHA rates going down. This reflects changes in the wider economy at the

time of conducting this research. Advisers in this research also raised similar issues to advisers in the Pathfinder evaluation. However, this research includes a greater focus on the experiences and views of advisers from independent advice agencies, than in the Pathfinder studies. This has provided a more detailed insight into the reasons why a minority of claimants were struggling to manage their rent payments and has provided a new perspective on the effectiveness of the LHA safeguard provisions.

1 Introduction

1.1 Introduction

This report presents the findings from qualitative research conducted with tenants and advisers from five local authority (LA) areas to explore their experiences of the Local Housing Allowance (LHA) since its national rollout in April 2008. A key focus of the research was on understanding tenants' experiences of managing direct payments and to assess whether any new issues were arising under the LHA national rollout model, that were not apparent in the LHA Pathfinder evaluation.

More specifically the research aimed to explore:

- tenants' understanding and awareness of LHA;
- whether tenants in receipt of LHA were experiencing any particular difficulties;
- tenants' use of bank accounts and how tenants paid their rent;
- tenants' experiences of LHA in terms of finding suitable accommodation;
- whether there were any specific types of tenant in need of help and support;
- the effectiveness of the LHA safeguard provisions;
- differences between tenants' and advisers' experiences of LHA; and
- actions that could be taken to alleviate any difficulties experienced by tenants.

This research forms part of a wider two year review being undertaken by Department for Work and Pensions (DWP) to monitor the impact of LHA at a national level.

1.2 Policy background

The introduction of LHA reforms the assistance given to people on low incomes with their housing costs. At the time of conducting this research (June 2009 – May 2010) LHA was part of the part of the (Labour) Government's wider strategy for Housing Benefit (HB) reform. The previous administration signalled its intention to reform HB in the April 2000 Housing Green Paper: *Quality and Choice: A Decent Home for All*. More detailed proposals followed in October 2002¹ and from November 2003 LHA was introduced in nine Pathfinder areas. Following the evaluation of the LHA Pathfinders, the LHA was rolled out nationally in April 2008.

The LHA replaces the previous rent restriction arrangements in HB for tenants in the deregulated private rented sector (PRS) which were based on property specific rent determinations made by rent officers. Key features of the LHA are that the allowance is based upon household size and the property's location within a 'broad rental market area' (BRMA). A further key feature of the reform is that tenants can no longer choose to have their benefit paid to their landlord and benefit is paid directly to the tenant in most cases. Payment to the landlord is only made where the claimant is considered unlikely to be able to manage their financial affairs, or unlikely to pay their rent, or where claimants have fallen into arrears.

¹ Building choice and responsibility: a radical agenda for Housing Benefit.

The new allowance is intended to be simple to administer, more transparent and fairer. It also aims to empower claimants by enabling them to exercise more choice and take more responsibility over their housing decisions.

Under the national rollout of LHA a number of changes have been made from the Pathfinder model. These include:

- the capping of the excess that claimants can keep to £15 – in the pathfinders tenants could keep any difference between the amount of rent they paid and the amount of benefit they received;
- the basing of LHA rates on the median rent, rather than the mid-point - this means that 50 per cent of the market is affordable to people claiming LHA; and
- the criteria used to determine the appropriate size of property for a household is based on the number of **bedrooms** rather than rooms.

1.3 Research design

The research was conducted in five LA areas Crawley, Islington, Edinburgh, Gedling and Torridge.

The areas were selected to include a range of geographies and LA types (urban, rural and county district) and to include LAs that were comparable to the LHA Pathfinder authorities. There were two main elements to the qualitative research: consultation with advisers and in-depth interviews with tenants. Fieldwork took place between July 2009 and January 2010.

1.3.1 Consultation with advisers

The term ‘Advisers’ is used to describe people in two key stakeholder groups; LA advisers and advisers from independent advice agencies.

LA advisers were staff employed by the LA in a number of different roles. They included staff based within HB departments such as managers, team leaders, benefit claim assessors/processors, and discretionary housing payment officers. Staff in these roles were responsible for delivering LHA as well as providing information to claimants. LA advisers also included staff from housing services, such as homelessness/housing needs officers and managers, and staff running rent deposit schemes. Staff in these roles were responsible for giving advice to tenants and assisting those living in temporary or unsettled accommodation to secure housing in the PRS. Some, such as Islington Housing Aid Centre, were also involved in assisting people with claims for LHA and resolving any problems.

Advisers from independent advice agencies were from a range of organisations which provided support and help to tenants with money advice, support in sustaining a tenancy and help with finding new accommodation. Some advisers had responsibility for specific client groups such as under 21 year olds and people with mental health conditions, whilst others were generic advisers providing support to a wide range of clients. Participants included advisers, managers or team leaders from the following organisations:

- **Crawley:** Sussex Oakleaf Signpost Service and Crawley Citizens Advice Bureau;
- **Edinburgh:** Edinburgh Cyrenians, Citizens Advice Edinburgh, Shelter Edinburgh and Edinburgh Housing Advice Partnership;
- **Gedling:** Nottingham & District Citizens Advice Bureau and Nottingham Framework;
- **Islington:** Eastend Citizens Advice Bureau;
- **Torridge:** Bideford Citizens Advice Bureau, Mid-Devon & Bude Citizens Advice Bureau, Homemaker South West and Carr-Gomm.

Focus groups were the main method used for consulting with advisers. Two separate groups were conducted in each area, one with LA advisers and a second with advisers from independent advice agencies. In two areas (Islington and Gedling) where it had not been possible to convene a focus group with advisers from different independent advice agencies, individual interviews were conducted.

1.3.2 Consultation with LHA tenants

Consultation with tenants was conducted through individual in-depth face-to-face interviews. A sample of tenants in receipt of LHA was drawn from DWP's Single Housing Benefit Extract (SHBE). The sample was purposively selected to include tenants from the following household types: under 25 year olds, lone parents, working age couples with children, working age couples without children, single adults of working age and pensioners. Opt-out letters were sent to all tenants on the database and tenants who had not opted-out were recruited to take part in the research by telephone.

The interviews followed a semi-structured topic guide to elicit information on a core set of topics (see Annex B). In total, 35 interviews with tenants were conducted, with between six and eight interviews conducted per LA area.

1.3.3 Tenant overview

The tenants that took part in the research were aged between 18 and 65 years. Interviews were conducted with tenants from across all household types. However, fewer interviews than anticipated were conducted with under 25 year olds, pensioners and working age couples without children, due to small numbers of these household types in the sample frame, combined with difficulties recruiting (see Annex A for further details).

Most tenants lived in self-contained properties. However, several were living in shared accommodation. Of those living in a shared property, all were single males aged between 18 and 42. Length of tenure in their current property ranged from two months to 15 years, with most tenants having moved into their current property since the introduction of LHA in April 2008. The duration of claims ranged from around two months to nine years and, therefore, included a number of tenants who had transferred on to LHA from HB, but also included tenants who had no prior experience of claiming HB.

A characteristic of some tenants in this sample, that was not apparent amongst tenants who participated in the Pathfinder study (Hill *et al.*, 2007, [p15]), was that a number of tenants (five in total) had made a claim for LHA as a result of being made redundant. This is assumed to be a reflection of the wider economic downturn taking place at the time of this research, rather than of anything specific to the rollout of LHA itself.

1.3.4 Research limitations

The main limitation of this research in providing an understanding of tenants' and advisers' experiences of the LHA national rollout scheme is the lack of information from the tenants' perspective on the operation of the LHA safeguards. Only three tenants in the sample did not receive direct payments and only one of these was classified as being unable to manage their finances. Tenants who do not receive direct payments are a minority of all LHA claimants and, therefore, would only have occurred in the tenant sample frame in very small numbers. Furthermore, sample bias is likely to have arisen because tenants who are considered unlikely or unable to manage their rent payments are probably less likely to agree to take part in a research interview than those who are not. It is also possible that tenants who are experiencing financial difficulties may be harder to get hold of, for example, if they do not have credit on their mobile phone, or if they have moved address because of arrears. However, the research can draw upon the experiences of advisers from independent advice agencies, who work with vulnerable tenants, in understanding this issue.

1.4 Report structure

This report is structured thematically. The experiences of tenants and advisers are integrated within each chapter.

- **Chapter 2** explores the initial impact of the LHA national rollout on the work of advisers, describes tenants' routes on to LHA and looks at tenants' understanding and awareness of LHA.
- **Chapter 3** examines tenants' views and experiences of receiving direct payments, their use of bank accounts and how they pay their rent, and discusses wider issues around tenants' access to bank accounts.
- **Chapter 4** explores tenants' household finances and budgeting strategies and the impact of LHA direct payments on money management and rent arrears. This chapter also discusses tenants' use of money advice services and views towards the £15 excess provision.
- **Chapter 5** examines the operation and effectiveness of the LHA safeguards from the perspective of advisers.
- **Chapter 6** looks at the impact of LHA on tenants' housing opportunities and choices through exploring tenants' experiences of looking for accommodation and their future moving intentions. The impacts of LHA on work intentions and on the wider housing market are also discussed.
- **Chapter 7** brings together the findings in this report to draw some overarching conclusions.

2 Initial impacts of the rollout of LHA and tenant understanding

2.1 Introduction

The national rollout of Local Housing Allowance (LHA) is a significant change to the way Housing Benefit (HB) is assessed. This chapter explores the initial impact of the national rollout on the work of advisers in relation to the extent and nature of enquiries they received from tenants and landlords and the impact of LHA on their workloads. Tenants' routes onto LHA, their understanding and awareness of LHA and sources of information are also discussed.

2.2 Initial impact on advisers

The introduction of the LHA did not have as much of an impact on the work of advisers as had been expected. This was attributed to the phased nature of the rollout, whereby existing HB claimants only moved on to LHA if they had a break in their claim or moved address, rather than all being moved over to the LHA arrangements at the point of rollout. As a consequence of the approach set out by Department for Work and Pensions (DWP), advisers reported that their LHA caseloads were relatively small at the start of the national rollout and that they increased gradually over time.

Whilst representatives of local authority (LA) HB departments said they had received some enquiries from claimants, they had not been inundated – as some had expected – with telephone calls or in-person visits following the rollout. The most commonly reported issues that claimants had contacted LAs about included:

- asking whether LHA could be paid to their landlord, as they did not want to receive direct payments;
- requests for information on how LHA worked and how they could transfer from HB to LHA (this enquiry generally came from those who knew that they would be better off under the new LHA rates);
- enquires about receipt of an excess and whether they could keep the extra money; and
- why LHA could not be paid into a Post Office account.

Following the transfer from the LHA Pathfinder model to the national rollout model, where the excess was now capped at £15/week, Edinburgh was unique in receiving enquiries from LHA claimants asking why the amount of LHA they were receiving had reduced from the amount they received previously². Enquiries were received about this despite efforts made by the LA to inform existing LHA claimants of the forthcoming change. It would appear likely that claimants had either not understood or had ignored this information.

² Tenants were able to keep their uncapped excess for a year, until April 2009.

Local authorities also received enquiries from landlords in relation to the changes that had been introduced. The main reasons why landlords contacted staff were:

- to complain about the new payment system and request payments of LHA to be transferred to them;
- and to check what the LHA rates were.

2.3 Changes to adviser's work

From an administrative perspective, LA advisers were generally very positive about the changes LHA had made to their work in assessing benefit claims. Claims were able to be assessed more quickly because they did not have to be referred to the Rent Officer. LA advisers in Islington had also found that the number of appeals they were receiving had fallen as result of claimants knowing in advance of looking for a property the maximum amount of benefit they would receive.

As found in the Pathfinder evaluation (Walker, 2005, [p41]), advisers from both LA and independent agencies were overwhelmingly positive (across all areas) about the transparency of the LHA rates. Being able to look up the rates and instantly be able to tell someone how much LHA they would be entitled to receive, made it easier and clearer for them to advise claimants. Under the old HB system claimants were described as having to take a 'gamble' on whether the outcome of the Rent Officer's decision would cover their rent.

Independent advisers also reported that the transparency of the LHA system had made it easier for them to advise their clients and to discuss with them how they would afford to cover the cost of a shortfall, if they chose to live somewhere where the rent was higher than the LHA rate. However, it was less easy for them to advise clients who were not entitled to the full LHA rate, for example those in work, how much they would get.

A less positive issue raised by independent advice agencies (in particular in Crawley and Edinburgh) was the additional workload involved in collating supporting evidence for tenants applying to have LHA payments transferred to their landlord under the LHA safeguard criteria. This was also reported as a negative impact by team leaders at Gedling LA who were responsible for collecting evidence in order to assess safeguarding applications and for reviewing decisions on a regular basis. For more discussion of the LHA safeguard provisions, see Chapter 5.

2.4 Tenants' routes onto LHA

Most of the interviewees in this study were new claimants. New claims for LHA were triggered by: unemployment – several interviewees had recently been made redundant, moves from full-time to part-time employment, the onset of poor health, having a baby, divorce/separation, retirement, and as a result of moving into the country.

Some new claimants spoke of their reluctance to apply for LHA. Indeed, there was a sense that some had 'swallowed their pride' when making their initial application. This was generally an issue where unemployment had struck unexpectedly or where family circumstances had changed suddenly and triggered the need for financial support and was particularly evident where claimants had been financially independent. As one interviewee explained:

*'I've never been brought up in that world, so for me to feel like I was claiming everything from the country and the government just made me feel like s**t...which is very stupid on reflection because I made us all suffer because...I wasn't willing to, you know, go and bite my pride as it were and go and do it...'*

(Female, lone parent, age 37, Islington)

For tenants that were in receipt of HB prior to the introduction of LHA, the transition onto LHA was most commonly triggered by a house move. There were a few claimants who had switched to LHA after making a new claim, of whom only one had deliberately broken their existing Housing Benefit claim in order to transfer onto LHA. They had been informally advised that they would be financially better off on LHA.

'...I actually cancelled my Housing Benefit and reapplied for Local Housing Allowance...I was given the advice from a friend that I would be better off on Local Housing Allowance.'

(Female, single, age 28, Islington)

Whilst tenants 'breaking' an HB claim to move onto LHA was not common amongst the claimants interviewed for this research, it was reported as being more common by advisers. Across all LA areas, except in Edinburgh where LHA had already been operating for several years under the Pathfinder model, advisers reported that some tenants had responded to the introduction of LHA by breaking their existing HB claim in order to transfer onto LHA so that they could benefit from the higher rates under LHA.

Whilst not something that had happened to any of the tenants we spoke with, in Islington independent advisers also reported that some landlords had responded to the introduction of LHA by terminating the tenancies of people in receipt of HB so that they could find new tenants and receive the new LHA rates. In these cases advisers tried to negotiate with landlords (not always successfully) to keep a longstanding tenant, or to negotiate a one week break in their HB claim so that the tenant could move over to LHA and receive the higher rate.

'...they may find a tenant that they've had for five years, that's been as good as gold, no damage, no repairs, always pay their rent on time, well guess what, the whole world and his sister knows that LHA is in, and they are £150 a week out of pocket.'

(LA Adviser, Islington)

2.5 Tenants' understanding of LHA

Tenants were asked about their understanding of LHA in relation to the set rates, how entitlement was calculated and the excess policy. Advisers were also asked for their views on the level of understanding of claimants they had come into contact with.

2.5.1 Overall understanding of LHA

A common view amongst advisers was that tenants were not aware that LHA was the new method for delivering HB and that most claimants did not understand what the differences were. Whilst they thought claimants might have noticed that their claim was processed more quickly or that they might have received more money, advisers did not generally think this was associated with a wider awareness or understanding of LHA. This view was also expressed in Edinburgh (which had been an LHA Pathfinder) in that whilst some existing LHA claimants may be aware of how LHA works and that they can look up the rates, others (especially new LHA claimants) were not.

The view of advisers was generally supported in the research with claimants. Most claimants had only a limited understanding of LHA. In some cases, claimants did not even know that HB had transferred from the old system to LHA.

'...it was interesting when you said LHA I didn't really know it, it wasn't until you pointed out that there's a difference that I noticed there was a difference, to me it was just Housing Benefit.'

(Male, single, age 36, Edinburgh, new LHA claimant)

Where claimants had independently researched LHA, for example using the internet, their overall understanding of LHA appeared to be enhanced by acquiring information from complementary sources.

'...Originally I went on-line to research everything, you go to their website...I understood the basics and how it worked, and then I followed up with a couple of phone calls, just to understand perfectly what amount I could get.'

(Male, single, age 28, Islington)

However, seeking out information in this way was limited to a small number of claimants.

Where claimants did demonstrate an understanding of LHA it was generally in relation to direct payments as, for most claimants, this was based on their personal experience of receiving LHA.

2.5.2 Understanding and awareness of LHA entitlement

Despite advisers feeling that the LHA rates being readily available was helpful in advising claimants about what they were entitled to, claimants themselves did not generally share the view that this apparent transparency had benefited them.

As reported in the Pathfinder evaluation (Hill *et al.*, 2007, [p18]), most claimants lacked awareness of how their LHA entitlement was calculated and there was considerable variation as to the extent to which claimants felt the flat rate calculation had been explained to them (and indeed if it had been explained to them at all). Even amongst those who felt that the calculation had been explained to them, there was often concern that they remained unclear and that it would have been more helpful to them for this feature to be explained in more simple terms. As one interviewee explained when talking about their knowledge of their entitlement:

'...they did [explain it], but I don't understand it properly, the confirmation [of entitlement] was completely different to what I thought it would be...the thing is they said something like because of my earnings they have to cut a certain percentage, but the percentage that has been cut I find it to be more than they should have...'

(Male, single, age 23, Islington)

Others could not recall receiving any information to explain how their entitlement was calculated.

'Nothing was ever said about that, there was no reason why that amount was given to us, they just said the amount we're going to give you is such and such and we didn't argue it because we didn't know what criteria applied.'

(Female, couple without children, retirement age, Edinburgh)

Of those claimants who had moved into their current property since the national rollout of LHA in April 2008, many claimed to have had no awareness of their entitlement when embarking on their property search. However, where claimant's lacked awareness of their actual entitlement, they often had a 'rough idea' based on the amount of HB they had previously received. The impact of this on tenants' housing decisions is discussed in Chapter 6.

Advisers also raised claimants' lack of understanding of how the LHA room entitlement was calculated as an issue. Indeed some advisers commented on how they found explaining the room entitlement and how it is calculated (based on the age and sex of different children) as being difficult to explain clearly to claimants. In Crawley, confusion amongst claimants as to how the room entitlement for LHA was calculated was also attributed to it being calculated differently to the room entitlement used for social housing applications.

