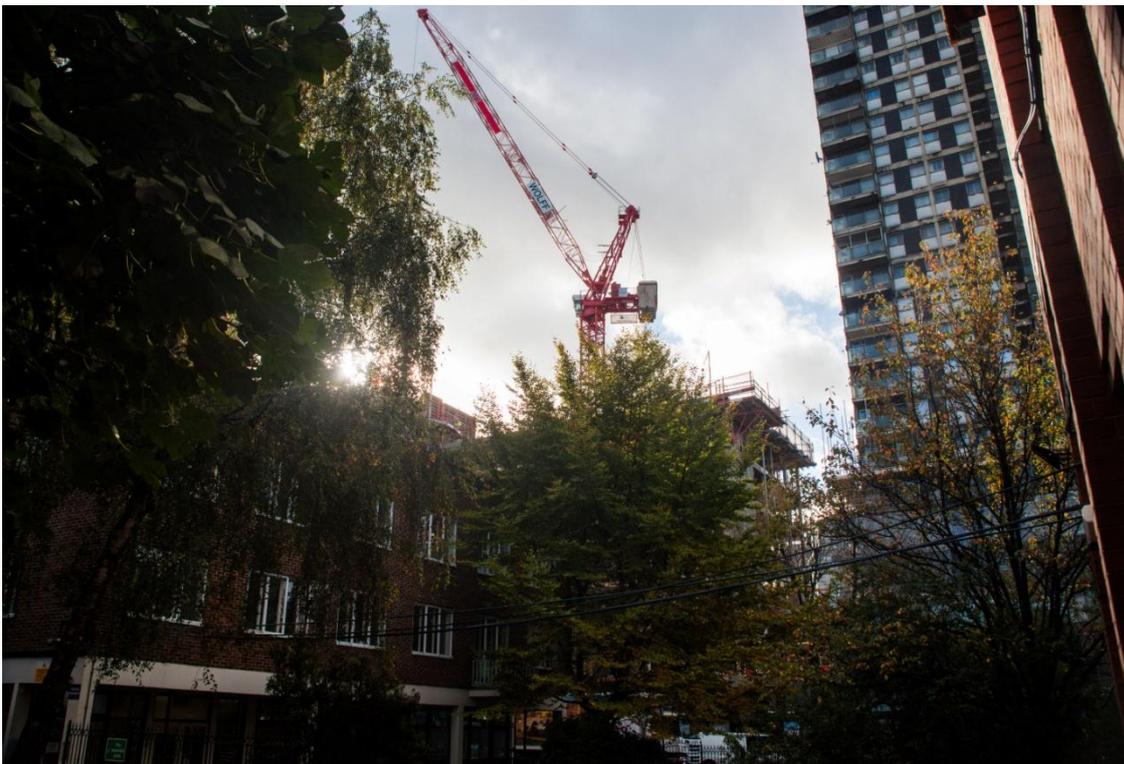




## “Not Wanted Here?”

A Toynbee Hall Research Report on private housing sector availability for housing benefit claimants.



April 2014

## Introduction

Throughout our 130 year history in Tower Hamlets, housing has been a major area of local concern and action for Toynbee Hall and the local community. As evidenced in the East End in 1884, the practice and standards relating to private rented sector are once again a major issue today.

The housing landscape has dramatically changed over recent years, with low-income households becoming increasingly reliant on the private-rented sector. Historically, a large provision of council housing has meant that low-income households have been able to afford to live in Tower Hamlets. The depleted council housing stock and little recent growth in the social rented housing has led to a significant growth in the private rented sector in London in particular.<sup>1</sup> Recent welfare reform changes alongside rapidly rising rents are creating a significant amount of anxiety for private-renters. This is especially the case for households who receive support from welfare benefits to help pay their rent. The Welfare Reform Act (introduced in 2011) combined with rising housing costs, are unfairly impacting on private renters, especially in inner-London areas such as Tower Hamlets.

