

# NATIONWIDE FOUNDATION – WRITTEN EVIDENCE (EUC0055)

## The economics of Universal Credit

The Nationwide Foundation is an independent charity committed to increasing the availability of decent, affordable homes for people in housing need. One of our programmes of work focusses on the private rented sector, an area of the UK housing system which has been considerably impacted since the advent and roll-out of Universal Credit. It is my view that Universal Credit, coupled with wider welfare reforms, has led to greater precarity in the lives of private rented sector tenants and greater uncertainty for landlords.

To inform your inquiry, I would like to highlight two pieces of independent, robust evidence by Dr Julie Rugg and David Rhodes at the University of York's Centre for Housing Policy. These were both funded by the Nationwide Foundation.

- [The Evolving Private Rented Sector: Its Contribution and Potential](#) looked at the role of Universal Credit in the private rented sector, as part of the wider remit to comprehensively analyse the changes to the private rented sector in England since 2008. The three points we draw attention to below are taken from findings from this review of the private rented sector.
- [Vulnerability Amongst Low-Income Households in the Private Rented Sector in England](#) examined the incidence of vulnerability in the private rented sector. The report found that a third of all households in the private rented sector are in receipt of a low income, have a household characteristic that makes them more vulnerable to harm and are already experiencing either poverty, over-crowding or poor property conditions.

### **1. The sanctions regime places tenants at risk of sudden fluctuations in benefit income, making it more difficult for them to meet any housing benefit shortfall**

Much has been made in the public domain of the risks and difficulties posed by the sanctions regime, however these risks are particularly pernicious where a claimant is relying upon welfare benefits to contribute to their housing costs. Tenants who are wholly reliant on income from benefits are in real danger of sanctions which could render them homeless.

### **2. Payment methods add to the risks for tenants in the private rented sector**

Rugg and Rhodes considered the impact of welfare reform and Universal Credit on landlords, as well as tenants, and found that the introduction of Universal Credit has intensified risk in a market where risk is already endemic. Accepting the issues associated with fluctuating income, many landlords had previously mitigated risk because they knew that payments would be made directly to them. However, with Universal Credit this is no longer easily the case. As things stand, benefit monies for housing are part of the wider household income, with bills being juggled during times of restricted finances. The system whereby landlords can apply for Alternative Payment Arrangements was deemed to be difficult to use.

### **3. Universal Credit is centrally administered which makes it difficult for relationships to be formed between tenants, landlords and decision-makers**

The review found that while, in the past, landlords had formed meaningful relationships with local authority benefits officers to manage complex cases, the fact that Universal Credit is

administered centrally all but removes this option. What is more, Rugg and Rhodes argue that it also leads to a higher possibility of bureaucratic errors occurring.

Thank you for taking the time to consider our responses to your inquiry. We would be very happy to meet with you, should you wish to discuss our views. Both pieces of evidence by Julie Rugg and David Rhodes are attached for your reference.

*28 February 2020*