Some advisers also reported claimants being confused about the provision that they could retain an 'excess', with claimants not understanding why they were receiving it and being unsure as to whether or not they could keep it or whether they may have to repay it in the future.

2.5.3 Sources of information

As found in the Pathfinder evaluation (Hill *et al.*, 2007, [p18]), the most commonly mentioned source of information for new claimants was the LA HB offices. Jobcentre Plus Advisers were also identified as a primary source of information about LHA. However, the information supplied at this point was generally limited to informing claimants of their potential eligibility for LHA rather than providing details of their actual entitlement or the nature of the benefit. For further information, claimants were typically referred onto their LA HB office.

'...I heard about it through Jobcentre Plus, when I went there to apply for the Jobseeker's Allowance they told me I could apply for the housing benefit as well because I'm not working, and then I took it from there.'

(Male, single, age 23, Islington)

Some claimants had been advised that they were eligible for LHA when visiting their local Citizens Advice Bureau (CAB) for advice on financial problems. Here LHA was only briefly discussed in the context of their wider financial situation and claimants had been advised to seek support from their LA HB office.

'...the Citizens Advice Bureau said to me, well you need to go and register yourself with Housing and you need to do this and you need to deal with that. So they actually provided me with a framework...'

(Female, lone parent, age 42, Edinburgh)

Additional sources of information that were mentioned by some claimants included posters displayed at the post office and pamphlets from their local council.

Where claimants had contact with LA staff, information was normally conveyed face-to-face. However, the information provided was often reported as being 'patchy'. Claimants often felt that contact with staff tended to focus on the practicalities of their actual claim, such as filling in the application form, rather than explaining the benefit more widely or clarifying issues such as the flat rate entitlement or the excess feature. Whilst claimants were generally satisfied with the service they received, they often felt that more information and clearer explanatory letters would have been useful. Furthermore, where claimants acknowledged that LA staff had attempted to explain the system, they felt they had not fully understood the detail and for some this was frustrating and caused concern as to what might happen to them in future – for example, if their circumstances changed.

The research suggests that information about LHA was particularly sparse for those claimants that had transferred from HB. Where this occurred, claimants tended to lack awareness of the characteristics of LHA and reported that little or no information had been provided to them.

'...She just said it's now called Local Housing Allowance, and that was that...she just said obviously bring in what you get and obviously inform us of any change which is obviously like CSA [Child Support Agency] I would have to inform them if it went up or...the same as tax credits...'

(Female, lone parent, age 27, Crawley)

Claimants also raised the issue of receiving conflicting information from different advisers.

'...everyone I've spoken to in the office gives me different information, a lot of it not true...'

(Female, single, age 28, Islington)

'...if you phone up and speak to one person, you sometimes get different information from their colleague.'

(Female, couple with children, age 24, Edinburgh)

There were examples of claimants who had proactively sought information about LHA and, where this was the case, the internet appeared to be a particularly useful resource. Where claimants had sought information in this way, some mentioned that they would then seek clarification from a housing adviser to ensure that their understanding of the situation was correct.

2.6 Key points

- Advisers were generally very positive about LHA. They had not been inundated with enquiries, their caseloads had increased gradually and the transparency of rates made advising claimants easier. However, many found the detailed provisions difficult to explain, particularly to clients not entitled to the full LHA rate (for example, those in work), and found collating evidence to support vulnerable tenants under the safeguarding provisions onerous. Advisers' positive views towards the transparency of the LHA rates was also a key finding of the Pathfinder evaluation.
- Claimants were generally satisfied with the service they received in respect of LHA. However, many (especially those who transferred from HB) lacked awareness of how their LHA entitlement was calculated and about the provision relating to the excess. Many felt that more information and clearer explanations would have been useful. The most common information source for claimants was their LA HB office, but the information they were given was often described as being 'patchy' and sometimes conflicting. Very similar issues were raised by claimants in the Pathfinder evaluation: claimants' knowledge and understanding of LHA was variable and a need for more information was identified.
- There were some cases where tenants had broken their HB claims to transfer onto LHA and landlords terminating tenancies of people on HB, but little evidence that this was widespread.

3 Receiving direct payments, paying rent and bank accounts

One of the main changes introduced under the Local Housing Allowance (LHA) system is that, in most cases, LHA is paid direct to the tenant rather than to the landlord. This is in contrast to the situation under the previous Housing Benefit (HB) scheme, whereby tenants could choose whether they wanted their HB to be paid to themselves or to their landlord. This reflects the LHA policy objective and the broader welfare-to-work agenda of encouraging personal responsibility.

Improving the financial inclusion and personal responsibility of claimants, by encouraging claimants to have their LHA payment made into a bank account and to set up a standing order to pay their rent to their landlord, is a key policy objective of LHA. To this end, although LAs can make payments to tenants by cheque, bank accounts have been the preferred method of paying LHA because it is more efficient from an administrative perspective. Further, payment of LHA into bank accounts is intended to help claimants avoid having to use costly cheque cashing services and is a more secure payment method. Whilst other benefits can be paid into Post Office Card Account, HB payments can only be paid into a bank account.

This chapter explore tenants' views of direct payments, their experiences of receiving LHA and the methods they use for paying rent to the landlord. Access to bank accounts and difficulties experienced with opening bank accounts is explored in light of whether LHA is contributing to improving financial inclusion for tenants.

3.1 Views about direct payments

Of the tenants interviewed as part of this study, only three had their rent paid to the landlord. This is in line with the policy aims of the LHA system in that it is intended that payments should be made direct to the claimant in all cases unless there are specific reasons why this ought not to happen. In the case of the claimants we spoke with, only one had been assessed as having difficulties managing their finances. There did not appear to be any specific reason why the other two did not have direct payments and it was suggested by them that (although they did not imply coercion) their rent was paid to their landlord at the landlord's request³.

'...She [the landlord] wanted the money paid directly, that that was, you know...I just took it as that that was just the way it was you know, I just thought it was the way it was.'

(Female, lone parent, age 42, Edinburgh)

'...She [the landlord] wanted it like that...I just had to write on the form that I didn't want the money, I thought I would spend it...'

(Female, lone parent, age 27, Islington)

For those claimants who did not receive direct payments there was a lack of awareness of what was happening with regard to the payment of their rent. These claimants also expressed feelings of disempowerment and of not feeling trusted.

The majority of interviewees who received direct payments had mixed views about them.

³ The current policy does not allow landlords to demand rent be paid to them as a condition of a tenancy. In these two cases it was not clear how this situation arose.

Positive responses to receiving direct payments were that, as found in the Pathfinder evaluation (Hill *et al.*, 2007, [p38]), claimants valued feeling in control of their rent with several referring to the ‘confidence’ or ‘peace of mind’ that they associated with paying their own rent. Amongst those claimants who had a shortfall to pay (that is their rent was more than the LHA they received), direct payments were regarded as particularly sensible rather than have their landlord paid in two separate transactions.

‘...It is easier for it to come to me, then I can add to it and then send it direct to the landlord. Rather than the landlord getting it in dribs and drabs.’

(Male, couple with children, age 26, Gedling)

Another perceived benefit of receiving direct payments was that it enabled some claimants to balance their own finances and in particular afforded some flexibility in how they organised meeting their financial commitments.

‘...I pay rent on the 12th of the month, but housing benefit usually comes in about a couple of weeks before that...so it means I’ve got that extra money there that I can use in the meantime... so it gives me more flexibility with the things that I’m doing in my life.’

(Male, single, age 25, Edinburgh)

However, while ‘flexibility’ in terms of managing their own finances and being responsible for paying their own rent was seen as a positive feature of LHA for some claimants, for others it was a source of concern. Some claimants felt that having their LHA payment sitting in their bank account was a temptation. However, some were able to counter this temptation by paying their rent electronically and therefore getting the rent paid as soon as possible following receipt of LHA (see Chapter 4). As reported in the Pathfinder study (Hill *et al.*, 2007, [p39]), claimants often spoke about the danger of temptation as something that was more likely to affect other, more vulnerable tenants. Whilst this was posed as a hypothetical risk, it was clear that for the interviewees in this study, paying rent was their top priority, as outlined in Chapter 4.

Other negative aspects of direct payments were associated with the practicalities of how tenants paid their rent to their landlord. For some claimants direct payments were a particular problem when they required a trip to the bank. This was a particular concern for those with health problems or a disability that made it difficult for them to do their banking in this way. One claimant had tried to get their rent paid to their landlord on the grounds of having a disability, but their application was refused. This was potentially problematic for them in terms of making the rent payment on time.

‘I mean that is one thing that I am rather annoyed at the Local Housing is, they have got to pay it direct to me, not to the landlady. They can’t do that, I don’t like that really. I mean they said the two reasons when they can do it that way is if you are an alcoholic or you are drug dependent. Well I am disabled and I did say to them, well what happens if I have got a bad week and I can’t get to the bank. Well she will have to wait. That was their response.’

(Female, couple without children, age 46, Gedling)

In some cases concerns about direct payments and the potential consequences of direct payments were more serious, especially for those with financial problems such as considerable debt. One example of this was a claimant with a bank loan who had run into difficulty with LHA money being taken by the bank to repay the loan, which had left him with insufficient funds to pay his rent.

‘This last couple of weeks with the bank, I wished it were paid direct to the landlord...because I am slowly getting myself in to trouble...I got a bank loan which I took out a couple of years ago before I got made redundant...the council pay straight in to the bank, the bank does what they want to do with my money basically.’

(Male, single, age 47, Gedling)

For others, direct payments were less problematic, but were still considered an inconvenience. This was particularly true for those claimants that were not making use of standing orders, as this required them to actively manage their finances in order to pay their rent on time. Similarly, where claimants expressed more general negative views about direct payments, it was not that they had any particular problems or concerns, but rather they would just prefer to have LHA paid to their landlord. As might be expected, this view was particularly common amongst claimants with prior experience of this under the old HB system. In this respect, a preference for payments being made to landlords was associated with claimants not wanting to assume personal responsibility for paying their own rent and a desire to prevent worry or anxiety about paying rent on time or in full.

3.2 Tenants' views and experiences of receiving LHA

Most tenants who received their LHA via automatic transfer were generally satisfied. The main advantage of this method was convenience as compared to cheque payments which usually involved a physical trip to the bank, post office or informal lender (and often a further delay while the cheque cleared). There were, however, examples of automatic payments being made 'late' (that is, on a date later than expected), although these were rare. Where late payments had occurred, it was usually as a result of an administrative error or a change in circumstances and claimants were generally satisfied with the speed at which problems were rectified.

Of the 35 interviewees, three tenants received their LHA payment in cheque form. Whilst this was not particularly problematic, it was inconvenient and was not their preferred method of payment as all three had a bank account. The reason for this payment method was unclear (and may have been due to an administrative oversight), but an important point is that these claimants did not seem to know whether or how they could get LHA paid into a bank account.

Where changes in how claimants received their LHA had taken place, claimants who had transferred from receiving a cheque to Automated Credit Transfer (ACT) regarded this as a positive change. For example, a claimant who did not have a bank account when they initially claimed LHA had problems paying their rent as it was costing them £25 each time they needed to cash a cheque, using a local cheque cashing service, which in turn caused a shortfall as the following illustrates:

Tenant: 'initially because I didn't have a bank account I had to get it paid by cheque, which is a nightmare, it cost me £25 to get those cheques cashed...'

Int: But didn't that cause a shortfall in the amount of rent?

Tenant: Yes, absolutely, yes.

Int: So where did that money come from? From your other benefit?

Tenant: That money came from what cash I had left,...I was allowed some money when I went bankrupt, it was less than a £1000.'

(Male, single, age 36, Edinburgh)

3.2.1 Paying rent

As found in the Pathfinder evaluation (Hill *et al.*, 2007, [p42]), tenants did not have strong views about how they paid their rent to their landlord and generally took a pragmatic approach. Methods used to pay rent included: paying money into their landlords' bank account (in person), paying their landlord in cash, electronic transfer and standing order. In some cases, the means of payment was determined by their landlord.

Reflecting one of the core objectives of LHA to promote financial inclusion and promote personal responsibility, it was evident that a number of claimants were taking control of their finances and opting to set up standing orders – or making online payments – to ensure that their rent was paid in full, on time and as soon as possible after receipt of their LHA. Also, some claimants felt it was important that this method provided them with proof of payment, as the transaction would appear on their bank statement, in case of any dispute later on.

However, difficulties were experienced with monthly standing orders as a result of the payment date for receiving LHA changing each month (that is, when paid on a four weekly basis). Reflecting the constrained financial circumstances in which many claimants lived, they could sometimes find themselves with a shortfall or be susceptible to bank charges as a result of going overdrawn or having a payment refused due to insufficient funds. For some claimants the risk of this kind of event happening was a reason for not paying their rent by standing order.

Where tenants paid their rent into their landlord's account by transferring the money in person at their local bank, this method of payment was often adopted at the request of the landlord, but tenants were generally positive about it. As was the case with those using standing orders, claimants felt it enabled them to keep on top of their finances, but that it negated the risks associated with standing orders. Having a paying in book that was stamped at each payment also provided important proof of payment.

For those paying their rent in cash there was again a feeling of them being in control. However, a significant limitation of this method was the daily withdrawal limit imposed by the bank which typically necessitated several trips to the bank. This was not only time consuming, but was a particular problem for those tenants with poor health or mobility problems and it also represented a security risk for some.

For those tenants that had a shortfall to pay there was no particular payment method that was favoured. However, tenants tended to pay the shortfall as part of their main rent payment rather than paying the rent and the shortfall separately (see Chapter 4 for further information).

3.3 Use of bank accounts

Both claimants and advisers were asked about their views on the use of bank accounts by LHA claimants. This area is of particular interest given that one of the key policy aims of the direct payment provision in LHA is to promote financial inclusion. When introduced however, it was not known whether LHA claimants would welcome and want to (or indeed be able to) take-up the facility of being paid directly into a bank account.

Amongst this sample there was very little evidence to indicate that claimants did not have access to banking, or indeed that they had had to set up a bank account specifically for LHA. With one exception, all interviewees had some type of bank account. This may in part be a reflection of interviewees' backgrounds in that some had previous work histories and were recent claimants of HB.

There was limited evidence of claimants having difficulties in relation to bank accounts. One example was given by a claimant who had their LHA paid into a savings account. They had been unable to open a current account due to insufficient identification documents and they were unaware of the provision of basic bank accounts. Having LHA paid into a savings account caused complications because it did not allow them to set up standing orders and in turn they had to make a number of withdrawals (over a period of several days) in order to pay their rent in cash.

The interviewee without a bank account had been assessed as having difficulties managing his finances – all his financial affairs were dealt with by his mother (with all his benefits paid into his mother’s account) other than his LHA which was paid to his landlord.

There were several examples of where claimants had two bank accounts which they used as a way of managing their finances, with LHA being paid into a separate account used for paying bills (see Chapter 4 for how this was used as a budgeting strategy).

Although the majority of claimants had a bank account in which to receive their LHA there was evidence of underbanking – that is claimants had a bank account but did not use it to its full effect. This was evidenced by those claimants who preferred to pay their rent in cash or by transferring the money into their landlord’s bank account in person, rather than set up standing orders or use on-line banking.

When talking with advisers, it would perhaps be expected that, by virtue of them coming into contact with more claimants (in particular those with more complex needs) they would be able to draw on their experience of claimants who did not have access to bank accounts. Whilst advisers reported that LAs paid the majority of their claimants by bank account, they noted that there were some claimants who did not have bank accounts and who were paid by cheque. They attributed this situation to two main reasons: firstly, claimants who did not want to be paid by bank account and secondly, claimants who had been unable to open bank accounts. These issues, which are discussed below, were also raised in the Pathfinder evaluation (Walker, 2005, [p23]; Walker, 2008, [p4]).

3.5.1 Resistance to bank accounts

Advisers described claimants who did not want to be paid into a bank account as including those who had a bank account, but did not want their LHA to be paid into it and those who did not have a bank account and did not want to get one. Older people and people over State Pension Age were identified as a particular group who did not have bank accounts and were resistant to opening one.

A reason why claimants were thought to not want to have LHA paid into an existing bank account was because they feared that where they had debts or overdrafts this would ‘swallow up’ their LHA payment leaving them unable to pay their rent. An example of this issue was given by an adviser in Islington whose client had specifically opened a new account into which to have their LHA paid because their existing account was overdrawn. Despite making several requests to the HB department the client’s LHA was paid into his overdrawn account:

‘I had a case of a guy who moved into a property, everything was fine, however three times, and actually we checked our LHA system and it was true, three times he told the housing benefit, LHA, whoever it was, not to pay to a certain bank account,....he was evicted for rent arrears, Barclays, it was Barclays, took the money, and he never, ever got it back.’

(LA Adviser, Islington)

In addition to this, some LA advisers were aware of claimants who either did not have an account, or who chose not to use an existing account, who had their LHA paid into a relative’s bank account instead.

3.3.2 Difficulties opening a bank account

Not having sufficient identity documents or lack of proof of address were the main reasons advisers gave for some claimants not being able to open a bank account. Claimants reported as having difficulties opening bank accounts due to a lack of ID or proof of address included: those who have been homeless or who have been living in temporary or unsettled accommodation; recently released prisoners; and people who are newly arrived in the UK.

These groups of claimants may either not have documents such as a passport, birth certificate or driving licence, or may not be able to access their identification documents, for example, if they have left everything at a previous address that they cannot return to. For one independent agency, assisting clients with ID had a considerable impact on their work in terms of both adviser time and money spent paying for ID, such as birth certificates and provisional driving licences.

Other claimants reported as having difficulties opening bank accounts included recent immigrants who may not speak English well or who may not know how to open a bank account; and people who have significant debts or who have been declared bankrupt. A particular issue raised by advisers in Islington was the need for tenants whose LHA was paid to their landlord, but who received an excess, to have a bank account in which to receive their excess payment. Advisers felt that it was unreasonable to expect tenants who were vulnerable (for example, with a mental health condition) to have to go through the inconvenience of opening a bank account.

In some areas the difficulty for claimants in opening a bank account was linked to wider issues around access to 'basic bank accounts'. These accounts accept deposits made by cash and cheque as well as benefit and salary payments, have direct debit facilities and allow cash withdrawals through Automatic Teller Machines (ATMs) and cashback from retail outlets. As they do not offer credit, such as overdraft facilities, they can be opened without detailed credit checks. Identification requirements are also less stringent whereby benefit entitlement letters, for example, are accepted as proof of identification. Despite the apparent appropriateness of the provision of basic bank accounts, there were, however, differences between different areas in the experience of advisers in assisting claimants access to these type of accounts.