There have been a number of reports in the UK media highlighting that significantly fewer private landlords would consider renting to tenants who claim housing benefit<sup>2</sup>. To find out what was happening locally, Toynbee Hall's 'Welfare Reform Task Force' decided to carry out a Mystery Shopping exercise. We were keen to find out how many letting agents in Tower Hamlets would consider letting properties to tenants claiming housing benefit? The main objectives of the exercise were:

- To highlight the barriers local people are facing in accessing private-rented accommodation
- To determine whether landlords or letting agents are discriminating against tenants who require support from welfare benefits to pay their rent
- To discover any letting agents that would consider tenants claiming housing benefit so we could pass their details to service users looking for accommodation

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<sup>1</sup> The percentage of households renting increased in all English regions and in Wales, in the decade to 2011. London had the highest percentage of renters, accounting for 50.4% of households in the region. This is about 15 percentage points higher than the average for England and Wales. [Online], Available: <http://www.ons.gov.uk/ons/rel/census/2011-census-analysis/a-century-of-home-ownership-and-renting-in-england-and-wales/short-story-on-housing.html> [23April 2014].

And: Centre on Household Assets and Savings Management, [Online], "The size of the private rented sector in London was considerably larger than other regions in 2001 and the difference increased further by 2011." Available: <http://www.birmingham.ac.uk/Documents/college-social-sciences/social-policy/CHASM/briefing-papers/2013/trends-private-rented-sector.pdf> [23April 2014].

<sup>2</sup> Osborne, H, (2014) *The Guardian*, "More landlords turning away housing benefit claimants" [Online], Available: <http://www.theguardian.com/money/2014/jan/21/landlords-turn-away-housing-benefit-claimants> [23April 2014].

And: Dyson, R (2014) *The Telegraph*, "Why landlords are shunning profitable benefit tenants?" [Online], Available: <http://www.telegraph.co.uk/finance/personalfinance/investing/buy-to-let/10563064/Why-buy-to-let-landlords-are-shunning-profitable-benefit-tenants.html> [23April 2014].

## Results

From October 2013 to February 2014, we made contact with 87 letting agents in the London Borough of Tower Hamlets, listed on [www.yell.com](http://www.yell.com). In each case, we acted as a prospective tenant, to enquire whether the letting agents currently or occasionally have properties available to rent for tenants claiming housing benefit. If advised housing benefit would not be accepted, we tried to find out the reasons why.

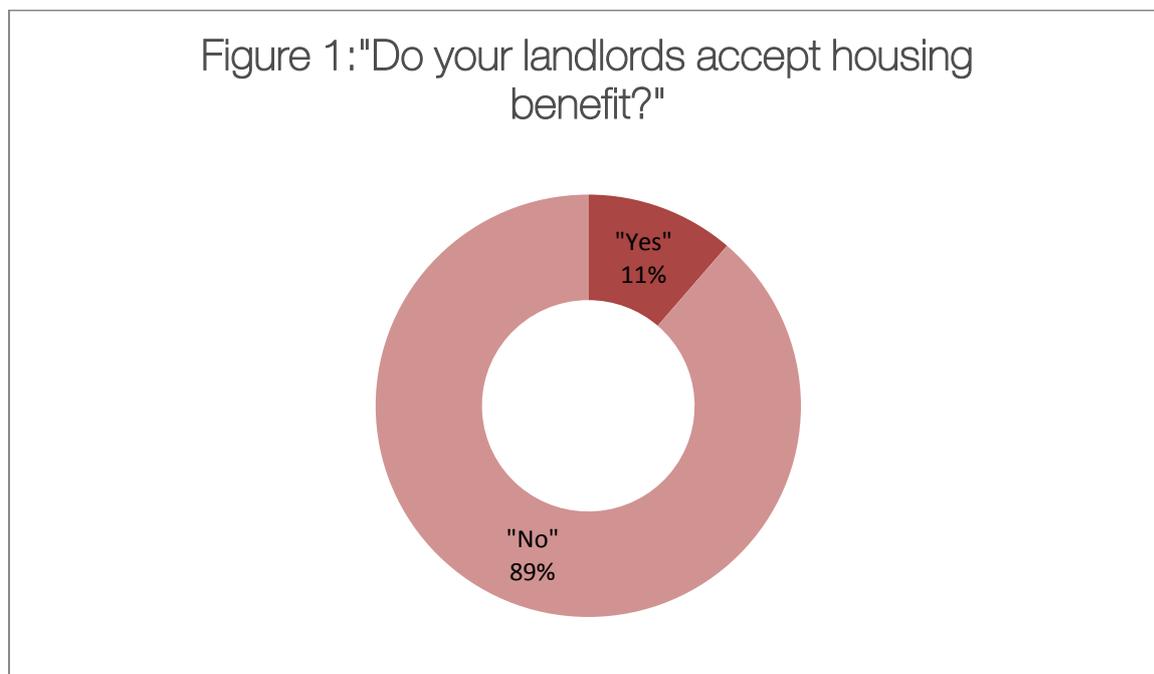


Figure 1: Shows the responses received from the 87 letting agents that were contacted.

