

## **Written evidence submitted by the National Residential Landlords Association (BSW0029)**

### **1.0 About Us**

- 1.1 The National Residential Landlords Association is the leading voice for private sector residential landlords in Wales and England. It was formed in April 2020 following the merger of the Residential Landlords Association (RLA) and National Landlords Association (NLA).
- 1.2 The NRLA represents the voice of over 90,000 landlords in England and Wales, by far the largest organisation in the sector. The membership owns and manages around 10% of private rented housing in Wales and England equating to half a million properties.
- 1.3 The organisation provides training and support for landlords to ensure they fully understand their responsibilities and are equipped to provide good quality housing for their tenants. It also campaigns for policies that seek to improve the private rented sector for the benefit of tenants and good landlords alike.

### **2.0 Executive Summary**

- 2.1 While Wales has seen a smaller increase in the total number of claimants, Universal Credit claims increased significantly between February 2020 and February 2021. According to DWP data, there are now 237,739 households in receipt of Universal Credit in Wales; a 79% increase on pre-pandemic levels.
- 2.2 Alongside an increasing number of claims, demand for PRS properties is rising in Wales more than in England. According to a recent survey of NRLA members by BVA-BDRC, 64% of landlords reported an increase in demand for properties in the last year.
- 2.3 This high demand is probably leading to higher rents and LHA shortfalls in Wales. ONS data illustrates that rents in Wales have grown 1.5% in the year to June 2021.
- 2.4 At the same time, DWP data shows that 70% of UC claimant households had a UC award where the Local Housing Allowance rate did not cover their rents. In comparison, the figure across Britain is 55%.
- 2.5 ONS data reveals that Wales has the highest proportion of businesses applying to the job retention scheme which stands at 74%, compared to 67% in England, 72% in Scotland and 65% in Northern Ireland. This suggests the job market is less secure in Wales than other nations and English regions.
- 2.6 Welsh PRS tenants in receipt of UC are also more vulnerable to arrears and financial hardship than tenants living in other parts of the UK in receipt of the same benefit. Across the board, our survey has shown that tenants have used several methods to continue to pay rent, including using credit cards and pay day loans.
- 2.7 Landlords clearly recognise some of the difficulties being faced by their tenants. This is shown in the widespread use of rent reductions, rent holidays, and other ways landlords have assisted their tenants during the pandemic. NRLA research shows that in Wales 7% of all tenants received some help from landlords including an agreed deferral, reduced rent or rent windows. Of those who went into arrears almost two-thirds (64%) received some help from landlords.

- 2.8 Figures for our members across England and Wales, further reveals, 29% of landlords checked up on vulnerable tenants, 18% Offered a rent-free period to tenants who have been impacted by the lockdown and 30% reduced rent for tenants. Other support included providing access to landlord's gardens to allow tenants exercise, allowing tenants to leave furniture at end of tenancy and offering help with utility bills.
- 2.9 To tackle rent arrears, the Welsh Government introduced the Tenancy Savers Loan. Due to a low take up, the scheme was replaced with the Tenancy Hardship Grant. Further support was provided including a telephone advice line managed by Citizen Advice Bureau and the Welsh Government's Social Leasing scheme which is being piloted in some local authority areas with the view of making the scheme Pan-Wales.
- 2.10 We are continuing to call for benefit reform including the continuation of the £20 Universal Credit uplift, the end of the five-week waiting time and to convert advance payments of Universal Credit into grants rather than loans.
- 2.11 Local Housing Allowance rates continue to be challenging for landlords and for tenants in their housing options. We are calling for LHA rates to be continued to be pegged at the 30<sup>th</sup> percentile if not the 50<sup>th</sup> and for these annual rates to be increased to reflect local market conditions. Ensuring that LHA rates are in line with local market rents could be an opportunity for further devolution of the benefit system to Wales.
- 2.12 In terms of Universal Basic Income, the NRLA recognises both advantages and disadvantages to the system. However, we would suggest that consideration is given to ensuring that a portion of UBI could be paid directly to landlords to ensure that vulnerable tenants do not accrue rent arrears and meaning tenancies have a greater chance of being sustained.

