

DEMOS

THE BOTTOM LINE

AN INVESTIGATION
OF RENT ARREARS
IN SOCIAL HOUSING

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EXECUTIVE SUMMARY

A survey by the National Residential Landlords Association at the end of 2020 found 800,000 renters were currently in arrears.¹ The Resolution Foundation calculates that 450,000 of these renters are likely to have fallen behind as a direct result of the Covid-19 crisis.²

This is all compounded by a new cost of living crisis, making life even harder for renters in financial difficulty.

In this report, we present insights into the lived experience of the increasingly common situation of being in rent arrears. Our 'experts by experience' were a range of social landlord residents in London and the South East who had been in rent arrears in the last year.³ We engaged with them during the summer of 2021 through a focus group and a financial diary led interview process. This approach gave us a snapshot – just one month in the life of social landlord residents – of the countless financial decisions, trade-offs and sacrifices that had to be made and how they struggled (and sometimes failed) to make ends meet. Using the insights gained from these first-hand experiences and a review of the existing policy and academic literature on this subject, we have been able to:

In **chapter one**, identify the primary drivers of arrears in social housing. These are:

- Low and fluctuating income.
- The benefits system.
- Unexpected and bulky costs.

Importantly, none of the research we reviewed

exploring the spending behaviours of renters found evidence of widespread misspending. Our diarists' own budget reporting supports this conclusion. One participant, Susan, had recently experienced her fridge freezer breaking down and her new baby needing over-the-counter medication. Another, Jonathan, had funeral expenses and was the victim of fraud. These and many other everyday occurrences can push households with very low incomes and no savings into arrears and other forms of debt.

In **chapter two**, provide a 'deep dive' into the daily stresses and coping strategies of tenants in arrears. We find that:

- All of our diary participants reported feeling anxious about their low or precarious incomes. Three quarters reported being 'very stressed' in the last year, with the other quarter 'quite stressed'. Several noted a peak in stress at the end of the month, coinciding with a struggle to make ends meet before the next payday. These experiences certainly confirm the conclusions made by the Money and Mental Health Policy Institute, which reflected on the relationship between arrears and mental health.⁴
- Our diarists and focus group participants alike had developed complicated, sophisticated money management techniques to balance competing priorities and staggered payments as best they could to match their income. The methodology they used to prioritise different payments were not always obvious nor 'textbook' guidance that money advice services would

1 Barker, V. More than 800,000 renters in arrears due to Covid, National Residential Landlords Association, 2020. Available at <https://www.nrla.org.uk/news/over-eight-hundred-thousand-renters-in-arrears-due-to-covid> [accessed 9/12/21]

2 Judge, L. Getting ahead on falling behind. Resolution Foundation, 2021. Available at <https://www.resolutionfoundation.org/app/uploads/2021/02/Getting-ahead-on-falling-behind.pdf> [accessed 13/09/21]

3 We use the term 'social landlord residents' to refer to those that participated in the research. All participants were either housing association tenants or housing association shared owners.

4 Bond, N., Evans, K. & Holkar M. Where The Heart Is, Money and Mental Health Policy Institute, April 2018. Available at <https://www.moneyandmentalhealth.org/wp-content/uploads/2018/04/Where-the-heart-is-social-housing-rent-arrears-and-mental-health.pdf> [accessed 12/12/21]

normally provide.

- All of the renters in our study used borrowing as a financial management strategy – often as a way of bridging the gap between income and expenditure due to their ‘income trailing’. Often, these were small sums, borrowed at short notice and paid back just as quickly. However, for those with persistent problems, debts accumulated from a wide range of sources.
- Most of our diarists rely on family and friends for intermittent financial support, borrowing and paying back small sums from week-by-week. However, these social circles have an additional and much greater value in coping with stress, depression and isolation, which was particularly brought to the fore during the pandemic. Some prioritised spending money to visit family and friends for their mental wellbeing once lockdown restrictions eased, even though their finances were strained.

In **chapter three**, outline the ways in which those in arrears can be helped, before presenting a series of recommendations – for the Government, housing associations, and the wider third sector. These recommendations outline how to better support the hundreds of thousands of tenants falling into arrears during the pandemic, and to help prevent arrears for low income and vulnerable social landlord residents in future.

SUMMARY OF RECOMMENDATIONS

For those already in arrears

For the Government

1. Introduce a dedicated ‘arrears loan’ scheme to expand the new vulnerable tenants fund.

For housing associations

2. Ensure flexible rent payment schemes are widely and consistently available, to enable tenants to mix under and overpayment across a period of time and to establish a ‘pay as much as you can’ approach for those unable to make a full rental payment.
3. Engage in proactive outreach and develop web portals, apps and other measures to improve communication and trust, encouraging tenants to come to their housing officers for help before missing rent payments.

Preventing arrears

For the Government

4. We support widely-made calls to reduce the five-week Universal Credit (UC) delay and issue more Alternative Payment Arrangements.

For housing associations

5. Build financial resilience by developing a network of warm referrals to a wide range of help and advice services and encourage savings and contribution behaviours through fintech.
6. Partner with credit unions to enable tenants to avail of membership benefits, including low cost loans and savings products.

For statutory and voluntary mental health support services

7. Engage with social landlords to ensure tenants are offered access to mental health support when struggling financially, and to ensure landlords are aware of mental health crises occurring within their tenant population to enable rent flexibility to be put in place, should it be needed.

INTRODUCTION

Being in rental arrears is worryingly commonplace. A survey by the National Residential Landlords Association at the end of 2020 found 800,000 renters were currently in arrears, with average debts between £251-£500, but with 18% accumulating over £1000 in unpaid rent.⁵ Those in arrears, the survey found, tended to be younger and self-employed renters, suggesting the economic pressure of the pandemic has caused greater financial insecurity. Indeed, the Resolution Foundation calculates that 450,000 renters are likely to have fallen behind as a direct result of the Covid-19 crisis.⁶

The economic slowdown arising from the pandemic has meant millions of UK workers have seen their earnings fall substantially, with many unable to work or earn at all. For those who were already financially vulnerable (e.g. with few or no savings and with limited access to credit) this income shock has been disastrous, leading to massive increases in food bank use, and spiralling levels of debt.

The Government's economic support package included several protections for the financially vulnerable and those in arrears. However, these were temporary measures, all of which have now expired. New recovery measures – such as Breathing Space – are very welcome, but it is too early to determine whether they are making an impact and how the limited funds available will be targeted.

This situation is made all the more tricky by a new cost of living crisis, with inflation hitting a 10-year high in December 2021.⁷ This project seeks to capture this experience, first hand.

While the body of research on this subject has highlighted the problem of income volatility for those on the verge of financial exclusion, empirical evidence about the strategies used in households' financial management and the various actors

available to them is scarce. Yearly population surveys allow us to observe which financial instruments people are using. However, little is known about how this then impacts their ability to meet rent payments. Traditional studies of financially excluded individuals in the UK, conducted using surveys, bank account records, or in-depth interviews are also not frequent enough to capture the detail of individuals' financial management strategies or the underlying rationales for their behaviour. Finally, none directly track fluctuating income, management strategies and stress levels side by side to see how these factors interact.

We hope to address these gaps by exploring the lived experience of social housing residents in arrears, their day-to-day financial management strategies to smooth consumption, and how this interacts with stress levels.

This report draws on:

- An evidence review of grey and academic literature on the characteristics and nature of financial management among low-income tenants;
- A focus group with social housing residents living in London and the South East of England that have been in rent arrears within the last year, exploring the financial pressures and lives of this group, and the impact that these situations have had on their lives;
- A series of interviews (x8) with social housing residents living in London and the South East of England that have been in rent arrears in the last year, drawn from one-month long financial diaries charting spending, financial management and self-reported stress levels.

5 Barker, V. More than 800,000 renters in arrears due to Covid, National Residential Landlords Association, 2020. Available at <https://www.nrla.org.uk/news/over-eight-hundred-thousand-renters-in-arrears-due-to-covid> [accessed 10/12/21]

6 Judge, L. Getting ahead on falling behind. Resolution Foundation, 2021. Available at <https://www.resolutionfoundation.org/app/uploads/2021/02/Getting-ahead-on-falling-behind.pdf> [accessed 13/09/21]

7 Hotten, R. Inflation hits 10 year high as energy, fuel and clothing costs jump. BBC News, 2021. Available at <https://www.bbc.co.uk/news/business-59663947> [accessed 12/12/21]

In the following three chapters, we use these evidence sources to identify the main drivers of arrears for social housing residents; to present a 'deep dive' into the lived experience of managing income and expenditure while in arrears; and to set out how social housing residents are being helped now, and might be better helped in future – to both manage and ideally avoid falling into arrears in future.

CHAPTER 1

THE DRIVERS OF RENT ARREARS

In this chapter, we gather the evidence from our literature review, focus groups and diary-led interviews to explore the drivers of rent arrears, identifying why and how people find themselves unable to pay their rent.

As we mention in the introduction of this paper, the pandemic has driven an explosion in rent arrears, pushing an additional 450,000 people into housing debt. The reason for this is self-explanatory. The pandemic – generating widespread unemployment and underemployment – has meant many more people have reduced or fluctuating incomes. This is by far the most important driver of arrears.

This can be explained by three key facts. First, housing costs are by far the single largest outgoing for renters, whether in the private or social housing sector. Second, these costs are not means-tested, but relatively fixed, usually according to local market rates. They cannot be adjusted easily to reflect temporary changes in income. Third, as a result of the first two factors – housing costs are regressive, with lower-income households using a larger portion of their overall income on rent than their better-off counterparts. Low-income households also tend to be more likely to experience lost or fluctuating income (a result of unstable employment and/or benefits income) and least likely to have financial resilience in the form of savings to cushion the blow, increasing the risk of arrears.

ILLUSTRATING THE RENTAL BURDEN

Our diarists filled out detailed budget sheets of income and expenditure over a month-long period. These data illustrate the large burden that housing expenses represent, dwarfing all other outgoings. Table 1 shows the total expenditure breakdown across our eight diarists:

TABLE 1
DISTRIBUTION OF OUTGOINGS PER CATEGORY - TOTAL ACROSS EIGHT PARTICIPANTS

OUTGOINGS	PROPORTION OF TOTAL EXPENDITURE
Rent/Mortgage	33%
Groceries	14%
Bills (Utilities, credit card, loan repayments)	13%
Clothes	9%
Luxury Items (cigarettes, alcohol, luxury foot items etc.)	9%
Social Activities/Leisure costs (a.g. Dining out/ Going to the pub)	8%
Essential Travel	4%
Childcare + Other caring costs	2%
Education, Training	2%

Essential Repairs (House, car, etc.)	2%
Non-Essential Travel	2%
Insurance	1%
Gym Membership/ Exercise Costs	1%

Source: Demos diary keeping exercise with eight participants, July 2021

This is all the more worrisome given this group are social landlord residents. Data from the Office for National Statistics (ONS) suggests private renters would regularly spend a third or more of their income on rent in the South East, where these renters live, and one might expect social landlord residents to have more affordable rent than their private market peers.⁸

"[I have] No money to visit my mum in hospital due to money all going on rent."