The research carried out found that 89% of letting agents contacted responded that they do not or their landlords do not consider letting to tenants claiming benefits. Only 11% advised that they do, or occasionally do, have landlords that accept housing benefit tenants.

The following up question as to why benefit claimants were not accepted have been broken down into the following:

- i) Over 60% of agents advised that "We or our landlords only let properties to 'professionals', 'workers' or the 'private sector'." Most agents did not know why or refused to elaborate.
- ii) Agents cited availability as an issue as few had properties available for less than £500 per week.
- iii) Agents mentioned that landlords felt it is risky letting to benefits claimants because of delayed payments.
- iv) A small number of agents stated that it was the choice of the landlords that they let properties for and that they have no say in the matter.

Out of a total of 87 letting agents, only 13 occasionally had landlords that accept housing benefit tenants. The majority of these did not have any properties available at the time of the enquiry.

Of the 13, only two letting agents mentioned that they preferred housing benefit claimants to be claiming a certain type of benefit. One agent stated that they preferred tenants claiming Disability Living Allowance, whilst another agent stated that they prefer tenants claiming Income Support, as opposed to Jobseekers Allowance.

For low income households in receipt of housing benefit this evidence presents a very challenging picture of finding private rented accommodation in Tower Hamlets. Given the very limited availability of social rented housing the increasing likelihood for low income households is to have to move out of the borough.

## Additional barriers in accessing private-rented accommodation

This exercise clearly demonstrated that finding a landlord or letting agent that accepts housing benefit tenants is a huge barrier to overcome to be able to find a home. The second significant barrier is the upfront costs required, with agents advising that prospective tenants would need to provide:

- A deposit (the equivalent to 4-6 weeks rent)
- One month's rent-in-advance
- Administration fees (ranging from £300 to £600 from those letting agents called)

The median rent for a two bed property in the London Borough of Tower Hamlets is £370 per week<sup>3</sup>. Based on a letting agent requesting a four week deposit, one month's rent in advance and an administration fee of £300, a prospective tenant would be required to provide total upfront costs of £3,506.67. In most cases this would lead to a tenant being offered a 12-month Assured Short-hold Tenancy, offering little long-term security and the worrying prospect of having to raise similar funds again in 12-months time.

In addition, most prospective tenants receiving housing benefits would also have to provide a guarantor, who agrees to pay a tenant's rent if a tenant fails to do so. The guarantor would then be liable to recover any unpaid rent.

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<sup>3</sup> Greater London Authority (GLA), (2014) *London Rents Map*, [Online], Available: <http://legacy.london.gov.uk/rents/search/results.jsp?x=536468.002357&y=181475.93353&propertyType=twobed> [23April 2014].

## Relevant External Research

The findings from this study do not come as a huge surprise considering the much publicised rising cost of private renting across London and the series of cuts to housing benefits since 2011. An in-depth analysis of the huge challenge of providing affordable homes in the borough can be found in the 'Tower Hamlets Fairness Commission - Communities and Housing Evidence Pack'<sup>4</sup>.

Research elsewhere<sup>5</sup> shows landlords are reluctant to let to tenants claiming housing benefit for the following reasons:

- Landlords are unhappy with the introduction of direct payments of rent to tenants in 2011. This made it more difficult for arrangements to be made for housing benefit payments to be made directly to landlords
- Confusion surrounding the introduction of Universal Credit; particularly how direct payments will work under a new system.
- Negative prior experience from landlords letting to tenants claiming housing benefit. Examples of problems cited by landlords include tenants damaging property, late payments and issues with communicating directly with local authority housing benefit departments.
- Landlords facing difficulties in accessing mortgages and insurance for properties to let to tenants claiming housing benefit.