In Torridge, for example, advisers felt that with basic bank accounts, which were offered by several local banks, it was now easier for LHA claimants to open a bank account.

'the banks are being a bit more lenient because you used to have to have photo ID, and now you don't, you can go in with a letter from income support, a utility bill, and that's kind of pretty much, you can open a bank account on that now, so it is proving to be a bit easier to actually open a bank account without photo ID.'

(Independent Adviser, Torridge)

In contrast, advisers in Crawley and Edinburgh reported that claimants still had difficulties opening even basic bank accounts. They commented that some banks were more stringent than others with regard to proof of identification that was required to open a basic bank account. It was also thought that some banks were not promoting basic bank accounts to claimants unable to open a current account, because they are not profit making.

'I know for a fact, because I've sat in a branch while someone blatantly lied to a customer and said, we don't do those accounts, it's just complete nonsense, but it's very common.'

(LA Adviser, Edinburgh)

3.3.4 Improving tenants' access to bank accounts

Some LA advisers talked about arrangements they had set up with local banks to improve claimants' access to bank accounts. For example, Gedling LA liaised with HSBC – the authority's own bank – whereby HSBC would help tenants referred to them to open a basic bank account. Similarly in Islington, advisers had an arrangement with their local Barclays branch, whereby a copy of the tenancy agreement and a covering letter from the LA adviser would be accepted as sufficient proof of identification and address for opening a basic bank account.

'It's not the seal of approval that you know every Joe Bloggs can go in to Barclays in Angel and automatically get a bank account, no,...they may not have the full approval of documents and ID and all of that, but if they go in with a tenancy agreement, with a covering letter from the Homeless Person's Unit, this is where they're about to be placed, this is the amount of money that's going to be in their bank account, they need a bank account,...in this particular name, at that designated address, then they might give them a bank account.'

(LA Adviser, Islington)

This reflects findings from the Pathfinder evaluation (Walker, 2008, [p6]), where direct contact with local banks to establish their requirements for proof of ID was considered crucial in assisting claimants with opening bank accounts. However, some advisers felt that a more widespread solution to the problem would be for LHA to be paid into Post Office accounts, something that is not currently possible.

3.4 Key points

- Claimants receiving direct payments had mixed views about them. For some, it provided a sense of control over how they managed their finances. For others, it was a possible temptation and caused them wider financial difficulties. Even amongst those in favour of direct payments, some felt they were an inconvenience and a cause of some anxiety about paying rent on time or in full.
- The majority of claimants had their LHA paid by automatic transfer and even where payments were late, were generally satisfied. However, some were reluctant to risk paying rent by standing orders due to the potential costs they could incur as a result of the payment date for receiving LHA changing each month and them becoming overdrawn as a result. Instead, some preferred to pay their rent in cash or by transferring the money into their landlord's bank account in person.
- There was very little evidence to indicate that claimants did not have access to banking, or indeed that they had had to set up a bank account specifically for LHA. Older people and people over State Pension Age were identified as a particular group who did not have bank accounts and were resistant to opening one.
- However, advisers were aware of claimants who had experienced difficulty opening a bank account. Inability to provide suitable ID or proof of address was a main issue here. Some advisers felt basic bank accounts had made it easier for claimants but others thought banks remained reluctant to make this provision. Some LAs had made arrangements with local banks to improve claimants' access to bank accounts, but still felt that a more effective solution would be for LHA to be paid into Post Office accounts.
- Evidence from this research on the national rollout of LHA has not raised any issues that are new or different to those found in the LHA Pathfinder evaluation. Claimants' views towards direct payments, reasons for how they pay their rent and their use of bank accounts are very similar to claimants' views and experiences in the Pathfinder study. Issues raised by advisers around resistance to bank accounts and difficulties in accessing bank accounts are also similar.

4 Money management

4.1 Introduction

With the introduction of direct payments to tenants, a key area of concern was whether tenants would be able to manage direct payments and sustain their tenancies. This was of concern partly because for some tenants, who previously had their Housing Benefit (HB) paid to their landlord, the introduction of Local Housing Allowance (LHA) could be the first time that they have had to take responsibility for paying the rent themselves and also because of concerns raised by landlords that they might not receive their rent.

This chapter begins by looking at how tenants managed their household finances and the budgeting strategies they utilised, before exploring how paying rent fitted into their overall financial situation. It looks at the impact of LHA on money management and prioritisation of bills; the impact of having a shortfall or excess and views about the potential removal of the excess; and tenants' use of money advice services.

4.2 Management of household finances

Tenants were asked how they managed their household finances, their methods of budgeting and the factors that helped them avoid, or leave them more susceptible to financial difficulties. This provides a context for understanding tenants' responses to receiving direct payments of LHA. A key issue repeatedly mentioned was the importance of being in control of their finances. This involved knowing exactly how much money was coming in and going out.

It was evident that claimants who were managing their finances well had effective 'systems' in place to actively organise and maintain their financial stability. The kinds of budgeting strategies they used involved separating out different streams of money (sometimes into separate bank accounts) to ensure sufficient money would be available to deal with various outgoings. Generally, budgeting was an ongoing process, most often managed on a weekly (but sometimes monthly or daily) basis as claimants tended to align the payment of outgoings with income receipt, for example, topping up their utility payments or buying food when they received their benefit payments or income. Another factor that helped some claimants to budget was when their rent included some or all utilities which lessened the need to budget separately and deal with additional bills. A few other claimants lived in shared accommodation where bills were split between tenants, which divided the cost and responsibility of payment.

Claimants often referred to juggling household budgets and payments: '*robbing Peter to pay Paul*', which reflects the findings of the Pathfinder evaluation (Hill *et al.*, 2007, [p48]). When asked about how they paid their bills and rent, some claimants said they deliberately did not use automated methods of payment such as standing orders or direct debits as they preferred to make the transaction themselves. This could involve considerable 'juggling' of commitments when funds were low or when there was a demand for payment of one bill before wages or benefits were credited to their bank account. This was important because it allowed them to ensure that money was in the account before making a payment and avoid incurring charges should insufficient funds be available.

Even where it was acknowledged that paying by direct debit could be a cheaper method of bill payment, without the 'buffer' of knowing funds would be available in their account, it was not considered worth the risk as it could cost more if it went wrong than might be saved if all went well.

'It's fine if you've got a high regular income and you've got plenty of money that you can use for savings or something, because you've got a decent buffer to cover it there, but if you're on a low income they just prove very expensive if you're not really on the ball...if I miss one direct debit and that's going to cost me 35 quid or whatever it might be, it's not worth the risk.'

(Male, single, age 25, Edinburgh)

Some tenants did pay household bills by direct debits. Tenants who had previously been in work continued budgeting in the same way as they had whilst in employment. Again, however, a key factor for them being able to maintain this means of paying their bills was being aware of payment dates and what their balance was going to be at that time. Several used internet banking as a means of ensuring that they could control the timing of some payments to suit their circumstances. Avoiding credit cards was also mentioned as a way of keeping on top of finances. The danger of incurring expensive and spiralling debts from which it would be difficult to recover was recognised both by tenants who had a general aversion to credit cards and those who had past personal experiences of credit card debt.

This 'juggling' also manifested itself in claimants having to make decisions about which bills to pay, part-pay, or which could be left. Several mentioned postponing payments to utility companies or agreeing lower payments. However, where they had been unable to make these arrangements, additional expense could be (and had been) incurred if overdrafts were used and bill payments taken out of bank accounts without funds being available.

Many tenants used prepayment cards or meters to budget for gas, electricity and TV licence. Several had requested a change from bills to prepayment in recognition that they had struggled to manage their finances effectively in the past. While this prevented tenants from accessing the most cost-effective deals, this payment method enabled them to pay for utilities a bit at a time and avoided the worry of dealing with large bills in the context of their restricted income.

'I know that what I've put in there is what I've got and what I've got to use. We work our gas and electric like that. If you're paying for it that way it's pre-paid and you'll keep an eye on it a lot more.'

(Male, couple with children, age 32, Edinburgh)

However, landlords also made the choice for their tenants about how utility bills would be paid where properties were fitted with meters. Indeed, one respondent found the cost of paying by meter was taking a large portion of her budget, but was unable to control it as the landlord had refused her request to change from meter to bill payment.

Some tenants were experiencing difficulties balancing their household budgets. Sometimes they simply felt that they just did not have enough income to meet their needs. For example, some single tenants who were receiving just Jobseeker's Allowance (JSA) and some lone parents, in particular, were finding it hard to manage on their incomes. Situations were further complicated where tenants had unpaid bills from past addresses, or debts (including loans, credit cards, catalogues and arrears in household bills) which had built up over time – in some cases from when claimants had enjoyed a higher household income in the recent past while in work. Even if claimants were not accruing more debt, servicing them could take a considerable portion of household income making managing their finances more difficult. For example, one respondent whose source of income was from state benefits spoke of loan repayments of several hundred pounds a month.

Although some tenants felt that they had their debts under control and had contacted companies to negotiate smaller repayments, others were still adding to their debts, for example, ongoing arrears on water and gas bills. One respondent said that he felt he had no choice but to use a credit card to pay household bills to avoid being cut off, despite the high interest charges he would incur. While a few people said that they just were not very good at dealing with money, often the combination of competing demands on a low income, as well as past debts, meant that there was no leeway for them in the context of their already constrained budgets, and even fairly small additional expenditure could upset the balance and put them under further pressure. For parents in particular this could be a problem.

‘Some weeks I am on top of things, other weeks I am not. It all depends on if my daughter needs a new pair of shoes or something. Every day this week I have brought her home from school and she has ripped her tights. Now I have to go and buy her some more tights and they are £4 a pair. They will last her probably two wears.’

(Female, lone parent, age 27, Islington)

There was recognition of the need to be careful and cut back spending in order to make ends meet. This included limiting heating, car use, not socialising or eating out, not buying new clothes or treating children. In some cases this was not seen as particular hardship, for example a single male who felt he had low needs. However, others found this more difficult particularly where it restricted spending on children. Several tenants mentioned financial help received from family or friends. Sometimes this had been to cover a temporary tight spot (including funding deposits, see Chapter 5), but for a few it had been a regular cushion, including to help manage an LHA shortfall (see below).

Reflecting the recent economic downturn, this research included people who had faced redundancy and unemployment, but had previous solid work histories including running their own business. This past experience had differing impacts on their ability to cope with managing their current financial situation. On the one hand, long term experience of managing bills and operating bank accounts was helpful as they had built financial capability and knowledge about budgeting. On the other hand, being faced with a sudden drop in income was challenging and, as well as adjusting to different lifestyles, several were dealing with loans or debts accumulated when working. Conversely, several interviewees spoke of their determination to keep on top of finances being influenced by past financial problems and debts. Having got back on track they did want not to get into difficulty again.

4.3 Managing rent payments

Where finances were well organised, paying rent was often seen as just another bill to pay from the general finances, with little impact on household budgeting. However, others had set up strategies to deal with direct payment and manage paying their rent. These seemed particularly important where tenants had very constrained budgets, found it difficult to manage their money, or had outstanding debts or arrears on household bills.

Strategies used by tenants to manage their rent payments included aligning the timing of rent payments to match LHA receipt. For example, one tenant transferred his rent to his landlord as soon as the LHA was in his account (even if it came earlier than the rent due date) to counter any risk or temptation to spend it on other things. Another had requested paying rent four-weekly rather than monthly to coincide with LHA payments. The mismatch between monthly rent payment and LHA being paid on a two or four weekly basis could make budgeting more complex and was a cause for concern.

'The one thing that I would say I would like to see changed overall is scrapping it from a four week system to a monthly system because nobody really works in four weeks these days, most things are monthly and that being every four weeks causes a lot more work at the end of the day.'

(Female, single, age 45, Crawley)

'...my rent is £475 a month and I get every fortnight, I get £219 so like depending on if it falls like within the right dates I might have to put an extra tenner in or an extra bit it depends.'

(Female, lone parent, age 19, Gedling)

Another strategy employed was separating out rent money by putting aside LHA when it was received. Several tenants had specific accounts that they used for LHA which helped them ensure they had sufficient money available to pay their rent. A few respondents had set up such accounts recognising that they had financial difficulties, including one who had opened a joint account with a family member which did not allow her to make cash withdrawals.

A key issue for tenants was that direct payment of LHA meant they could have large sums of money sitting in their accounts, particularly if rent was paid monthly. Interviewees recognised the dangers presented by this, not only of the temptation to draw on rent money, but the risk of it being swallowed up by other demands on their income or servicing outstanding arrears. Aligning their rent payments, setting aside rent money or having separate accounts, provided safeguards against this, but required constant monitoring, organisation and self-discipline.

4.3.1 Prioritisation of rent payments

Tenants placed a high priority on paying rent, as found in the Pathfinder research (Hill *et al.*, 2007, [p51]). The importance of paying rent was repeatedly emphasised and generally seemed to counteract any temptation for respondents in this research. LHA was also generally not seen in the same way as other benefits, and tended to be treated as rent money - *'it is not my money'* -, rather than getting assimilated into a household income. Tenants repeatedly emphasised the importance of *'keeping a roof over our heads'* - this was particularly salient to families with children.

'I think if I was a single person on my own it would be different, but the fact that I have got kids to consider, it is their home, I want to know that I am not going to be worried about them losing their home. If I have got a gas bill and it is due next week but I am short of nappies, then I will sneak a tenner away, go and get a pack of nappies. I wouldn't want to risk that with the rent. British Gas I can say, I am having a short week, can I pay you next week and they are normally OK about it. I wouldn't want to push my luck with the rent.'

(Female, couple with children, age 28 Gedling)

Even where tenants were struggling to manage household budgets, they emphasised the importance of ensuring that rent was paid for fear of getting in arrears and being evicted - this fear was occasionally based on past experience. Where tenants were faced with competing demands

and outstanding debts they put rent first even if it meant falling behind with other bills, or going without. In one case a respondent's benefits, including LHA, had been frozen at the time of the interview, however, despite having no income, they were using up savings to ensure that their rent was paid. One concern was that once behind it would be difficult to get back on course given the amounts involved:

'...if we do not pay like one month for the house it will be like two months will be like a lot to pay, so we need to pay the house first and then others.'

(Female, couple with children, age 43, Crawley)

4.3.2 Rent arrears

Reflecting the high priority given to paying rent, current or ongoing rent arrears were uncommon among tenants in this research, as was also the case in the Pathfinder research (Hill *et al.*, 2007, [p51]). Sometimes tenants talked about being a little late paying the rent, but this was generally an occasional delay of no more than a week or two. For example, where tenants had had an expensive month or faced unanticipated outgoings, and were unable to pay the rent until they received their next benefit or borrowed money. A good relationship with the landlord, being a long-term tenant and keeping the landlord or agent informed of any delay contributed to landlords being understanding in such circumstances. There were a few cases of very recent or impending arrears, but these appeared to be the result of benefit administration (delayed LHA payment) or banking errors (a payment mistakenly taken from an account containing LHA money). The key issue here is that these tenants were not actually spending their rent money elsewhere, but when faced with a blip in their finances or administration, they had no reserves to draw on and act as a buffer.

4.3.3 Managing rent shortfalls

Around half of the tenants interviewed had LHA shortfalls and were consequently responsible for paying the difference between LHA and rent from their household budgets. The amount of shortfalls varied from five to over fifty pounds a week. The largest shortfalls tended to be due to more complex reasons than a mismatch between LHA rates and rent level, sometimes a combination of factors. These included:

- Receiving partial HB where one or more of the household was working.
- Under-occupancy. This included a couple with a two bedroom property whose health needs required them to sleep in separate rooms. Families where children had their own bedroom rather than sharing as required under the LHA rules. A single pensioner in a two-bedroom property who wanted a spare room for his grandson to stay over, and a 23 year old living in a one bedroom flat who had lost their job and was receiving a shared property rate.
- Deduction of overpaid benefit. In one case despite the rent being set to match the LHA rate, a tenant had a shortfall as £30 a fortnight was being taken from his LHA payment due to a past HB overpayment.

A further issue was that the amount of shortfall was not always clear to respondents. Where LHA was paid fortnightly but rent paid monthly, tenants tended to overestimate the amount of shortfall by comparing a four week LHA amount with the monthly rent. While this would even out annually, the impact was felt when budgeting on a monthly basis. Even if respondents were aware that they would get a 'thirteenth month' LHA payment, they needed to find the difference every month in the meantime, which could make managing rent payments harder. In one case this was a struggle and required borrowing from parents every month until they received their thirteenth payment.

The following illustrates a hypothetical example of how tenants experienced a shortfall when LHA is received every four weeks, but rent is paid monthly:

If rent is £600/month and LHA is £520/month, then the tenant has a shortfall of £80/month. However, if LHA is paid 4-weekly then the tenant receives £480/per 4 weeks and feels that they are having to pay a shortfall of £120/month, although their actual shortfall is a lot less. They have to wait a whole year until they get their 13th LHA payment to offset this misalignment.

There was confusion for several tenants whose circumstances had not changed, but whose LHA amount had fallen by between £1.15 and £20 per week following the annual review of their claim. While tenants generally recalled notification of the change, they did not fully understand why their benefit had gone down as they were not aware that the LHA rate changed monthly and that claims were reviewed annually. Tenants who were already under financial strain were concerned about this added pressure on their budgets. One claimant, who had been aware of their entitlement prior to their property search and had spent a long time finding a suitable property where the rent equalled LHA, was now facing an unexpected twenty pounds a week shortfall.

Tenants tended to make up the shortfall from other income sources and pay it with the rent in one lump sum. Sometimes this was just from the general 'pot', whereas others found it helpful to use specific sources to cover the shortfall, such as their Child Tax Credit, or Pension Credit. Where budgets were particularly tight, funding a shortfall could necessitate cutting back on other things, or occasionally borrowing money. A few people with current or recent work histories mentioned drawing on savings to cover shortfalls, however, savings were dwindling, and this was not generally seen as a sustainable situation. Along with others who did not see their situation as sustainable over the long-term, moving to cheaper accommodation was not necessarily a practical or financially realistic option (see Chapter 6). A couple of respondents were in the process of applying for Discretionary Housing Payments (DHP) to help with shortfalls. Those looking for work saw this as the best way out; however, given the current economic climate this was not felt likely to be an immediate solution.

