



## **Equality and Social Justice Committee inquiry into the level of indebtedness during the pandemic**

Response from Community Housing Cymru

September 2021

### **Introduction**

Community Housing Cymru is the membership body for more than 70 not-for-profit housing associations and community mutuals and is the leading voice for the social housing sector in Wales. We welcome the opportunity to respond to the Committee's consultation on the priority issues to consider when planning its future work programme.

### **Summary**

The economic impact of the coronavirus pandemic has manifested in an increased number of housing association tenants in serious levels of rent arrears. The year following March 2020 saw a 22% increase in the number of tenants owing more than thirteen weeks worth of rent to their housing association, a concerning trend for both tenants and housing associations.

A voluntary arrangement to prevent repossessions by housing associations and legal interventions by Welsh Government have significantly reduced the number of tenants evicted for rent arrears across both the private and social rented sectors.

Two new financial interventions have been made by Welsh Government to support tenants in rent arrears, the Tenancy Saver Loan and the Tenancy Hardship Grant. However, the vast majority of housing association tenants are ineligible for this support.

The pre-existing Discretionary Housing Payments, administered by local authorities and funded by UK Government, have continued to provide some level of support to housing association tenants. These payments are only available to tenants in receipt of Housing Benefit or Universal Credit.



## Response to specific questions

- 1. The effectiveness of the Welsh Government's overall approach to tackling debt-related issues during the pandemic, and to consider how its policy might need to develop over the coming months to address upcoming challenges.**

We believe housing related debt has been of concern to Welsh Government throughout the pandemic, particularly the potential of high levels of individual rent arrears amassing due to the economic impact of the virus. The initial response focussed on the housing security of people in high levels of arrears, through restrictions on the ability of landlords of all tenures to repossess homes. This was achieved through various interventions under powers contained within the Coronavirus Act 2020 and Section 45C of the Public Health (Control of Disease) Act 1984. One intervention remains in force, namely the temporarily extended notice periods landlords must give tenants before applying to court for possession, a measure currently due to expire on the 30<sup>th</sup> September 2021 (as of 22<sup>nd</sup> September). Welsh Government retains the power to temporarily extend notice periods under the Coronavirus Act 2020 until its expiry in March 2022.

These interventions have had their most significant impact in the private rented sector (PRS), as the social rented sector (housing associations and local authorities) voluntarily ceased repossession activity shortly after the first lockdown was declared in March 2020.<sup>1</sup>

### **Impact of the pandemic on rent arrears**

It is difficult to argue that legal interventions have reduced the level of indebtedness of tenants to landlords in terms of rent arrears. It is more likely that these interventions, although crucial to protect public health, have in fact increased the personal rent arrears of some tenants in the social rented sector.

However, the total arrears owed to housing associations by all tenants has remained stable over the pandemic<sup>2</sup>, due to the significant measures put in place by housing associations in supporting tenants to avoid and resolve debt.

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<sup>1</sup> <http://financialassistanceprotocol.wales/>

<sup>2</sup> <https://gov.wales/sites/default/files/publications/2021-08/registered-social-landlords-business-continuity-survey-june-2021.pdf>



In addition to preventing evictions due to rent arrears caused by the pandemic, housing associations pledged to:

- Help tenants get the financial support they need:
  - Support to navigate the welfare system and access Universal Credit and other benefits that people are entitled to
  - Supporting people to access emergency payments to meet their energy costs
  - Delivering emergency food parcels or supporting them to access services such as food banks
  - Supporting people to access other emergency grants and support that may be available
  - Ensuring that no tenants are left with unmanageable housing related debts when the coronavirus crisis is over
- Support tenants and find solutions if they have difficulty paying rent.
- Do everything they can to support tenants' wellbeing:
  - Accessing community and support services digitally to keep tenants and staff safe
  - Support to access mental health and other community health services
  - Online groups and phone calls to check in on tenants' wellbeing and to support them if they are lonely or isolated
  - Regularly contacting their most vulnerable tenants to ensure they are able to access the support that is available

Despite these interventions, the impact of the pandemic on rent arrears has been unequal. Unpublished research by Community Housing Cymru (CHC) has attempted to quantify the changes in the number of tenants in serious rent arrears across the first year of the pandemic. Between March 2020 and March 2021, both the number and proportion of housing association tenants in serious arrears<sup>3</sup> increased by roughly a quarter. The number of housing association tenancies in very serious levels of arrears, i.e owing more than thirteen weeks' rent increased by 22% over the year.

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<sup>3</sup> In this context, two definitions of serious arrears were used. More than eight weeks' worth of rent in arrears and more than thirteen weeks' worth of rent in arrears.



## **Additional government support for rent arrears during the pandemic**

Welsh Government have developed two schemes over the course of the pandemic to address rent arrears. However, these schemes have focused on the PRS in the main, with only a very small number of housing association tenants eligible for either scheme.

The Tenancy Saver Loan (TSL) scheme provided PRS tenants with access to 1% APR loans to be paid directly to their landlord to address rent arrears. This scheme opened in October 2020 and has since been superseded by the Tenancy Hardship Grant. The TSL processed few loans, with 41 issued between its inception and the end of April 2021.<sup>4</sup> In response to this, Welsh Government developed the Tenancy Hardship Grant (THG)<sup>5</sup>, a replacement for the TSL providing grants to PRS tenants who have built up more than eight weeks of rent arrears during the pandemic. However, only a very small number of private tenants of housing associations are eligible for this grant. No social rent tenants are eligible for support through the THG.

## **Pre-existing support for rent arrears**

Discretionary Housing Payments (DHPs) are available to cover housing costs for those claiming Housing Benefit or the housing element of Universal Credit and are in housing distress due to debt. These payments are funded by UK Government and administered through Welsh local authorities. Welsh Government has the capability to 'top up' the funding for local authorities to deliver these payments, and has done so once in the past, but during the pandemic has chosen to focus on the Discretionary Assistance Fund (DAF). We believe this to be sensible, as the DAF is available to all whereas DHPs are only available to those in receipt of housing benefits. However, the DAF must remain flexible and accessible to tenants in debt.

- 2. The effectiveness of mechanisms such as the Discretionary Assistance Fund and affordable credit in providing assistance to those most in need during the pandemic, and what changes could improve future delivery.**

CHC welcomed the flexibilities to the Discretionary Assistance Fund (DAF) that Welsh government brought in as a response to the COVID-19 pandemic. The budget for DAF was increased, more frequent payments were allowed and the qualifying

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<sup>4</sup> <https://gov.wales/sites/default/files/publications/2021-05/atishn15059.pdf>

<sup>5</sup> <https://gov.wales/tenancy-hardship-grant-private-rented-sector-tenants-coronavirus>



criteria were made more flexible. We also fully support the recent Welsh government announcement of an extension of the DAF flexibilities to March 2022.

However, the Bevan Foundation and Child Poverty Action Group recently raised concerns<sup>6</sup> that the number of DAF applications sharply decreased in the run up to the end of a period of flexibility. Financial hardship will not come to an end for people in Wales in 2022. We recommend that the Welsh government builds on the recent success of the DAF to create a more permanent adjustment to flexibilities which better meet the needs of people in Wales when they fall into financial crisis.

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<sup>6</sup> <https://www.bevanfoundation.org/views/removing-emergency-support/>