



## **Nothing ventured, nothing gained: Creating sustainable tenancies and improving revenue collection**

**East London Financial Inclusion Unit**

**May 2006**

**Author: Jahanara Hussain**

**Nothing ventured, nothing gained:  
Creating sustainable tenancies and  
improving revenue collection**

**East London Financial Inclusion Unit  
May 2006**

Author: Jahanara Hussain



## Executive Summary

*“Prevention is better than cure. It is more cost effective, allows landlords to target resources on improving services, and reduces the anxiety and disruption experienced by tenants.”*

Audit Commission, 2003

Our primary aim in drafting this report is to provide an easy-to-use tool kit of good practice for social landlords to assist them in the collection of rental income.<sup>1</sup> This report also highlights how better investment in preventative measures can actually save social landlords money in the long term and help tenants stay in their homes.

Our hope is that the guidance provided in this report will strengthen the existing good practice of many social landlords, whether or not this is formally recognised as such. We believe that the recommendations we provide in this report will enable social landlords to play a vital role in:

- **ensuring higher levels of revenue collection for their organisation**
- **helping tenants to sustain their tenancies, reduce debts, and maximise income**
- **contributing to the wider financial and social inclusion of communities**

This report forms part of a wider programme of work being undertaken by the East London Financial Inclusion Unit (ELFI) in partnership with Registered Social Landlords (RSLs). Other activities include:

- establishing a forum for social landlords in east London to explore common problems and share good practice that may benefit housing providers and their tenants
- promoting the role of the not-for-profit (NFP) advice sector in tackling rent arrears problems and helping to maximise income
- providing template arrears letters for use/adaptation by RSLs
- offering training for front-line rent income staff on debt management and awareness issues and the appropriate use of referrals
- running sessions for tenants on budgeting and money management skills

---

<sup>1</sup> Unless otherwise qualified, the term ‘social landlord’ is used to refer to both local authority landlords and other Registered Social Landlords (RSLs), such as Housing Associations and Housing Trusts.

The **key recommendations** explored in this report demonstrate how RSLs would benefit from:

- universal use of the common financial statement (CFS) to facilitate sustainable and realistic rent arrears repayment arrangements<sup>2</sup>
- consistent patterns of referral to appropriate debt or welfare benefit advice services
- awareness training for staff on debt and income maximisation issues
- ensuring clear communication with tenants at all times, with an emphasis on face-to-face contact where possible
- RSLs proactively seeking to identify vulnerability issues that might impact on tenants' ability to maintain their rent accounts in credit
- checking status of tenants' housing benefit (HB) claims and ensuring that possession proceedings are not instigated where there are outstanding housing benefit claims/other issues
- assisting tenants to comply with HB departments' requests for supporting information
- adopting a positive emphasis in rent collection campaign materials
- using "Plain English" -proofing the style and content of standard letters issued to tenants
- helping to establish 'cultures of regular payment' by ensuring that new tenants are made aware of their responsibilities and their rights at the outset of tenancies and beyond
- keeping rent income management under active review and consulting on changes with the advice and wider voluntary sector

---

<sup>2</sup> The CFS is jointly produced by the Money Advice Trust (MAT) and the British Bankers' Association (BBA), and uses Office of National Statistics data to identify expenditure trigger figures. These can be used as an objective benchmark of acceptable levels of spending on items over which debtors do not have direct control.

## **Glossary of Acronyms**

<b>ASBO</b>	Anti-social Behaviour Order
<b>BBA</b>	British Bankers' Association
<b>BME</b>	Black and Minority Ethnic
<b>CAB</b>	Citizens Advice Bureau
<b>CBHA</b>	Community-Based Housing Association
<b>CFS</b>	Common Financial Statement
<b>CHA</b>	Community Housing Association
<b>CHAS</b>	Catholic Housing Advice Service
<b>CHG</b>	Community Housing Group
<b>CJC</b>	Civil Justice Council
<b>CTC</b>	Child Tax Credit
<b>DCA</b>	Department for Constitutional Affairs
<b>DTI</b>	Department for Trade & Industry
<b>DWP</b>	Department for Work & Pensions
<b>ELFI</b>	East London Financial Inclusion Unit
<b>HA</b>	Housing Association
<b>HB</b>	Housing Benefit
<b>JSA</b>	Jobseekers Allowance
<b>LA</b>	Local Authority
<b>LBN</b>	London Borough of Newham
<b>LBTH</b>	London Borough of Tower Hamlets
<b>LSC</b>	Legal Services Commission
<b>LSRC</b>	Legal Services Research Centre
<b>MAT</b>	Money Advice Trust
<b>NfP</b>	Not-for-Profit
<b>NOSP</b>	Notice Seeking Possession
<b>ODPM</b>	Office of the Deputy Prime Minister
<b>R/HO</b>	Rent and/or Housing Officer
<b>RSL</b>	Registered Social Landlord
<b>SHG</b>	Southern Housing Group
<b>SPO</b>	Suspended Possession Order
<b>WB</b>	Welfare Benefits



# **Contents**

**Executive Summary**

**Glossary of Acronyms**

<b>1</b>	<b>Introduction</b>	<b>9</b>
<b>2</b>	<b>The general policy context</b>	<b>11</b>
<b>3</b>	<b>Size and profile of the social rented sector</b>	<b>13</b>
<b>4</b>	<b>Rent arrears and legal action</b>	<b>15</b>
<b>5</b>	<b>RSL responses to tenants in rent arrears</b>	<b>18</b>
<b>6</b>	<b>Rent arrears in the context of wider financial and social exclusion</b>	<b>21</b>
<b>7</b>	<b>Housing Benefit issues</b>	<b>25</b>
<b>8</b>	<b>Prevention is better than possession</b>	<b>27</b>
<b>9</b>	<b>The role of advice services</b>	<b>31</b>
<b>10</b>	<b>Communicating with tenants</b>	<b>34</b>
	<b>Bibliography</b>	<b>39</b>
	<b>Acknowledgements and contact details</b>	<b>41</b>
	<b>Appendices</b>	<b>42</b>

# 1 Introduction

*“Local authorities and other Registered Social Landlords are major creditors of local communities across East London through rent and council tax arrears, especially for those on benefit and low income who form the majority of tenants. **Rent arrears make up ninety per cent of possession cases brought to court<sup>3</sup> and in recent years this action has been increasing<sup>4</sup>.** The costs of enforcement in terms of local authority, advice agency and court resource often outweigh the value of the debt. Evidence from advice agencies and court advice schemes indicate that problems regarding benefit administration compound debt problems and lead to unnecessary court action.”*

East London Debt Strategic Partnership Update Report 2004

## 1.1 About ELFI

The East London Financial Inclusion Unit (ELFI), which is part of Waltham Forest Citizens Advice Bureau (CAB) Service, was established in 2004 to deliver a range of services aimed at reducing the impact of debt and financial exclusion. ELFI works with advice providers, other voluntary organisations, and statutory bodies to co-ordinate public information, deliver financial education programmes, provide training, and engage in policy interventions, in order to minimise indebtedness.

ELFI seeks to reduce levels of rent debt and the negative impact of issues associated with arrears by:

- establishing a forum for social landlords in east London to explore common problems and share good practice that may benefit their organisation and their tenants
- promoting the role of the not-for-profit advice sector in tackling rent arrears problems and helping to maximise income
- providing template arrears letters and other standard forms of communication for use/adaptation by RSLs
- offering training for frontline rent income staff on debt management and awareness issues and the appropriate use of referrals
- running sessions for tenants on budgeting and money management skills

---

<sup>3</sup> Shelter, *House Keeping: preventing homelessness through tackling rent arrears in social housing* (2003)

<sup>4</sup> Audit Commission, *Housing Association Rent Income* (2003)

## **1.2 Aim and content of this report**

The primary aim of this report is to encourage the adoption of good practice in the way that rent arrears are managed by both RSLs and tenants. This will help to ensure that RSLs are able to collect the revenue they need to maintain and enhance housing stock and related services, tenants are able to remain housed without the risk of having their homes re-possessed, and communities can thrive in conditions of reduced social and financial exclusion.

We have collated and summarised a wide range of findings from national research reports and good practice in order to provide key recommendations as workable examples of good practice that can be adopted by social landlords.

We have also drawn on the practices and policies of social landlords who provide housing services in east London, in order both to ensure that our recommendations have local relevance and also to stimulate dialogue and the exchange of good practice at a sub-regional level.

The report combines research findings, 'real-life' case studies and good practice recommendations, which are integrated into the main body of the report.

## **1.3 Who is this report for?**

This report is for policy-makers and managers of housing associations, local authority housing departments, and other housing organisations.