– Susan⁹, social landlord resident

The drivers

The body of academic evidence on this issue supports the broad premise that low and/or fluctuating income is the primary driver of rental arrears.¹⁰ More so than unexpected costs (though of course this plays an important part) and certainly more so than renters satisfying so-called 'automatic' behaviours (i.e. impulse buying, irresponsible spending).¹¹ Variables in predicting arrears include: demographic characteristics (single people under retirement age; unemployed people; and, families with children all more likely to be in arrears); having unpredictable or low incomes; and experiencing systemic delays in receiving benefits or due to administrative problems.^{12 13 14} Demos identified similar recurring themes in our focus groups and in the life stories of the diarists, with participants pointing out the importance of fluctuating or sudden loss of incomes, the complexity and delays in the

benefits system and the threat of unexpected costs. They also described a phenomenon we have called 'income trailing' whereby income tends to arrive a few days to a week later than outgoings, causing recurring points of financial stress – another symptom of low and uncertain income.

Driver one: low and fluctuating income

Low income – struggling to make ends meet with the burden of rental costs – is the simplest and most common driver of arrears. The pandemic furlough policy (where millions of workers took home 80% of their regular wage) tipped the balance for many whose income had only just covered their outgoings. Many other self-employed workers faced larger reductions or unemployment. As some of our focus group participants put it:

"...for me it was just income based. The furlough didn't match. It was not 80%. It literally wasn't even 50%. So that is the reason, income being lower."

– William, social landlord resident

"Well, my income had reduced drastically. Even just to the furlough level of 80%... My normal spending is on a very fine line, and it is up to the hilt all the time. So that 20% made an enormous difference to begin with."

– Mick, social landlord resident

A further exacerbating factor is that many low-income workers also have insecure employment, meaning their incomes are not regular or predictable. The rise of the gig or platform economy has been a global phenomenon, driven by technological advances. The ability of platforms like Uber and Deliveroo to generate jobs cannot be denied, and UK workers have grasped these opportunities as a way out of the downturn following the 2008 crash. Almost 15% of the UK's labour force is now employed in this form of work, up

8 Office for National Statistics, Private Rental Affordability, England 2012 to 2020, ONS. 2021. Available at: <https://www.ons.gov.uk/peoplepopulationandcommunity/housing/bulletins/privaterentalaffordabilityengland/2012to2020> [accessed 12/12/21]

9 All names have been changed throughout this report to protect the anonymity of research participants.

10 Duncan, S. & Kirby, K. Preventing Rent Arrears. HMSO, 1983; Ford, J. & Seavers, J. Housing Associations and Rent Arrears: Attitudes, Beliefs and Behaviour. Joseph Rowntree Foundation, 1998; Gray, B. and others. Rent Arrears in Local Authorities and Housing Associations in England. Department of Education, 1994. [accessed 12/12/21]

11 Hickman, P. Understanding social housing tenants' rent payment behaviour: evidence from Great Britain. Housing Studies, 2021.36:2. 235-257. DOI: 10.1080/02673037.2019.1697799 Available at: <https://www.tandfonline.com/doi/pdf/10.1080/02673037.2019.1697799?needAccess=true> [accessed 20/05/21]

12 Scott, S. and others. Good Practice in Housing Management: A Review of the literature. Scottish Executive, 2001. [accessed 12/12/21]

13 Johnson, C. and others. Universal Credit Test and Learn Evaluation: Families - Findings from qualitative and quantitative research with claimants. Research Report No 944. Department for Work and Pensions, 2017. [accessed 12/12/21]

14 Hickman, P. Understanding social housing tenants' rent payment behaviour: evidence from Great Britain. Housing Studies, 2021.36:2. 235-257. DOI: 10.1080/02673037.2019.1697799 Available at: <https://www.tandfonline.com/doi/pdf/10.1080/02673037.2019.1697799?needAccess=true> [accessed 20/05/21]

from 6% just 5 years ago.¹⁵ However, this form of work can be notoriously unstable – many gig workers are self-employed, agency workers or on zero-hours contracts, meaning their incomes are not assured week to week. This also goes hand in hand with low pay: gig and zero-hours jobs are in the lowest paying sectors, while the International Labour Office (ILO) identified a ‘precarity gap’ – that is, those on precarious employment contracts are paid on average 10% less than their contracted counterparts.¹⁶

In addition to the advent of the gig economy, the UK has also seen the broader growth of zero-hours contracts (particularly in the hospitality and retail sectors) which means 3% of workers were employed in this way in 2020 – up from just 0.8% 20 years ago. The number of self-employed workers has also grown, with five million people self-employed in 2020 compared to 3.2 million 20 years ago.^{17 18} The Resolution Foundation estimated in 2019 that two-thirds of the growth in employment since 2008 had been in these ‘atypical’ roles.¹⁹

All of these trends combined means more and more workers – and particularly those on low incomes – are in unstable work with fluctuating incomes. While housing costs are fixed, the income with which they can be met (particularly among the low paid) can vary dramatically from month to month. This is a recipe for rent arrears.

Illustrating income fluctuations

Five of our eight diarists were employed at the time of our fieldwork – four full-time. The data in Table 2 below shows how employment earnings make up the bulk of income for the group, with benefits and loans coming second and third.

TABLE 2
DISTRIBUTION OF INCOME PER CATEGORY
- TOTAL ACROSS EIGHT PARTICIPANTS

INCOMINGS	PROPORTION OF TOTAL EXPENDITURE
Salary (from Work)	66%
Benefit Payments	15%
Credit/Loans	10%
Other Sources	7%
Borrowed from Family/ Friends	3%

Source: Demos diary keeping exercise with eight participants, July 2021

However, the majority of renters we spoke to had irregular income patterns, and almost every renter we spoke to, in both focus group and diary interview setting, described their income precarity using vivid examples. This included unexpected redundancy and applying for dozens of jobs in vain, illness and caring responsibilities preventing work and pay. For benefit recipients, this precarity also included delays and administrative errors in benefit processing – an issue we explore further below. For some, their jobs simply did not guarantee an income even while housing costs remained constant:

“...my partner is a bricklayer, so he’s outside. If it’s raining all week, he doesn’t work all week, and that’s how it is. He doesn’t get paid for not working. He’s self-employed...we do literally live week to week at the moment. It’s been like that for about two and a half years now.”

– Sally, social landlord resident

15 Butler, S. Gig-working in England and Wales more than doubles in five years. The Guardian, November 2021. Available at <https://www.theguardian.com/business/2021/nov/05/gig-working-in-england-and-wales-more-than-doubles-in-five-years> [accessed 12/12/21]

16 Adans, A & Prassl, J. Zero-Hours Work in the United Kingdom. International Labour Office, 2018. Available at https://www.ilo.org/wcmsp5/groups/public/---ed_protect/---protrav/---travail/documents/publication/wcms_624965.pdf [accessed 10/12/21]

17 Statista. Percentage of people in employment on zero-hours contract in the United Kingdom from 2000-2021, August 2021. Available at <https://www.statista.com/statistics/414981/employees-with-zero-hours-contracts-share/> [accessed 10/12/21]

18 Statista. Number of self-employed workers in the United Kingdom from May 1992 to October 2021, December 2021. Available at <https://www.statista.com/statistics/318234/united-kingdom-self-employed/> [accessed 10/12/21]

19 Clarke, S & Cominetti, N. Setting the record straight, Resolution Foundation, January 2019. Available at <https://www.resolutionfoundation.org/app/uploads/2019/01/Setting-the-record-straight-full-employment-report.pdf> [accessed 12/12/21]

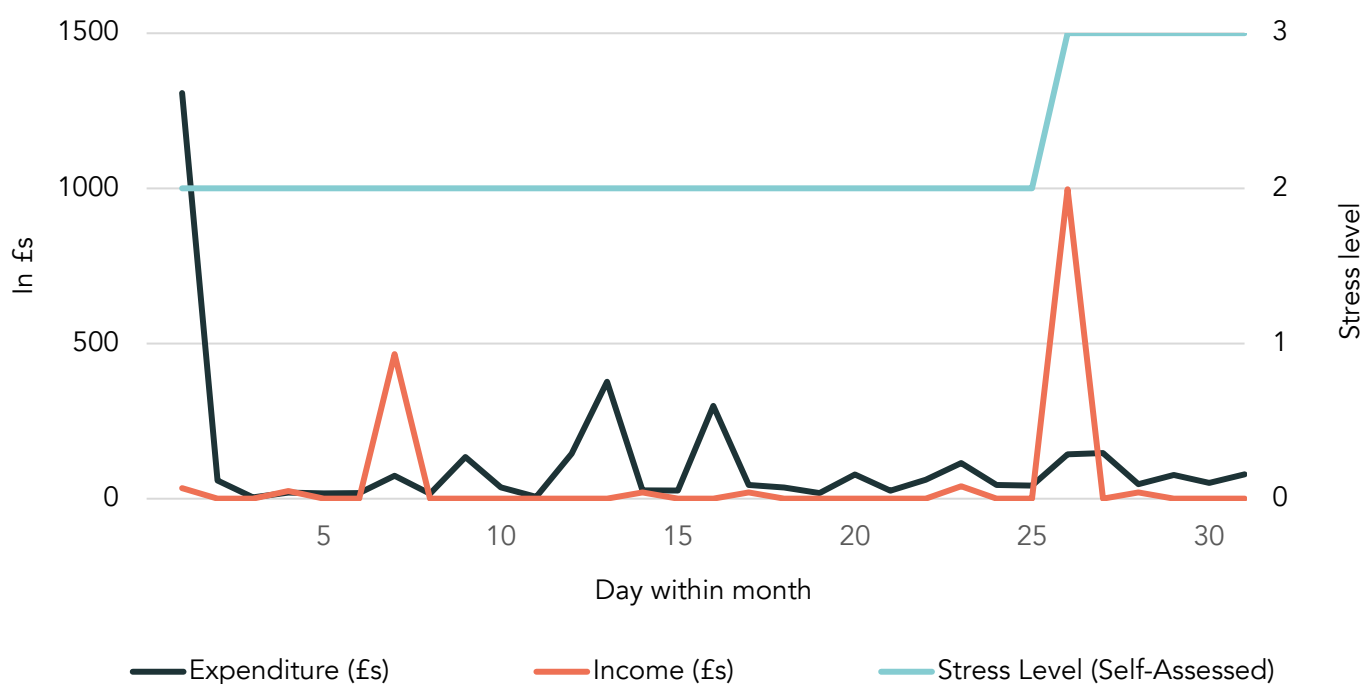
The income precarity identified in our research is part of a wider phenomenon which the Financial Conduct Authority calls ‘financial vulnerability’, or ‘low resilience’. This includes low and/or unstable income, as well as low financial capability, low or no savings, and no access to affordable credit or indebtedness. The pandemic has significantly increased financial vulnerability in the UK, with the FCA estimating that over the course of 2020, the number of UK adults with low financial resilience increased from 10.7 million to 14.2 million.²⁰

In Figure 1 below, we present one month of a diarist’s income and expenditure, as well as self-reported stress levels, to demonstrate how income and outgoings are not well coordinated over the month.