4.3.4 Use of excesses

Under the national rollout model the amount of excess paid to a tenant has been capped to a maximum of £15 per week. In this research ten of the 35 interviewees received an excess ranging from around five to fifty pounds per month. However, due to the difference in timing of LHA and rents (as discussed earlier), claimants were not always clear about the exact amount they received. Where this was the case people thought that they were getting less excess per month than when averaged across a year. Furthermore, an excess was not always received. In one case a ten pounds a week excess was absorbed by a deduction for an LHA overpayment. Another claimant whose LHA was paid to the landlord had only ever received one cheque for the excess, and had not cashed it as he was unsure whether it was his to keep.

The benefit of receiving an excess often depended on how much the excess was relative to other income, and the amount of strain their household finances were under. A fifty pounds a month excess was seen as a useful 'comfort zone' where a claimant was only receiving income from JSA. Some tenants just absorbed the excess into the general household 'pot' and saw it as supplementing the funds available for shopping and paying bills. Others used it for a specific purpose, for example, towards paying a water bill. A few mentioned that it made a difference to the type of food they could afford, in a couple of cases this related to takeaways, but for another

it enabled her to buy fresh fruit. While not all of these tenants felt that the excess made much difference to them, a real impact was felt where tenants had started receiving an excess after previously paying a shortfall, in one case helping a tenant to 'get back on her feet'.

'It's enabled me now to be able to afford fares to actually just go that bit further afield to try and find a job sort of thing, you know, I do appreciate the extra money because as I say it's enabling me and I'm not just spending the money on nothing if you know what I mean, it's actually helping me to get out of the situation that I'm in.'

(Female, single, age 45, Crawley)

4.3.5 Withholding of rent

One aspect of direct payment is that tenants can be seen to have a degree of control over paying their rent, including the ability to withhold it if they feel it necessary. There were no cases in this research of respondents actually withholding rent from their current landlord, although a few occasionally said that they had done so at past addresses, for example, to get an oven fixed. However, a couple of tenants were considering withholding rent due to landlords not responding to repeated requests to make repairs to leaks or heating.

The overall feeling was that withholding rent was regarded as a last resort and that a situation would have to be 'desperately bad', such as endangering safety or health. Indeed, this had not been considered even where there were serious problems with accommodation. Theoretically, several tenants could see that withholding rent could be a way of forcing an issue with landlords, and a few felt they would withhold rent should it become necessary. However, there was a common concern that this would put them at risk of eviction, or at least damage their relationship with their landlord. Other reasons for feeling hesitant about this option were feeling unable to make demands on a landlord where the rent was low, or it being inappropriate to withhold rent given that it was mostly paid by LHA and in that sense 'not their money'. Where tenants had a very responsive or good relationship with their landlord their preference would be to resolve an issue through negotiation. Although direct payment of LHA can, in theory, give tenants an element of control over rent payment there was still a sense of a power difference in the relationship.

'Obviously the landlord has got more control so if you don't pay the rent even if there was something wrong, they'll take your deposit wouldn't they? Kick you out and then keep the deposit wouldn't they? if I move out of here I'd need the deposit to move to somewhere else. So that would be the only thing that would scare me about doing that.'

(Female, couple with children, age 22, Gedling)

4.3.6 Adviser perspectives on tenants' ability to manage rent payments

The overall picture presented by advisers (across all areas) was that the majority of LHA claimants were managing their money well and paying their rent. For example, local authority (LA) advisers reported having only a small proportion of claimants whose payments had been transferred to their landlord as a result of their being eight weeks in arrears. However, they reported that a significant minority of claimants were not managing.

This minority were considered significant in terms of the circumstances they found themselves in and the longer-term consequences of falling into arrears, as well as in terms of the amount of work this created for both LA and independent advice agencies involved in supporting them. They were also significant in terms of LHA policy, in that some advisers felt that many of these ‘problematic’ cases would not have arisen if claimants were given the choice of having their LHA paid to their landlord (as under the HB system). As one adviser put it:

‘And whilst it isn’t a massive problem it is another problem that we didn’t have before.’

(Independent Adviser, Crawley)

By the very nature of their role, Advisers’ focus was much more on the experience and circumstances of claimants who were (or who were at risk of) having difficulty managing their finances. As a consequence, they had little to say about those who were managing well (as reflected in the tenant interviews) by virtue of them not coming into contact with this group very often.

As found in the Pathfinder evaluation (Walker, 2008, [p6]), one key reason given by advisers as to why some claimants were struggling to manage direct payments and pay their rent was due to them having multiple debts and more generally trying to make ends meet whilst living long-term on a low income. As discussed in Chapter 3, some advisers observed that LHA being paid directly into bank accounts that were often overdrawn or where claimants had incurred bank charges (for example, through non-payment of a direct debit or use of an unauthorised overdraft) meant that all or part of their LHA payment was often ‘swallowed up’ before it could be paid to the landlord. Advisers also talked about claimants they had seen, who were struggling to manage their rent payments, who had multiple debts and who prioritised paying off debts such as fuel bills or credit card bills over paying their rent:

‘...paying rent is not always a priority because people know how long it will take for a landlord to evict them, so when you’ve got a pile of bills in front of you, your gas, your electricity, your Christmas presents for your child in a month’s time, is going to come before your rent does.’

(Independent Adviser, Edinburgh)

Prioritising other bills over rent payments was thought by some advisers to be associated with a lack of budgeting skills and an (erroneous) expectation amongst some claimants that if they were evicted due to rent arrears the LA or other statutory services would help them with getting rehoused. Advisers also reported claimants getting into rent arrears after Christmas, whereby some were unable to resist the temptation of using their LHA money to buy Christmas presents. Claimants ‘dipped’ into their rent money, using it to pay for other bills or for Christmas, expecting that they would be able to make up the missed rent payment the following month, but due to living on a limited income often found themselves unable to make up the arrears.

Misunderstandings, lack of information and confusion were also reported to hinder some claimants’ ability to manage direct payments of LHA. That claimants did not receive any notification when an LHA payment had been paid into their account was raised as an issue. An example was given of a claimant who had mistakenly assumed that an emergency LHA payment (where the amount received did not correspond to his LHA entitlement) was a budgeting loan payment and had spent the money. He was now in arrears and being ‘hounded’ by his landlord to pay the arrears and had been threatened with eviction.

Advisers felt strongly that paying claimants on a fortnightly or four weekly payment system also made it difficult for claimants to manage their finances effectively, when most landlords charged claimants rent on a calendar month basis. This issue was also raised in the Pathfinder evaluation (Walker, 2008, [p7]). Reflecting the concerns raised by claimants, advisers felt this made paying

landlords via a monthly standing order more difficult to set up. A four weekly payment system whereby the date of payment always changed, combined with receiving no notification of when a payment had been made, was thought to make it more difficult for claimants to stay on top of their money management. Responding to this concern, it was notable that Edinburgh LA had specifically introduced an IT system that was able to pay claimants on a monthly basis in order to remove this confusion for claimants.

Some advisers believed that many of the problems associated with direct payments could be overcome by allowing claimants to be able to choose to have LHA paid to their landlord, which would also help prevent tenants falling into arrears.

4.3.7 At risk claimants

Some advisers were seeing claimants who had not paid their rent who they considered to be vulnerable, such as those with mental health problems, drug, alcohol or gambling addictions, but who had not been picked up as being vulnerable under the LHA safeguard provisions (see Chapter 5 for further information on this).

Advisers also raised concerns about a broad group of claimants who they thought would not be considered within the LHA safeguard provisions, but who had difficulties managing their finances and paying their rent. This group included recent immigrants who did not speak English as their first language and who did not have a clear understanding of how the benefit or banking systems worked, and people who had never had responsibility for paying their rent and bills before. Examples given were under 25 year olds, young families leaving home for the first time; people who had always lived in social housing (where HB had been paid to the landlord) moving to the Private Rented Sector (PRS), and people who were newly separated/divorced. Advisers reported that for these groups of people managing rent payments and bills was a steep learning curve which could be a stressful experience. Claimants under 25, due to their age and inexperience, were highlighted as a group particularly at risk in terms of their ability to manage rent payments and as likely to need help with money management.

Obviously, not all of these risks were directly related to LHA itself, but were highlighted as an outcome of making tenants responsible for payment of their own rent. Some advisers felt this had put a significant minority of claimants under considerable pressure that they could not cope with for various reasons. This is neatly summarised by one independent adviser:

'You have to assess people and work with people who at the time of assessment are in arrears, rent arrears for whatever reason. But they are often people who aren't classed as vulnerable, they are just going through a rough patch in life, relationship breakdown, something like that, get problems and they have got themselves in to a bit of trouble because they have used their rent money for other things.'

(Independent Adviser, Crawley)

Advisers in most areas knew of a few tenants who had been evicted by their landlord because of rent arrears. Concerns about this issue were most strongly voiced in Edinburgh where one independent advice agency had seen a number of vulnerable tenants who had been evicted because of rent arrears. The concern was that once tenants had been evicted for rent arrears they were viewed as being intentionally homeless. Under these circumstances the LA had no duty to re-house them in social housing and their return to the private rented sector was restricted because they could not get a good reference, leaving people who were vulnerable with nowhere to go.

Except in Edinburgh, advisers did not feel there was sufficient evidence to link any changes in homelessness directly to LHA. For example, in Crawley, it was reported that rather than cite rent arrears and try and evict tenants during the fixed term period of the tenancy (by issuing a Section 8 notice) landlords preferred to re-gain possession of the property by terminating the contract at the end of the fixed term tenancy period.

4.4 Use of money advice services

Although tenants in this research were not necessarily getting into rent arrears, their financial circumstances were often constrained and sometimes precarious. Tenants' use of money advice services was explored to provide an insight into any impact of LHA on money advice services.

Where tenants had sought money advice this was most often about general financial matters rather than directly related to issues around LHA (sometimes experience that pre-dated their LHA claim). The Citizens Advice Bureau (CAB) was the source of help most commonly mentioned, and had been visited for advice about general financial difficulties and debts including credit card debts, bankruptcy, negotiating lower loan repayments, house repossession, and also advice on benefits. Although, some tenants reported delays in getting appointments with a CAB adviser. Other sources of help for such issues included a national debt telephone helpline, a student advice service, and bank/building societies and the Consumer Credit Counselling Service. Informal sources of advice, such as family and friends, were also considered a first port of call for money advice, as well as a source to borrow from.

For those claimants who had not sought any help, the CAB was generally mentioned as being the most likely option they would take, should they ever want help about financial matters. Indeed, when prompted, several claimants said they were contemplating visiting the CAB, for example, about outstanding electricity arrears, and where benefits had been stopped or reduced. The council was also seen as an option if they ever wanted help with rent matters. However, one respondent felt that the CAB would be more appropriate for such issues, given their independence.

There was occasional unawareness of local money advice organisations or what services they provided. Even where claimants were aware of the availability of services, there could be a reluctance to use them. For example, one interviewee with outstanding loans and debts had not sought money advice but felt that there was no need to do so as he was not yet at the stage of 'losing sleep' over his situation.

This overall picture was shared by advisers. They reported that LHA claimants had not been seeking help from formal money advice services, such as CAB, if they were struggling to manage direct payments and falling into arrears. For example, CAB advisers in Islington and Gedling reported that they had not been approached by any clients with money issues relating specifically to LHA. CAB advisers in Edinburgh reported that it was very rare for them to see clients with a problem solely related to LHA, but rather saw clients with multiple debts which could include problems with LHA. This low level of take-up of advice ('a handful of cases') was cited as the main reason for the funding for two full-time money advice posts under the LHA Pathfinder scheme in Edinburgh being withdrawn.

Advisers were of the view that, rather than seeking formal money advice, tenants having difficulties managing their rent payments and falling into arrears were seeking help from LA housing/homeless teams, or from agencies (such as Shelter) providing support and advice on housing-specific issues.

Tenants were described as leaving it to the last minute to seek help. Typically advisers were approached by tenants at the point at which they had received an eviction notice from their landlord or when they were already homeless following an eviction.

‘They come to us, they might have left their accommodation because they have been issued with notice, go and stay with their mum for a few weeks and then come back to us as homeless. So it is not always something that we can manage there and then.’

(LA Adviser, Gedling)

4.5 Views towards the £15 excess and its removal

Most interviewees did not receive an excess and when the excess policy was explained to tenants during the interview they were sometimes surprised to learn about it. As such, claimant views about the removal of the excess were often hypothetical. In contrast, advisers provided an informed perspective based on their experience and observations of the provision in practice. Reflecting that they had mixed views about the excess policy when LHA was introduced, they also had mixed views about taking it away from tenants. For example:

‘It didn’t seem right when they first introduced it.’

‘Yes when it came in, I would agree with that when it came in. But taking it away from somebody that has got used to it I don’t think is right either.’

(LA Advisers, Gedling)

4.5.1 Views against removing the excess

A few tenants felt that the excess should not be removed. They felt that the ability to retain the excess could have a positive impact on the household income of those who received it and that its removal could have significant financial consequences for some people (especially families). A particular example that was highlighted was that if the condition of a tenant’s accommodation was really poor an excess was warranted.

Amongst advisers, the strongest objection to the removal of the excess was that tenants who had become used to retaining this amount as part of their weekly income could end up in financial difficulties as a result of it being taken away from them. Given the limited financial circumstances of many claimants, many advisers felt that this additional income had helped prevent some tenants from spending their rent money on other essentials (such as utility bills, clothes for children etc) and thus falling into arrears.

Retaining the excess was seen by some advisers as an effective incentive for tenants to continue to take responsibility for paying their rent. Some advisers involved in helping people find tenancies in the PRS used the excess as a negotiating tool with landlords. In particular, they felt that negotiating lower rents with landlords so that the tenant received an excess, encouraged tenants to pay their rent on time and helped to improve the landlord-tenant relationship as both were benefiting financially. Furthermore, removing the excess could make some tenancies less secure as it provided an incentive to landlords to maintain tenancies where arrears had built up as their tenants had some means (that is, an excess) with which to repay them.

‘if you’ve got those rent arrears and you’re then enabled if you’re responsible to kind of slowly make a contribution towards paying those off and therefore your landlord doesn’t evict you then I think that would help secure tenancies.’

(LA Adviser, Edinburgh)

A number of other issues were raised by advisers in favour of retaining the provision for tenants to retain an excess. In terms of the benefits to tenants, advisers thought retaining the provision could enable them to save up for a deposit for a future house move. This was thought particularly important to claimants on long-term low incomes as their inability to save up for a deposit was seen as being one of the biggest obstacles to their being able to secure tenancies in the PRS.

In Gedling, advisers thought the excess was absorbing some of the negative impact tenants were experiencing as a result of falling LHA rates. Rates had fallen over the course of the year in which the research was undertaken, whereby following their annual review some tenants were receiving less LHA than they were before. LA advisers felt the removal of the excess, at a time when LHA rates had fallen, would be very likely to result in an increase in applications for DHPs.

In terms of the response of landlords, some advisers also thought that the removal of the excess could result in landlords putting their rents up to match the LHA rates as there would no longer be any explicit incentive for them to use this provision to attract and retain 'good' tenants by setting/agreeing to lower rents. Advisers pointed out that if this happened, then removing the excess would not save the Government any money, this was widely perceived as the main policy driver for the change.

4.5.2 Views in favour of removing the excess

Amongst tenants, the overriding feeling was that it was right to remove the excess. Tenants who expressed this view felt that LHA should only cover rent and no more. Furthermore, continuing with provision for people to retain the excess was not thought to be the best use of Government money.

'It does mean that the Government are giving people £15 for nothing..... my opinion is that LHA is to pay your rent, so if your rent is only £65 a week why should they pay you £80 a week?'

(Male, single, age 55, Gedling)

While those who were receiving an excess generally appreciated it (one respondent said she would be 'gutted' to lose it) there was a feeling that it would be 'fair enough' if it was taken away, and almost resignation about its removal:

'If they do, they do, if they don't, they don't, you know it's almost as if it was good whilst it lasted but you know with something like that they're not going to give money forever are they?'

(Female, lone parent, age 28, Crawley)

In contrast to those advisers who thought removing the provision to retain the excess would result in negative consequences for tenants, other advisers could see advantages to its removal. The removal of the excess would have no immediate impact on claimants who did not receive an excess. Further, removing the excess would not have any impact on claimants' housing choices as they did not believe that claimants' housing decisions were influenced by the opportunity of keeping an excess (see Chapter 6 for further discussion on this).

Some advisers thought that the money spent on giving tenants an excess could be better used, for example, on deposit schemes to increase tenants' access to properties in the PRS. This mirrored the views of some tenants who felt quite strongly that it was unfair for some people to receive an excess, particularly as they themselves were struggling to pay a shortfall. Their view was that the funds currently spent paying for 'excesses' would be better redirected to reduce the shortfalls paid by others.

In the case of tenants whose LHA was paid to their landlord, difficulties associated with split payments (when the excess is still paid to the tenant), which involve more complex administrative payment systems, would no longer apply if the excess were removed. Removing the excess would also overcome difficulties advisers had come across when vulnerable tenants had been required to open a bank account in which to receive their excess (as reported in Section 3.3).

4.6 Key points

- Most claimants managed their household finances successfully, this often requiring considerable ‘juggling’ of the payment of bills, use of overdrafts and credit cards and day-to-day spending. Others experienced significant difficulties budgeting, with many simply not having enough income to meet their needs and living with often considerable debts and arrears. Ensuring rent was paid on time sometimes resulted in them falling behind with other bills or going without. All tenants placed a high priority on paying their rent, and current or ongoing rent arrears were uncommon. These findings reflect those of the Pathfinder evaluation.
- Shortfalls had a marked impact on claimants’ ability to budget effectively and on their finances more generally. The impact of this for some was unsustainable in the long term. Advisers felt strongly that LHA payment cycles not being on a calendar basis, as most rents are, made it difficult for claimants to manage their finances effectively. Difficulty for claimants in managing their rent payments, caused by the mis-alignment of LHA payments with monthly rent payments, was evident in both this study and the Pathfinder evaluation.
- This research, which includes a greater focus on the experiences and views of advisers from independent advice agencies than in the Pathfinder studies, provides a more detailed insight into the reasons why a minority of claimants were struggling to manage their rent payments and falling into arrears. Some advisers were seeing claimants in difficulty who they considered to be vulnerable, but who had not been picked up under the LHA safeguard provisions. Some felt direct payments had put many of these people under pressure that they could not cope with. Some advisers felt that allowing more claimants to choose to have LHA paid to their landlord would overcome many of these problems.
- Overall, there was a low level of awareness of money advice services and a reluctance to use them. Advisers were often frustrated that tenants tended to approach them at the point at which they had received an eviction notice from their landlord or when they were already homeless following an eviction.
- There were mixed views about the provision to retain the excess and of proposals to remove it amongst advisers. Interestingly though, many (but not all) claimants supported the removal of the excess, saying that LHA should only cover rental costs and that it was not the best use of Government money. Some advisers thought that the money spent on giving tenants an excess could be better used, for example, on deposit schemes to increase tenants’ access to properties in the PRS.