Social landlords vary considerably in size, structure and working practices. As such, each RSL will make its own assessment regarding which recommendations are suitable for their particular organisation, and will make use of the guidance in a way that suits their own particular circumstances.

It is worth noting that all the social landlords who participated in the research that ELFI conducted when preparing this report were keen to find new ways of improving services for their tenants, and were aware of the key issues that can impact on tenants' ability to manage their financial affairs.

## 2 The general policy context

There has been an increased policy focus in recent years on rent arrears and associated issues, subsequent to the rise in evictions and increasing levels of rent arrears amongst social housing tenants pre-2002.

The Audit Commission and the Office of the Deputy Prime Minister (ODPM) have produced reports and guidance aimed at informing social landlords about rent income management and collection practices that promote sustainable tenancies, improve rates of rent collection, and address wider problems of indebtedness<sup>5</sup>.

At the same time the Civil Justice Council has been engaged in drafting a Pre-Action Protocol that will prescribe the steps that registered social landlords (RSLs) must take during the rent arrears management 'escalation' process, in order to ensure that the use of legal action is kept to proportionate levels and that communication is maintained between landlord and tenant at all stages. See **Appendix 3** for a copy of the **draft protocol**.

The ODPM has urged landlords to do more to help tenants address rent payment problems before evicting them. Its main recommendations advocate:

- **early intervention**
- **direct and personal contact with tenants**
- **incentive schemes**
- **provision of and/or referral to welfare benefits and debt advice**

After a peak in 2001/2002, rates of eviction and arrears have now stabilised. However, current figures are still a matter of concern. Research by Shelter suggests that 80% of outright possession orders brought by social landlords are due to arrears. The Social Exclusion Unit found that around 15% of social housing tenants are behind with their rent at any one time.<sup>6</sup>

Our investigations suggest that these levels can be reduced significantly by adopting policies and practices that are preventative rather than reactive. The ODPM guidance recommends that social landlords adopt rent management policies that form a holistic part of an overall housing service, with an emphasis on preventative approaches, rather than reactive and punitive measures.

Rent arrears should not be dealt with in isolation. First and foremost, rent arrears policies and practices should aim to support tenants maintain their tenancies. This approach is mutually beneficial to both landlord and tenant.

---

<sup>5</sup> *Audit Commission: Rent Arrears (2002), Housing Association Rent Income (2003). ODPM: Improving the Effectiveness of Rent Arrears Management (2005), The Use of Possession Actions and Evictions by Social Landlords (2005)*

<sup>6</sup> *Social Exclusion Unit (2004) Action on Debt*

Recent shifts in policy that favour a more holistic approach to rent debt have coincided with wider governmental and social recognition of the corrosive effects of over-indebtedness. These developments offer an excellent opportunity for RSLs to recognise the relationship between rent arrears and other forms of debt, and to allocate resources or make use of external services that can assist tenants to maximise their income via benefits, tax credits and grants and take active control of their finances.

## 3 Size and profile of the social rented sector

### 3.1 The national picture

The overall size of the social rented sector has seen a modest decline over the past five years (from 4.4 million in 1998/99 to 3.9 million in 2003/4) as qualifying tenants have continued to exercise their “Right to Buy”.

The biggest shift in the social rented sector has been the transfer of ownership of council housing from local authorities to housing associations. The housing association share of the social rented sector has risen from 17% in 1993/94 to 37% in 2003/4.<sup>7</sup>

In 2003/4:

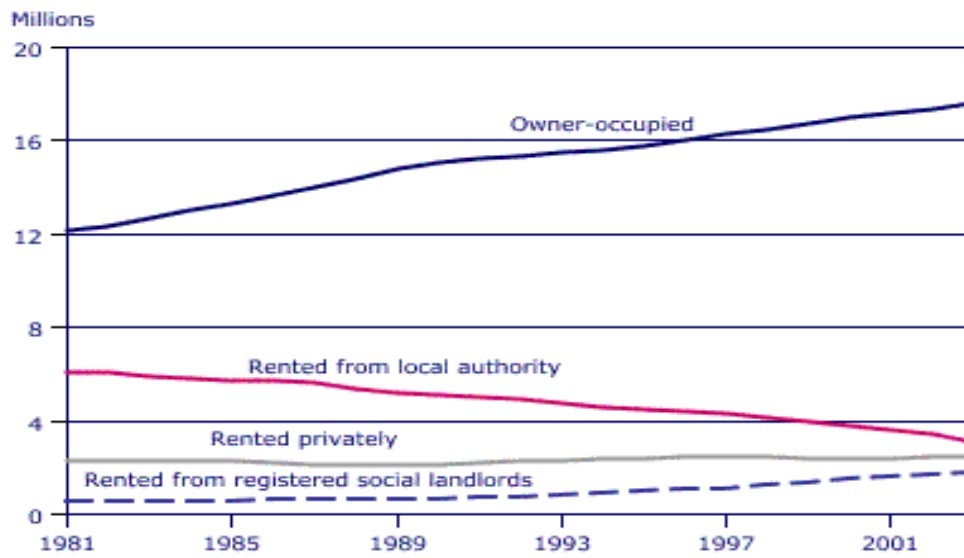
- In England, there were 14.6 million owner-occupied households (71% of total), 3.8 million tenants of social landlords (18%), and 2.2 million private tenants (11%)
- Nearly half of all lone parents with dependant children were tenants of social landlords
- In 2003/4 household reference persons (and partners) in the social rented sector had the lowest median income, at about £9,400 per annum
- Black African households were the least likely to be owner-occupiers and, along with Bangladeshi households, the most likely to be in the social rented sector. Fifty percent of BME households were tenants, compared with only 28% of white households

By virtue of legislation and the criteria that determine which individuals and families RSLs have a statutory duty to house, social housing provides homes for vulnerable or otherwise disadvantaged sections of society. A substantial number of tenants, if evicted, would still invoke duties on social landlords to re-house them under relevant items of legislation.

---

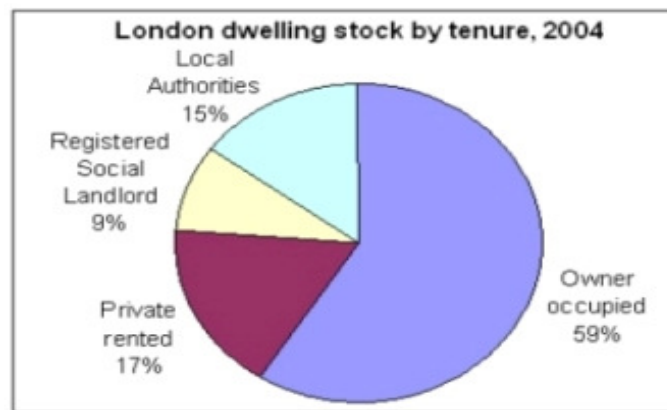
<sup>7</sup> *Bridges and Disney (2004)*

## Tenures: the national picture 1981 – 2001



Source: National Statistics Online

## The London Picture 2004



Source: Government Office for London

## **4 Rent arrears and legal action**

### **4.1 The impact of rent arrears on RSLs**

*“For most social landlords, rent arrears are a significant...problem. This has serious implications for both landlords and tenants. A decline in the rental income of councils and housing associations can impact on:*

- *rent levels*
- *the level and quality of housing services*
- *the ability of councils and housing associations to maintain their housing stock*
- *the ability of housing associations to repay their loans*
- *the extent to which councils and housing associations meet the performance expectations of central government, regulatory bodies and lenders.”*

(Audit Commission)

### **4.2 Possession proceedings and evictions**

- Each year social landlords in England issue around 550,000 Notices Seeking Possession (NOSPs) to their tenants, a figure equivalent to around 13% of total stock managed
- Some 26,000 tenants were evicted by local authorities (LAs) and Housing Associations (HAs) in 2002/03, equating to around one tenant in every 200 (0.6%)
- About one NOSP in every twenty leads ultimately to eviction, though this proportion is much higher for actions triggered by anti-social behaviour<sup>8</sup>.

A significant causal factor in the rise of possession actions has been the Housing Benefit (HB) Verification Framework, introduced in 1998. In an attempt to minimise fraud, this system has made increased demands on claimants and staff alike. The responsiveness of HB departments suffered as a result, triggering arrears and the potential for large over-payment recoveries, leading in turn to the instant creation of large-scale arrears.<sup>9</sup>

---

<sup>8</sup> *Use of Possessions and Evictions by Social Landlords-ODPM (2005)*

<sup>9</sup> *Use of possession actions (2005)*

### ***Case study: Circle 33 Housing Association***

Circle 33 staff will only serve a Notice Seeking Possession (NOSP) after all efforts have been made to contact the tenant and ensure they address their rent arrears. Rent/housing officers (R/HOs) make phone calls, carry out personal visits, and write to the tenant before a decision is taken to issue an NOSP. Staff appeared to have a good knowledge of the tenants on their own “patch” and were empowered to exercise discretion regarding which steps to take to suit the profile of individual tenants. This discretion could override computer-generated recommendations.