For those with savings, or higher incomes, this lack of coordination will not necessarily present a problem. However, for those with no or low financial resilience, it is easy to see how such an income and expenditure pattern – typical of our renters – can lead to arrears.

Patterns similar to Olivia’s – where expenses peaked at the beginning or end of the month – were common across our diary participants. Rent and utilities are often due in these periods, and while many full-time workers on monthly salaries will see their income arrive at the end of the month to coincide with this expense, this is certainly not the case for agency or zero-hours workers, or those relying on commission or tips week to week.

FIGURE 1
OLIVIA’S DAILY INCOME, EXPENDITURE AND STRESS LEVEL



Source: Demos diary keeping exercise with eight participants, July 2021
Key: 0 = no stress; 3 = highly stressed

Here we see Olivia – a mid-twenties mother of one, who works part time – having significant outgoings at the start of the month, with no income until day seven. This income is then not sufficient to cover costs, falling in the middle of the month. Her income peaks on day 26, but it is clear this needs to be saved until the start of the following month when her outgoings peak.

Figure 2 below shows the aggregate income and expenditure pattern for our eight diarists, all of whom are social landlord residents. A very large outgoing at the beginning of the month was typical – this is rent and some key utilities. This seems to be when most people were paid (or rather, on the very last day of the month before). But we can also see that income peaks in the first and especially third week of the month, while costs rise again in the fourth.

²⁰ Financial Conduct Authority. FCA finds the Covid-19 pandemic leaves over a quarter of UK adults with low financial resilience, FCA, February 2021. Available at <https://www.fca.org.uk/news/press-releases/fca-finds-covid-19-pandemic-leaves-over-quarter-uk-adults-low-financial-resilience> [accessed 12/12/21]

Figure 2 below shows the aggregate income and expenditure pattern for our eight diarists, all of whom are social landlord residents. A very large outgoing at the beginning of the month was typical – this is rent and some key utilities.

FIGURE 2
AGGREGATE EXPENDITURE AND INCOME
(WITH AVERAGE STRESS LEVELS)



Source: Demos diary keeping exercise with eight participants, July 2021
Key: 0 = no stress; 3 = highly stressed

This seems to be when most people were paid (or rather, on the very last day of the month before). But we can also see that income peaks in the first and especially third week of the month, while costs rise again in the fourth. As such, some diarists reported income arriving days or weeks after it was needed, and we coin this phenomenon ‘income trailing’. To cope, diarists reported borrowing from friends and family to bridge the gap, using alternative lenders, credit cards, or resorting to food banks when necessities were needed before their income arrived.

“..you’ve probably seen, we get paid quite weirdly. We get paid Friday and Saturday. We have to make our food last a whole week. We get a food parcel from my daughter’s school, has helped us quite a lot, however, it doesn’t cover the fact, you know, we need milk and things like that.”

– Susan, social landlord resident

Martin, one of our participants who has recently become unemployed and is now struggling to pay his bills, including groceries, described a variety of ways in which he was covering his costs in the short term:

“My electric ran out today so I’m on emergency credit, but that should be OK until universal credit day.

I had no money to go out for drinks with ex colleagues that was arranged a month ago, so I had to borrow £60 across three different friends.

[I was] Unable to afford the internet which was cut off at the beginning of the month, so had to use mum’s card to pay for it, borrowing £55.

I've had to use my small amount of cash savings I've kept at my mum's and that's just made me realise that it will be depleted soon."

Driver two: the benefits system

There is a significant body of work exploring how recent benefits reforms – including widespread cuts to disability benefits, the benefits cap and bedroom tax, and in particular the introduction of Universal Credit – has increased the number of renters falling into arrears simply due to the fact that incomes of those relying on these benefits was cut back significantly. Two further factors were also at play, as the Government sought to encourage financial responsibility among benefit recipients in two ways: the first by paying benefits monthly, instead of weekly, thereby imitating a monthly 'wage' (though critics rightly pointed out very many low-income workers are paid weekly, and have no experience of managing a large monthly budget); and the second by paying housing benefit (and subsequently, the housing portion of UC) to the recipient once they have moved onto Universal Credit, rather than directly to the landlord as was the case under the previous housing benefit regime. Both of these changes increased the risk of arrears, particularly among those who were less able to budget over a month. The additional responsibility of paying one's landlord rather than having rent stopped 'at source' so to speak was unwelcome for many – indeed there is some anecdotal evidence that some tenants deliberately missed rental payments in an attempt to be placed back on the old 'direct payment' system (known as Alternative Payment Arrangement, discussed in Chapter 3²¹).

Finally, and perhaps the biggest culprit of the increase in rent arrears among benefit recipients, is the standard five-week wait for the first UC payment. Following criticism, the Government introduced an advance payment system to cover this period – 60% of claimants now avail of this. However, this advance payment is a loan, which must be paid back via reductions to UC payments over the following year, leaving many with benefits income that is below subsistence rates.²²

Unsurprisingly, it is believed two-thirds of tenants underpay their rent in the first week after they apply for UC, and that the arrears that accumulate in the

initial weeks are not paid back – with £240 still being owed on average six months later. This equates to around 8% of people's rent, compared to an average arrears for non-UC claimants of around 3%.²³ The Peabody Trust reported in 2019 that three quarters of their UC-claiming residents were in arrears, a third of whom were behind more than eight weeks' rent (which was the threshold for mandatory eviction). They said UC claimants were three times more likely to be in this position than other benefit claimants living in their properties. The reductions in UC (to pay back the advance payment loan) meant UC renters were living on just £330 per month on average.²⁴

Our diarists and focus group participants confirmed these and other problems with the benefits system, with one focus group participant saying she fell into arrears for the first time as a result of the delay in claiming UC for the first time at the start of the pandemic. Jonathan, who is employed full time and who fell into arrears when he was furloughed, receives UC and found that while it arrives monthly, the day it arrives can vary by up to a week – making it harder to budget, leading to direct debits failing, and so on.

"You can't always guarantee it will be on the same day each month. And there's a lot of work to put in before you can get any assistance... It is harder to manage. I mean, there wasn't a big gap in between, no more than a week either side. Sometimes it would come early, sometimes late, but not knowing... If it comes on a specific date it allows you to manage the budget better. If it's coming a week later than the previous month..."

– Jonathan, social landlord resident

This suggests that low-income households experience two forms of income precarity which increases their risk of rent arrears – from work and benefits. The latter is a systemic design flaw which could (and should) be easily rectified.

21 Hickman, P. Understanding social housing tenants' rent payment behaviour: evidence from Great Britain. *Housing Studies*, 2021.36:2. 235-257. DOI: 10.1080/02673037.2019.1697799 Available <https://www.tandfonline.com/doi/pdf/10.1080/02673037.2019.1697799?needAccess=true> [accessed 20/05/21]

22 Parliament Committees. Written Evidence from the Joseph Rowntree Foundation, April 2020. Available at <https://committees.parliament.uk/writtenevidence/1908/html/> [accessed 12/12/21]

23 Hunter, P. Falling behind: The impact of Universal Credit Arrears for council tenants in London, The Smith Institute, July 2020. Available at <http://www.smith-institute.org.uk/wp-content/uploads/2020/07/Falling-behind.pdf> [accessed 12/12/21]

24 Windle, G., Worrall, L. & Martin A. The Impact of Universal Credit, Peabody, September 2019. Available at https://www.peabody.org.uk/media/13678/universal_credit_report-lr.pdf [accessed 10/12/21]

Driver three: unexpected and bulky costs

We have thus far considered fluctuations or instability of income, be that through work or benefits, as drivers of rent arrears. The next most significant cause of arrears is unpredictable costs. When urgent, these costs compete with rent in a household's limited budget.

Previous research has described tenant 'goal hierarchies', where some needs were of a 'higher order' than paying rent. It is common, for example, for tenants to weigh the feeding of their children (if not themselves) as more important than paying rent. Other priorities might differ from household to household – for example, tenants who have borrowed from doorstep lenders might feel pressure to pay back these high interest loans even before paying their rent, due to the persistent calls and letters that often accompany them. Tenants in social housing may feel less pressure to prioritise rent repayment compared to private renters, as the threat of eviction may be greater in the latter.²⁵ Nonetheless, none of the research Demos reviewed exploring the spending behaviours of renters found evidence of widespread misspending. A handful of exceptions aside, previous research on this issue suggests those who consciously choose to spend their money on something other than rent do so following much deliberation, and primarily on essential or emergency costs.

Our diarists own budget reporting supports this conclusion – one participant, Susan, had recently experienced her fridge freezer breaking down and her new baby needing over-the-counter medication. Another, Jonathan, had funeral expenses and was the victim of fraud. These and many other everyday occurrences can push households with very low incomes and no savings into arrears and other forms of debt. One participant, Alex (whose case we discuss in detail in the following section), has had vet bills to pay for his pet cat. Despite having three jobs, he is struggling to make ends meet, and, having had to have the cat put down (at further cost) feels he cannot afford another pet.

“Having to pay unexpected vet bills is so hard. I don't think I will be able to have any pets as they are a great financial responsibility so my mental health will deteriorate even more.”

– Alex, social landlord resident

In addition to unexpected costs, there are also so-called one off 'bulky' costs that, while expected,

can throw a month's tight budget off track. School uniforms, TV licenses and car insurance fall into such categories. One participant told us she had missed a rent payment as she had had to buy her daughter's uniform earlier than planned (and budgeted for) due to items going out of stock, for example.

25 Hickman. P. Understanding social housing tenants' rent payment behaviour: evidence from Great Britain. *Housing Studies*, 2021.36:2. 235-257. DOI: 10.1080/02673037.2019.1697799 Available at <https://www.tandfonline.com/doi/pdf/10.1080/02673037.2019.1697799?needAccess=true> [accessed 20/05/21]

CHAPTER 2

THE LIVED EXPERIENCE OF RENT ARREARS – A DEEP DIVE

In this chapter, we look in more depth at the lived experience of being in rent arrears and the daily financial pressures experienced by those who have been in such a situation. Our extensive diary-prompted interviews gave us great insights into budgeting strategies, the daily stress and anxiety caused by the threat of arrears, as well as a demonstration of the so-called 'scarcity mindset'²⁶ where people's executive functions are limited by financial worries and simple choices are reevaluated in the light of budgetary pressures.