5 Operation of the LHA safeguards

5.1 Introduction

A key objective of Local Housing Allowance (LHA) is to increase the personal responsibility of claimants in budgeting and paying the rent themselves and the administration of LHA presumes that payments will normally be paid to the claimant. However, in recognition that some claimants may have difficulty managing their finances, or be unlikely to pay their landlord, LHA includes provisions to transfer payments to the landlord where:

- claimants are eight weeks or more in arrears;
- it is considered improbable that the claimant will pay their rent; and
- where it is considered claimants are likely to have difficulty paying their rent.

This chapter focuses on the views and experiences of advisers in relation to the operation and effectiveness of the LHA safeguards.

Information about tenants' own experiences of the LHA safeguards was not available from the interviews conducted with tenants. Only three tenants interviewed did not receive direct payments. Of these, two had their LHA paid to their landlord at the request of their landlord⁴ - neither were unlikely to pay their rent or in arrears. The third tenant who participated in the research had their LHA paid to their landlord because they were unable to manage their rent payments. This tenant had mental health problems and a gambling addiction. However, they were unable to comment on their experience of the process because it had been dealt with by an adviser on their behalf.

5.2 Eight weeks in arrears

As outlined in the '*Housing Benefit Local Housing Allowance Guidance Manual*'⁵, payments should (in most cases) be transferred to the landlord if a tenant has built up rent arrears of eight weeks or more. The eight week period is intended to tie in with the period of eight weeks in which a tenant can fail to pay rent without being evicted. Local authorities (LAs) can pay any excess that tenants receive to the landlord to help clear the arrears.

Advisers reported the process for transferring payments to the landlord to be straightforward and to work well. Typically landlords contacted the LA with evidence of arrears; the LA suspended further payments and wrote to the tenant saying they had received notification from their landlord that they were in arrears. Tenants had seven or fourteen days (LAs varied in the time they gave) in which to respond and to provide evidence if they were not in arrears. LAs did not usually hear back from tenants disputing the arrears and payments were transferred to the landlord.

⁴ As noted in Section 3.1, LHA policy does not allow landlords to demand rent be paid to them as a condition of a tenancy, and it is unclear how this situation arose in these two cases.

⁵ DWP '*Housing Benefit Local Housing Allowance Guidance Manual*', March 2008.

However, LA staff did sometimes find themselves getting caught up in disputes between tenants and landlords. Examples included a case in Crawley where the landlord had evidence to show that the tenant was in rent arrears, but the tenant had evidence to show that they had made their rent payments – in this case the LA suspended all payments until the case went to court. Conversely, in Gedling a dispute between a landlord and a tenant had arisen when neither could show any evidence of rent payments having been paid or not paid because payments had been made in cash without receipts. LA advisers also reported disputes occurring when tenants were withholding rent payments due to disrepair issues.

Whilst the process of transferring payments to the landlord worked well, some advisers did not think that the eight weeks in arrears provision was an effective safeguard in helping tenants who were not paying their rent on time to maintain their tenancy. At eight weeks of arrears landlords can legally evict tenants so that even if rent payments are transferred to the landlord the tenant can still lose their tenancy. The amount of arrears that tenants could accrue in eight weeks was said to be substantial, over £1,500, which could be very difficult – if not impossible – for tenants to pay back. Some advisers did not understand why payments could not be transferred to the landlord sooner.

‘What’s the point of having the eight weeks, where eight weeks you can already evict. Wouldn’t you say, ok after six weeks if you haven’t received your rent, if they haven’t paid, so to stop getting to the eight and then being able to evict.’

(LA Adviser, Islington)

That payments can revert back to the tenant once the arrears have been cleared was viewed as a reason why some landlords might terminate tenancies at the end of the fixed period, rather than face the risk of the tenant falling into arrears again. This was a further reason why the eight weeks arrears provisions were not thought to be effective in protecting tenants.

Edinburgh LA was different to the other case study areas in that they started proceedings to transfer payments to the landlord after just one month of arrears. This was a deliberate preventative measure to help stop people from losing their tenancy and was common practice amongst the other LHA Pathfinders. The majority of the LHA Pathfinders took action before arrears reached eight weeks, with some Pathfinders doing so after just two missed rent payments (Walker, 2008, [p15]). However, the success of the policy was dependent upon landlords being aware of it (not all were said to be) and upon landlords contacting the LA after one month. It was reported that if landlords only conducted quarterly checks on their accounts, rather than monthly, then the LA may not be informed until after two or three months of arrears had accrued. The process also occasionally slipped up if LA revenues staff were unaware of the policy and only implemented transfer procedures at eight weeks arrears (an issue also raised in the Pathfinder evaluation).

5.3 Unlikely to pay provisions

A further safeguard outlined in the LHA Guidance is that LAs have the discretion to pay LHA to the landlord at the outset of a claim, rather than to the tenant, if it is considered improbable that the claimant will pay their rent. For example, if the LA is aware that a tenant has consistently failed to pay rent in the past (DWP *‘Housing Benefit Local Housing Allowance Guidance Manual’*, March 2008).

Transferring payments to the landlord because the claimant had been assessed as being unlikely to pay their rent were not common. Only in Edinburgh did it appear that the unlikely to pay provisions were actively used as a measure to protect both tenants and landlords. Where LA advisers did have experience of using this provision the main difficulty in its implementation was identifying tenants who had a history of arrears. Information on past arrears is not requested on the claim form so

unless the issue was specifically flagged up, by the claimant or the landlord, staff would not look at a claimant's previous rent account when assessing the claim.

'...unless you identify the name or something catches your eye when you're looking at their new application, sometimes you don't – you're not going to be aware of the fact.'

(LA Adviser, Edinburgh)

5.4 Safeguard provisions for claimants likely to have difficulty paying their rent

As outlined in the LHA Guidance Manual, LAs have the discretion to pay LHA to the landlord, rather than to the tenant, if it is considered that the tenant is likely to have difficulty managing their financial affairs and paying their rent on time. Although, the *Guidance Manual* does not define a list of circumstances of when payment should be made to the landlord, examples given include tenants with: a learning disability; addiction to drugs, alcohol or gambling; medical conditions such as mental illness; illiteracy or an inability to speak English; people leaving care or prison or fleeing domestic violence. Evidence is required to assess whether or not a claimant is capable of managing their financial affairs. LAs should consider and evaluate representations and evidence from the following: General Practitioner (GP), Probation Officer, Social Services, welfare organisations, homeless organisations, banks/building societies, as well the claimant's landlord and family and/or friends. Evidence from professionals carries more weight than evidence from friends, family and landlords⁶.

The main issue advisers raised was in relation to the requirement to provide evidence that a tenant was likely to have difficulty paying their rent. A key issue for advisers from independent advice agencies was that a supporting letter from themselves on behalf of a tenant explaining why they would have difficulty managing rent payments was often not accepted by the LA as sufficient evidence. As a result independent advisers had to obtain other forms of evidence on behalf of their client which could take considerable time and effort. This included letters from GPs, community psychiatric nurses, social workers, or drug and/or alcohol support workers, and evidence of debts such as bank statements and bankruptcy orders. Problems experienced in collecting further evidence included:

- the charges asked for by some GPs for writing a letter;
- a lack of response to requests for a supporting letter, or delays in getting a response from some professionals – particularly social workers; and
- difficulties in finding supporting evidence, for example if tenants were not registered with GPs or other support workers.

Similar issues were also raised by LA advisers responsible for assessing safeguard applications. When applications were received directly from claimants without any supporting evidence LA advisers would have to write to claimants asking for evidence and chase it up if it was not forthcoming. This could be a time consuming and lengthy process, an issue that was also raised in the LHA Pathfinders (Walker, 2005, [p17]). LA advisers also reported that some tenants were unable to provide supporting evidence, for example, if they were not registered with a support agency or GP.

⁶ DWP issued revised guidance in December 2009 in order to provide better support to LAs in their decision making. Changes to the guidance included an expansion of the sources of evidence that might be used to support a decision to transfer payments to the landlord.

Problems reported by advisers in relation to supporting evidence can be seen as a reflection of wider issues in how the safeguard guidelines were being interpreted and applied. Independent advice agencies described how different LAs varied in their requirements. With some LAs it was described as being a battle or a fight, whereas at other authorities a supporting letter written by an independent adviser was accepted as sufficient evidence in its own right. Independent advisers also reported inconsistencies within LAs - sometimes a supporting letter from an adviser would be accepted, sometimes it was not. In Edinburgh where the LA described themselves as having a very lenient approach to supporting evidence in that they 'don't make people jump through hoops' the experience of independent advice agencies in this area was that this depended on the LA adviser assessing the application.

Overall, it appeared that the safeguard provisions worked best for tenants with a confirmed diagnosis, such as a mental health condition, a drug or alcohol addiction, who could back this up with evidence from a healthcare professional. This was illustrated in Gedling where an adviser providing tenancy support to people with mental health conditions reported no problems in getting their clients assessed as vulnerable as it was very easy for them to get supporting evidence for their clients.

'...everybody that we work with has got a care co-ordinator, a community psychiatric nurse, social worker, so it's fairly easy for us to link with them and get the supporting letter to back up their vulnerability, to get the money paid straight to the landlord.'

(Independent Adviser, Gedling)

Where the safeguard provisions seemed to work less well was for tenants who did not fall into these categories and who could not provide supporting evidence. As discussed in Chapter 4 independent advisers were supporting people who had difficulties managing money, but who did not fit the safeguard criteria and for whom it was difficult to obtain supporting evidence.

'...working with a chap, if he was to receive Housing Benefit directly in to his account now, he is a gentleman who has a learning disability, mild not severe, not engaging with any services because he is considered mild. But he can't handle money, it is like water in his hands. And if any money was going to his account it would last a day and it would be spent, he wouldn't be paying the rent...I wouldn't be able to get any evidence from anybody.'

(Independent Adviser, Crawley)

From the perspective of independent advisers they felt that the safeguard criteria were not broad enough to cover the clients they were supporting and that 'softer' evidence, such as their own assessment of a clients' ability to manage rent payments should be sufficient proof. Independent advisers were also concerned that tenants without any support, but who were struggling to manage their rent payments, were falling through the safety net of the safeguard provisions.

From the perspective of LA advisers some felt that assessing vulnerability was a grey area and had concerns about applying their discretion.

5.5 Key points

- Although advisers thought the process for transferring payments to landlords worked well, the 'eight weeks in arrears' provision was not thought to be a sufficiently effective safeguard in helping tenants in arrears to maintain their tenancy. Advisers thought being able to transfer payments sooner would be more beneficial, as had happened in Edinburgh and some of the other LHA Pathfinders.

- Transferring payments to the landlord because the claimant had been assessed as being unlikely to pay were not common. Identifying tenants who had past arrears was the main barrier to implementing this safeguard.
- Findings from this research provide a new perspective on the effectiveness of the safeguard provisions for claimants likely to have difficulty paying their rent. The experiences of independent advisers strongly indicate that this safeguard is not operating effectively for all claimants. Many advisers felt the safeguard criteria were not broad enough to cover the clients they were supporting and that 'softer' evidence, such as their own assessment of a clients' ability to manage rent payments should be sufficient. Although the safeguard provision was thought to work well for claimants with a confirmed diagnosis, many advisers found their evidence and opinion were often not accepted in respect of other claimants. Some LA advisers had concerns about using their discretion when assessing applications.

6 Housing opportunities and choice under LHA

6.1 Introduction

One of the policy aims of Local Housing Allowance (LHA) is to empower tenants by enabling them to exercise more choice in their housing decisions. Having a clear and transparent set of LHA rates is intended to provide tenants with information as to how much LHA they are entitled to receive, enabling them to make informed decisions as to whether to rent a more expensive property, or to spend less than their entitlement and increase their available income. Under the national rollout model LHA claimants are entitled to keep up to a maximum of £15 a week if their rent is less than their LHA entitlement. This chapter explores the influence of LHA on tenants' property choices and future moving intentions.

This chapter discusses tenants' reasons for moving to their current accommodation and the influence of LHA on decisions and their experiences of looking for suitable accommodation. Tenants' future moving intentions and the influence of LHA on their housing opportunities and choices are also explored. Finally, the wider impacts of LHA on the Private Rented Sector (PRS) housing market and connections between tenants' work intentions and receipt of LHA are discussed.

6.2 Tenants' past moves and the role of LHA

6.2.1 Reasons for moving

For those tenants who had moved home since the introduction of LHA there was no evidence to suggest that LHA had contributed to their decision-making. The reasons why tenants had moved reflected those of tenants in the Pathfinder study (Hill, *et al.*, 2007, [p55]), and were:

- as a result of changes in household size through divorce/separation or family growth;
- a desire to be nearer to family and/or friends;
- to move to a more desirable location – important factors here included proximity to schools, employment and amenities, as well as prior experience of living in an area;
- to move to better or more suitable accommodation in terms of quality or size – for some tenants this was borne out of necessity, rather than choice, due to health or mobility problems (often requiring ground floor accommodation);
- to move away from problem neighbours; and
- due to their tenancy ending where landlords wanted either to sell or renovate their property.

6.2.2 Experiences of looking for accommodation

For many tenants the experience of searching for a property had been a positive one, particularly where they had used an agency who they generally found to be supportive and accepting of tenants in receipt of benefits.

Less positive experiences were reported where tenants had wanted to move into a council or a housing association property, but due to the high demand and long waiting lists they had entered the PRS on the advice of the LA. Some tenants had encountered difficulties with finding landlords that were willing to accept tenants in receipt of Housing Benefit (HB) and there were examples of where tenants had overcome this problem by taking properties owned by friends or associates. More generally some tenants felt that the quality of available accommodation, at the right price, was poor.

As reported previously, (Hill *et al.*, 2007, [p59]), paying a deposit to secure a property was a significant problem for many claimants, particularly those where the household was unemployed and/or where there were no savings to draw on. While there was considerable variation in the amount of deposit and/or advance rent, some claimants had had to find in excess of £1,000.

As the majority of claimants were on a very low income, the money for up-front payments was often borrowed from relatives or friends. Other less common means of paying these costs included using credit cards and overdrafts and as a consequence these tenants faced long-term financial constraints. There were also several examples of tenants that had received financial support from rent deposit schemes.

Where claimants were able to pay the deposit with little difficulty they tended to be employed or had savings that they could draw on. Interestingly, some tenants had managed to avoid paying a deposit but this usually happened where the tenant knew the landlord personally.

'...I said...I will be on benefits, I can't give you a deposit...and she said "no problem", but she knew me.'

(Female, lone parent, age 28, Crawley)

6.2.3 Disclosure of HB/LHA receipt to landlords

Where tenants had moved property since receiving LHA most had disclosed to their landlord or agent that they were in receipt of benefits. Tenants were generally unconcerned about disclosing their benefit status as they felt that landlords and agencies were more willing to take people on benefits than they had been in the past, although there was no evidence to suggest this was related to the introduction of LHA.

Conversely, where tenants had made a claim for LHA but had not moved property - for example, as a result of becoming unemployed - most had not disclosed that they were in receipt of benefits. This was not intentionally to mislead the landlord or agent in any way, but reflected a commonly held view that it was irrelevant to the landlord where the money came from as long as they got their rent:

'I couldn't see that he is concerned as long as he gets his money at the end of the month.'

(Female, couple, retirement age, Edinburgh)

For one tenant the policy of direct payments had enabled them to conceal their benefit receipt. For this interviewee being able to choose not to disclose their LHA receipt was regarded as a form of empowerment and was seen as a way to avoid stigma.

'Even Housing Benefit you could have paid to you, I always preferred it, because they never paid my full rent, and it was always better to make up the difference, it looks better if it comes from me. I don't really want them to know I'm on housing benefit because you know I work hard as well, and I can pay my rent, and it doesn't matter to them how I pay my rent.'

(Female, single, age 28, Islington)

There was one example where a tenant had contacted their existing landlord to let them know that they were claiming LHA and the landlord had been unhappy about this change in events.

'My landlord said that he didn't want someone in his house who is on benefits and I said "well why" and he said "because I don't want...the stigma of having people on benefits.'

(Female, age 40, couple no children, Crawley)

The research suggests that while most claimants feel there is less stigma in the PRS, there is still some evidence to suggest that landlords may continue to stigmatise those on benefits.

6.2.4 Advance knowledge of LHA entitlement

Where claimants had been advised to seek privately rented accommodation they were generally aware of their LHA entitlement and therefore shopped for a new property according to their budget. However, as found in the Pathfinder evaluation (Hill *et al.*, 2007, [p58]), it was clear from the research that many claimants were not always aware of their LHA entitlement. In these circumstances housing decisions were based on factors such as the quality of the property and the location. Where tenants were unsure of their entitlement there was a tendency for them to make an educated guess, often based on their prior experience of claiming HB under the old system. The problem with this approach was that it was often inaccurate, however, for some claimants who had estimated their entitlement they were 'pleasantly surprised' when their entitlement had gone up under LHA.

The general view amongst claimants who had not had a clear understanding of their entitlement was that this information would have been useful and would have had a positive impact on their property search. Indeed, there were several cases where interviewees were over-occupied. For example, a single man (over 25) was living in a shared property and was unaware that he could live in a one bedroom flat. When discussing his entitlement this claimant felt he would have sought a one bedroom flat had he been aware of the entitlement for a single person aged 25 and over.

'I didn't know that, that is the reason why if I knew probably I would, but now it's too late isn't it?'

(Male, single, age 33, Crawley)

6.2.5 Rent negotiations

From the research there were several examples where tenants had negotiated a decrease in rent. In each case the negotiation was borne out of necessity as tenants had agreed to take the property and then discovered that their LHA entitlement would not cover their rent. In most cases these negotiations were successful and the rent was reduced. Whilst there was evidence of some negotiation taking place in relation to rent levels, there was little to suggest that tenants felt empowered to negotiate as a result of LHA. Other examples of where negotiations had taken place were related to property improvements.

'When they put the rent up I always negotiate, so last year when they put the rent up we got new windows because these were all rotten and they didn't shut properly so they were draughty, and the time before that I got a new sofa.'

(Single female, age 28, self-employed, LHA shortfall, Islington)

The findings suggest that negotiation with regard to quality of property and rent levels is more to do with getting value for money, irrespective of how the rent is being paid.