### ***Recommendation 1***

*Tenants should never be served with a Notice Seeking Possession (NOSP) until the landlord has established personal contact or exhausted all possible means of doing so.*

### **4.3 The real cost of eviction<sup>10</sup>**

Although instigating possession action might appear to make economic sense in the narrow sense of using the Courts to oblige tenants to offer repayment arrangements, there are wider cost implications that suggest legal action is generally not a cost-effective recovery method.

Shelter has estimated the cost-to-landlord of evicting a tenant for rent arrears as being between £2,000 and £3,000. However, anecdotal evidence based on consideration of a wide range of factors suggests that the total cost to the public purse is closer to approximately £40,000.

For example, although not everyone who is evicted has the right to be re-housed under homelessness legislation, it is likely that a significant proportion will be so entitled. The cost of accommodating an evicted household temporarily in bed and breakfast accommodation alone soon exceeds the size of most rent arrears debts. Also, the costs of advising, assisting and supporting evicted tenants form part of the wider picture.

These costs are likely to fall on both the statutory and voluntary sectors. For example, a family evicted due to rent arrears and subsequently found to be intentionally homeless, could become a client of social services, a local generalist advice agency such as a CAB, and a specialist housing advice provider such as Shelter.

---

<sup>10</sup> *Tackling Homelessness: Colchester's Review and Strategy (2003)*

At present, it seems that the implications of these wider issues are rarely considered when individual possession actions are entered into, and what might happen to a tenant after eviction is not regarded as a relevant factor for rent income departments' consideration.

We are aware of the pressure under which RSLs are operating to evict tenants who have serious and persistent rent arrears. These pressures are felt and/or applied by housing officers, their line managers, finance directors, chief executives and senior management.

We are also aware of the tension for local authorities created by the requirements of Best Value Performance Indicators (BVPIs) that deal respectively with (a) maximising rent collection/arrears recovery and (b) minimising "perverse working practices...leading to possession action and eviction".<sup>11</sup>

Nonetheless, it is recommended that senior managers and others responsible for devising rent arrears policies take into account the wider costs that may result from possession action.

---

<sup>11</sup> All four relevant BVPIs fall under the same heading of "Rent Collection and Arrears Recovery". BVPIs 66a & 66b deal with revenue collection, while BVPIs 66c & 66d deal with minimising possession actions and eviction.

## 5 RSL responses to tenants in rent arrears

### 5.1 National trends in RSL management of tenants' rent arrears

There is little variation in levels of rent arrears between local authority (LA) and housing association (HA) tenants, but there are clear differences in the approaches adopted by individual RSLs towards tenants in rent arrears.<sup>12</sup> Some have started a process of “purging” difficult tenant arrears by starting legal proceedings and following through with evictions at an early stage. Other social landlords give their tenants the opportunity to come to informal or formal arrangements to clear the arrears at various stages of the ‘escalation’ process.

There is some evidence to suggest that such variation can be attributable to the personal perspectives of individual strategic decision-makers within different organisations. Some favour a hardline approach to rent collection with the central aim being the collection of revenue at any cost. Others are more sensitive to the needs and circumstances of their tenants and try to work within the constraints of tenants' individual circumstances to come to appropriate arrangements.

Despite individual differences of approach there is little difference in *overall* eviction rates between the local authority and housing association sub-sectors. However, within each sub-sector, there are substantial differences. Among local authorities (LAs), London boroughs, metropolitan councils and unitary authorities tend to evict proportionately more tenants than district councils. In the housing association (HA) sub-sector, ‘traditional’ associations, rather than transfer landlords, record higher eviction rates.<sup>13</sup>

### 5.2 ELFI findings from sub-regional research

In the course of our sub-regional research, we identified a consistent message from RSLs. Possession action is viewed as the absolute last resort and efforts should always be made to support tenants in maintaining their tenancies. Before we embarked on the research, we were not expecting to encounter such a fundamental awareness and willingness to adopt good practice in rent management.

All staff whom we interviewed were keen to learn from our project and to consider incorporating identified good practice recommendations into their daily activities. For example, staff agreed to send ELFI-produced publicity material to tenants, signposting them to national telephone advice services.

---

<sup>12</sup> Numbers of tenants who declared that they had been in arrears in the previous twelve months peaked in both sub-sectors in the 1999-2000 period.

<sup>13</sup> *Trends in Current Tenants Rent Arrears, Local Authorities, England & Wales 1997-2003*

There was also willingness to weigh up the viability of adopting tried and tested approaches. For example, when we highlighted Colchester Borough Homes' standard arrears letters as being ODPM-endorsed good practice, most of the research participants were keen to refer to these when reviewing their own standard letters.

However, some landlord practices did give cause for concern. In most instances, at the point of negotiating repayment arrangements, it was left to the tenant to propose an amount for repayment without the completion of a financial statement. Although there was general consensus about appropriate rates of repayment for tenants on benefits (£2.85 p/w plus current charges), tenants in work faced a wide range of repayment proposals from landlords, from £5 p/w to £50 p/w.

### **5.3 Different models of deploying frontline staff**

The level and type of support offered to tenants in relation to the management of their rent accounts varies among individual social landlords. However, all RSLs share a common aim - to maximise levels of rent collection. The methods used to meet this aim often reflect the dynamics of the tenant composition as much as the corporate strategic aims of each social landlord.<sup>14</sup>

There is a strong trend towards specialisation of the income collection role. In the three years to 2003, more than a third of LAs and HAs had delegated aspects of arrears management to 'specialist' staff rather than leaving these to be carried out by multi-role, 'generic' housing officers.

Some landlords have created specialist posts responsible for all aspects of arrears management. Where functions are shared, ie an element of generalism is retained, a common model involves housing officers being responsible for low-level arrears, with 'serious' cases being referred on to specialist colleagues – eg when a Notice Seeking Possession is served or when the case is entered in court. Increasingly, landlords are employing specialist 'court officers' to present cases before judges.

---

<sup>14</sup> In particular, RSLs who prioritise the provision of housing services to particularly vulnerable client groups (eg, ex-offenders, substance mis-users etc), will tend to have well-established 'ancillary' services that support tenants in sustaining their tenancies by offering, eg, benefits advice.

### ***Case Study: Community Housing Group (CHG)***

CHG moved from a completely generic housing officer model to one that has the flexibility to allocate cases on the basis of individual officers' experience and skills.

In the past, CHG housing officers used to adhere rigidly to their own "patch", but they found that this was not an effective way of working, as it isolated them from the wider overall picture of CHG rent arrears. So now, although each officer has their own patch, they also work "cross-patch" to meet the needs of their organisation. They are assigned cases involving different levels of arrears, in addition to work on their own patch. This approach seems to have worked well, and arrears levels have been reducing steadily.

This approach does not work in isolation from other housing services. There is cross-referral and information-sharing between neighbourhood and tenancy officers, which allows for a holistic approach to tenants with rent arrears.

## 6 Rent arrears in the context of wider financial and social exclusion

### 6.1 Triggers of Rent Arrears

Unsurprisingly, research indicates that the problem of rent arrears does not exist in isolation from other societal, economic, demographic and personal issues.<sup>15</sup> The ODPM's Survey of English Housing summarises the reasons given by tenants for developing rent arrears as follows:

- Housing Benefit issues (30%)
- Debts (27%)
- Unemployment (24%)
- Other job-related problems (15%)
- Illness (13%)
- Domestic-related reasons (10%)
- Rent increase (4%)
- Other (19%)

The ODPM Survey also indicates that families with children, particularly lone parent households, and young single people are far more likely to fall into arrears than childless couples or elderly households. The vast majority of households in arrears are unemployed or in low paid work and many have wider debt problems<sup>16</sup>.

### 6.2 National data on RSL tenants and over-indebtedness

There is no universally agreed definition of over-indebtedness, although the DTI describe it as “[being] affected by problem debt. This can take the form of difficulty meeting credit commitments or inability to pay household bills.”<sup>17</sup> To this, we might add that the level of debt involved is likely to have negative impacts on the wider aspects of debtors' lives, such as relationships, mental and physical health etc.

