

## **A British Property Federation response to:**

### **Waiting days for Universal Credit claimants**

*A written submission to the Social Security Advisory Committee*

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## **Background**

### **BRITISH PROPERTY FEDERATION (BPF)**

**The BPF represents companies owning, managing and investing in property. This includes a broad range of businesses comprising commercial property owners, the financial institutions and pension funds, corporate landlords, residential landlords, as well as all those professions that support the industry.**

1. The BPF has a responsibility as the representative body of commercial residential property to ensure that its customers are housed in the best possible conditions and are given the opportunity to enjoy their property in quiet enjoyment. The BPF is concerned at the idea of any delay in the payment of social security; we believe it will lead to an increase in arrears, unmanageable debt and hardship. Further to this, we believe that the savings quoted are a false economy when compared to the increased support costs delayed payment could engender.
2. Changes to the welfare system have contributed to a 50% drop in the last three years (46% to 22%) in the number of landlords willing to let property to those in recipient of housing benefits. We believe the proposed changes will further accelerate this departure from the housing benefit sub-sector of the Private Rented Sector (PRS). Given that in 2013 a quarter (25%) of private renters received housing benefit, with almost one in eight working households relying on housing benefits to meet their housing costs this could have a significant impact. If a tenant could potentially be without money for six weeks it creates another barrier to the PRS being a viable option for welfare recipients. Government need to give more credence to how significantly the market is reacting to policy changes and the potential implications for housing policy if this exodus continues. The strength of the PRS is its ability to allow people to move to areas of employment with relative ease, and anything that prevents people moving for work is likely to be detrimental to Government ambition to help people into employment.
3. Concerns that extended delays will prompt unmanageable borrowing or use of loan sharks are mirrored by a small study conducted by First Choice Homes Oldham that revealed 44% of tenants borrowed money to tie them over the gap in payments, 18% took out a pay day loan, with others forced to visit food banks to eat. This is supported by data showing that of those that made use of food banks in the first quarter of 2013-14, 43% of referrals from frontline care professionals were related to benefits problems,

representing an overall increase of 21% in people referred to food banks with benefits problems. The findings of this small study should be ample reason to commission a wider survey to identify if these results are indicative of a wider trend amongst those making the transition onto Universal Credit.

4. The alarmingly high instance of borrowing by tenants in Oldham is indicative of the financially precarious position of welfare recipients, who are highly sensitive to surprise one off payments or changes in circumstances. Scottish widows annual saving report from 2014 showed that 19% of people have no savings whatsoever, brings into question the ability of a welfare recipient to deal with delays to an application for financial assistance, as the applicant will have savings they can fall back on. The BPF believes the State has a responsibility to offer security in return for service and contribution, a principle that should not be exercised based on the duration of the period where that need exists.
5. The consequences of a tenancy ending due to non-payment of rent are damaging to the taxpayer, London Boroughs alone have spent £630m on housing homeless people in emergency housing since 2010, with Haringey council alone spending £197million on emergency housing. We believe that the proposed changes would reduce the ability of tenants to maintain tenancies and therefore increase pressure on emergency housing.
6. While we accept that some will make use of the Universal Credit advance, the requirement to be able to fully repay the loan does not make it available for those with pre-existing debts. Scottish Widows reports a distinct link between those with no savings carrying debt. The report states that in the last three months of its study into savings it identified that two thirds of those without savings carried over debt, while the figures for those with savings was just half of respondents.
7. Given that Universal Credit combines payments for rent and child support, the impact of delays could be potentially devastating and lead people to making decisions based on desperation. From a property owners perspective, this move reinforces the uncertainty with which Universal Credit is perceived and will undoubtedly lead landlords to again consider whether renting to welfare recipients is too much of a risk.