## Conclusion

The findings from this study provide further evidence that poorer families will find it increasingly difficult to remain living in Tower Hamlets. The work carried out through Toynbee Hall's Tenancy Talks Service<sup>6</sup>, highlighted that even when service users have located affordable accommodation, they are still being turned down if they will be paying their rent using housing benefit; despite having no previous history of rent arrears and being able to provide excellent references from current landlords. It is unfair that landlords and letting agents use a blanket policy to rule out prospective tenants, solely based on whether housing benefit will be used to help pay the rent.

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<sup>4</sup> Tower Hamlets Council, (2014) '*Tower Hamlets Fairness Commission - Communities and Housing Evidence Pack*', [Online] Available:

[http://www.towerhamlets.gov.uk/lgnl/community\\_and\\_living/fairness\\_commission.aspx](http://www.towerhamlets.gov.uk/lgnl/community_and_living/fairness_commission.aspx) [23April 2014].

<sup>5</sup> Osborne, H, (2014) *The Guardian*, "More landlords turning away housing benefit claimants" [Online] Available: <http://www.theguardian.com/money/2014/jan/21/landlords-turn-away-housing-benefit-claimants> [23April 2014].

And: Lunn, E, (2014) *The Guardian*, "Buy-to-let property supremo shuts door on housing benefit tenants" [Online] Available: <http://www.theguardian.com/money/2014/jan/04/buy-to-let-landlord-evicts-housing-benefit-tenants> [23April 2014].

<sup>6</sup> Toynbee Hall's Tenancy Talks Service offered advice and support to private renters affected by welfare reforms between April 2013 to April 2014.

This study has highlighted the importance of the work being carried out by Tower Hamlets Fairness Commission in shaping the future of fairer housing provision in the borough. The evidence presented here supports the Commission's recommendation for a landlord registry scheme for Tower Hamlets, setting standards and improving tenant protection.

There is also a need for better information and support networks to be developed for private tenants many of whom are increasingly isolated and without wider support and yet represent the largest growing housing sector. There is certainly a need for greater tenant advocacy and representation, to share experiences and help others navigate and extremely complex and unjust market. It is extremely worrying that such wide spread discrimination apparently exists in the private rented sector and yet there is little recourse available to tenants to challenge this.

Without an increase in supply of social housing, restricting profiteering by private landlords, or addressing the disproportional impact of welfare reform, Tower Hamlets will no longer be a place where people on low or middle incomes will be able to live. We are extremely concerned for families, who are unable to access affordable housing in the borough. They will be increasingly forced out of Tower Hamlets, away from support networks, friends and family.

## Further Reading:

Meek, J, (2014) "Where will we live?", London Review of Books" [Online] Available: <http://www.lrb.co.uk/v36/n01/james-meek/where-will-we-live> [23April 2014].

Osborne, H, (2014) *The Guardian*, "What housing benefit claimants say" [Online] Available: <http://www.theguardian.com/society/2014/jan/10/what-housing-benefit-claimant-tenants-say> [23April 2014].

Department for Communities and Local Government (DCLG), *English Housing Survey Headline Report 2011/12*, "The private rented sector has been growing in recent years, and is at its highest level since the early 1990s, equalling that of the social rented sector at 3.8 million households." [Online] Available: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/211288/ES\\_HS\\_Headline\\_Report\\_2011-2012.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/211288/ES_HS_Headline_Report_2011-2012.pdf) [23April 2014].

Shelter (2013) "When the golden dust settles: housing in Hackney, Newham and Tower Hamlets after the Olympics" [Online] Available: [http://england.shelter.org.uk/\\_data/assets/pdf\\_file/0007/752398/When\\_the\\_golden\\_dust\\_settles\\_-\\_housing\\_in\\_Hackney\\_Newham\\_and\\_Tower\\_Hamlets\\_after\\_the\\_Olympics.pdf](http://england.shelter.org.uk/_data/assets/pdf_file/0007/752398/When_the_golden_dust_settles_-_housing_in_Hackney_Newham_and_Tower_Hamlets_after_the_Olympics.pdf) [23April 2014].

Shelter (2012) "London Rent Watch: Rent inflation and Affordability in London's private rental market" [Online] Available: [https://england.shelter.org.uk/\\_data/assets/pdf\\_file/0008/425708/London\\_Rent\\_Watch.pdf](https://england.shelter.org.uk/_data/assets/pdf_file/0008/425708/London_Rent_Watch.pdf) [23April 2014].

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