6.3 Tenants' moving intentions and the impact of LHA on tenants' housing choices and opportunities

When asked about future moves some tenants wanted to move while others were happy to stay in their current property. Where tenants wanted to move they were often dissatisfied with some aspect of the property such as the condition or location of the property or a high rent level. In some cases the desire to move was shaped by personal requirements, such as needing a ground floor flat for health reasons. However, for most tenants discussions around future moves were hypothetical as they often felt unable to move due to their current circumstances.

6.3.1 Barriers to moving and housing choice

For many claimants a lack of work was considered to be a barrier to moving and, therefore, many tenants were of the view that they needed to find employment before it would be possible for them to move house. In particular, finding employment was perceived to be a necessary prerequisite to moving house as many claimants were concerned about the financial implications of a future move, such as the need to find a deposit.

The difficulties discussed earlier in paying a deposit were further exacerbated when thinking about future moves in that tenants' deposits were tied up in their current property and would not be returned to them until they had moved into their next property.

'...who is going to pay my deposit. I don't get the deposit back until after I have moved out here. People can't lend me the money again because the person I would go to, his money is already tied up in here.'

(Female, lone parent, age 27, Islington)

Tenants commonly felt that a future move would be hindered by factors associated with the PRS such as a lack of available housing or a perceived stigma amongst private landlords. Although only a few tenants had first-hand experience of discrimination from landlords when moving into their current property, many regarded it as a potential barrier that could hinder a future move.

Often when tenants discussed a hypothetical move, securing a council property was clearly an aspiration. In this respect there was a general perception that a council property was more secure than the PRS and that it would enable claimants to avoid additional costs such as administrative fees, deposits and advanced rental payments. However, across the case studies the difficulties of getting a council property were evident. Many claimants were aware of the long waiting lists and often had first hand experience of a bidding system which gave council properties to those with the highest priority which had, in turn, pushed them down on the priority list.

These barriers to moving were also raised by tenants in the Pathfinder evaluation (Hill *et al.*, 2007, [p65]).

Advisers did not think that tenants' housing opportunities and choices had increased under LHA. A number of reasons for this were given, some of which echoed the views and experiences of tenants in regard to future moves.

Affordability

In most of the case study areas advisers reported that LHA rates were higher compared to the previous system for assessing rents. This was most significant in Islington, where rates were said to have increased by an average of £100 a week following the rollout of LHA. The exception to this was Edinburgh. Although LHA rates were higher when LHA was first introduced under the Pathfinder model, changes to Edinburgh's broad rental market area (BRMA) that had taken place since had seen a fall in LHA rates, which had priced LHA claimants out of the city centre⁷.

In response to having published LHA rates advisers (across all areas) reported that (some) landlords had put their rents up to match the LHA rates meaning that accommodation was no more affordable to tenants than before. Higher LHA rates had also increased the up-front costs for tenants as the deposits that landlords were asking for - based on weekly rent levels multiplied by four to six weeks - had risen accordingly. In some areas it was also reported that landlords were now asking for bigger deposits based on eight weeks rent, rather than six, to cover them for any potential arrears.

Reflecting the issues raised by tenants, advisers thought that whether tenants were able to afford to pay a deposit was a key determinant of their housing choice. Tenants who could pay a deposit had more choice, whereas those who could not afford a deposit were limited in their choices to those landlords who did not require a deposit.

Claimants under 25 years old were mentioned as a particular group by some advisers for whom LHA had not increased choice and opportunities. Being entitled to only a shared property rate, under 25s were restricted in what they could look for. Some under 25s being supported by independent advice agencies were said to have difficulties living in shared accommodation.

'To be honest they fared badly under the old scheme as well, so you know landlords don't make a distinction between the rent they charge, whether you are 25 or under.'

(LA Adviser, Crawley)

An issue raised in Islington was that the significant increase in LHA rates meant that people in work could no longer afford the rents that landlords were now charging and as a result LHA had reduced their housing opportunities.

Local housing availability

Tenants' choices were also restricted by the availability of accommodation locally. Although landlords in some areas had entered the LHA market, others were not willing to let to people in receipt of HB/LHA regardless of the introduction of LHA. Landlords saying 'no DSS' was mentioned by advisers as still being common - an issue also raised by tenants.

Choices and opportunities were also dependent on the type of housing stock available within a local area. Examples were given where the local housing stock did not match the needs of some households and therefore restricted their choices. For example, Crawley, a new town designed around the nuclear family in the 1950s, had an over-supply of three bedroom properties, but an under-supply of smaller properties. Some landlords of three bedroom properties were willing to accept people entitled to the two bedroom rate and take a cut in the amount of rent they would receive. With very few one bedroom properties available it was common for single people aged over 25 to be living in shared houses. Similarly there were very few larger properties available to rent.

⁷ At the time of the Pathfinder model Edinburgh had four BRMAs. This has since changed to just one large BRMA.

In Edinburgh, whilst the housing stock did include larger four and five bedroom properties, advisers reported that these tended to be at the higher/luxury end of the market and were not available to let to tenants in receipt of LHA. Even if they were available to let to tenants on LHA it was thought that tenants would be unlikely to be able to afford the larger deposits required. Advisers in Edinburgh did not report any adverse impact as a result of the five bedroom cap (introduced in the national rollout model) because larger families were limited to three bedroom properties anyway.

'I have spoken to quite a few customers on the phone who actually struggle to find a four or five bedroom, they find them within the budget but then as soon as they mention they're on benefits, the kind of people who own maybe a £300,000 house may not want benefit people in their property.'

(LA Adviser, Edinburgh)

In Islington, advisers queried why there was not a separate LHA rate for studio apartments. Advisers involved with helping people in housing need to find accommodation in the PRS did not place people into studio apartments because for the same rate they could place someone in a one bedroom flat. Having a system that was potentially leaving studio apartments empty was not thought to be in the interests of either landlords or claimants.

6.3.2 The influence of LHA on future moves

With regard to future moves, tenants felt that advance knowledge of their LHA entitlement would clearly shape their decisions in terms of what they could afford. In this respect, many tenants thought the LHA rate would act as a limit on the amount of money they had available to spend on rent, as it was not possible for them to pay a shortfall due to their limited income.

Generally, tenants did not think that they would be motivated in their future housing decisions by the opportunity to keep a £15 excess⁸. Living in a nice house or in a good location were a higher priority. As found in the Pathfinder evaluation (Hill *et al.*, 2007, [p68]), most were disinterested in keeping an excess because they felt it would have a negative impact on the type of property they could afford to live in.

'I'd like to go for a nice area and a nice house to be quite honest. I wouldn't be concerned with keeping the £15.'

(Male, single, age 43, Torridge)

Some tenants did not think that keeping an excess would even be an option as they felt they would have to pay a shortfall in the future in order to get the equivalent, or more, space when considering a future move.

However, there were examples of tenants who did feel they would try to find a cheaper property in the future in order to benefit from the excess payment, yet they were not prepared to compromise on the quality of the property:

'That [£15 excess] would influence me to find somewhere cheaper, because obviously we're fiscally driven aren't we today...I don't think for that kind of money it's worth downgrading if you like. I'd prefer to live somewhere nicer and not have that extra money.'

(Male, single, age 53, Gedling)

⁸ As part of the interview the excess policy was explained to tenants as many were not aware of it.

The views of advisers reflected those of tenants. Commonly advisers did not think that tenants were motivated in their housing decisions by the opportunity to receive an LHA excess. The exception to this was in Torridge where advisers had seen people downsizing and choosing cheaper properties to get an extra £15 week, particularly amongst younger people.

Overall, advisers had seen very little evidence that tenants were exercising choice and shopping around for accommodation. Advisers felt that the main priority for tenants in deciding where to live was location rather than the price. Factors such as proximity to family, friends and schools limited tenants to where they were prepared to look for accommodation. For example, in Edinburgh, advisers were aware of some larger families who were over-occupied. Rather than move to an area with bigger four and five bedroom houses and uproot the family from schools and friends, they preferred to stay where they were. Receiving an excess was a by-product of this choice. Advisers involved in supporting people moving from temporary/unsettled accommodation into a tenancy felt that their clients were happy to take the first accommodation offered to them.

Where advisers had seen tenants exercising choice was in Crawley, where some claimants were known to have moved to more desirable areas. This was thought to be due to a combination of higher LHA rates and changes in the PRS market where the supply of properties available for rent had increased.

6.4 Impact of LHA on the PRS housing market

The majority of claimants involved in the study felt they were unable to comment on the wider impact of LHA on the PRS housing market. Where claimants did express an opinion, views were mixed. Some tenants felt that properties were easier to find under LHA as the higher rate enabled them to choose a better quality of property from those available.

'...with the amount of money you actually get, I think that is the big bonus. I mean considering we are going to get nearly £400 a month, that does help to get a good property nowadays.'

(Female, couple no children, age 46, Gedling)

For other tenants, there was concern that landlords were stigmatising recipients of LHA, which was having a negative impact on the amount of property available to them - however, there was no evidence that this was any better or worse under LHA.

'I did find that when I was looking there was only like 30% of the houses that I was looking at would accept the housing benefit. The 70% they didn't want to know.'

(Female, lone parent, age 19, Gedling)

Advisers were in a better position to comment on the impact of LHA on their local housing market. However, the evidence was contradictory and could not be separated from changes in the wider economic environment.

In some LA areas the economic recession and falling house prices were reported to have increased the supply of housing available to tenants in the PRS. This change was particularly notable in Crawley, an area whose local economy is dominated by the airline/tourism industry based at Gatwick. Buy-to-let landlords who used to rent properties to airlines operating from Gatwick airport now had empty properties as a result of the contraction in the airline industry. Home owners unable to sell their homes and developers unable to sell newly built properties were reported to have become 'involuntary landlords'.

However, the extent to which this had translated into an increase in landlords who were willing to let to LHA claimants was mixed. In Crawley, Edinburgh and Islington more landlords were reported to be wanting to let their properties to people in receipt of HB/LHA. In part due to the slump in the property market, with landlords preferring to let to someone on LHA rather than leave a property empty, and in part due to the attractiveness of the LHA rates that were a better reflection of market rents than under the previous system.

'I think market conditions as they are at the moment a lot of landlords are just desperate to get somebody into the property, the last thing they want is three or four months of an empty property.'

(LA Adviser, Edinburgh)

Conversely, advisers also reported some landlords moving out of the HB/LHA housing market because of the change to direct payments to tenants. For example, rent deposit schemes run by Crawley and Gedling LAs had lost landlords who no longer wanted to take part in the scheme because of direct payments - Gedling had been unable to attract any landlords to its rent deposit scheme following the introduction of LHA.

6.5 Tenants' work intentions and the role of LHA

6.5.1 Work intentions

Most interviewees were actively looking for work and some were already in part-time work. Of those seeking employment many were driven by a desire to improve their financial situation. However, for a number of interviewees the desire to work was more about personal satisfaction and achievement.

'...I wouldn't be bothered if I got more on benefits...it's an achievement going out to work...'

(Male, single, age 18, Crawley)

'...to be quite honest I'd rather be working full-time and not have to claim either Jobseeker's or LHA...I'd rather earn money because I get bored sitting around.'

(Male, single, age 53, Gedling)

In terms of the type of employment claimants were seeking, many did not feel in a position to be choosy as a return to employment was considered necessary to improve not only their financial situation, but also their quality of life. There were also examples of where claimants were seeking full-time employment, but had taken part-time work in the meantime. For some claimants part-time work was their only option, mainly due to childcare responsibilities. This was particularly the case for women with young children, especially lone parents. In these circumstances the financial benefits of returning to work were evaluated against the costs of childcare.

While child care costs were regarded as a barrier to work for a number of claimants, other barriers included:

- high unemployment in the area;
- the current recession;
- existing disability or health problems; and
- a lack of transport which restricted them to a local search for work.

6.5.2 Influence of LHA

For some tenants LHA had very little or no influence on their decision to find employment. For these respondents finding a job was a priority and they had little concern for whether they would be financially better or worse off. Interestingly, the tenants that felt this way were often single men with no family responsibilities.

For others being better off in work was important and the financial impact of starting work and losing some or all of their LHA entitlement had been carefully considered. There were examples where claimants had calculated exactly how much money they would need to earn to make returning to work financially viable.

'...it [a new job] has to have a minimum of hours really if it doesn't have at least 40-45 hours it's very difficult to afford to pay the rent...'

(Male, single, age 33, Crawley)

'...they [jobcentre] worked it out its like £70 a week I'd get paid for me, whereas I'll get £100 so I'll have to put the extra £40 in myself...the thing with council tax as well I'd have to put in a bit as well. But it still works out that I'd be better off.'

(Female, lone parent, age 19, Gedling)

Some claimants were of the view that they would be financially better off if they took part-time employment and continued with a partial LHA payment, as opposed to taking full-time employment and losing their LHA entitlement altogether. These decisions were informed by tenants' knowledge of LHA, in particular that they could continue to receive LHA while in low-paid employment. Others had a wider knowledge of the benefit system and felt that working tax credits would make up for the loss of LHA if they were to move back into employment.

There were tenants who felt that they would be financially worse off if they moved into employment and several referred to a general concern that people could easily get caught in the benefit trap. For these claimants while they would prefer to be working there was thought to be little financial incentive in doing so.

'...this is what I don't understand about this country, they don't actually give you any encouragement to get back to work, you know, from my position myself, if I start working they just take it off my benefits, so I'm no better off.'

(Female, lone parent, age 37, Islington)

'I think the only downfall about being on benefits is it's like you get stuck in a trap because you have to find a job that's going to benefit, because people say oh you should accept that job but it would make us worse off. That's the only downfall I think about being on benefits, not just housing, Jobseekers everything.'

(Female, couple with children, age 20, Gedling)

Advisers in Islington felt that the significantly higher LHA rates were acting as a work disincentive, in that if claimants moved into work, especially low-paid work, and lost their entitlement to LHA, they would have difficulty affording the rent being charged by their landlord, or other landlords in the area.

'...because the local housing allowance in this area is really, really high, so it doesn't help working people at all.'

(LA Adviser, Islington)

6.6 Key points

- There was no evidence to suggest that LHA had contributed to claimants decisions to move home or to them 'trading up or down'. Most claimants had not been aware of their LHA entitlement when starting their property search. There was also little evidence that tenants were motivated in their decisions by the opportunity to retain an excess. These findings reflect those of the Pathfinder evaluation.
- Experiences of searching for a property were generally positive, although there was a widespread belief (and some experience) that some landlords refuse to accept people in receipt of benefits – an issue also raised by advisers. As such, although most tenants were not concerned about this issue, some actively chose not to disclose their LHA status to their landlord.
- Overall, most advisers and claimants felt that housing opportunities and choices had not increased under LHA. However, tenants who could pay a deposit were acknowledged as having more choice. Paying deposits was a significant problem which impacted on tenants' ability to consider making future moves. This issue was also raised in the Pathfinder evaluation.
- LHA had very little or no influence on claimants' decision to seek employment. Most were already actively looking for work and, for many, finding a job was a priority. In Islington advisers felt that the high LHA rates were acting as a work disincentive, in that if claimants moved into work, especially low-paid work, and lost their entitlement to LHA, they would have difficulty affording the rents in their local area.

7 Conclusions

Local Housing Allowance (LHA) reforms the assistance given to people on low incomes with their housing costs and forms an important part of the Government's wider strategy for Housing Benefit (HB) reform, and welfare reform more generally. The objectives of LHA are to promote:

- Fairness – LHA pays the same amount to tenants with similar circumstances living in the same area.
- Transparency – a clear and transparent set of LHA rates helps tenants and landlords know in advance how much financial help is available.
- Choice – having a flat-rate system enables tenants to choose between paying more for a property than their LHA entitlement, or to spend less and increase their available income.
- Personal responsibility – paying LHA direct to claimants helps encourage personal responsibility for paying rent.
- Financial inclusion – by encouraging claimants to have LHA paid into a bank account and to set up a standing order to pay the rent to their landlord.
- Reduced barriers to work – a more transparent system provides claimants with greater certainty about what help is available in and out of work.

In recognition that some tenants may struggle with the responsibility for managing their rent payments LHA also includes safeguards to protect tenants at risk of not paying their rent.

These concluding remarks are organised around these policy objectives.

7.1 Transparency and tenant understanding of LHA

As found in the Pathfinder evaluation, advisers were very positive about the transparency of the LHA rates. Having published set rates made it easier and clearer for them to advise claimants on how much LHA they would be entitled to and therefore what properties they could afford. From this perspective LHA was meeting its policy objective of being transparent.

However, where LHA was not meeting its policy objective was in its lack of transparency for claimants generally and, in particular, for claimants who were in work. Advisers found it less straightforward to provide claimants with information on how much benefit they would receive if they were in work and, therefore, not entitled to receive the full LHA rates. Many claimants did not understand how LHA worked, in terms of how their entitlement was calculated and the excess provision. Those that had received this information remained unclear and some claimants felt that they had received inconsistent information. This reflects findings from the Pathfinder evaluation where claimant contact with HB staff focussed on the application and processing of their claim, rather than provision of explanation of how entitlement was calculated and how shortfalls and excesses operated.

Without this information and understanding claimants cannot be expected to make informed housing decisions, which is an underlying requisite for meeting LHA policy objectives of choice. The current provision of information does not appear to be enabling claimants to make an informed decision about their housing options. As such, this research indicates that further attention to provision of tailored and timely information to claimants, in a format that they can readily access and understand, would be beneficial to their understanding of the opportunities LHA is intended to offer them.

7.2 Financial inclusion

One of the key objectives of LHA is to promote financial inclusion. Nearly all of the tenants in this study were financially included in terms of having bank accounts. However, the extent to which claimants were setting up standing orders to pay their landlord was mixed. Whilst some tenants had set up standing orders to make payment of their rent automatic, others were not using bank accounts to their full effect, preferring to pay their rent in cash or by transferring money into their landlord's bank account in person. For these tenants paying by standing order was considered risky, was associated with a lack of control over their finances and was related to the constrained and precarious nature of their financial circumstances. The risk was that they could be susceptible to bank charges as a result of going overdrawn or having a payment refused due to insufficient funds. A barrier to setting up standing orders was the lack of alignment between fortnightly or four-weekly LHA payments and rents that were paid monthly. These issues were also raised in the Pathfinder evaluation.

Advisers also talked about resistance amongst tenants with debts or overdrafts to having LHA paid into their bank account because of fears that it might be 'swallowed up' by their account, leaving them unable to pay their rent and result in them going into arrears. This would appear to be a rational response from tenants who wanted to ensure that their rent was paid. Older claimants were also said to be resistant to opening a bank account.

