

Avoiding homelessness among private rented sector tenants

There is an acute scarcity of social rented homes in England, and many local authorities depend on private sector temporary accommodation to house 'statutorily' homeless families. A research project in Brent, north-west London explored the characteristics and attitudes of families living in the private rented sector and those in temporary accommodation to discover why some managed to sustain private rented sector tenancies while others became homeless.

The study found that the families were broadly similar in terms of education and attitude to employment. However, families in the private rented sector had higher rates of employment and there were fewer single parents. Most non-working families in both groups would like to work, but lack of childcare was the biggest barrier.

Families in temporary accommodation showed higher levels of financial exclusion and poorer coping abilities. Both groups struggled financially, exacerbated for some by poor money management skills, and for families in the private rented sector because over half (at least of non-working families) were not in receipt of their full benefit entitlement. Lack of access to money for deposits, rent in advance and other moving costs were the biggest barriers to moving within the private rented sector.

The level of dissatisfaction with property conditions in both groups was high. Lower rent, better managed, and therefore more sustainable, homes were found through letting agents.

There was a high level of naivety about the homelessness process, and how long it would take to obtain a permanent social rented home.

Key conclusion

The research identified significant financial exclusion amongst private sector tenants, compounded by insecurity, and poor living conditions and tenancy management. The study identified ways by which the sector could be improved and tenancies sustained – including improving standards of accommodation, professionalization of landlords, and appropriate support for low-income families to secure new tenancies.

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Policy context

The gap between supply and demand for social rented homes means that few who are not 'statutorily' homeless are likely to obtain a social rented tenancy. However, the scale of homelessness in London is enormous, and local authorities are increasingly reliant on housing statutorily homeless families in temporary accommodation in the private rented sector. Those accepted as homeless face a wait of many years in temporary accommodation, and during this period families experience severe disruption and have little control over their lives. Current assistance to those at risk of becoming homeless focuses on prevention, which is implemented when private rented sector tenancies are under threat.

About the study

The research was conducted in Brent, north-west London, to identify any differences between families who sustained tenancies in the private rented sector and those who became homeless. 146 in-depth interviews were carried out with families living in the private rented sector, and with families in temporary accommodation who became homeless after losing a private rented sector tenancy. The findings were tested in four focus groups. The researchers sought to identify causes and predictors of homelessness; the extent of financial exclusion; families' housing aspirations; how the private rented sector could become more appropriate for low-income families; and how families could be supported to maintain tenancies in the private rented sector.

Findings

Although there was broad similarity between the two groups, more families in the private rented sector were in employment. More single parents were in temporary accommodation. Ethnicity across both groups was diverse. Most non-working families in both groups would like to work but lack of affordable childcare was the biggest barrier. There were few differences in educational attainment or attitude to employment.

Financial exclusion appeared higher among families in temporary accommodation, but both relied primarily on cash for purchases and avoided

credit wherever possible. Both groups struggled financially. Families living in poorer quality private rented sector accommodation tended to have either a basic bank account or a building society account. Forty per cent had no other mainstream financial product. Of those that did, 40 per cent had credit cards, 28 per cent had bank loans and 20 per cent had some form of savings account. Lack of access to savings or affordable credit was found to be a major reason for families becoming homeless when their existing private rented sector tenancy ended.

Many families in both sectors had limited financial capability, but responded positively to basic money and budgeting advice, which was offered as part of the research. A budgetary exercise revealed higher shortfalls between income and expenditure among families in the private rented sector, which appeared to be linked to Housing Benefit shortfalls. Over half (at least of the non-working) families interviewed seemed to be receiving less Housing Benefit than they were paying in rent.

Forty-two per cent of families in temporary accommodation had only one private rented sector tenancy before becoming homeless, indicating that the first tenancy is a time when families are at particular risk of homelessness. Lack of access to money for deposits, rent in advance and other moving costs were the biggest barriers to moving within the private rented sector. Rents were lower and quality of accommodation was higher when tenancies had been obtained through management agents.

A number of interviewees expected to declare themselves homeless if their current tenancy ended. However, there was a general lack of understanding about what the homeless process entailed, and how long it would take to obtain a permanent social rented home. Well over half had no knowledge of what they would be entitled to (56 per cent), or had a dangerously naive view (6 per cent), expecting rapid access to a good quality affordable house, when in reality they may have to wait six years or more, and could face being moved regularly between different flats, often in poor condition.