There has been an increasing public policy focus on the impact of personal over-indebtedness over the last three years. This is to be expected given that, according to figures compiled by Credit Action, total UK personal debt stood at £1,158bn (£1.158 trillion) as of the end of December 2005. The rate of increase of debt levels was 10.2% for the previous 12 months, which equates to an increase of £100bn over the course of the January – December 2005 period.

Most tenants in rent arrears have other debts, both priority and non-priority, and many will not be aware of the important distinctions between these two forms of debt. During one of our observations at an outreach venue serviced by a housing officer, we noted that the majority of the tenants who attended the surgery (mainly in relation to rent arrears), were unaware of the difference between priority and non-priority debt. They often referred to having “other things to pay”.

---

<sup>15</sup> See Appendix Tables A & B

<sup>16</sup> ODPM-EMR (2005)

<sup>17</sup> DTI et al. (2005), p. 7.

Our own research suggests that families in debt, including rent arrears, appear to prioritise payments on credit debt over priority debts, as interest is not charged on outstanding amounts of rent, Council Tax etc.<sup>18</sup>.

Many low-income families juggle a range of credit arrangements. However there are noticeable differences between homeowners and tenants regarding the types of credit each group tends to use. Low-income tenants typically rely on loans from family, friends and finance companies, including door-to-door money lenders.

Roughly one in twenty RSL tenants faces problems in repaying catalogue and mail-order debts<sup>19</sup>. One in five of these families experience repayment difficulties on these loans. The penalties for these debts are often severe, in many cases doubling what they owe.

“A DTI report on the MORI Financial Services survey 2004 shows that [tenants]...struggle with their borrowing repayments and domestic bills...Social [housing] tenants account for 62% of those in arrears for more than 3 months and for 44% of those who declare their borrowing a heavy burden, even though they only formed 27% of the overall [research] sample”<sup>20</sup>.

### **6.3 London data**

A 2002 report for Bristol University by Elaine Kempson estimated that as many as 80% of London’s 875,000 social housing tenants are financially excluded, with more than half saying they have no savings and a similar number interested in affordable borrowing options<sup>21</sup>.

An assessment of the financial exclusion challenges confronting social housing residents in London was undertaken on behalf of London & Quadrant Housing Association between 2001/2002. 505 residents took part in the research. The main findings were as follows:

- 70% of tenants had a weekly income of less than £200
- 24% had no bank account, although in reality this number is likely to be much higher
- nearly one in five lone parents had been refused credit
- up to 75% of households with single parent or carer responsibilities had no savings
- half of all RSL tenants surveyed worried about getting into debt

---

<sup>18</sup> *Bridges and Disney (2004)*

<sup>19</sup> *Bridges and Disney (2004)*

<sup>20</sup> *Bridges and Disney (2004)*

<sup>21</sup> *Kempson (2002)*

### **Case Study – Affordable Credit**

Change is a housing association-led community finance initiative, which aims to reduce financial exclusion among RSL tenants in London and the South East. London & Quadrant Housing Trust, supported by Family Housing Association and Metropolitan Housing Trust took the lead in launching the initiative in 2003.

Since then Change has expanded and now includes 15 housing associations working in and around London - together they represent around 180,000 households.

Change is in the process of launching an affordable credit pilot, which will offer loans to financially excluded people, including RSL tenants. As part of this project, they will offer financial literacy guidance and some money advice. The primary aim is to tackle financial exclusion, and in so doing, this initiative will enable tenants to manage their money better.

### **6.4 Benefits and low income**

*Only 31% of council tenants were in paid work in 2000/01, compared with around 50% 20 years ago.*

During an ELFI observation of a rent arrears surgery facilitated by a housing officer, we identified that most of the tenants who attended the session were on benefits or very low incomes. Our findings also highlighted the impact that social security benefits have on rent arrears. The increased complexity of the housing benefit system has long been recognised as a significant contributing factor to the rise in rent arrears. Issues linked to other entitlements such as Jobseekers Allowance (JSA) and Child Tax Credit (CTC) can also affect rent arrears.

### **Case Study – Child Tax Credit**

*Tenant A had a suspended possession order (SPO) granted against her. Under the terms of the order, she was required to make rent payments on the 1<sup>st</sup> of each month, but her Child Tax Credit, which was what she used or set aside for the rent, was paid to her on the 8<sup>th</sup> of each month. Therefore, she was effectively not following the terms of her court order each month.*

*When she missed one month's payment altogether, she was automatically in two months' arrears as a result of this set up. Had she not been subject to the SPO, she would have been susceptible to a ground 8 possession action.*

### **Case Study – Jobseekers Allowance**

*Tenant B was subject to a SPO under which he was required to pay £20 every fortnight towards his arrears, but due to a review of his Jobseekers Allowance (JSA) entitlement, he had no available funds for four weeks to make these payments.*

*He was very distressed during his interview with the housing officer as he was concerned about losing his home, but his situation was such that he could not follow the payment terms.*

*In this case, the housing officer suggested that the tenant make up the difference in payments when he had his JSA reinstated, at a rate of current charges plus £10 towards missed payments, ie a total of £30 per fortnight. The tenant is paid JSA at the rate of £112.40 per fortnight. As such, the £30 arrears repayment rate represents 26.7%, ie over a quarter, of his total income.*

### **6.5 The impact of debt on mental and physical health**

Research commissioned by AXA suggests that money worries are a significant cause of worry, anxiety and stress. According to GPs and leading mental health expert, Dr Roger Henderson, who recently published a paper identifying the condition “Money Sickness Syndrome (MSS)”:<sup>22</sup>

- Almost half (43%) of the UK adult population is affected by money worries and has experienced MSS symptoms.
- 3.8m people admit money worries have caused them to take time off work

The Debt Counsellors’ Annual UK Debt Survey 2006 shows that 63% of those with bad debt problems believe their health has suffered as a direct result of their debt.

---

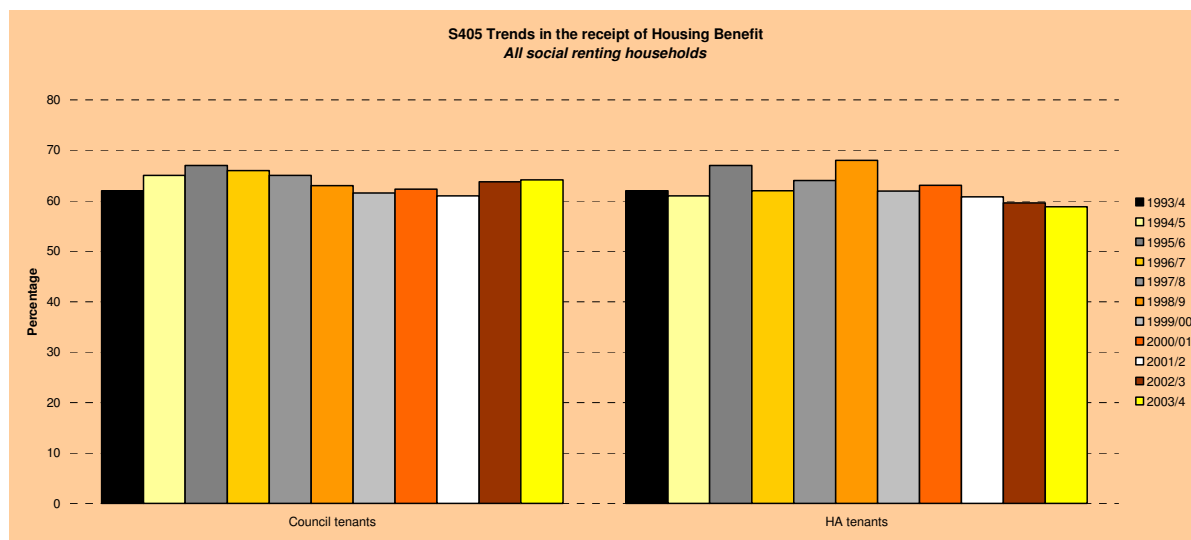
<sup>22</sup> Money Sickness Syndrome An overview of the problem and strategies for dealing with it Dr Roger Henderson Author of ‘Stress Beaters; 100 Proven Ways to Manage Stress’.(2005)

## 7 Housing Benefit issues

*“The relationship between social landlords and HB services is critical to effective arrears prevention and management.”*

(Audit Commission, 2003)

### 7.1 Data on RSL tenants and rates of receipt of Housing Benefit



Source: Survey of English Housing, ODPM, 2004

There is an increasing dependency on housing benefit within the social rented sector. Half of council tenants and just under a third of housing association tenants had their rent paid in full, or in part, by housing benefit in 2001.