The experience of advisers was that there were also tenants who were not financially included who had difficulty getting a bank account due to lack of identification documents, due to not speaking English very well and as a result of having significant debts. In some areas these difficulties were linked to wider issues around the lack of promotion of basic bank accounts by banks. Access to bank accounts was made easier when local authorities (LAs) had made specific arrangements with a local branch.

The issues raised by tenants and advisers replicate those found in the Pathfinder evaluation studies which suggests that tenants' financial inclusion has neither worsened nor improved.

7.3 Personal responsibility and money management

With the introduction of direct payments under LHA, a key area of concern was whether tenants would be able and willing to take personal responsibility for managing direct payments. There is clear evidence that, although some were in financial difficulty, most LHA claimants were already exercising considerable personal responsibility over their household finances in advance of receiving LHA. Most were living on very low incomes and had to 'juggle' often very demanding financial commitments including day-to-day living costs, debts and arrears. As a result of their constrained income, many claimants had very little flexibility in terms of meeting their financial obligations and this was very often something that required significant effort.

Paying rent was viewed by tenants as the most important 'bill' to pay. Receiving LHA and then paying it to their landlord themselves was considered a normal part of tenants' monthly household financial routine. This also reflects the findings of the Pathfinder evaluation where claimants took their responsibility for paying their rent very seriously, even though not all welcomed receiving direct payments. For many claimants, direct payment of LHA was a development which had reinforced their financial independence and sense of control over their own lives. In this sense LHA was meeting its policy objective of encouraging personal responsibility for paying rent.

However, for some - especially those already in financial difficulties and who had problems managing their day-to-day finances, there were many aspects of the administration of LHA that

caused real difficulty. These had a significant impact on some claimants' ability to budget effectively and on their finances more generally. A particular area of difficulty, which considerably limited the sense of control that claimants had, was that of benefit payment cycles. That they are not organised on a calendar month basis in the way most rents are paid, resulted in many tenants experiencing real difficulty managing their already limited finances effectively. It is clear that alignment would help tenants with their management of rent payments.

An issue found in this study that was not apparent in the Pathfinder evaluation, was the additional financial pressure a few tenants faced as a result of their benefit entitlement going down following the annual review of their claim. This reflects changes in the wider economy at the time of conducting this research, where LHA rates had fallen in some areas. Thus it would seem that even where tenants have made an informed decision and 'shopped' for accommodation where the rent equals their LHA rate, they are not necessarily protected from having a shortfall in the future.

Advisers also felt that most tenants were managing direct payments well and paying their rent. However, they were also aware of a significant minority of tenants who were not managing. This included tenants who they considered to be vulnerable, but who had not been picked up under the LHA safeguard provisions. It also included a broad group of tenants who were on the margins of the vulnerability criteria. As a result, some advisers felt direct payments had put some tenants under pressure that they could not cope with and strongly believed that allowing more claimants to choose to have LHA paid to their landlord would overcome many of these problems.

In addition, reflecting the very low level of awareness of money advice services and the overwhelming reluctance to use them, it would seem some specific pro-active provision for identifying less experienced, vulnerable tenants could help them in managing their financial circumstances more effectively and prevent tenants from moving into (further) financial difficulties.

7.4 The LHA safeguard provisions

Central to the successful operation of LHA are its safeguards which are designed to protect tenants who may struggle with the responsibility of budgeting for, and paying, their rent. Evidence from this research provides information about the safeguards that has not been explored fully by the Pathfinder evaluation studies. Overall, the safeguard provisions did not appear to be working effectively in protecting tenants.

Transferring payments to the landlord when a tenant has built up rent arrears of eight weeks or more was felt to be too late, as at this point landlords can legally start eviction proceedings. LAs in this research were different in this respect to the LHA Pathfinders. The majority of the Pathfinder authorities had taken action before arrears reach eight weeks.

The 'unlikely to pay' provision was not commonly used, except in Edinburgh. Use of this safeguard was hampered by the difficulty advisers had in identifying tenants with a history of arrears. This might operate more effectively if a flag or identifier could be added to the IT systems used by HB departments that identified tenants who had consistently not paid their rent.

Two main issues were raised by advisers in relation to the safeguard provision for claimants likely to have difficulty paying their rent - formally known as the vulnerability provision. The first was the difficulty advisers had in getting supporting evidence accepted by HB staff. Commonly, it seemed that only written evidence from professionals was accepted. Where tenants did not have a medical diagnosis, or were not registered with a General Practitioner (GP) or supported by a social worker or health-related agency, it was much harder to get payments transferred to the landlord. It is clear that further guidance is needed on the status of evidence provided by independent agencies and on the circumstances where it is justifiable for payments to be transferred to the landlord.

The second issue raised by advisers was that they felt the criteria for applying safeguards needed to be broadened to cover the wide range of reasons why some tenants struggled to manage their rent, for example, because of a lack of experience, or due to wider financial pressures. Under 25s were particularly mentioned as a group who struggled to manage direct payments.

A more pro-active approach by LAs in identifying less experienced and potentially vulnerable tenants could help protect tenants who are not in contact with support agencies. Interestingly, some of the Pathfinder LAs did take such an approach in reviewing their caseload of existing HB claimants and contacting those who could potentially be vulnerable, for example, claimants aged over 60 and recipients of Disability Living Allowance and Discretionary Housing Payments (Walker, 2008, [p12]). More generally the effectiveness of the LHA safeguards is dependent upon advisers, tenants and landlords being aware that these provisions exist and of how they work. The question of how LAs best disseminate this information was also raised in the Pathfinder evaluation (Walker, 2008, [p12]).

7.5 Housing opportunities and choice

Through having a flat-rate payment system that is clear and transparent, LHA aims to give tenants choice between the quality and price of their accommodation. There was no evidence that LHA was influencing tenants' housing decisions or providing tenants with more choice. Many tenants were not in a position to make an informed choice between the quality and price of their accommodation because they were not aware of their LHA entitlement (or had much understanding at all about LHA) prior to starting their property search. Some tenants made 'educated guesses' as to the amount of HB they expected to receive.

There was very little evidence that tenants had, or were interested in, moving to cheaper accommodation in order to keep an excess. Whilst keeping an excess was attractive to some tenants, they were not prepared to compromise on the quality of accommodation. Tenants' key priority was to have somewhere nice to live. Findings in this study mirror those of the Pathfinder evaluation and there were no discernable differences between these studies as a result of the capping of the excess at £15 per week.

A number of key issues were raised by tenants and advisers that impacted on tenants' housing opportunities and choices in the Private Rented Sector (PRS), more so than LHA. Stigma and discrimination by landlords towards people in receipt of HB limited availability and housing choice, as did (in some areas) the predominance, or lack of, certain types of housing stock. These issues were also raised in the Pathfinder research. Although the higher rates under LHA were viewed positively by advisers, where landlords had put up their rents to match the rates accommodation was no more affordable for tenants.

The ability to pay a deposit was a main determinant of housing choice and had been a difficulty for many tenants, as also found in the Pathfinder evaluation. Under LHA, higher rates and the risk of arrears had increased the up-front costs that some landlords were now asking for. If improving choice and opportunities for tenants in receipt of HB is a key policy concern, then one way of achieving this could be to invest further in rent deposit schemes. Indeed, advisers and tenants alike commented that the money saved by removing the provision to retain an excess could usefully be used in this way.

7.6 Increased work incentives

Providing greater certainty about what in-work benefit claimants might expect to receive is expected to help claimants move from unemployment into employment. Whilst not a main focus of this research, the findings raise some issues in relation to this policy objective and place LHA reform in the context of wider welfare reform.

From the perspective of tenants there was no evidence to suggest that LHA acted as a work incentive. For some tenants, LHA had no influence on their decision to find employment - finding employment was a priority regardless of whether they would be better or worse off. Some tenants were aware that LHA was also an in-work benefit and had worked out how much money they would need to earn to make a move into work financially viable. However, some advisers found it difficult to advise claimants in part-time work on their LHA entitlement, and thus it is unclear how transparent and easy is it for claimants to find and understand this information. Again, this issue was also raised in the Pathfinder evaluation. As already noted, the provision of timely and accessible information may overcome this barrier.

In contrast, in Islington in particular, the significantly higher rates under LHA were thought to be acting as a work *disincentive*, whereby claimants would not be able to afford the rents landlords were charging if they moved off LHA and into work.

Appendix A

Completed tenant interviews by LA area

| Household Type | Gedling | Islington | Edinburgh | Torridge | Crawley | Total |
|--------------------------------|----------|-----------|-----------------------|----------|----------|-----------|
| Under 25: urban areas | 0 | 1 | 1 (just turned 25) | 0 | 1 | 3 |
| other areas | | | | | | |
| Lone parent | 2 | 2 | 2 | 2 | 2 | 10 |
| Working age couple & children | 2 | 0 | 2 | 2 | 2 | 8 |
| Working age couple no children | 1 | 0 | 0 | 0 | 1 | 2 |
| Single working age | 2 | 3 | 1 | 2 | 2 | 10 |
| Pensioner | 0 | 0 | 1 | 1 | 0 | 2 |
| Total per area | 7 | 6 | 7 | 7 | 8 | 35 |

| Gender | Gedling | Islington | Edinburgh | Torridge | Crawley | Total |
|-----------------------|----------|-----------|-----------|----------|----------|-----------|
| Male | 2 | 3 | 3 | 3 | 3 | 14 |
| Female | 2 | 3 | 3 | 3 | 5 | 16 |
| Couple | 3 | 0 | 1 | 1 | 0 | 5 |
| Total per area | 7 | 6 | 7 | 7 | 8 | 35 |

Appendix B

Topic guides

Local Authority Advisers
Focus Group Topic Guide (Final)

Aims/Objectives

To explore:

- advisers' experiences of dealing with LHA tenants and the nature and extent of the queries raised by LHA tenants;
- financial difficulties faced by LHA tenants, particularly difficulties with money management;
- the effectiveness of safeguard provisions for identifying vulnerable tenants;
- changes in homelessness associated with LHA; and
- the provision of support to LHA tenants and suggestions for improving support to help alleviate difficulties faced by LHA tenants.

Introduction

Introduce self and CRSP

Explain purpose of the discussion

Explain confidentiality and data protection arrangements

Ask permission to record the discussion

Complete consent forms

Participant introductions

- name, job role, involvement with LHA and/or LHA claimants

Opening questions

What are the main impacts that you've noticed as a result of the roll out of LHA on your work?

What has been the impact of LHA on the number of tenants contacting you with queries about LHA (compared to queries prior to LHA)?

What are the main queries/issues being raised by LHA claimants?
- are they easy to answer/explain

What has been the impact of LHA on the number of landlords contacting you with queries about LHA (compared to queries prior to LHA)?

What are the main queries/issues being raised by landlords?
- are they easy to answer/explain

Are Housing Benefit claimants on the LHA experiencing any particular difficulties?

[D] Applications

Have any changes needed to be made in the support given to claimants applying for LHA?

What are the main areas/issues that claimants need support with?

Are there any specific types of customer who need assistance in applying for LHA?

- is the LA able to meet customers' needs

[E] Direct payments

What are the main issues around direct payment to claimants?

- probe for examples

Prompt if not mentioned:

- any issues around bank accounts e.g. availability of accounts, nature of accounts

Are there any specific groups of customer who have had difficulties with receiving direct payments or opening bank accounts?

Prompt: - disabled people

- ethnic minorities

How have any issues/problems been addressed?

- have any changes needed to be made in the support given to claimants

[E] Money management [Focus on LHA, rather than general recession issues]

Following the change to direct payments, is there any evidence that LHA tenants are experiencing difficulties with money management and falling into rent arrears?

- numbers/extent of problem

- details of circumstances/examples

Is there any evidence that more landlords are evicting LHA tenants or threatening tenants with eviction (compared to prior to LHA)?

- numbers/extent of problem

- details of circumstances/examples

What support is available to tenants experiencing difficulties with managing their money and paying their rent?

- what support is provided in-house e.g. Money Advice Service

- is the LA able to meet customers' needs

- has the local authority changed the way it supports tenants since LHA

- where would tenants in need of help be referred to externally – under what circumstances

[D] Are there any specific types of customer who are struggling to manage direct payments and who need additional support?

[D] To what extent have customers who are not vulnerable been requesting that their payments be transferred to their landlord?
- for what reasons

[E] Safeguard arrangements

What arrangements have been put in place to identify and assess tenants who are considered ‘vulnerable’?

- policies/procedures/evidence required – use of interviews
- staff involved – who makes the decision
- role of Money Advice Service or other agencies

How effective are these arrangements?

- what are the main problems
- how can these be overcome

Are there any plans to change arrangements for assessing ‘vulnerability’

What support is available to customers who feel they are ‘vulnerable’ and want to have their payments transferred to their landlord?

- in-house e.g. Money Advice Service
- external advice/support
- is the LA able to meet customers’ needs
- are there any specific types of customer whose needs are not being met

What are your views on provisions to transfer payments to the landlord if it is considered that a claimant is unlikely to pay their rent?

- gauge familiarity with these provisions
- extent to which have been used - details of circumstances/examples
- effectiveness of arrangements

[E] Arrears

How many/what proportion of claimants are having their rent paid to their landlord due to being in rent arrears?

- is this higher/lower than anticipated

What arrangements have been put in place to identify and assess customers who are in arrears

- policies/procedures/evidence required
- staff involved – who makes the decision
- role of Money Advice Service or other agencies

How effective are these arrangements?

- what are the main problems
- how can these be overcome

What support is available to customers who are in arrears?

- in-house e.g. Money Advice Service
- referrals made to external agencies
- is the LA able to meet customers' needs
- are there any specific types of customer whose needs are not being met

What are the reasons for customers falling into arrears?

[E] Housing choice and homelessness

What has been the impact of LHA on tenants' housing choice and housing opportunities in the PRS?

Is housing more or less affordable under LHA?

[refer to whether LHA </>= LRR]

- any evidence that landlords have increased rents to LHA levels

Has the introduction of LHA and any changes in whether tenants receive a shortfall or excess had any impact on applications for Discretionary Housing Payments - in what way?

- increase/decrease in applications
- change in type of cases coming forward

Is housing more or less available to tenants claiming LHA compared to prior to LHA?

- any evidence of landlords refusing LHA tenants or withdrawing from the HB market
- any evidence of landlords tightening their letting practices e.g. increasing bonds/rent in advance, guarantors, rent collection
- any evidence of increased harassment by landlords

Can any changes in homelessness over the last year be associated with LHA?

- impact on any particular groups of tenants e.g. under 25s
- impact on social housing waiting lists

How long does it take customers to find suitably sized accommodation?

What help and support is provided to tenants in finding suitable accommodation?

[D] Have any changes needed to be made in the support provided by the LA (e.g. homeless team/unit) in response to LHA

- probe for details
- is the LA able to meet customers' needs

How have tenants responded to greater transparency of LHA rates and their entitlement to keep a £15 excess?

- any evidence of claimants breaking an old HB claim to move onto LHA
- any evidence of claimants 'trading up' to larger properties that better meet their needs or moving to more desirable areas
- any evidence of claimants 'trading down' to smaller properties or less desirable areas to increase their available income
 - any impacts on overcrowding

[D] What impact do you think the removal of the £15 excess, announced in the Budget (2009) will have on claimants?

[D] Overall views/conclusions

Overall, how well is LHA working?

Moderator to recap on the main issues raised

What are main things that could be done locally – by the LA or independent agencies to address [above] issues and alleviate any difficulties faced by LHA tenants?

- how could support services be improved

What action could government take to address these issues and alleviate any difficulties faced by LHA tenants?

- how could government improve support services

Independent Advice Agencies Focus Group Topic Guide (Final)

Aims/Objectives

To explore:

- advisers' experiences of dealing with LHA tenants and the nature and extent of the queries raised by LHA tenants;
- financial difficulties faced by LHA tenants, particularly difficulties with money management;
- the effectiveness of safeguard provisions for identifying vulnerable tenants;
- changes in homelessness associated with LHA; and
- the provision of support to LHA tenants and suggestions for improving support to help alleviate difficulties faced by LHA tenants.

Introduction

Introduce self and CRSP

Explain purpose of the discussion

Explain confidentiality and data protection arrangements

Ask permission to record the discussion

Complete consent forms

Participant introductions

- name, job role, main remit of agency

Opening questions

What are the main impacts that you've noticed as a result of the roll out of LHA on your work?

What has been the impact of LHA on the number of tenants contacting you with queries about LHA or LHA-related issues (compared to queries prior to LHA)?

What are the main queries/issues being raised by LHA claimants?

- are they easy to answer/explain

Are housing benefit claimants on the LHA experiencing any particular difficulties?

[D] Applications

To what extent are you involved in helping clients apply for LHA?

- numbers

- details of circumstances/examples

What are the main areas/issues that clients need support with?

Are there any specific types of people who need assistance in applying for LHA?

What advice/assistance do you provide?

- are you able to meet clients' needs for help
- have you had to change the services you provide as a result of LHA

[E] Direct payments & Money management [Focus on LHA, rather than general recession issues]

What are the main issues around direct payment to LHA claimants?

Following the change to direct payments, is there any evidence that LHA tenants are experiencing difficulties opening bank accounts and receiving direct payments?

- numbers/extent of problem
- details of circumstances/examples

Are there any specific groups of people who have had difficulties with receiving direct payments or opening bank accounts?

- Prompt: - disabled people
- ethnic minorities

What advice/assistance do you provide?

- are you able to meet clients' needs for help
- have you had to change the services you provide as a result of LHA

Following the change to direct payments, is there any evidence that LHA tenants are experiencing difficulties with money management and falling into rent arrears?

- numbers/extent of problem
- details of circumstances/examples

Is there any evidence that more landlords are evicting LHA tenants or threatening tenants with eviction (compared to prior to LHA) as a result of them falling into arrears?

- numbers/extent of problem
- details of circumstances/examples

[D] Are there any specific types of people who are struggling to manage direct payments and who need additional support?

[D] To what extent have you experienced customers who are not vulnerable requesting help with transferring payments to their landlord?

- for what reasons

What advice/assistance do you provide to clients experiencing difficulties with managing their money and paying their rent?

- are you able to meet clients' needs for help
- have you had to change the services you provide as a result of LHA

Are there any needs that are not being met - either by yourselves, or by the local authority?

[E] Safeguard arrangements

To what extent are you involved in advising clients on ‘vulnerability’ provisions within LHA, or taking up ‘vulnerability claims on behalf of clients?