Our group of eight diarists, while all based in the South East and London, were a diverse group: they were of different genders and ethnicities, of different ages, employment statuses, and family compositions. Nonetheless their common status – social landlord residents who had recently experienced arrears – generated strong common themes throughout their interviews, which we set out below.

THEME ONE - STRESS AND ANXIETY

We know from previous research into the relationship between social housing, arrears and mental health that around 34% of people struggling with housing payments are experiencing mental health problems, and people experiencing mental health problems

are one and a half times as likely to report problems paying for housing.²⁷

All of our diary participants reported feeling anxious about their low or precarious incomes. Three quarters reported being 'very stressed' in the last year, the other quarter 'quite stressed'.

Those who had borrowed from doorstep or payday lenders and felt the pressure of repayment demands were particularly affected. Some certainly demonstrated signs of depression and demotivation in their interviews, describing being unable to leave the house due to their low mood. Typical comments include:

"Yes, I spent a couple of days just in and out of bed this week because when you can't afford to do anything and debtors keep contacting you with 'next steps' phone calls, emails, letters etc. it gets too much to handle."

– Martin, social landlord resident

26 Noguchi, Y. A Radical New Way to Think About Poverty, the Bubble, November 2019. Available at <https://www.thebubble.org.uk/current-affairs/everyday-politics/a-radical-new-way-to-think-about-poverty/> [accessed 12/12/21]

27 Bond, N., Evans, K. & Holkar M. Where The Heart Is, Money and Mental Health Policy Institute, April 2018. Available at <https://www.moneyandmentalhealth.org/wp-content/uploads/2018/04/Where-the-heart-is-social-housing-rent-arrears-and-mental-health.pdf> [accessed 12/12/21]

"I feel my life is very depressed and limited to what I can and can't do. This affects my mental health and work productivity... not being able to sleep some days as the stress of not being able to pay all my rent is very worrying and I don't want to be made homeless as this has happened to me before and my mental wellbeing suffered a lot because of this."

– Alex, social landlord resident

"A stress level, just knowing you've got that kind of shadow over you and how are you going to manage it for the next six, twelve months? It's not something that's going to go within a month."

– Jonathan, social landlord resident

The threat of eviction is ever present in her mind:

"Paying it there is, yes, always, because obviously, if I don't pay it, I get that letter to say I'm going to be evicted. So, yes, always, 'Has the rent been paid? Has the money gone in the bank? Is there enough money?' Sometimes on a Thursday, it's like, 'I need to borrow £10 to make sure there's enough money in the bank.'"

– Sally, social landlord resident

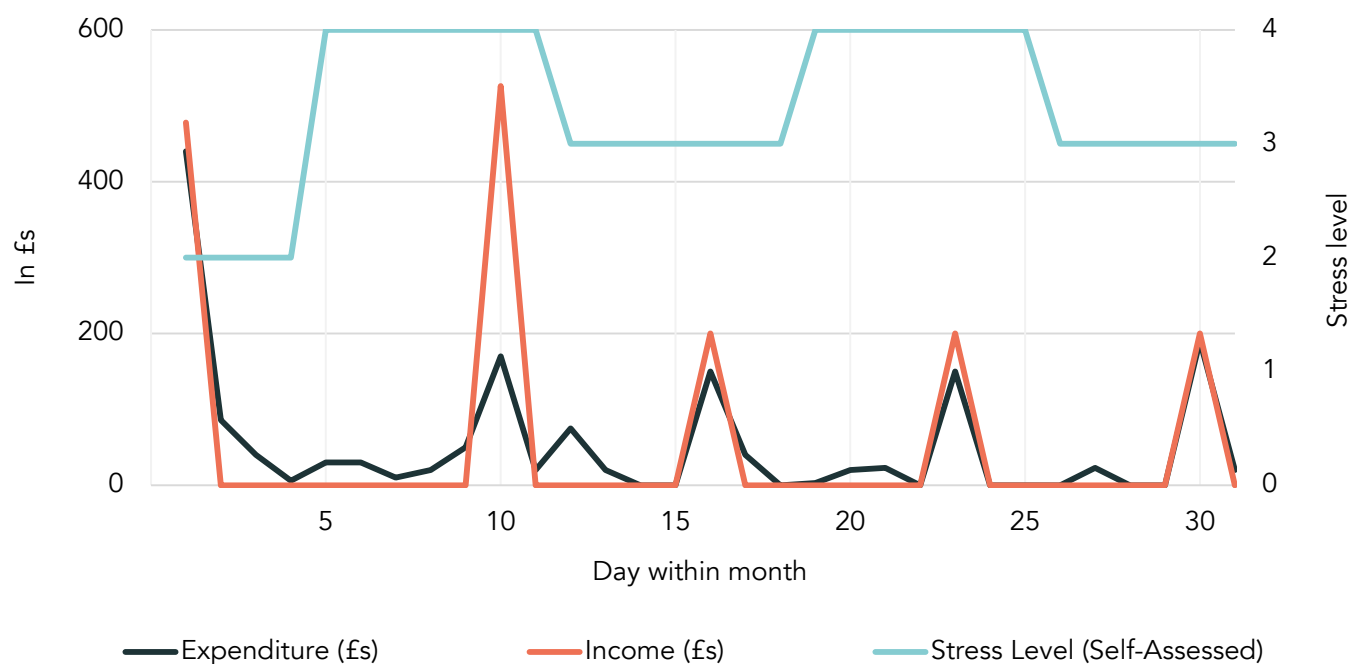
These experiences certainly confirm the conclusions made by the Money and Mental Health Policy Institute, which reflected on the relationship between arrears and mental health thus: "...mental health problems can make resolving arrears extremely difficult. Some people were too unwell to apply for work, too confused to navigate the benefit system and claim entitlements, and too frightened to call their housing provider. People described doing the only thing they had control over and reducing spending on essentials."²⁸

In their budget diaries, our participants were asked to complete a question on self-assessed stress levels, so we could map how this changes over the month in line with income and expenditure. Several noted a peak in stress at the end of the month, coinciding with struggling to make ends meet before next payday.

Others' stress rose and fell in line with expenditure, as is the case for Sally – a woman in her early forties who lives with her husband and teenage son. She lost her job, while her partner is self-employed so only gets paid when he is able to work. Previous experience of Universal Credit during the pandemic has discouraged Sally from applying again, and so her family survives on one, insecure income, while she looks for a job. This is reflected in the graph below, where her income is both low and erratic, with spending following a similar peak and trough pattern. This suggests she pays bills and other expenses whenever her partner has money available. Her stress levels also peak and trough, with the anticipation of the first big outgoing payday of the month (day 10 - £536) an obviously stressful time.

28 Bond, N., Evans, K. & Holkar M. Where The Heart Is, Money and Mental Health Policy Institute, April 2018. Available at <https://www.moneyandmentalhealth.org/wp-content/uploads/2018/04/Where-the-heart-is-social-housing-rent-arrears-and-mental-health.pdf> [accessed 12/12/21]

FIGURE 3
SALLY'S DAILY EXPENDITURE, INCOME AND STRESS LEVEL



Source: Demos diary keeping exercise, July 2021

We also asked this group about actively managing finances versus thinking or worrying about finances, and found they consistently spent more time thinking than managing. For example, on the first day of the month, half reported spending less than 30 minutes that day planning their finances. Yet half estimated they had thought about money for between one and three hours, while another two said between three and five hours. This illustrates well the 'scarcity mindset'; preoccupation with financial concerns without necessarily acting to rectify the situation.

Several residents we spoke to in our focus group reported that the pandemic had pushed them into rent arrears for the first time, either due to a reduced income, or because the safety net of UC included a five-week delay:

"Well, I have never had it before, and it was only because of lockdown and the furlough situation that I have had - I have never in my life even been late with rent, never mind been in arrears. So it was a whole new territory."

- Mick, social landlord resident

THEME TWO - RENTING DURING THE PANDEMIC

The pandemic saw a spike in rent arrears, generated by widespread furlough, redundancy, and the self-employed being unable to work during the economic lockdown. We know this disproportionately affected lower paid workers - workers in the bottom fifth of the wage distribution were three times more likely to have been placed on furlough or made redundant compared to workers in the top fifth,²⁹ leaving them financially vulnerable and at significant risk of arrears and other forms of indebtedness.

The Government attempted to counter this with the so-called eviction ban, which banned bailiff-enforced evictions between November 2020 and May 2021. Nonetheless, court proceedings increased by 200% after the ban was lifted.³⁰

One of our focus group renters reflected on this, commenting:

²⁹ Bell, T., Cominetti, N. & Slaughter H. A new settlement for the low paid, Resolution Foundation, June 2020. Available at <https://www.resolutionfoundation.org/app/uploads/2020/06/A-new-settlement-for-the-low-paid.pdf> [accessed 12/12/21]

³⁰ Heath, L. Landlord possessions increase by 207% following end of eviction ban, Inside Housing, November 2021. Available at <https://www.insidehousing.co.uk/news/news/landlord-possessions-increase-by-207-following-end-of-eviction-ban-73348> [accessed 12/12/21]

"It didn't cross my mind to think, 'Oh, well, they can't throw me out.' Because ultimately if I didn't pay the rent, even if there was an eviction ban, that was going to come to an end at some stage, so they would throw me out. So all I was doing was delaying and deferring the inevitable, which really didn't... With a wife and two kids it is not the scenario to be in."

– Mick, social landlord resident

Others, however, saw the eviction ban as a little bit of 'breathing space' – when unexpected costs arose during this period, the renter in question was relieved to be able to pay these (and miss his rent), reassured he would not be evicted as a result.

"When we needed a fridge, washing machine etc., I let the rent slip... What I meant was having it cleared by the time the ban ends. It was having that grace period."

– Kyle, social landlord resident

Coping with arrears was also more complex during the pandemic – for example, one of our renters applied for a food parcel, but could not collect it due to being in isolation. Fortunately a neighbour stepped in to deliver it. Some parents reflected on the fact that having children home when the schools closed had increased their weekly outgoing – on heating, food and activities. Finally, the wider support of family and friends was also missing, with isolation compounding the distress of falling behind on rent.

THEME THREE – CONSTANT MONEY MANAGEMENT

As we explore in the first chapter, one driver of rent arrears is unexpected or 'bulky' costs that are prioritised ahead of paying rent. Our diarists experienced unexpected illness, bereavement and household goods breaking down, all of which generated costs that could not be met without risking missing a rent payment. When meeting these emergency costs, our diarists acknowledged the potential implications, but the necessity of the payment (in the face of ill health, or family emergency) was clear.