Who is vulnerable to becoming homeless?

Among the families studied, factors that appeared to indicate a risk of becoming homeless included: parents living in social housing at the time the interviewee left home; last rented property was found through small ads; British citizenship and having English as a first language; lack of access to savings, 'wealth bearing products' or credit; a first tenancy in the private rented sector.

Some factors might be predictors and/or causes of homelessness: a belief that 'going homeless' will ultimately result in a family acquiring a lower rent, secure social tenancy in a reasonable property; lack of ability to raise a deposit for a replacement tenancy; lack of overall coping capability of household, and intermeshing of problems; earned income of less than £1,200 a month.

Recommendations

Support for low-income families

As a result of their findings the researchers suggest the following actions by central government:

- increase the focus on providing intermediate renting and access to affordable home ownership within the Government's affordable housing strategy;
- determine Housing Benefit/Local Housing Allowance levels to reflect local market rents;
- set up a fund to provide deposits as a loan or grant (or a mix), rent in advance and other essential relocation costs;
- provide lower income families in the private rented sector with access to a named individual or agency on which they can rely for support;
- develop direct, proactive outreach welfare benefits and money advice about obtaining affordable credit, the hidden costs of catalogue purchases and other readily available credit to families in the private rented sector;
- consider setting up a fund to support work with financially excluded families in the private rented sector in line with recent housing associations' initiatives aimed at tackling worklessness among their own tenants.

A private rented sector fit for purpose

The researchers suggest central government should enact the Rented Homes Bill drafted by the Law Commission to simplify landlord and tenant law and clarify the rights and obligations of both landlord and tenant. It should also consider regulation of the private rented sector to improve management standards following the Law Commission's proposals.

Actions at the local level might include:

- ensure regional, sub-regional and local private housing strategies properly address the growing number of families in the private rented sector with clear and integrated implementation policies and effective monitoring of progress;
- agree standard criteria for property condition and landlord competence as key components in determining a property's suitability for use as temporary homeless accommodation;
- allocate a realistic level of resources for implementing and enforcing the Housing Health and Safety Rating System;
- develop more joint working between council departments;
- improve liaison with the voluntary and community sectors;
- use the regular mailings to Housing Benefit recipients to provide a newsletter giving advice on money management, assisted purchase, tenants' legal entitlements and where to go for help;
- require landlords to undertake training in tenancy and property management.

Alternatives to renting

A small but significant proportion of families facing homelessness through loss of their tenancy have sufficient earnings to be able to part-buy a property. The researchers suggest central government should broaden eligibility for assisted purchase schemes to include more low-income families in the private rented sector, and that exploring eligibility for assisted purchase should be included in councils' homelessness prevention procedures.

Conclusion

Radical changes are needed, at both national and local levels, to target a range of advice and support at low-income families in the private rented sector. These include basic money management and financial advice, and provision of affordable credit and savings schemes. There is also a need for more professionalism in, and regulation of, the private rented sector. Such strategic measures would greatly increase the degree to which families are empowered to make their own choices and avoid homelessness.

Key recommendations

- Lack of money for deposits, rent in advance and other removal costs appear to be a significant cause of homelessness when a private rented sector tenancy ends or fails. The Government should consider setting up a fund for deposits as a loan or a grant, or a mix, to provide rent in advance and other essential relocation costs.
- It is possible that people could be encouraged to remain in the private rented sector longer if property condition, and its management, were improved. This could be achieved by a mixture of incentives, landlord training and robust enforcement. Agreeing standard criteria for property condition and landlord competence could enable an increase in the number of homeless households able to accept an offer of social rented accommodation in the private rented sector.

Further information

This summary is available in print and as a pdf, and the full report, *Avoiding homelessness among private rented sector tenants* by Graham Martin for Brent Private Tenants' Rights Group, is available as a pdf only from the Friends Provident Foundation (foundation.enquiries@friendsprovident.co.uk and www.friendsprovidentfoundation.org).

Further information about this study and a summary report of the focus group discussions are available from Brent Private Tenants' Rights Group (tel. 020 7096 8240 email jacky.peacock@bptrg.org) or Graham Martin (tel. 0151 475 0726 email GJMartin@blueyonder.co.uk).