### 7.2 Improved liaison between RSLs and HB departments

It is not unusual for HAs in particular to serve NOSPAs (or for cases to be entered in court) primarily as a means of prompting HB department action to process tenants' claims. In some areas this process involves the active collusion of HB staff.

Effective communication between HB departments and both landlords and HB claimants is beneficial for all parties, as it can help speed up HB claim-processing and reduce the build-up of rent arrears. ELFI's own research found that good liaison has a significant positive impact on levels of arrears, particularly where there are designated staff available on 'both sides' to resolve issues promptly and effectively. There is also a clear role for R/HOs to assist tenants in collecting and submitting all information that is required to support HB claims.

### **Case Study: Community Housing Group (CHG)**

*At the point of the tenancy sign-up, a CHG staff member assists the tenant in completing the HB application form and providing the necessary supporting information to support the requirements of the Verification Framework, and will follow the progress of the tenant's claim until it is determined. If there are any issues that delay the processing of the claim, the CHG worker is able to make direct contact with the HB department in order to help resolve them.*

### **Recommendation 2**

*Rent/Housing Officers (R/HOs) should have direct contact details for HB staff in all relevant boroughs.*

### **Recommendation 3**

*If a HB application is being processed, no further action should be taken against a tenant if they have complied with all requirements associated with making the claim, such as providing supporting information.*

### **Recommendation 4**

*Landlords should work with HB staff to establish housing officer access to Housing Benefit information systems and case records.*

## 8 Prevention is better than possession

### 8.1 Management of the 'escalation' process

Recent changes in approach to rent arrears management have been strongly influenced by an intention to target prevention rather than “firefight”. In efforts to meet this objective, some landlords have moved away from relying on “*highly automated responses to rising arrears, in favour of increased staff discretion to determine appropriate action and an emphasis on making personal contact with rent debtors rather than relying largely on postal communication*”<sup>23</sup>.

However, many landlords retain an escalation framework involving staged interventions of increasing seriousness, based on standardised levels of arrears that act as triggers. For example, in many cases, arrears equivalent to 4-8 weeks' rent still prompt the possibility of a Notice Seeking Possession being served.

Often, NOSP are issued in order to prompt a response from tenant when other efforts have failed. Anecdotal evidence from the RSLs that ELFI has approached suggests that tenants respond more promptly to this approach and often arrange repayment of the arrears. However, quite apart from the cost and stress engendered, this method can lead to the actual service of the notice when the 28-day notice period expires under the NOSP, which can in turn potentially lead to eviction.

#### **Case study: Southern Housing Group (SHG)**

##### **Southern Housing Group**

*SHG has a designated Service Centre that is often the first port of call when tenants fall into arrears. Service Centre staff do not have any face-to-face contact with tenants and work by a system of computer generated recommendations that they can action or refer to allocated patch housing officers.*

*For example, in the case of a standard arrears letter being triggered, the Service Centre staff will send out as per the automated recommendation. However, where a visit is required, the matter is referred for action to a housing officer.*

*Any subsequent legal action is only taken with a full consideration of the tenant's payment history, with discretionary input from the housing officer involved in the tenant's case.*

*Despite the use of computer-generated recommendations, housing officers have discretion to override these and tailor a response to suit the individual tenant's circumstances/needs.*

*Senior staff are fully aware of the importance of an early preventative approach, and SHG rent arrears have reduced steadily since the adoption of this approach two years ago.*

---

<sup>23</sup> Use of possession Actions and Evictions

### **Recommendation 5**

*RSLs should seek to balance the use of 'automatic' collection systems based on the need to meet revenue collection targets with flexible, tenant-centred approaches that will meet the requirements of the Civil Justice Council's protocol and the recommendations of the ODPM.*

## **8.2 Vulnerable tenants**

Definitions of tenant vulnerability vary from RSL to RSL, and sometimes between departments within, eg, individual local authorities. For example, discussion with Southwark Council rent income managers have suggested that all young people between 16-18 years old should be regarded as vulnerable, not only because their entitlement to housing suggests relevant issues such as a history of care, but also because most young people of this age are less likely to have budgeting skills, familiarity with the benefit system etc. However, of itself, youth is not universally regarded as an indicator of vulnerability.

### **Recommendation 6**

*Rent arrears management policies should pay particular regard to vulnerability issues and the role of R/HOs in supporting tenants to pay their rent, and referring to other sources of support as appropriate.*

### **Recommendation 7**

*Definitions of vulnerability used by RSLs should be as inclusive as possible, and should take account of factors such as youth, facility with the English language, other factors affecting understanding of official systems, such as length of residence in the UK, and levels of debt to other creditors.*

## **8.3 Negotiating re-payment arrangements**

Most social landlords do not carry out an assessment of a tenant's ability to pay before setting up repayment arrangements. This omission can often make default almost inevitable. Common practice tends involve tenants being asked to make offers based on what they think they can afford. A better approach would be for the social landlord to go through a financial statement with the tenant, taking into account all necessary expenditure before settling on a repayment amount.

Tenants can feel forced into making an offer over and above their individual means fearing the perceived possibility of legal action. They should be given advice about the process of offering repayments and, it may be appropriate to refer them to an advice agency for further assistance at this stage.

The desired outcome of contact with tenants is that an agreement is reached which enables tenants to repay the arrears that they owe. Acknowledgement of this as a key objective should encourage landlords to attempt to reach realistic agreements right up to the date of a possession hearing, and beyond where necessary.

**Case study: London Borough of Newham (LBN)**

*LBN has introduced a financial statement to be completed when tenants are experiencing difficulties in paying their rent.*

**Recommendation 8**

*In situations where tenants fall into arrears, R/HOs should promptly assist tenants to carry out a review of their financial circumstances in order to clear arrears and avoid the build-up of future debt.*

**Recommendation 9**

*A copy of the Money Advice Trust/British Bankers' Association Common Financial Statement should be completed with the tenant in order to ensure that any payment arrangement is sustainable.*

**Recommendation 10**

*Where tenants are receiving support from money advice organisations, R/HOs should work out a repayment schedule in co-operation with these organisations and have regular liaison meetings to review progress.<sup>24</sup>*

---

<sup>24</sup> Audit Commission(2003)

**Recommendation 11**

*Attempts to negotiate arrears repayment agreements should continue alongside any legal action, and should not cease until the bailiff's visit.<sup>25</sup>*

---

<sup>25</sup> *Audit Commission(2003)*

## 9 The role of advice services

### 9.1 Debt Advice<sup>26</sup>

The Homelessness Act 2002 stressed the importance of money and benefits advice being made available to tenants. The Audit Commission recommends that, as a minimum, landlords should provide advice on benefits and refer tenants to specialist support such as sources of money advice and credit unions.

The Housing Corporation also advises HAs to refer tenants to holistic debt counselling services both as soon as possible after a rent debt has arisen and throughout the arrears recovery process.

### 9.2 Welfare benefits advice<sup>27</sup>

Access to welfare benefits advice enables tenants to resolve problems with Housing Benefit and to otherwise maximise their income via claiming their full entitlements to benefits such as Council Tax Benefit, disability benefits, Incapacity Benefit, Income Support, Jobseekers Allowance, the full range of Tax Credits, Community Care Grants etc.

#### **Case study: London Borough of Newham (LBN)**

*LBN employs a welfare benefits adviser, who can follow up any outstanding HB queries on behalf of tenants, and advise on and assist with income maximisation issues. The service is primarily targeted at vulnerable tenants, who can request a home visit if they are housebound.*

#### **Recommendation 12**

*In the absence of structured referral procedures, landlords should provide tenants with information about local welfare benefits advice services. This information should include leaflets and also posters publicising these services displayed prominently in public waiting areas.*

### 9.3 In-house advice services

Most social landlords recognise the impact that non-rent debts have on tenants' ability to pay their rent, but few have employed in-house debt advice services. There is evidence to suggest that deploying resources to fund such support has a substantial positive impact on levels of rent arrears.

---

<sup>26</sup> ODPM-EMR(2005)

<sup>27</sup> ODPM-EMR(2005)

### **Case Study: Community-Based Housing Association (CBHA)**

*As part of its core revenue service, CBHA employs two money advisers, whom revenue officers use as a primary referral point for tenants experiencing rent arrears or other debts. These two advisers only see CBHA tenants by referral from the revenue officers or by tenant self referral.*

*The two adviser posts have been a part of the CBHA service for more than twelve years, and current revenue officers report that they are unable to envisage how effective rent income management could be sustained without this core support service.*

*The advisers also act as an HB evidence verification centre, and tenants can also approach them to follow up the progress of their HB claims. One of the money advisers deals solely with HB issues, ensuring consistency and continuity of service. This element of the service has been running since July 2005. CBHA has noticed a significant reduction in levels of rent arrears since then, as prompt submission of supporting evidence expedites HB claim processing.*

#### **9.4 The importance of effective referral**

Effective and appropriate referrals to sources of debt and benefits advice and other support need to be encouraged.<sup>28</sup> R/HOs' lack of knowledge about available local resources and the constraints on their time can mean that tenants are signposted inappropriately, instead of benefiting from informed and structured referrals.