What this does not adequately convey is the smaller, more frequent deliberations that may happen weekly or even daily regarding the allocation of funds to utilities and living costs, which may compete with housing payments for those with limited budgets. Our diarists and focus group participants alike developed complicated, sophisticated money

management techniques to balance competing priorities and stagger payments as best they could to match their income. The methodology they used to prioritise different payments were not always obvious nor 'textbook' guidance that money advice services would normally provide.

Our focus group participants discussed this in detail and several different prioritisation strategies were explained. For example, one weighed up the likelihood of immediate repercussions – under such a system, rent payments (and council tax and water) were pushed down the priority list as missing these payments did not result in an immediate loss of service:

"So [I prioritise] anything that could be cut off at the touch of a button, i.e. Amazon Prime or my telephone or broadband, because they can be terminated... And the things that I needed to be comfortable and have. Food was obviously a priority, but then the rest of them, 'What is the least cut-off-able?' Because that is the last one going to get paid."

– Mick, social landlord resident

Another prioritised smaller payments which could be completed on a small budget, rather than rent, which was described as a large "all or nothing" payment. If the rent could not be paid, one participant concluded, then the small amount he did have he would spend on things he could afford:

"For me it was definitely the food, pet food and pet insurance. The same thing with Sky and Netflix. I prioritised that because the payments aren't big. Whereas with rent it is quite huge. So if you compare that you can pay a little bit for entertainment, a maximum of 50 or whatever a month, but rent is like you can either pay it or you can't based on your income. Because of that, that is all I prioritised, yes, over rent."

– William, social landlord resident

Another assessed the relative value of services some might see as unnecessary luxuries – small payments achieving significant improvements in quality of life, for example. The group were also in agreement that phone and broadband should now be classed as essential utilities:

"I did cancel Netflix, but I kept my Amazon Prime because the value I get from Amazon Prime is just invaluable to me. The price I pay, like literally £7.99 a month to get free deliveries and television and music and

everything else on top of it, you can't go wrong...

... I mean what is crazy now is like your phone and the internet are literally essentials now. You can't even say that they are things that you don't need. You literally do need them to function in your day-to-day life. I don't care what anyone says. You do. That is now within the essential category for me. And for most people I feel it is now."

– Miles, social landlord resident

Our focus group participants were all employed, and most had fallen into arrears for the first time due to being furloughed during 2020/21. Some of our diarists, however, were unemployed, or part-time workers, with significant financial problems. The daily trade offs these social landlord residents made were related to necessities. Olivia, a mid-twenties mum of two who works part time, often goes without food herself to ensure her children are clothed and fed.

We saw in Figure 1 how Olivia's expenditure (and stress levels) peak at the end of the month, while her income (which does not match her spending) fell primarily in week one. As a result, Olivia's life is a series of small, difficult choices – she described a fraught summer holiday, where the wet weather was a factor in being able to spend the day in a park (free) rather than an indoor activity (which costs money), eating a picnic versus eating in a café. When she ate in a café, she would not eat as she could only afford food for her daughter. Pre-booking activities due to Covid also meant paying in advance for activities with money she could not spare, then risking poor weather and possibly losing that money when cancelling. She told us she had £2.77 in her bank account so had to wait until Monday to buy new socks, and how her daughter's school uniform was going out of stock so she had to buy it earlier than she had planned, before she had had a chance to save for the expense. These, and many other small considerations, had created a deeply stressful environment for Olivia, who regularly reported spending between three and five hours thinking about her finances each day.

THEME FOUR - BORROWING MONEY

All of the renters in our study used borrowing as a financial management strategy – often as a way of bridging the gap between income and expenditure due to their 'income trailing'. Often, these were small sums, borrowed at short notice and paid back just as

quickly. However, for those with persistent problems, debts accumulated from a very wide range of sources.

The evidence on borrowing we gathered from tenants is a tale of two halves. Our focus group tenants – who were employed and who tended to be on higher incomes – referred to their bank loans and credit cards, and during the pandemic how they were able to reduce their repayments. One mentioned their credit union as a source of low cost loans, and another had approached their housing association and negotiated a lower payment for a period while on furlough.

Most of our diarist tenants, on the other hand, could not borrow from mainstream financial institutions because of low salaries, unstable employment, part-time or self-employment, having a poor credit history or being 'credit invisible', i.e. not having a credit history. Those diarists who did not have a bank loan or a low-cost mortgage were more likely to be managing a portfolio of subprime loans (rent-to-own, car loans, pawn brokers, catalogue, doorstep, etc.), and the persistent methods of seeking repayment (letters, calls, visits, threats of bailiffs) were a source of anxiety. These sources of credit were coupled with informal loans from relatives and friends. Certainly, most referred to borrowing small interest-free sums (£10 or £20) from their relatives or friends for specific purchases (usually food, or an emergency cost) bridging the gap between income and expenditure, which may have only been a day or two.

This experience is echoed in other studies on the subject, including a recent diary based study on the financial lives of people living with long-term health conditions. The anxiety and cognitive burden of constant financial decision-making in the face of high-interest and persistent sub-prime lenders that the researchers describe is very much reflected in our own findings.³¹

The different experiences between these two groups could not be starker – renters with access to mainstream credit have the opportunity to renegotiate their loans, reduce or suspend payments temporarily during times of financial pressure. They are able to juggle credit to enable them to make ends meet and bridge gaps between income and expenditure. The credit is also much more affordable. However, those locked out of this sector have much more stressful and chaotic experiences, and have to juggle a larger number of smaller, more expensive loans, often with much higher interest and persistent, sometimes aggressive, communications policies.

³¹ Biosca, O and others. Managing finances and multiple long-term conditions: eliciting the perspectives of individuals living on low incomes, Finwell, 2021. Available at https://urbanhealth.org.uk/wp-content/uploads/2021/02/FinWell-Final-Report_web-1.pdf [accessed 12/12/21]

THEME FIVE – THE ROLE OF COMMUNITY NETWORKS

As mentioned above, most of our diarists rely on family and friends for intermittent financial support, borrowing and paying back small sums from week to week. These social circles have a much greater additional value in coping with stress, depression and isolation, which was particularly brought to the fore during the pandemic. Some tenants prioritised spending money to visit family and friends for their mental wellbeing once lockdown restrictions eased, even though their finances were strained.

Our diarists also raised a range of other factors which helped mitigate the financial and emotional burden of falling into arrears, such as the availability and accessibility of community-based resources such as third sector agencies, health and social care, and other essential services, for example childcare and financial and legal advice.

Knowing where to go and who to speak to, feeling embarrassed about asking for help, and having negative first experiences which discouraged further engagement were all raised. For many tenants, the first and most obvious port of call is their housing association, making this first contact critical as a gateway to seeking further support – we explore this in the next chapter. Another important issue raised by several tenants in both the focus groups and interviews was coordination. Tenants very much appreciated it when an agency (their housing association for example), recognised they were struggling to pay their rent, and registered them for a food bank parcel, for example. Joined up thinking to provide whole-household support was recognised and much welcomed.

Conversely, a lack of coordination was viewed as particularly frustrating – tenants in arrears, shouldering a significant cognitive burden in financial planning and coordinating competing priorities, often have to deal with several agencies simultaneously. These include but are not limited to: housing associations, the Department for Work and Pensions (DWP) and local government, utilities companies, banks and several sub-prime lenders, car and catalogue credit providers, charities organising debt repayment plans, food banks and schools offering food parcels. When these agencies do not talk to one another, or worse, when teams within these agencies do not coordinate the contact they have with an individual, this is seen as deeply unhelpful. Several described feeling “like a number” and in “computer says no” situations, having to repeat their circumstances and needs several times. One tenant described how she had been assured by her housing association that they would reduce her payments and would not evict her when she called them, only to receive an eviction notice two

days later as their computer systems had not been updated. Such experiences only serve to make a challenging situation all the more difficult.

CHAPTER 3

HELPING TENANTS IN ARREARS

In this chapter, we consider some of the ways in which tenants can be supported to recover from rental arrears, or better still, to avoid going into arrears in the first place.

WHAT HELP IS CURRENTLY AVAILABLE FOR TENANTS IN ARREARS?

The Government

Increasing Universal Credit by £20 a week, unfreezing Housing Allowance and relinking it to the 30th percentile of local rents, a ban on bailiff-enforced evictions, and the furlough scheme to help those who would otherwise be facing redundancy have all been adopted in the past year to tackle the impact of the pandemic.

However, these steps were temporary measures, and have all now stopped. Local Housing Allowance (LHA) has once again been frozen. Evictions rates have exploded since the ban was lifted. Universal Credit has been cut back once more, and for those on very low incomes, the furlough scheme represented a 20% reduction in pay which was unsustainable even in the short term. Many in informal or self-employment fared much worse.

There are some longer term changes, however. For example, the Government has increased the amount of funding for Discretionary Housing Payments (DHPs), to cover the shortfall for benefits claimants

between their housing costs and the benefits they receive. Although, latest data show that local authorities in England and Wales only spent 94% of their allocated DHP funding in 2020/21, compared to 98% the previous year. This, and the fact it is reserved for benefits claimants only, means DHPs are certainly not reaching everyone in need.³²

Another encouraging development is the Debt Respite Scheme, also known as Breathing Space, introduced in May 2021.³³ Regulated debt advisers can refer those in serious debt to the scheme, which freezes all demands and legal proceedings for 60 days while a person receives debt advice and develops a debt management plan. As Breathing Space also applies to housing debts, this means evictions are paused for this period and all demands and reminder letters are halted. Mental Health Crisis Breathing Space is also available, which can pause legal proceedings for a longer period, on the advice of mental health specialists. Although it is too early for any data to be published regarding this scheme's take up or impact, it has the potential to be a highly valuable tool for those in serious arrears. We would most certainly recommend tenants are made more aware of this new scheme and encouraged to seek debt advice in order to avail of it.