### **3.0 Universal Credit Claimant levels in Wales during the pandemic**

- 3.1 According to NOMIS, Wales has high levels of economic inactivity and high rates of people who are long-term sick. This equates to just 76% of the working age population being economically active.
- 3.2 This may be the reason why Wales has seen a smaller increase in the number of households in receipt of Universal Credit than Britain as a whole during the pandemic. The total number of households in Wales in receipt of Universal Credit has increased by 79% - from 133,185 in February 2020 to 237,739 in February 2021. Across Britain this figure increased by 95% – from 2,573,967 in February 2020 to 5,031,336 in February 2021. If all households are individual claimants, this would be equivalent to 7.5% of the population of Wales and Britain as a whole. Previously the proportion of the population making claims in Wales would have been higher than the national average.
- 3.3 Wales has also seen a smaller increase in the number of private rented households reliant on Universal Credit receiving help with rent payments than Britain as a whole during the pandemic. In the private rented sector specifically, the number of households in Wales in receipt of Universal Credit which included support for housing costs in the award, increased by 77% - from 36,153 in February 2020 to 63,862 in February 2021. Across Britain the figure increased by 106% - from 748,291 in February 2020 to 1,544,677 in February 2021.

- 3.4 Private rented sector households in Wales in receipt of a Universal Credit award with a housing cost support element included were proportionally more likely to see a shortfall between the LHA rate and their rents than those PRS households across Britain. Of the 63,862 households in Wales above, 44,984 (70%) had a UC award where the Local Housing Allowance rate did not cover their rents. In Britain, of the 1,544,677 households above, 856,253 (55%) had a UC award where the Local Housing Allowance rate did not cover their rents.
- 3.5 The Work and Pensions Minister, Will Quince MP, has noted that in such cases the average shortfall is £100 a month<sup>1</sup>. Based on this average shortfall, in 19 Broad Rental Market Areas (BRMAs), a landlord could seek mandatory possession for rent arrears in less than a year if the tenant failed to pay the average shortfall.
- 3.6 This shortfall is likely to grow as rents continue to increase above the national average in Wales. In the year to June 2021 rents increased in Wales by (1.5%). Higher than in England (1.1%) and Scotland (1.2%).
- 3.7 Higher rents are likely caused by greater demand for PRS properties in Wales. According to a recent survey of NRLA members by BVA-BDRC, 64% of landlords reported an increase in demand for properties in the last year. Only one area of England (Yorkshire and Humber) reported higher demand.
- 3.8 According to our Quarter 1 survey of our members, Welsh landlords rent to a high percentage of tenants who are in receipt of Universal Credit. Almost 40% of landlords in Wales have let to a tenant who is claiming, or has claimed, Universal Credit in the last 12 months. These landlords must be retained through policy that incentivises letting to tenants claiming Universal Credit.

#### **4.0 Local Housing Allowance rates**

- 4.1 In April 2020 the Local Housing Allowance (LHA) was brought back into line with market rents to cover the bottom 30% of private rents in any given area in order, the Government's impact assessment on the decision noted, to *"provide immediate additional support for housing support claimants."*
- 4.2 The very fact that the rate was increased was a sign that it was failing beforehand to provide the level of support that claimants needed. However, even with this change, there remained a large number of claimants in Wales where the allowance did not cover rents.
- 4.4 Of the top twenty areas that experienced the smallest LHA rise for three-bedroom properties, six local authorities featured were from Wales. This included Neath Port Talbot where the rise generated an additional £0.73p per week and Bridgend where the policy had no impact.
- 4.6 The decision to reinstate the freeze on LHA rates was a disappointment and roundly criticized by many. The Institute for Fiscal Studies has described the decision to freeze LHA rates in cash terms as the Chancellor introduced in April this years as *"arbitrary and unfair"*. The IFS has noted that the consequences are as follows:
- As time goes on and rents rise, the number of homes those in receipt of the LHA can afford will diminish.