Good referral is key to effective, preventative rent income management. It is widely recognised that many tenants in rent arrears have wider advice and social welfare needs that may impact on their ability to honour rent commitments, and access to appropriate support is essential in assisting them.

#### **Case Study: Effective Referral**

A tenant who did not understand the difference between priority and non priority debt was referred to an advice agency and received impartial, independent advice on the relative urgency of their liabilities. This enabled them to prioritise making a payment arrangement with their landlord.

The tenant had been unable to do this when the landlord was attempting to negotiate the same arrangement, as the relationship between them had become hostile. As a result of the agency's support, the tenant was able to maintain their tenancy and the landlord was able to collect the rent arrears in addition to current charges without resorting to court action.

---

<sup>28</sup> Legal Service Research Centre (2004) *Impact of Debt Advice*

Although many RSLs signpost tenants with rent arrears or other issues to advice agencies, by providing tenants contact details of local providers via leaflets or other literature, this is frequently not adequate to ensure that support is actually accessed, particularly in the case of vulnerable clients.

The resource constraints of advice agencies mean that long waiting-room queues and the need to put clients on a waiting list for appointments will deter a proportion of tenants from seeking help. In recognition of this, some social landlords have come to formal funded contractual arrangements with advice services from external agencies, with structured referral arrangements forming part of the package.

Formal/dedicated active referral procedures, involving tenants having an appointment made for them by R/HOs at the point where problems become apparent, are an effective means of ensuring that appropriate help is provided promptly. This is often a very important element in preventative work as early appropriate advice can prevent arrears and other issues escalating out of control.

### **Case Study: Community Housing Group (CHG)**

*CHG has a contractual referral agreement with the Catholic Housing Advice Service (CHAS) to provide advice/advocacy to tenants with rent arrears, HB issues or other wider difficulties. Contract payments are made at a rate of £250 per referred case. Cases are assessed on an individual basis, and referrals are authorised at the discretion of the CHG Team Manager, following the recommendation of a CHG Income Officer.*

*So far, CHG has referred around 40 cases to CHAS, and initial indications are that the service is both cost effective and contributes to CHG's aim of maintaining sustainable tenancies. CHG is confident that referrals will achieve results that will benefit tenants and assist CHG in meeting its strategic objectives.*

### **Recommendation 13**

*R/HOs should be trained to recognise circumstances that require social welfare advice and be aware of the differences between each area of advice, (ie debt, welfare benefits, housing etc), in order to be able to make accurate referrals.*

### **Recommendation 14**

*Rent income collection staff should maintain up-to-date knowledge of local and national sources of advice.*

## **Recommendation 15**

*Wherever possible, 'dedicated' referral protocols should be drawn up between advice agencies and RSLs to enable allocation of appointments following direct contact between R/HOs and designated advice workers. Where this becomes a regular arrangement, RSLs should consider formally offering contracts to advice agencies in order to fund the increased demand on their services.*

### **9.5 Staff training for housing officers<sup>29</sup>**

*"Effective rent arrears management demands that staff are highly trained in a range of areas including welfare benefits regulations, the legal framework for rent recovery, and sensitive approaches to debt collection."*

*"Training for arrears staff might include:*

- *Interviewing and negotiating skills*
- *Rent arrears policies and procedures*
- *Good practice in arrears prevention and recovery*
- *Housing Benefit, including basic HB calculations*
- *Debt counselling*
- *Homelessness*
- *Role of other departments and agencies*

(ODPM, 2005(a))

In terms of preventative practice, there are major advantages in providing training to R/HOs, both in the general field of rent arrears management, which should form a standard part of professional development plans, and in the areas of debt and money advice problem-noticing, initial advice, and basic assistance. In particular, contracting with advice agencies to deliver training on the legal implications of different approaches to rent arrears management would draw on the extensive experience of the NfP legal advice sector in dealing with these issues.

## **Recommendation 16**

*RSL training programmes for R/HOs should adopt a holistic approach to course content, incorporating the issues suggested by ODPM guidance, and drawing on the training and legal expertise of the NfP advice sector where appropriate.*

---

<sup>29</sup> ODPM-EMR (2005)

## **10 Communicating with tenants**

### **10.1 Personal contact**

*Personal contact [with tenants] is generally preferable because letters can be more easily ignored or misunderstood, because personal contact helps staff understand reasons for arrears, and because this provides an opportunity for negotiation.*

(Audit Commission)

#### **Recommendation 17**

*When communicating with tenants about rent arrears, landlords should place emphasis on direct personal contact wherever possible, rather than relying on written communication.*

#### **Recommendation 18**

*Wherever possible, RSLs should enable tenants to maintain contact with a named R/HO contact, in order to ensure consistency of approach, continuity of client care, and the development of mutual relationships of trust and confidence.*

### **10.2 Written communication: general points**

#### **Recommendation 19**

*All written information should be written in plain language, to reduce obstacles to understanding, particularly for tenants with low literacy levels or limited command of English.*

#### **Recommendation 20**

*RSLs should consider consulting with voluntary sector organisations, including advice agencies, on the clarity, accessibility and general appropriateness of information/publicity/guidance material for staff and tenants.*

### 10.3 Arrears letters

The style and language of arrears letters communicate social landlord's attitude to tenants in rent arrears. Letters can be either encourage contact or engender an adversarial stance. In the context of a preventative approach to rent arrears, the priority is that tenants make contact with the landlord at the earliest stage. Letters that demonstrate the landlord's willingness to help the tenant proactively are more likely to receive a response than those that appear too legalistic or otherwise intimidating.

#### ***Recommendation 21***

*Arrears letters should:*

- *indicate that support is available to tenants to resolve their problem, while at the same time stating clearly the potential seriousness of continuing inaction*
- *set out the next stage in the process, so that tenants are clear about further action*
- *encourage tenants to get in touch with R/HOs and provide a clear timescale and deadline for making contact*
- *provide a range of means for tenants to make contact, including telephone, office interviews, after-hours surgeries (where these are provided), and the offer of a home visit;*
- *provide contact details of local advice agencies and encourage tenants to contact them*

### 10.4 Rent payment promotion campaigns

Campaigns to encourage payment of rent arrears that rely on 'scare messages' or stigmatising attitudes to non-payers are likely to increase an 'us and them' attitude on the part of tenants, and are unlikely to enhance rates of rent collection.<sup>30</sup>

#### ***Recommendation 22***

*Rent payment promotion campaigns should stress the value of RSL tenancies as assets, eg highlight their status as 'bargains' when compared with equivalent rates of private sector rent.*

---

<sup>30</sup> Intransigent defaulters are unlikely to be affected by issues of stigma, and may even derive an inverse sense of status from attempts to stigmatise them.

## 10.5 Informing tenants of their legal responsibilities

Some tenants lack an adequate understanding of the importance of paying their rent on time, especially if they have other debts. It is therefore important for social landlords to be proactive in playing their part in promoting the rent payment message.

Tenants are not always aware of the longer-term implications of having a possession order granted against them. For example, tenants lose their tenancy status and become “tolerated trespassers” if they breach the terms of an SPO, which effectively removes their entire body of rights, such as those relating to repair, succession etc. Publicising this sanction could be a motivating factor for tenants not to breach SPOs, or indeed to avoid the initial service of an NOSP.

## 10.6 Communicating with new tenants<sup>31</sup>

New tenants can be particularly vulnerable to accruing rent arrears. The costs of setting up home are likely to impact on their finances and new benefit claims can also cause problems.

In Southwark, much emphasis is placed on rent payment during the sign-up process, “We spend a great deal of time going through what is expected from tenants; we talk through payment options, affordability, what the implications are if they don’t pay and how to access Housing Benefit. It’s often the most important part [of the process].<sup>32</sup>” A follow-up visit six weeks later also helps officers identify any emerging problems.

It is good practice to hold face-to-face meetings with new tenants, so that tenants’ rights and responsibilities can be discussed and potential difficulties with rent payments identified at this initial stage.