Most significant of all, the Government has also just announced a £65 million fund for vulnerable tenants in arrears in England.³⁴ While the details of who will be eligible for this fund, distributed

32 Brady, D. Use of Discretionary Housing Payments dropped last year, figures show, Inside Housing, July 2021. Available at <https://www.insidehousing.co.uk/news/news/use-of-discretionary-housing-payments-dropped-last-year-despite-pandemic-figures-show-71542> [accessed 12/12/21]

33 The Insolvency Service. Debt Respite Scheme (Breathing Space) Guidance for Creditors, GOV.UK, September 2021. Available at <https://www.gov.uk/government/publications/debt-respite-scheme-breathing-space-guidance/debt-respite-scheme-breathing-space-guidance-for-creditors> [accessed 12/12/21]

34 The Rt Honourable Eddie Hughes, MP. & The Department for Levelling Up, Housing and Communities. £65 million support package for vulnerable renters, GOV.UK, October 2021. Available at <https://www.gov.uk/government/news/65-million-support-package-for-vulnerable-renters>

via local authorities, have yet to be published, it is likely the English scheme will follow similar schemes already adopted in Scotland and Wales. In Scotland, an interest free tenancy loan and grant scheme is available to social and private housing tenants falling into arrears during the pandemic, which covers up to nine months of arrears.³⁵ In Wales, a tenancy loan scheme for private renters falling into more than two months' of arrears during the pandemic has just been replaced with a more generous grant system.³⁶

The funding to enable England to offer a similar scheme is of course hugely welcome. The most effective way of tackling arrears that have accumulated directly as a result of the pandemic is for the Government to pay them off directly, in order to start the country's post pandemic recovery on a strong footing rather than dampened by the burden of old debt. Nonetheless, £65 million does not begin to cover the amount owed in arrears - the National Residential Landlords Association (NRLA) estimate that rental debt accumulated during the pandemic is around £300 million.³⁷ Questions regarding how this limited funding is targeted will be critical, therefore. Will it be given to those with the largest debt, or those with the least ability to repay it without help? With the lowest incomes? With other measures of vulnerability such as disability or unemployment? Also, how many month's arrears will it cover?

It is clear this amount of funding will only be a partial, short-term fix. We still need longer term solutions to tackle the drivers of arrears among those low-income and precariously employed renters during the UK's long road to economic recovery, where some sectors (hospitality, travel) will be dampened for the foreseeable future.

The Third Sector

There are a range of third sector organisations providing advice to those with financial problems, as well as the Government funded Money Advice Service. Some will also engage with landlords or housing associations on a tenant's behalf to negotiate repayment plans. None of our tenants in arrears had engaged with these organisations, while

two in our focus group were dismissive of the service provided by other third sector agencies. One tenant said their housing association had only provided links to "the usual government websites" rather than putting them in touch with any useful organisations.

The Credit Union and Community Development Financial Institutions (CDFI) sector is another source of help, as they offer low cost loans as an alternative to high-interest sub-prime lenders for those struggling to make ends meet, as well as savings products and information. There are nearly two million credit union customers in the UK but the sector remains relatively small by international standards.³⁸ Only one of the tenants we spoke to across the interview and focus group settings had taken a credit union loan, another had joined after going to an open day, but had not yet taken a loan. Another dismissed the idea, saying they would still "be in debt" taking a loan, and not therefore resolving their situation.

The Role of the Housing Association

An obvious source of help, for social landlord residents at least, is their landlord - housing associations or local authorities. Most social landlords have at minimum a basic advice offer for those in financial difficulties in place, some with in-house services and some with referral partnerships. However, there is clearly an issue with residents not knowing about these services, or not accessing them.³⁹

In addition, some offer forms of rent payment flexibility to help tenants who are struggling financially. This might take the form of under-paying for a period (usually a fixed percentage of rent based on what can be afforded), then over-paying later. Those already in arrears are often also given repayment plans so the debt can be paid back gradually. Some associations are currently piloting a flexible rent product.⁴⁰ Tenants can set out, twelve months in advance, which months they might underpay (perhaps over Christmas, or in the school holiday) and then which they will over-pay so that the account is in balance by the end of the year.

renters [accessed 10/12/21]

35 Shelter Scotland. Tenant hardship grant and loan funds, Shelter, September 2021. Available at https://scotland.shelter.org.uk/housing_advice/paying_for_a_home/rent_arrears/tenant_hardship_loan_fund [accessed 12/12/21]

36 Davies, C. Rent arrears grants as eviction ban ends in Wales, BBC News, June 2021. Available at <https://www.bbc.co.uk/news/uk-wales-politics-57651773> [accessed 12/12/21]

37 The Guardian. Government pledges £65m to help vulnerable renters in arrears in England, The Guardian Housing, October 2021. Available at <https://www.theguardian.com/society/2021/oct/23/government-pledges-65m-to-help-vulnerable-renters-in-arrears-in-england> [accessed 12/12/21]

38 Bank of England. Credit Union Quarterly Statistics- 2021 Q2, Bank of England, October 2021. Available at <https://www.bankofengland.co.uk/statistics/credit-union/2021/2021-q2> [accessed 12/12/21]

39 Bond, N, Evans, K, Holkar, M. Where the heart is: social housing, rent arrears and mental health. Money and Mental Health Policy Institute, April 2018. Available at <https://www.moneyandmentalhealth.org/wp-content/uploads/2018/04/Where-the-heart-is-social-housing-rent-arrears-and-mental-health.pdf> p.29-30

40 Rent- Flex, 2021. Available at <https://www.rent-flex.org/> [accessed 12/12/21]

However, recent research suggests few social tenants benefit from such flexibility – during the pandemic, while 10% of families with a mortgage received a mortgage holiday from their provider, only 3% of private renters and 2% of social landlord residents successfully negotiated rental payment reductions in the same period, a shockingly low number.

Several of the tenants we spoke to had engaged with their housing associations when they had fallen into arrears, with mixed results. Encouragingly, some had received letters from their housing association at the start of the lockdown offering help should it be needed, opening the door for engagement before tenants found themselves unable to pay their rent.

One tenant in particular in our focus group gave his housing association a call after receiving such a letter, and arranged a reduced payment and avoided (unplanned) arrears altogether. He was subsequently full of praise for them. He describes this experience in Box 1 below:

“About seven years ago I was with a private landlord, and he just decided, ‘I want my place back,’ and just decided to kick me out. So that is something. I am glad that being in the situation I am now, with a housing association, it is a bit more relaxed.”

– Miles, social landlord resident

“They are not going to be like a slum landlord, who is going to have the bailiffs round in five minutes to throw you out. That didn’t happen. Nowhere near that. And they were very sympathetic and very accommodating.”

– Mick, social landlord resident

This recognition of superior service from housing associations – in both more affordable rents and more considerate treatment regarding arrears and eviction – was seen as an incentive by some to keep

BOX 1 – MICK, SOCIAL LANDLORD RESIDENT

“... The housing association I am with actually wrote to me, and everybody else I would imagine, saying, ‘If you are suffering any difficulties at this time please let us know.’

Which actually encouraged me to do so, because a lot of people, me possibly included, tend to bury their head in the sand and ignore it and maybe not pay the rent. So they had opened the door for me to go to them and say something, which I felt a lot more comfortable about.

So I thought, ‘Well, rather than just not paying the rent I will speak to them first.’ And I did speak to them. And, they were very accommodating.

What they suggested was to pay as much of it as I could. Rather than just not pay a month and then not pay another month, pay as much of it - whether it be 60% that month or 40%, whatever.

And again I think that made sense, because, as I said before, a lot of people bury their head in the sand and don’t pay one month, don’t pay two months, and they think it is going to go away. Well, it is not going to go away. That is for sure. So this was encouraging me to pay what I could. It made me feel better anyway in myself that somebody was being sympathetic to the situation.

And I think when we sorted out the problem with the rent that relieved an enormous amount of pressure, because it meant that we could actually afford to live. Albeit I still owe some of the money, but I know it is resolvable...”

For those who have had positive experiences with their housing association, the difference between this, and the way a private landlord can act, is stark.

on top of rental repayments, knowing that if evicted, the private sector alternative would be far less amenable.

However, tenants’ experiences clearly varied from association to association. A few of our diarists and focus group participants had an overall negative experience of their housing association. A typical negative experience seemed to be where there had been no communication or offer of help, simply

arrears and eviction notices once problems arose. One woman recalled getting threats of eviction even during the so-called eviction ban.

"They were sending eviction letters when we've just gone into a pandemic, I think it was totally disgusting. That really did knock us a little bit. And then you've got to try and have those conversations with them to say, 'Well, I haven't got it. I don't know what you want me to do.' and them saying, 'Well, we're evicting you.' And then Boris Johnson was obviously saying, 'No one's going to be evicted.' But they were still saying that they were going to evict us, so it was still quite worrying."

– Sally, social landlord resident

"We just didn't get any letters or anything come through from the housing association to say that we were eligible for any sort of assistance. Like I said, we missed one payment by a few days and we got chased for that payment."

– Noreen, social landlord resident

"Well, no, they reach out to you only to tell you you're still in rent arrears. They don't reach out and say, 'Oh, is there any way we could help you?' They don't do that. They wouldn't do that. I've never seen it. Some people do help, but mine hasn't. Mine's not bothered."

– Pam, social landlord resident

One diarist had a particularly poor experience – explaining that her local council and housing association did not inform her she had been affected by the benefit cap, which meant there was a larger shortfall in her housing benefit she had to cover herself. She only found this out when an eviction notice arrived stating she was £700 in debt. From her story, it was clear she was never offered a Discretionary Housing Payment to help with the shortfall. She told us:

"Obviously, I phoned [the housing association], and I was like, 'What are you talking about? I've been phoning for about a year now, and you said that I only have to pay £50.' But no, you have to pay more because you've been affected by the benefit cap. So, we were literally in tears that day, when we found out. We was like, 'What are we going to do? We've got nowhere to go, and you're going to evict us.' So, we phoned around, phoned around... finally, we reached an

agreement with our housing officer, but you have to pay £180 per two weeks."

– Susan

Beyond housing associations doing more to help, there is also clearly a need for the support already offered by housing associations to be more visible. We consider how to achieve this in the next chapter.

A WAY FORWARD RECOMMENDATIONS

Our research with tenants in arrears confirms the conclusions of our wider review of published research – namely, that rental arrears are one clear sign of low income and vulnerability to financial shocks, rather than a conscious decision to misspend or mismanage otherwise adequate resources. This is true for tenants who had fallen into arrears for the first time through exceptional circumstances during the pandemic, and those who were struggling with longer term financial exclusion. Rates of arrears, then, will always act as a weather vane for the wider economy. Unemployment, economic slowdown and poverty levels will inevitably drive arrears. Tackling these broad issues will protect more people from being unable to pay their rent. However, such an enormous and complex subject could not be covered with any justice in this report. Putting this to one side, we must consider what could be done specifically – within housing policy, by housing associations, local authorities and the wider third sector – to help support those at risk of or already in arrears, assuming that the wider post-pandemic economic context is unlikely to improve significantly for low-income households in the near future.

SUPPORTING THOSE IN ARREARS

1. Securing credit

We recommend the Government introduce a dedicated 'arrears loan' scheme to expand the new vulnerable tenants fund.

We discuss below the importance of credit unions and the CDFI sector for low-income tenants to be able to access more affordable credit. However, for those already in arrears, something more targeted

could help them clear the debt quickly.