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<sup>1</sup> <https://questions-statements.parliament.uk/written-questions/detail/2021-05-24/6183>.

- The support that is provided to recipients will no longer be tied to current levels of rent, but to rents in 2019.

4.7 The IFS notes of the similar policy to freeze rates in this way prior to the pandemic that it *“resulted in those in some high rent areas getting less support than those in some low rent ones.”*

## **5.0 The additional costs of Rent Smart Wales**

5.1 Landlords operating in Wales have further financial challenges such as having to pay for licensing and compulsory training for Rent Smart Wales.

5.2 While this cost is generally absorbed by the landlord, it does mean that they are likely to make a loss on their investment earlier than a landlord with a similar property in England.

5.3 In our quarter 4 2020 survey, 39% of respondents reported that losses were increasing. Landlords cannot continue to absorb these costs and maintain tenancies without significant financial support.

## **6.0 The extent that the UK benefits system tackled poverty and socio-economic inequalities in Wales prior to the pandemic.**

6.1 Wales has the highest proportion in the UK of businesses applying to the Coronavirus Job Retention Scheme which stands at 74%, compared to 67% in England, 72% in Scotland and 65% in Northern Ireland.

6.2 The high proportion of people accessing the CJRS has resulted in a fall in living standards across Wales with landlords doing their best to support their tenants. Our survey data has shown a high proportion of landlords mirroring the scheme by offering 20% reductions in rent and rent holidays.

6.3 Our Tenants Survey data for May 2021 conducted by Dynata illustrates reasons why tenants have claimed Universal Credit. From this data it appears that 17.1% of Welsh tenants claimed Universal Credit because they were out of work and that 8.6% claimed as an in-work benefit.

6.4 Our quarter one survey of our members also found that 18.1% of members in Wales experienced a tenant in receipt of UC going into arrears. This is compared to 13.8% in the South of England, 9.9% in London and 13.8% in the West Midlands. This suggests that Welsh tenants in receipt of Universal Credit are particularly vulnerable to arrears and hardship.

## **7.0 The type and amount of support during the Covid-19 pandemic**

7.1 Analysis of Universal Credit data suggests that many people are accessing it while job searching rather than to supplement their earnings. There is no doubt that the £20 UC uplift would have supported tenants in meeting their living costs including paying rent.

7.2 Our survey reveals several methods tenants have used to continue to pay rents. These include 23% who have used a credit card and, more disturbingly, 11% who have used a personal loan and 12% who have used a payday loan.

- 7.3 Use of Discretionary Housing Payments (DHP) has been relatively high in Wales. DWP statistics show that in 2020/21, 101% of allocated funds for Discretionary Housing Payments was spent in Wales, just behind inner London (106%) and outer London (104%)<sup>2</sup>. However, according to the Resolution Foundation, the majority of private renters in arrears are not in receipt of benefits (56%). As a result, they are not eligible for DHP.
- 7.4 It should also be noted that increased DHP funding was not related to the pandemic. The extra £40 million made available in DHPs was announced in the 2019 Spending Review. Given the increase in the number of claimants since this Spending Review, it is highly likely that further increases in DHP will be necessary.
- 7.5 Despite the additional pressures that both landlords and tenants find themselves in, there is very little appetite for landlords to seek possession of their properties. According to data from the Ministry of Justice, Wales has some of the lowest possession rates and these have decreased by more than 20% prior to the pandemic. To ensure this remains the case, the NRLA believes it is crucial that tenants in arrears make use of DHP or the Tenancy Hardship Grant to ensure arrears are cleared.
- 8.0 The effectiveness of the Welsh Government's allowances and grants in meeting the needs of Welsh tenants**
- 8.1 The Welsh Government implemented the Tenancy Savers Loan in September 2020. The loan was ringfenced for tenants living in the Private Rented Sector who had accrued arrears since the outbreak of the pandemic and were not in receipt of benefits.
- 8.2 Regrettably, take up of the Tenancy Savers Loan was very limited. The possible barriers to take up were the 1 per cent annual rate of interest, credit checks being made by credit unions and limited promotion of the scheme.
- 8.3 Recognising these limitations, in June 2021 the Welsh Government launched the Tenancy Hardship Grant. We very much welcome the Government's action to reintroduce support in the form of a grant rather than a loan and we believe this will have a very positive impact in supporting tenants in arrears and with it, their landlords.
- 8.4 The new THG scheme consists of £10m of funding for those tenants who are in Covid-related rental arrears and will be available until at least the end of the financial year. Those individuals who have a loan under the existing loan scheme will have them converted to a grant. At the time of writing this evidence, it is too early to analyse the effectiveness of the THG scheme as data has yet to be published on its take up.
- 8.5 To support tenants in receipt of Housing Benefit or Universal Credit who are struggling with covid related rent arrears, tenants should apply for Discretionary Housing Payments (DHP.)