A comprehensive support package at the beginning of a tenancy can:

- clarify the responsibility of tenants regarding punctual and regular payment of rent
- outline the range of payment methods
- assist tenants to complete Housing Benefit applications
- assess tenants’ wider benefit entitlement and income
- publicise other support services
- provide information on local advice agencies and other support services
- stress the importance of maintaining rent payment
- identify vulnerable tenants and make referrals to appropriate services

---

<sup>31</sup> ODPM-EMR (2005)

<sup>32</sup> London Housing Magazine (2005), London Housing

**Case study: Community Housing Group (CHG)**

*CHG tenant support officers carry out pre-tenancy checks to identify any relevant issues, eg vulnerability.*

*Officers also carry out post-tenancy checks from two weeks after commencement of tenancies, to both introduce themselves to tenants and also check to see if there are any emerging issues regarding payment of rent or processing of Housing Benefit claims. If there are any arrears at this stage, officers will advise the tenant of the importance of making some payment towards their rent.*

## Bibliography

Social Exclusion Unit (2004) Action on Debt

Audit Commission (2003) Housing Association Rent Income. London, Audit Commission.

AXA AVENUE FIRST QUARTER REVIEW: DEBT: Financial Advice – A Catalyst for Change? (2006). AXA research.

Bridges, S., Disney, R. & Henley, A. (2004) Housing Wealth and the Accumulation of Financial Debt: Evidence from UK Households.

Citizens Advice (2003) Possession Action: The Last Resort.

Civil Justice Council (2005) Draft Pre-Action Protocol for Possession Claims Based on Rent Arrears. London, Civil Justice Council.

Colchester Borough Council (2003) Tackling Homelessness: Colchester's Review and Strategy. Colchester, Colchester Borough Council.

Debt Counsellors Annual UK Debt Survey 2006

Department for Trade & Industry Report on the MORI Financial Services survey (2004). London, DTI.

Department for Trade & Industry & Department for Work & Pensions (2005) Tackling Over-indebtedness Annual Report 2005. DTI, London.

Evans, A. (2003) Local Authority Housing Rent Income: Rent Collection and Arrears Management by Local Authorities in England and Wales. London, Audit Commission.

Henderson, R. (2006) Money Sickness Syndrome An overview of the problem and strategies for dealing with it.

Kempson E. (2002) Over-indebtedness in Britain. London: Department of Trade and Industry.

Legal Services Research Centre (2003) Anatomy of Access. London, LSRC.

Office of the Deputy Prime Minister (2004(a)) Survey of English Housing. London, ODPM.

Office of the Deputy Prime Minister (2004(b)) Trends in Current Tenants Rent Arrears, Local Authorities, England & Wales 1997-2003. ODPM, London

Office of the Deputy Prime Minister (2005a) "Improving the Effectiveness of Rent Arrears Management – Good Practice Guidance". London, ODPM.

Office of the Deputy Prime Minister (2005b) The Use of Possession Actions and Evictions by Social Landlords. London, ODPM.

Salford University (2005) Research for London & Quadrant Housing Association.

Shelter (2003) House Keeping: preventing homelessness through tackling rent arrears in social housing. London, Shelter.

## **Acknowledgements and contact details**

I would like to thank my colleague Paul Street for all his hard work in securing our research activities with the various social landlords who assisted us on this project and his continued contributions to the project as a whole.

I am particularly thankful to Jim Fearnley for his editorial and consultancy support in the production of this report.

I would like to thank staff within the following organisations for their time and assistance in supplying us with key data which lays the foundations of this report:

Catholic Housing Advice Service  
CHANGE  
London Borough of Newham  
LBTH  
Circle 33  
Community Housing Association  
Community Based Housing Association  
Colchester Borough Homes  
Peabody Trust, Southern Housing Group  
Ujima Housing Association  
London and Quadrant Housing Group  
Family Housing Association

### **Contact details**

If you would like further copies of this report or would like to discuss how ELFI can work with your organisation to implement some of the examples of good practice cited in this report, please contact:

Jahanara Hussain  
Financial Inclusion Worker – Good Practice  
East London Financial Inclusion Unit  
1 Water Lane  
Stratford, London E15 4LU

Telephone 020 8555 8630  
Email: [jahanara@elfi.org.uk](mailto:jahanara@elfi.org.uk)

This report, along with other resources we have produced, is downloadable from our website at [www.elfi.org.uk](http://www.elfi.org.uk) in the Good Practice section.

## Appendix 1

**Table A**

**S437 Households who said they were in arrears with their rent by economic status of household reference person**

*Social and privately renting households*

*England 2002/3*

Economic activity of household reference person	Whether tenant was in arrears <sup>1</sup>			Not in arrears	Total	All households
	Currently in arrears	Not in arrears but has been in last year	Total in arrears in last year			
					<i>percentages</i>	<i>thousands</i>
<b>Rented from council</b>						
Working full-time	12	9	21	79	100	520
Working part-time	20	9	29	71	100	253
Unemployed	14	3	18	82	100	105
Retired	1	0	1	99	100	1 001
Other economically inactive	11	3	14	86	100	770
<b>All</b>	<b>8</b>	<b>4</b>	<b>12</b>	<b>88</b>	<b>100</b>	<b>2 649</b>
<b>Rented from housing association</b>						
Working f/t	19	9	28	72	100	294
Working p/t	18	16	34	66	100	112
Unemployed	21	13	34	66	100	51
Retired	1	1	3	97	100	417
Other economically inactive	12	6	17	83	100	341
<b>All</b>	<b>11</b>	<b>6</b>	<b>17</b>	<b>83</b>	<b>100</b>	<b>1 214</b>
<b>Rented privately</b>						
Working full-time	1	2	3	97	100	1 016
Working part-time	7	2	9	91	100	171
Unemployed	9	6	15	85	100	61
Retired	1	1	1	99	100	174
Other economically inactive	7	5	12	88	100	320
<b>All</b>	<b>3</b>	<b>2</b>	<b>6</b>	<b>94</b>	<b>100</b>	<b>1 741</b>

<sup>1</sup> 'In arrears' was defined as being at least 2 weeks behind with the rent

Source: ODPM Survey of English Housing

**Table B**

Demographic and economic characteristics	Social rented sector tenants			Private sector tenants		England 2003/4
	Council	HA	All	Assured, Assured Shorthold and Resident Landlord	Other lettings	
<i>percentages</i>						
<b>Age of household reference person</b>						
16 to 24	5	6	6	18	7	16
25 to 34	14	18	16	40	18	35
35 to 44	17	20	18	22	17	21
45 to 64	27	26	27	15	26	17
65 to 74	15	12	14	2	13	5
75 and over	21	17	20	3	20	7
<b>Household type</b>						
Couple, no dependent children	19	18	19	25	32	27
Couple with dependent child(ren)	13	16	14	12	19	13
Lone parent with dependent child(ren)	16	20	18	11	3	9
Other multi-person household	8	6	7	17	8	15
One adult aged under 60	16	17	16	31	17	28
One adult aged 60 or over	28	23	26	5	21	8
<b>Length of residence</b>						
Less than 1 year	10	11	10	45	19	39
1 year, under 3 years	16	20	17	32	17	28
3 years, under 5 years	11	15	12	11	7	10
5 years, under 10 years	19	22	20	8	12	9
10 years, under 20 years	20	18	19	3	14	6
20 years or more	24	14	21	1	31	8
<b>Economic activity of household reference person</b>						
Working full-time	20	24	22	62	55	61
Working part-time	8	11	9	10	4	9
Unemployed	4	4	4	4	2	3
Retired	38	32	36	6	32	12
Permanently sick or disabled	13	13	13	6	3	5
Other economically inactive	16	16	16	12	4	10
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<i>£ per week</i>						
<b>Mean gross weekly income of household reference person (and partner)</b>	<b>190</b>	<b>218</b>	<b>201</b>	<b>435</b>	<b>445</b>	<b>437</b>
<i>thousands</i>						
<b>Base (households)</b>	<b>2,471</b>	<b>1,461</b>	<b>3,933</b>	<b>1,649</b>	<b>475</b>	<b>2,124</b>

Source: ODPM Survey of English Housing

## Appendix 2 Sample Arrears Letters<sup>33</sup>

### Letter 1

#### **Rent Arrears:**

Your rent account appears to be in arrears. Your current balance is £«TENCURRBAL» as at «TODAY». Please contact me urgently to let me know how you plan to pay your arrears, I will accept a reasonable plan to pay the arrears over a number of weeks.

Please contact me on the above number. I will visit you by arrangement if you would like me to. I would be pleased to help you with:

- applying for Housing Benefits or other benefits
- money advice

If you owe any other council department money we may be able to look at arranging a “Fair Way to Pay” agreement with you. This means that you would only pay a single regular instalment that would be divided between all the council departments you owe money to.