An interest-free (or very low interest) arrears loan had been discussed in policy circles as a pandemic-recovery measure to tackle the enormous increase in arrears triggered by the economic slow-down.⁴¹ The recent announcement of a £65 million fund for vulnerable tenants to pay off arrears in the form of the grant has inevitably put the idea of a loan system on the back burner. However, in Scotland, the Executive operates both a grant and an interest-free loan system, and there is no reason the same approach could not be taken in England. This would be particularly useful given the funding available – £65 million – to pay off pandemic-related arrears is said to be a fraction of the actual amount needed. The Government could reserve this grant for the most vulnerable, and the least likely to be able to get out of arrears by themselves, while it could advance a further amount in the form of a loan to a wider set of tenants in arrears who could pay it off, interest free, over five years – as is the case in Scotland.

Housing providers can seek, via the Third Party Deduction Scheme, a 'third party payment' to enable arrears to be repaid directly from a tenant's benefits income in the form of a deduction.⁴² A TPP is usually a measure of last resort once other (voluntary) repayment options are exhausted. An expanded vulnerable tenant scheme could include clearing all TPP benefit deductions in the form of an interest free loan, immediately boosting the Universal Credit income of many low-income households.

41 Judge, L. A loan scheme for renters could stop tenants from being made homeless, Resolution Foundation, February 2021. Available at <https://www.resolutionfoundation.org/comment/loan-scheme-for-renters/> [accessed 12/12/21]

42 Department for Work and Pensions. Universal Credit: Third party payments creditor and supplier handbook, GOV.UK, September 2021. Available at <https://www.gov.uk/government/publications/how-the-deductions-from-benefit-scheme-works-a-handbook-for-creditors/universal-credit-third-party-payments-creditor-and-supplier-handbook> [accessed 12/12/21]

2. Designing flexibility into rental agreements

Flexible rent payment schemes should be offered by all social landlords, to enable tenants to mix under and over-payment across a period of time, and to establish a 'pay as much as you can' approach for those unable to make a full rental payment.

The inherent tension between fluctuating incomes and wholly fixed housing costs needs to be addressed. This is more important now than ever, as benefits reforms and changes in the UK labour market means fluctuating incomes are becoming far more common, particularly among low-income households.

As mentioned above, there are already some housing associations offering, or piloting, forms of flexi-rent arrangement. If this were adopted as standard practice, it would not only reduce the number of tenants accumulating large debts and costly eviction procedures (estimated in 2017 to be just under £7,000 per tenancy in the social sector⁴³), it would also help reduce unplanned arrears, enabling housing associations to better forecast their incomes. As one of our diarists suggested, her housing association could offer:

"A budgeting form maybe to fill out, an app maybe, for the housing association, where you can fill out your income, your daily expenses. So, maybe they can see and work out what you can afford. I mean, something useful."

– Susan, social landlord resident

We must bear in mind that social landlords need to strike a delicate balance between the wellbeing of their tenants and their organisation's financial viability, particularly given increased funding pressures in recent years. Housing associations cannot allow arrears to accumulate indefinitely before eviction, but it should be possible to offer greater flexibility in a way which allows for some shifts in income flows and increased chances of having all arrears paid over the course of, say, 12 months.

3. Improving tenant-association communication

Housing associations need to engage in proactive outreach and develop measures to improve communications and trust, including making use of web-based solutions and apps, encouraging tenants

to come to their housing officers for help before missing rent payments.

For social housing tenants struggling with rent payments, the first and most obvious port of call for help and advice is their housing association. However, tenants will not usually speak to their housing associations if they think they cannot pay their rent – the housing association will first be alerted to a problem when a payment is missed. Better outcomes could be achieved if tenants spoke up when they were starting to struggle before rental payments were missed. The association could then alert the tenant to sources of practical help and advice and if necessary, and agree flexible reductions in rental payments rather than entirely missed payments. This could reduce, or even avert, tenants becoming indebted by tackling the problem early on.

Creating a flexible and early alert system, where tenants know to approach their housing association as soon as they think they might underpay or whether they are about to apply for UC, requires active communication between housing associations and their tenants. Many associations now use online portals, mobile apps and so on to make it easier for tenants to pay rent and request repairs – this should become standard practice, while also exploring other options that technological advances have now made affordable. For example, AI software can now create tenant risk profiles to help housing associations identify who might need help, triggering automated support responses, while automated engagement platforms enable tenants to contact and receive responses from their associations immediately, with triage systems directing contacts in cases of emergency.⁴⁴

This sort of two-way communication also requires a positive tenant-association relationship, so that tenants know to keep associations informed, and feel confident they will be listened to and helped. Improving communications channels and responsiveness are important ways of achieving this, but so too is proactive outreach. Some tenants facing serious financial issues and exclusion may be wary to ask for help from formal agencies, embarrassed by their situation, or scared of eviction if they approach their landlord. Associations need to overcome these barriers with outreach and engagement strategies and a practical, early-intervention approach to providing support for tenants struggling to make rental payments. The tenants we spoke to during the course of this research were particularly appreciative of their associations sending letters to let them know how to get in touch for any help – particularly at the

43 Wharton D. Tenancy Failure (Financial Difficulties). Orbit Research and Insight Team, 2017. [accessed 12/12/21]

44 Shaikh, M. Why Social Housing Associations Need to Accelerate Their Innovation, Voicescape, 2021. Available at <http://www.voicescape.com/blog/social-housing-associations-to-accelerate-innovation> [accessed 12/12/21]

start of lockdown. Conversely they were scathing of associations who never got in touch until a reminder letter was issued for arrears.

PREVENTING ARREARS ALTOGETHER

Once a tenant has fallen into arrears, it can be difficult to recover. It can lead to significant financial hardship, mental health problems, and costly administration and legal processes for landlords, should arrears accumulate for too long. Early intervention and prevention of arrears is therefore a far more desirable outcome for all involved. We can help achieve this by:

4. Reforming benefit payments

We support widely-made calls to reduce the five-week Universal Credit delay and issue more Alternative Payment Arrangements.

Evidence is overwhelming that the five-week delay built into the Universal Credit system almost guarantees recipients will miss housing payments. We would certainly agree this delay seems counterproductive, as it unnecessarily builds debt into the system which claimants then need to pay back through benefit reductions over a longer period. Tenants with solid payment histories have found themselves falling into arrears for the first time when claiming Universal Credit, and this no doubt has an emotional as well as a financial impact. The single largest measure that could be taken to tackle arrears, therefore, is to reduce the statutory five week delay for Universal Credit applications, or at least make an exception for the housing portion of the payment.

Another adjustment to Universal Credit that could tackle arrears is by applying Alternative Payment Arrangements (APAs) to more claimants.⁴⁵ The most common form of APA is where an individual's housing benefit (the housing portion of Universal Credit) is paid directly to their landlord. Being in arrears, or at risk of arrears, a history of mental health problems or homelessness are all qualifying factors in applying for an APA – this application can be made by a work coach, benefits caseworker, or social landlord. While we recognise that Universal Credit's monthly payments structure is part of a 'responsibilisation' strategy to encourage people to take ownership of their finances, it is also clear that hundreds of thousands of tenants are accumulating arrears, and falling in and out of arrears on a

regular basis.⁴⁶ Giving these people more financial responsibility – but without any additional support to discharge that responsibility effectively – is proving disastrous, and expensive. A more reasoned approach would be to extend the use of APAs across this group, put support in place to build financial capability and resilience, and then withdraw APAs gradually to enable tenants to take more financial responsibility when they are ready to do so.

5. Build financial resilience

Develop a network of warm referrals to a wide range of help and advice services and encourage savings and contribution behaviours through fintech.

We know from our own field work, and review of wider literature on this issue, that an income shock (redundancy, reduced hours, illness or caring responsibilities leading to missed work) or unexpected cost often cannot be avoided, however, their impact can be mitigated through the help of a wide range of support organisations.

Some of the tenants we spoke to received food parcels – food banks are frequently the highest profile form of support in a local area. However, there are often an array of other options available providing very practical assistance, including clothes, baby goods, furniture and white goods 'banks', toy libraries, uniform grants and other charitable schemes which can ease short term budget crunches and increase the likelihood of housing payments being made on time. There are also a huge range of support helplines available, including the Money Advice Service, Shelter's homelessness helpline, the National Debtline, and so on, and a thriving third sector of charities helping to improve financial capability and financial resilience.

There is, again, a role for social landlords (housing associations or local authorities) here, alongside social or healthcare agencies that may be supporting a family in financial distress. First, to consolidate disparate local information into a directory and communicate it to people in need in a sensitive and straightforward way; and second, to create networks and coordinate with these other organisations, opting for 'warm referrals' wherever possible, so that individuals are not burdened with making cold approaches and applying for grants and assistance when they are already under considerable stress.

45 Department for Work and Pensions. Alternative Payment Arrangements, GOV.UK, May 2020. Available at <https://www.gov.uk/government/publications/universal-credit-alternative-payment-arrangements/alternative-payment-arrangements> [accessed 12/12/21]

46 Hickman. P. Understanding social housing tenants' rent payment behaviour: evidence from Great Britain. Housing Studies, 2021.36:2. 235-257. DOI: 10.1080/02673037.2019.1697799 Available <https://www.tandfonline.com/doi/pdf/10.1080/02673037.2019.1697799?needAccess=true> [accessed 20/05/21]

Advances in fintech can also help to build financial resilience. There are now a wide range of platform-based financial providers offering more flexibility with saving and spending, including jam jar style accounts. These could certainly help individuals put small amounts aside for rent throughout the month, which are then difficult to withdraw other than for the purposes of a rent payment. Housing associations or other social landlords could take this one step further, creating online accounts through their apps or portals which enable tenants to top up their rent account over a month period – in very small increments if necessary – before the account is cleared on the due date.

6. Low-cost credit

Housing associations should partner with credit unions to enable tenants to avail of membership benefits, including low-cost loans and savings products.

Repayment of arrears and repayment of UC advances can significantly reduce the income of low-income families, causing them to struggle to cover the basics of food and utilities. At this point, we know many people borrow from friends and family, use credit cards, or for those unable to access mainstream credit, sub-prime lenders are the next port of call.

However, catalogue credit, payday and doorstep loans are high interest and high stress, as such providers usually adopt persistent and sometimes aggressive methods of seeking repayment. As a result, tenants may pay these off ahead of their rent, simply due to the perceived urgency or seriousness of the former over the latter. It would therefore benefit both tenant and housing association if those relying on sub-prime credit could be steered towards Credit Unions or CDFI organisations instead. These organisations provide both low-cost credit and encourage savings, have advice services, and offer a range of other financial products to encourage financial inclusion. Some housing associations have already recognised the synergy between their role and credit unions and the potential benefits for their tenants, and have partnered with local Credit Unions⁴⁷ so that tenants, even geographically dispersed, are eligible for membership.