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<sup>2</sup> Table 5 at:

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/999853/data-tables-use-of-discretionary-housing-payments-2020-to-2021.ods](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/999853/data-tables-use-of-discretionary-housing-payments-2020-to-2021.ods)

8.6 Aside from financial support for tenants, the Welsh Government has set up a telephone helpline for tenants living in the PRS who are concerned or impacted by rent arrears. The telephone line is managed by the Citizens Advice Bureau Cymru.

## **9.0 Required reforms for the benefit system and the case for further devolution**

9.1 We have called for several reforms to welfare and benefits and in particular reforms to Universal Credit. These have included an end to the five weeks wait for the first payment of Universal Credit or converting advances from a loan to a grant. We believe it cannot be right that the state support to bridge this period will serve only to add to debts that tenants might be fearing could build because of the virus.

9.2 Given the challenges of the cessation of the UK furlough scheme at the end of September, we oppose the decision to cut weekly Universal Credit payments by £20 at the end of September.

9.3 Other welfare reforms have included a call for Local Housing Allowance to be maintained at the 30th percentile and to be increased to reflect increases in market rates. Also there should be a temporary cessation of the Shared Accommodation Rate, which is restricting housing options for many young people aged thirty-five and under living in the PRS. Many of these would have been disproportionately impacted by the pandemic and likely to have been placed on furlough.

9.4 To further support the housing needs of vulnerable tenants, the Welsh Government has started a pathfinder project for a Social Leasing Scheme in some local authority areas in Wales with the view to making the scheme Pan-Wales.

9.5 The scheme allows landlords the opportunity to have their properties managed by a local authority or social landlord for a period of 5 years to house vulnerable tenants. In return the landlord can access interest free loans, a grant, can expect guaranteed rents at LHA level and can expect any damages to be repaired.

9.6 We believe there is a case for limited further devolution of benefits and welfare to Wales. We believe that to improve housing options for more people in receipt of benefits, Local Housing Allowance should be set by local authorities and administered by the Senedd. This would ensure that LHA levels reflect the local rental market and the needs of people in the area.

9.7 In addition to this, tenants should be able to choose to have the housing component of Universal Credit paid directly to the landlord. This arrangement already exists in Scotland where claimants can choose to have their housing costs paid straight to their landlord.

## **10.0 The implications of the Universal Basic Income pilot in Wales.**

10.1 The NRLA recognises several advantages and disadvantages to the implementation of Universal Basic Income (UBI.)

10.2 The scheme is relatively simple and could distribute national income more equally. The system could also reward non-wage labour such as care work and give workers more freedom in their work options such as volunteering.

10.3 However, the implementation would be extremely expensive with some estimates suggest the cost would be in the region of £35 to £40 billion. Furthermore, the money

would not be targeted with every citizen gaining access to UBI. It is also possible that UBI could be a disincentive to work.

- 10.4 Similarly to the award of Universal Credit, we would hope that consideration is given to ensuring that a portion of UBI could be paid directly to landlords to ensure that vulnerable tenants do not accrue rent arrears.

*August 2021*