- numbers
- details of circumstances/examples

Are there any specific types of people who are ‘vulnerable’ or who need help with getting assessed as ‘vulnerable’?

What advice/assistance do you provide to clients?

- extent of liaison with local authority advisers – liaison with whom
- are you able to meet clients’ needs for help
- have you had to change the services you provide to accommodate this

How effective do you feel the arrangements for identifying and assessing ‘vulnerable’ tenants are?

- what are the main problems
- how can these be overcome

Are there any needs that are not being met – either by yourselves, or by the local authority?

What are your views on provisions to transfer payments to the landlord if it is considered that a claimant is unlikely to pay their rent?

- gauge familiarity with these provisions
- details of circumstances/examples when used
- effectiveness of arrangements

[E] Arrears

To what extent are you involved in making representations to the local authority on behalf of clients who are unlikely to pay their rent/cannot pay their rent?

- numbers
- details of circumstances/examples

What advice/assistance do you provide to clients?

- extent of liaison with local authority advisers – with whom
- are you able to meet clients’ needs for help
- have you had to change the services you provide to accommodate this

How effective do you feel the arrangements for transferring payments to the landlord when tenants are in arrears are?

- what are the main problems
- how can these be overcome

What are the reasons for customers falling into arrears?

[E] Housing choice and homelessness

What has been the impact of LHA on tenants' housing choice and housing opportunities in the PRS?

Is housing more or less affordable under LHA?

[refer to whether LHA </>= LRR]

- any evidence that landlords have increased rents to LHA levels

Is housing more or less available to tenants claiming LHA compared to prior to LHA?

- any evidence of landlords refusing LHA tenants or withdrawing from the HB market
- any evidence of landlords tightening their letting practices e.g. increasing bonds/rent in advance, guarantors, rent collection
- any evidence of increased harassment by landlords

Can any changes in homelessness over the last year be associated with LHA?

- impact on any particular groups of tenants e.g. under 25s
- impact on social housing waiting lists

How long does it take clients to find suitably sized accommodation?

What help and support do you provide to clients in finding suitable accommodation?

[D] How has LHA impacted on the advice and assistance you provide to clients who are looking for new accommodation?

- any change in the numbers/and or types of clients seeking help
- are you able to meet clients' needs for help

[D] Has LHA made it harder or easier for you to assist your clients?

- in what way

How have tenants responded to greater transparency of LHA rates and their entitlement to keep a £15 excess?

- any evidence of claimants breaking an old HB claim to move onto LHA
- any evidence of claimants 'trading up' to larger properties that better meet their needs or moving to more desirable areas
- any evidence of claimants 'trading down' to smaller properties or less desirable areas to increase their available income
 - any impacts on overcrowding

[D] What impact do you think the removal of the £15 excess, announced in the Budget (2009) will have on claimants?

[D] Overall views/conclusions

Overall, how well is LHA working?

Moderator to recap on the main issues raised

What are main things that could be done locally – by the LA or by independent agencies - to address [above] issues and alleviate any difficulties faced by LHA tenants?

- how could support services be improved

What action could government take to address these issues and alleviate any difficulties faced by LHA tenants?

- how could government improve support services

Tenant's early experiences of the Local Housing Allowance Claimant Topic Guide (Final)

Aims/Objectives

Interviews with tenants aim to explore two main areas:

- the financial impact of LHA on tenants and how tenants manage the responsibility of direct payments, including shortfalls and excesses, rent arrears and awareness and use of money advice services; and
- the impact of LHA on housing choice, including issues around affordability, availability and access to suitably sized accommodation.

To provide a wider context, the interviews also explore:

- how tenants moved onto LHA;
- tenants' awareness and understanding of LHA;
- the influence of LHA as a work incentive; and
- tenants' interactions with landlords and experience of landlord behaviour in relation to LHA.

Note: Tenants in this sample will have moved onto LHA as a result of one of the following trigger events: making a new benefit claim, moving address, having a break in their benefit entitlement (e.g. tenant moves into work but employment does not last), or due to a change in the household composition. Some interviewees may have prior experience of claiming Housing Benefit, others not.

Introduction

- Introduce self/centre - independent research centre at Loughborough University.
- Introduce research:
Local Housing Allowance was introduced nationally in April 2008 and replaced Housing Benefit. This research is looking at tenants' experiences of the Local Housing Allowance to see whether tenants are having any particular issues or difficulties because of the Local Housing Allowance and whether they could be better supported in any way. The research is funded by the Department for Work Pensions and the findings will be used by them to inform any changes they make to LHA in the future.
- Explain confidentiality and data protection arrangements – reassure that no personal information will be passed onto anyone outside the research team. Findings will be published in a report but in an anonymised and confidential form.
- Explain length of interview - 45 to 60 minutes.
- Explain tape recording and ask permission to record.
- Complete consent form.
- Incentive payment, £20 per household - explain that will not affect any entitlements to benefit. Complete incentive receipt.

1 Respondent/Household background

Confirm respondent's age and household composition
 - who living with, ages, nature of relationships

Confirm employment status of respondent – in work, unemployed, retired, caring, sick/disabled

If in work ask:

- type of work and weekly hours
- length of time in job
- satisfaction
- any recent changes

If not in work ask:

- length of time in current status
- prior activity
- any recent changes

Benefits received

- check LHA receipt
- main benefits – jobseeker's allowance, income support, incapacity benefit, state pension
- other benefits received (disability benefit, working tax credit, pension credit, council tax)

Employment status of family members (e.g. non-dependants) - any recent changes

Benefits received by other family members/partners

2 LHA receipt

When did they start claiming LHA

What triggered the move onto LHA

- reduction of income or loss of income
- new benefit claim
- moving address
- having a break in their benefit entitlement (no change of address)
- change in household composition (no change of address)

Were they in receipt of Housing Benefit prior to claiming LHA - for how long

3 Current property

Length of time in current property

Property description - type, size - no. of bedrooms type, if shared, if rented furnished/unfurnished/part-furnished

Property condition - any major repairs required - damp, heating, double glazing?

Satisfaction with property - no. of rooms/condition/suitability/sharing if living with others, area/ location, other - reasons

4 Landlord/Letting agent relations

Is property let via an agency or directly through the landlord

Type of current contract - assured shorthold tenancy, duration, likelihood of renewal
- any changes in contract since LHA receipt – reasons?

Does their landlord know that they receive LHA

Contact with landlord/letting agent - reasons, frequency, method of contact
Views on contact - sufficiency of amount/nature of contact, any problems
- if home is let via an agent, does tenant have any contact with the landlord

Any changes in relations/ contact with landlord /letting agent since LHA receipt
- perceived reasons - including LHA?
- responsiveness to dealing with problems - any issues around withholding rent

5 Rent level

Current rent - per month/week - if includes gas/ electric, water rates, council tax
[write down amount]

Perception of rent level - high, low, average - if 'reasonable' for property - why/why not?

Has the rent for this property changed since started receiving LHA/since moved (if new address)

If so:

- when did it change
- how much did it increase/ decrease by
- perceived reason for change - e.g. if routine annual increase or unexpected
 - how landlord justified an increase
 - perception of whether connected to the LHA rates

How did the tenant respond

- any attempt to negotiate with the landlord
- sought advice – from whom, usefulness
- considered moving – why not happened

Impact of rent change on respondent and family

Ask all:

Any anticipated change to current rent level – reason why, expected impact.

6 LHA Amount

Amount of LHA received – per week/fortnight/four weekly [WRITE DOWN]
- have they always received this amount – explore reasons for any changes

Check if receive a partial amount e.g. if working
Calculate difference between rent level and LHA amount

[Note: if rent paid monthly – will need to convert rent into weekly rate to compare – $\times 12/52$]

- is there a shortfall, an excess, or no difference
- discuss with tenant – is this their understanding of what they receive – why if different?
- tenant’s perception of why they have a shortfall or excess

If LHA amount exactly matches rent:

Check - is it just co-incidence or anything changed i.e. rent level?

7 Understanding of LHA

What is tenant’s understanding of LHA – what do they know about it?

How did they hear/learn about LHA

e.g. local authority, DWP, Jobcentre, advice agencies, media

What information did they receive

e.g. LHA rates/entitlement, direct payments, bank accounts

Explore awareness of LHA’s features:

- explore awareness of flat rate and how the amount they receive is calculated
- direct payments to tenant in most cases
- how excess/shortfall works
- If single under 25 – shared room rate for under 25s

If need to explain:

- LHA replaced Housing Benefit for tenants in private rented property.
- LHA pays a flat rate based on average rents in the area and the number of occupiers in the property. It is designed to pay the same amount to tenants with similar circumstances living in the same area, regardless of the amount of rent they are charged by their landlord.
- Tenants are allowed to keep an excess of up to £15.

Were they aware of how much LHA they were entitled to when they made their claim

What do they think about being able to keep up to £15/week if the rent is lower than the LHA rate?

8 Receiving LHA

Who is LHA paid to – directly to tenant or to landlord?

If LHA paid to tenant:

Have they always had LHA paid direct – explore background and reasons if has changed

If used to receive Housing Benefit – who was this paid to – tenant or landlord?

- compare experiences and tenant preferences

Explore views about responsibility of receiving LHA payment direct

- feeling of empowerment/control
- any concerns, problems experienced

Issue of vulnerability – if comes up explain that there are arrangements in place whereby LHA is paid directly to landlord in circumstances where tenants are likely to have difficulty paying their rent

- Check for awareness of these arrangements

How do they receive their LHA payment - bank account, cheque from local authority

If LHA is paid to the landlord:

How long this arrangement has been in place

Explore reasons why payments are made to the landlord - rent arrears, vulnerability

Vulnerability – explore:

- ease of getting payments transferred and providing necessary supporting evidence
- role of landlord/advice agency or support worker in getting payment transferred

Rent arrears – explore:

- ease of providing proof of arrears – any disputes with the landlord
- role of landlord/advice agency/or support worker in getting payment transferred
- any referrals made to money advice agencies

How long is the arrangement for - any plans for if/when LHA might be paid to tenant

Views on pros/cons of paying LHA to landlord – impact/any problems experienced?

If tenant has an LHA excess – How do they receive the difference between the LHA and their rent - how well does this work - any problems?

If tenant has a shortfall - How do they feel about being responsible for paying the shortfall – pros/cons

9 Payment of rent

Ask if tenant receives a direct payment:

Usual method for paying rent to landlord e.g. cash, cheque, direct debit, standing order

- why uses this method - pros and cons - would another method be preferable
- any difficulties with payment method used
- have they used another method in the past – reasons for any change

If tenant pays an LHA shortfall -

How is shortfall paid to the landlord e.g. same method as LHA or not – reasons

How well does this work - any problems, what makes it more difficult/easy to deal with

10 Use of bank accounts

If receive LHA into a bank account:

Type of account – basic bank account, current account (with overdraft/credit facilities)

How long have they had the account for – opened specifically for LHA or already had

How do they use their account e.g. just for LHA or more widely

Check – is it their account or someone else's

Explore views on receiving LHA into a bank account

- pros/cons
- how would they prefer to receive LHA e.g. cheque
- any problems receiving LHA payments into a bank account

If opened an account specifically for LHA

How easy or difficult was it to open an account – any difficulties e.g. ID

Use of any advice or support in opening an account – from LA, independent agencies

Thoughts/impact of having a bank account now

- impact on managing finances
- feeling more or less in charge
- fears about overdrafts/bank charges.

Check past use of bank accounts – any problems in past e.g. previous overdrafts, debts etc

If do **not** use a bank account for LHA

Explore reasons for not using bank account for LHA

- preference/choice – explore views about managing money via bank accounts
- any obstacles to opening /using a bank account
- do they use bank accounts for other things – why not for LHA

Any problems receiving LHA by this method

Explore use of cheque cashing facilities - cash converters etc.

– satisfaction/views

11 Household budgets and LHA impact

A) Overall household income per week/month - talk through formal and informal sources of income of respondent and other family members that contribute to household finances to arrive at an approximate amount:

Include:

- Income from employment/pensions
- Income from Benefits (including CTB, JSA, IS, Pension Credit, disability benefits, tax credits)
- Any other forms of income e.g. informal working, child maintenance

B) Management of household expenditure in general

Who in the household mostly deals with money and bills

Do you work things out day by day, week by week, month by month, or just as you go along?

How would you describe your general attitude to money and how you manage money?
- organised/disorganised, keep on top of things, ignore it and hope it works out

How do you go about paying for different types of things – and why do you pay this way?
- utilities (gas, electric, water, council tax)
- other household expenses (TV licence, insurance, telephone, TV cable)
- credit/loans (catalogues, credit cards, hire purchase, Social Fund loan)

Are you in arrears with any of your bills/payments?
- which ones, amount of arrears
- when /how accumulated - before or since they were on LHA

C) Impact of LHA on income and managing finances

What impact has LHA had on household income – are they better or worse off?

What impact has LHA and receiving direct payments had on their ability to manage other areas of household expenditure and make rent payments – any difficulties and why?

How do they prioritise payments - where does rent fit in – why?

If receive an LHA excess:

What do you do with the extra money?
- use to reduce existing debts or rent arrears
- add to 'pot' for household expenses e.g. food/clothing
- being used/saved for a particular object or event e.g. rent deposit for future move

What difference has the extra money made to you over time?
Anticipated future impacts or changes

If receive an LHA shortfall:

Who pays the shortfall – tenant or landlord (not collected)

If tenant pays the shortfall

How do they find the extra money?

What impact has funding a shortfall had on household finances
- go without other things
- fallen into arrears with other bills/payments
- fallen into rent arrears

What difference has finding this extra money made to you over time?
 Anticipated future impacts or changes
 – influence on thoughts about moving to a cheaper property

If single under 25 – explore impact if paying a large shortfall where not in shared accommodation
 - explore views about position of under 25s re entitlement to only shared accommodation and level of the LHA shared room rate (SRR)

If landlord absorbs the shortfall

What discussions/negotiations with landlord about it – reasons for outcome

How do you think you would find the money if you did have to pay the shortfall?
 - what difference would this make - would you consider moving?

Ask All:

Rent arrears

Have you experienced any rent arrears since receiving LHA?
 - currently in arrears, or had arrears but now cleared
 - amount of arrears
 - how got into arrears - any LHA influence e.g. shortfall, payment method

Impact of rent arrears – LHA payments transferred to landlord, threat of eviction

If had arrears but now cleared - how dealt with/got out of arrears – any LHA influence

Deliberate withholding of rent

Have they ever deliberately withheld rent payments due to maintenance and disrepair issues

If yes:

- when – since claiming LHA, pre-LHA
 - explore issues and what happened

What are their views on withholding rent payments to force landlords to meet their obligations

- is it something they would consider, do they think it would work
 o how is this influenced by LHA and the receipt of direct payments

D) Money Advice

[generally] Have they ever sought money advice - why?
 - where did they go to, how found out about them, usefulness, outcome.

Ever sought money advice in relation to LHA/rent arrears
 - where did they go to, how found out about them, usefulness, outcome.
 o If not: who would they go to if they needed help with rent arrears

12 Moving and the role of LHA

Ask If moved into current property since the introduction of LHA in April 2008:

Why did they leave their previous property?

Did they deliberately break an existing tenancy contract to move onto LHA?

Why did they choose to move into this property?

- probe reasons fully e.g. size, price, location, condition

Explore experiences of looking for somewhere to live:

- How did they find this property

- How long did it take to find it

- How easy was it to find something suitable – extent of choice

If single under 25 - probe for experiences of:

o availability of shared accommodation

o availability of shared accommodation at the shared room rate (SRR) rent level

o impact on options

- Any difficulties experienced

Recap on whether they knew their LHA entitlement prior to looking

- what difference did knowing what they could afford make - whether helped to 'shop around'

Did they tell the landlord/agent when they were looking at properties that they would be claiming HB/LHA?

- why/why not

What amount of deposit or rent in advance did they pay

- perception of whether this high, low, average

- how did they afford this

Were they able to negotiate with the landlord in relation to:

- deposit and rent in advance

- rent level

- payment of shortfall, keeping an excess

- repairs, fittings and furnishings

Has LHA made negotiations with landlords/letting agents any easier or more difficult

Ask All:

Thoughts about future moves

Do they intend to move in the future or do they want to stay where they are - why/why not?

- likelihood of moving in the next 6 months

What impact, if any, has LHA had on their thoughts about moving or not moving?

If they were thinking of moving, what might prevent them or make it difficult for them to move?

- e.g. affordability, availability, choice, attitudes of landlords

- what difference if any, could LHA have on the process of moving in future?

[key question – do not miss]

How would knowing how much LHA you would get influence your thoughts about:

- moving to a **more** desirable property or area and paying the difference in rent
- moving to a **less** desirable property or area and paying less rent to keep an excess

13 Work intentions and LHA

Ask if work status has changed since LHA receipt:

Explore how and why their work status changed (if not already covered)

Explore impacts of this change

- financial impacts and impacts on receipt of LHA
- social/wellbeing impacts

Ask all:

Explore future work intentions and reasons why

- pros/cons of moving into work
- barriers to work/limiting factors

Has LHA had any impact on:

- intentions to move into work
- type of work prepared to accept e.g. minimum acceptable wage level
- hours of work wanted

What do you think will happen to your LHA if you move into work/change hours of work?

14 Overall views of LHA

What changes do you think LHA has made to the private rented housing market?

- availability of property to let – more/less
- rent levels – higher/lower
- standard or property available – better/worse
- amount of rent in advance/deposit required – more/less
- eviction – made landlords more/less likely to evict

Overall do you think the introduction of LHA has been a good thing or a bad thing

- best elements
- worst elements

Do you think there needs to be more support made available to tenants claiming LHA

- in relation to what?
- how could support be improved
 - by whom – Government, local authorities, independent advice agencies

What do you think about Government plans to remove the £15 excess that LHA claimants can currently keep?

Close and thank respondent

References

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This research explored the experiences of tenants and advisors in five local authority areas and formed part of a two-year review being undertaken by the Department for Work and Pensions to monitor the impact of Local Housing Allowance (LHA) at a national level following its national rollout in April 2008. A key focus of the research was on understanding tenants' experiences of managing direct payments and to assess whether any new issues were arising under the LHA national rollout model that were not apparent in the LHA Pathfinder evaluation.

Overall, the findings from this research are very similar to those of the Pathfinder evaluation. However, this research includes a greater focus on the experiences and views of advisers from independent advice agencies than in the Pathfinder studies. This has provided a more detailed insight into the reasons why a minority of claimants were struggling to manage their rent payments and has provided a new perspective on the effectiveness of the LHA safeguard provisions.

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