We recommend this becomes standard practice for all housing associations, whose tenants are good examples of groups with a 'common bond' (i.e. renting from the same housing association, often living in the same estate), which is the basis of eligibility for credit union membership.

7. Mental health support

We recommend that when tenants report financial problems or fall into arrears, housing associations offer to help them access mental health support alongside the more traditional warm referrals outlined in recommendation 5.

Conversely, we recommend mental health support services seek to engage social landlords, alerting them to mental health crises occurring within their tenant population to enable rent payment/repayment flexibility to be put in place, should it be needed.

Given that a high proportion of those in social housing have mental health problems, and that financial crises and arrears are often both a cause and a symptom of mental health problems, it is clear a partnership between social landlords and local mental health services and third sector organisations would be a productive one.

Research suggests that 33% of local authority tenants and 30% of housing association tenants are experiencing a mental health problem, compared to around a quarter (26%) of those renting privately, and fewer than one in five (18%) of those who own their own homes outright.⁴⁸ Our own research also clearly demonstrates how stressful making ends meet and falling into arrears can be. This can create a vicious circle – the stress of financial problems and the threat of eviction can exacerbate mental health problems, which in turn can reduce an individual's ability to engage in financial management and decision making. We saw very clearly with the case of Martin, one of our diarists who was too depressed to get out of bed or buy milk, that he was also unable to deal with his accumulating debts. Regarding his financial management, he says:

47 Arhag Housing Association. Credit Union, Arhag, 2016. Available at <https://www.arhag.co.uk/resident-services/credit-union> [accessed 12/12/21]

48 Bond, N., Evans, K. & Holkar M. Where The Heart Is, Money and Mental Health Policy Institute, April 2018. Available at <https://www.moneyandmentalhealth.org/wp-content/uploads/2018/04/Where-the-heart-is-social-housing-rent-arrears-and-mental-health.pdf> [accessed 12/12/21]

“Me and my sister were meant to organise my debts over the weekend but it didn’t happen... I’m going to have a very hard week mentally this week but it is what it is... everyday I have to think about how to address my old debts. I left all my unopened debt letters and all opened letters at my sisters after being in Brighton. So that’s how difficult it is for me, I’ve given them all to my sister to go through. I can’t even open the letters anymore because it is unmanageable.”

– Martin, social landlord resident

This resonates with findings from other studies exploring mental health and arrears, which found: “compounded by shame, fear, powerlessness and reduced problem solving skills, people may disengage from those trying to assist them. The unopened letters and unanswered calls escalate to not answering the door to housing staff and further isolation.”⁴⁹

Mental health charities and statutory services have a clear target audience within the social housing population, and in turn, within that population, those in arrears may well have the greatest mental health needs. With the right information gathering and alert system, housing associations could pave the way for mental health checks to be offered to all tenants in arrears (or ideally, all those reporting being at risk of arrears). With the right mental health support, tenants can be given the confidence to tackle their financial problems and engage with debt advice services.

SUMMARY OF RECOMMENDATIONS

For those already in arrears

For the Government

- 1.** Introduce a dedicated ‘arrears loan’ scheme to expand the new vulnerable tenants fund.

For housing associations

- 2.** Ensure flexible rent payment schemes are available to enable tenants to mix under and over-payment across a period of time and to establish a ‘pay as much as you can’ approach for those unable to make a full rental payment.
- 3.** Engage in proactive outreach and develop web

portals, apps and other measures to improve communications and trust, encouraging tenants to come to their housing officers for help before missing rent payments.

Preventing arrears

For the Government

- 4.** Reduce or remove the five-week Universal Credit delay and issue more Alternative Payment Arrangements.

For housing associations

- 5.** Build financial resilience by developing a network of warm referrals to a wide range of help and advice services and encourage savings and contribution behaviours through fintech.
- 6.** Partner with credit unions to enable tenants to avail of membership benefits, including low-cost loans and savings products.

For statutory and voluntary mental health support services

- 7.** Engage with social landlords to ensure tenants are offered access to mental health support when struggling financially, and ensure landlords are aware of mental health crises occurring within their tenant population to enable rent flexibility to be put in place, should it be needed.

49 Bond, N., Evans, K. & Holkar, M. Where the Heart is - social housing, rent arrears and mental health. Money and Mental Health Policy Institute, 2018. Available at [Where-the-heart-is-social-housing-rent-arrears-and-mental-health.pdf \(moneyandmentalhealth.org\)](https://www.moneyandmentalhealth.org) [accessed 12/12/21]

CONCLUSION

The number of people in arrears has grown rapidly since the start of the pandemic. Our research supported the wider body of evidence on this issue, which shows the vast majority of tenants prioritise paying rent - their single largest outgoing - before all other costs, even food in some cases. As such, national rates of arrears should be seen as an effective indicator of the economic health of the population – and it is unsurprising that arrears are so high as the UK struggles to recover from the greatest economic setback for a generation.

This report has sought to understand the lived experience of low-income tenants in arrears: in particular exploring the main drivers of arrears and the often sophisticated strategies tenants employ to smooth their consumption and make ends meet. The budgetary diaries our renters completed are just a one-month snapshot, but nonetheless provide invaluable insights into how income and expenditure, and stress levels, interact week to week in low-income households. It paints a picture of the so-called 'scarcity mindset' where people's executive functions are limited by financial worries and even simple choices are reevaluated in the light of budgetary pressures.⁵⁰

These insights have led us to conclude that the financial fixes offered by the Government thus far are welcome, taking the pressure off in the short term. However, longer term solutions, with coordinated action between housing associations and the third sector that is underpinned by benefits reform, is needed if we are to drive down arrears to any significant degree and prevent arrears in the future.

Housing associations have a key coordinating role in this regard. The quality of the relationship between a housing association and its tenants is a vital ingredient in a system where tenants approach their social landlords when they find themselves struggling, before they fall into arrears, confident in the knowledge that practical support and advice will be provided. It is this early intervention and

preventative approach, building resilience – both financial and mental – that holds the solution to reducing arrears in the longer term. In this way, this project builds on Demos' Build Back Stronger report - the culmination of our People's Commission on Life After COVID-19 - which calls for greater resilience to be the guiding objective of Britain's post-Covid renewal.

⁵⁰ Noguchi, Y. A Radical New Way to Think About Poverty, the Bubble, November 2019. Available at <https://www.thebubble.org.uk/current-affairs/everyday-politics/a-radical-new-way-to-think-about-poverty/> [accessed 12/12/21]

METHODOLOGICAL ANNEX

A series of case studies built from participants' one-month long financial diaries and follow-up interviews, in which we establish how people felt about the different pressures they were facing, whether they viewed them as short-term or long-term problems, how they prioritised different issues day to day, and what would have helped the most in different situations they described in their diaries.

We recruited people based on location, their renting situation, and whether they had been in rent arrears in the last 12 months. For this study, we are particularly interested in the South East region, as well as London, and for tenants to be either renting from a housing association or in a shared ownership. Despite our offering of incentive payments that paid the full amount on completion of the month-long diary, due to the sensitivity of the data collected, recruitment and retention were challenging.

TABLE 3
DEMOGRAPHIC CHARACTERISTICS OF DIARISTS, BY GROUP (%)

DEMOGRAPHIC CHARACTERISTICS	PROPORTION OF PARTICIPANTS
Male	50%
Female	50%
25-34	37.5%
35-44	37.5%
45-54	0%
55-64	25%
65 and over	0%

Unemployed	37.5%
Employed (Full-time)	50%
Employed (Part-time)	12.5%
White	75%
Asian	12.5%
Mixed	12.5%
London	50%
South East	50%
Rents from Housing Association	75%
Shared owner with Housing Association	25%

Table 1 presents descriptive statistics of sociodemographic characteristics of the participants. All research participants were on low-to-moderate incomes, with the majority (62.5%) receiving means-tested welfare benefits. All participants were financially vulnerable and so they had at least one of the following characteristics: limited financial resilience; low financial capability; a long-term health condition or disability; or experienced a recent serious life event, such as job loss, relationship breakdown, illness, bereavement, or becoming the main caretaker for a family member.⁵¹

We administered month-long financial diaries with eight diarists living in and around the South East of England and in London. Financial diaries are systematic records of all daily income and expenditure transactions, as well as gifts, assets, and liabilities, aimed at understanding the money management strategies of low-income populations

⁵¹ Financial Conduct Authority. The financial lives of consumers across the UK. FCA, 2018. Available at: The financial lives of consumers across the UK: Key findings from the FCA's Financial Lives Survey 2017 [accessed 12/12/21]

over time.⁵² Originally applied in developing countries, this method has recently been used in advanced nations such as the United States.⁵³

Through diary data, we explore the financial lives of low-to-moderate income, financially vulnerable individuals, including unique information on behavior and use of financial products. Additionally, information about individuals' financial transactions were used as prompts to generate qualitative data in relation to participants' lives, social networks, life events, and periods of difficulty.

Diaries were constructed using Google Forms, in the form of a questionnaire that participants could complete each day from the comfort of their homes. We successfully collected diaries over a month-long period. A baseline questionnaire was administered to collect information on demographic and socioeconomic characteristics of the participants, including information on social capital, financial knowledge and behavior, level and sources of income, and coping strategies, among others. This initial information enabled the construction of a profile for each participant.

The financial transactions were recorded and captured in Excel and Google Sheets. The predefined variables captured for each transaction were: purpose, amount (in £) and direction of transaction (outflow/inflow). We also asked questions regarding stress levels, and what particular difficulties they faced on that day. Several mechanisms were put in place to control the quality of the diary data. To minimise recall bias, participants were sent weekly reminders in addition to having a separate 'Overview Survey' to complete at the end of each week. We also set up drop-in sessions on Zoom that participants could access if they had any questions regarding the diary-keeping task.

We also used the diaries to inform qualitative questions based on financial transactions that were recorded in the form of notes. This information was used to understand the reasons behind participants' financial behavior that could not be observed by analysing income and expenditure patterns alone - for example, why and how they borrowed money from family or friends.

In these diary-interviews, diarists shared perceptions and personal details of their lives that were often crucial for the interpretation of the quantitative data. A mixed-methods approach was used to analyse diary data. First, the descriptive statistics of monthly income and expenditure transactions were examined

for each diarist. The results were then combined with the qualitative individual stories collected in interviews, and diarist notes on financial transactions, to provide context into diarists' financial lives.

52 Collins, D. and others. *Portfolios of the Poor — How the World's Poor Live on \$2 a Day*. Princeton University Press, 2009. [accessed 12/12/21]

53 Morduch, J. & Schneider, R. *The Financial Diaries: How American Families Cope in a World of Uncertainty*, Princeton University Press, 2017. [accessed 12/12/21]

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