I regret that if I do not hear from you within seven days, further action will be taken to recover this debt.

Please contact me as soon as possible

Yours sincerely

---

<sup>33</sup> Colchester Borough Homes have kindly allowed us to use their standard letters for these examples.

## Letter 2

### Introductory Tenancy - Rent Arrears

We have sent you two reminders about your rent arrears. In spite of this your account balance is £«TENCURRBAL» as at «TODAY». We now feel we have no alternative but to serve you with a Notice for Proceedings for Possession of your home.

I will visit your home at.....on.....for this purpose. If this is not convenient, please contact me to make an alternative appointment.

As an introductory tenant, it is vital that we urgently discuss your failure to pay your rent. **It is very important that you do not ignore this letter. There is now a serious possibility that you will lose your home because of your rent arrears.**

**If you are struggling to manage, it is not too late to contact us for help.**

Our aim is to help you remain in your home, but we cannot do this without your help.

Yours sincerely

## Letter 3

### Instalment Plan

I am writing to you concerning the instalment plan you made on ..... to pay £ ..... plus your current rent each week to clear your arrears of £ .....

At ..... **your arrears should have been reduced to £ .....** . However, **you now owe £«TENCURRBAL».**

Because you have not kept to this instalment plan, it has now been cancelled. **This means that we will now take further action to recover these arrears unless we receive payment in full within the next 7 days.**

If you are struggling to manage, it is important that you contact me by.....

It is not too late to contact us for help.

Yours sincerely

## Letter 4

### Ending of Your Introductory Tenancy

Please read this letter carefully as it concerns your tenancy and your right to remain in your home.

We have applied to the court to bring your tenancy to an end. The court will shortly consider this application and make an order for possession of your home. If you wish to avoid losing your home, you must contact us immediately to arrange to clear your arrears. You have no right of appeal against the court's decision.

If you are evicted from your home it is highly likely that you will be classed as '**intentionally homeless**'. This will mean that you only get a period of 28 days accommodation from the Council, which is likely to be in a 'Bed & Breakfast'. After that, you would be expected to find your own accommodation for you and your family.

This is because we believe your homelessness can be prevented now if you pay what you owe.

This is obviously a very serious situation and we strongly recommend that you contact me immediately to resolve this matter. Failure to act on this advice will be taken into account if you do eventually become homeless.

**If you are struggling to manage, it is not too late to contact us for help.**

Yours sincerely

## Letter 5

NOSP

The attached Notice of Proceedings for Possession has been served because you are in rent arrears and you have not made satisfactory arrangements to clear the arrears.

If I was unable to discuss your arrears with you when I called please keep the appointment arranged for you on the card that has been left. If you cannot keep the appointment please contact me to arrange another meeting within the next 7 days. The purpose of this appointment is to discuss your right to ask for a review of the decision to end your introductory tenancy.

The enclosed leaflet 'What is a Review' also tells you about your right to review. If you wish to ask for a review, you must complete and return the form 'Request for a Review' within 14 days in the enclosed envelope.

Yours sincerely

**Eviction Warrant – Rent Arrears**

I am writing to advise you that an application for a warrant for eviction has been made due to your continued rent arrears. Your case was heard in Court on . The Judge granted the Council .

The next step is the Court to contact you with a date for your eviction. You should hear something in the next couple of weeks.

I suggest that you contact the homelessness section on ☎01206 282512 or 282539 for advice on what will happen after you have been evicted.

You should also seek independent legal advice about this Notice. There are several agencies who offer free advice such as the Housing Advice Team (☎ 01206 282555), Citizens Advice Bureau (☎ 01206 765331) or Shelter Housing Aid Centre (☎ 01206 560864).

You may also like to contact one of your local ward Councillors for advice. Your local Ward Councillor's contact details are:

I regret that you have forced the Council to take such action but you have left us with no alternative.

Yours sincerely

**FINAL RENT REMINDER**

**Your Rent Account Number:**«PROPPREF»/«TENSUFFIX»  
**Contact:** «FULLUSER» **Account Date:** «TODAY»

Rent Account Summary

**£«TENCURR**

**YOUR RENT ACCOUNT IS IN ARREARS**

Amount due as at «TODAY»

Payment is overdue. Please see the back of this statement for details of how to pay.

If payment is not made within the next seven days, we will have to consider serving you with Notice of Possession Proceedings.

**It is very important that you contact us as we would like to take the opportunity to try and help you remain in your home.**

Contact us on: ☎ 01206 282514

*If you have paid within the last few days, please ignore this reminder.  
Thank you for paying.*

<b>Payment Slip</b>	
<b>Account Number:</b>	«PROPPREF»«TENSUFFIX»
<b>Property Address:</b>	«HOUSENO1» «PROADD1» «HOUSENO2» «PROADD2» «PROADD3» «PROADD4» «PROPSTCDE»
<b>Swipe Card:</b>	«SWIPENUMBER»
<b>Amount Enclosed:</b>	£.....
<b>All payments should be made in person at, or sent to:</b>	

## **Appendix 3      Civil Justice Council Pre-Action Protocol**

*The Civil Justice Council began a consultation process to develop a protocol to provide a clear structure to be followed in claims for possession on the basis of rent arrears. The aim is to encourage more preventative pre-action "contact between the parties and to enable court time to be used effectively". Once the protocol is finalised and adopted, it will have the effect of influencing what costs should be awarded in possession cases dependant on whether the processes in the protocol have been followed.*

The foundations of the Protocol draw on widely identified good practice. For example,

- 1) The landlord will contact the tenant immediately s/he falls into arrears to discuss the cause of the arrears, the tenant's financial circumstances, his or her entitlement to benefits and the repayment of the arrears.*
- 2) The landlord and tenant will do their best to agree a reasonable and affordable sum for the tenant to pay off the arrears based upon the tenant's income and expenditure.*
- 3) The landlord will regularly provide the tenant with a copy of a rent statement in schedule form showing from the date when arrears first arose, all amounts of rent due, the dates and amounts of all payments made whether through housing benefit or by the tenant and a running total of the arrears.*
- 4) If the tenant has difficulty in reading or understanding English, the landlord should make special arrangements to ensure that the tenant understands any information given.*
- 5) The landlord will offer a tenant in receipt of income based Job Seekers Allowance or Income Support the possibility of the arrears being paid by the Department of Work & Pensions out of benefit, subject to the relevant regulations. Employees of local authorities, Registered Social Landlords and Housing Action Trusts should help tenants to fill out the necessary forms.*
- 6) The landlord will assist the tenant in any claim s/he may have for housing benefit. Possession proceedings for rent arrears should not be started against a tenant who can demonstrate that they have:- (i) a reasonable expectation of eligibility for housing benefit; (ii) provided the local authority with all the evidence required to process a housing benefit claim; and (iii) paid other sums due not covered by housing benefit. The landlord should make every effort to establish effective ongoing liaison with the housing benefit departments and to make direct contact with them before taking enforcement action.*
- 7) Because rent arrears may be part of a general problem with debt, the landlord will, if appropriate, refer the tenant to a debt advice agency able to offer the tenant specialist assistance as soon as possible.*

8) *After service of the statutory notice but before the issue of proceedings, the landlord will contact the tenant to discuss the amount of the arrears, the cause of the arrears, repayment of the arrears and the housing benefit position.*

9) *If the tenant complies with an agreement to pay the current rent and a reasonable amount off the arrears, the landlord will agree to postpone court proceedings so long as the tenant keeps to the agreement.*

10) *The landlord will provide the tenant with an up to date rent statement no later than 10 days before the date of the hearing. The landlord will also disclose to the tenant the landlord's knowledge of the tenant's housing benefit position no later than 10 days before the date of the hearing.*

11) *The landlord will inform the tenant of the date and time of the court hearing and the order that the landlord will seek. The landlord must inform the tenant that s/he should attend the hearing as the tenant's home is at risk and must record such advice.*

<sup>34</sup>*The Executive Committee of the Civil Justice Council will be meeting in May 2006 to consider the Pre Action Protocol*

*Once the Executive Committee has dealt with any issues outstanding the Pre Action Protocol will be passed to the Civil Procedure Rule Committee for further discussion and agreement.*

*On approval by the Civil Procedure Rule Committee the Pre Action Protocol will then come into effect either October 2006 or April 2007 depending on the time of approval.*

*Consultees/respondents/interested parties will then be informed of the chosen way forward.*

---

<sup>34</sup> Response to Consultation Paper - April 2006- <http://www.civiljusticecouncil.gov.uk/977.htm>

