



Rent arrears surge for Universal Credit recipients

Greater efficiency in processing and delivery will mitigate, but not reverse, a growing trend.

London 24/02/2017: – With mounting evidence of problems in the rollout of Universal Credit (UC), notably in the accumulation of rent arrears by recipients, the UK Parliament’s Commons Select Committee on Work and Pensions has re-launched its inquiry into the impact of the new benefit arrangements.

Universal Credit combines several benefit entitlements, including housing benefit, into a single monthly payment to claimants, who are then responsible for paying their landlords. The Committee is inviting written submissions on, amongst other things, waiting times for claims processing, the impact of delays and how the situation of rent arrears could be improved.

Research conducted by the National Federation of Arm’s-Length Management Organisations (NFA) and the Association of Retained Council Housing (ARCH), which together represent more than one million council homes in England, has revealed that 86% of council home tenants in the UK on Universal Credit (UC) are in arrears with their rent. The study also indicated that some 63% of those UC recipients in arrears had some degree of prior arrears.

NFA is the trade body representing all arms-length management organisations (ALMOs) across the UK. Much of its members’ work involves providing services to residents in partnership with local councils. Chloe Fletcher, policy director at the NFA, suggests that the deterioration in arrears is partly a reflection of the fact that the move to UC has begun with single individuals rather than families. “While easier to transfer from a housing management point of view, these recipients also tend to be in and out of work, requiring reapplications for housing benefit as needed,” she says. They may also have been in receipt of partial housing benefit, with arrears building on the uncovered portion of their rent. Nevertheless, says Fletcher, “The key point here is that the amount of arrears has more



than doubled with UC, with some people newly in arrears and existing arrears getting worse.”

Earlier in February, Lord Freud, former Minister of State for Welfare Reform, Department for Work and Pensions appeared before the Select Committee. He observed that in addition to a population moving back and forth from work, “ the ALMOs also have a system of rent in advance, whereas of course all benefits, housing benefit and everything else, are paid in arrears.”

Consequences

Three councils have so far made written submissions to the Select Committee Inquiry. Ryedale District Council has no Housing Stock, the major housing provider in the area being Yorkshire Housing Association. However, Marcus Lee, revenues & benefits team leader, corporate services, for the Council notes that:

“The introduction of Universal Credit has had an impact on the delivery of services of the Benefit Section here at Ryedale DC. As customers move from Housing Benefit to Universal Credit the major impact is the delay, a minimum of at least 6 weeks, before the customer receives a UC payment. ..Our Housing Benefit staff spend a lot of time with customers trying to explain the Universal Credit process, which at times can be rather complex.”

For Great Yarmouth Borough Council, Jane Beck, director of customer services, confirms that within the Council’s own housing stock, as of 30th January 2017, “We have 624 tenants in receipt of UC and of these 364 in arrears. These tenants owe a combined amount of £132,118 in rent arrears. These arrears have predominantly been caused by the systematic issues in how UC operates and is paid.”

Croydon Council meanwhile reports that:

“We have over 14,000 council tenants, of which 1,250 are now in receipt of UC. Prior to roll out of UC our collection levels stood at 98%. However, post implementation of full service we have seen levels drop to 72% for UC customers, which in total now contributes to 38% of our overall arrears although it is only 9% of our tenants.”

Amongst other recommendations, it calls for “a simplified electronic payment system from DWP to both claimants and landlords.”

An unchecked build-up of rent arrears is, in due course, likely to impair local authority rental income streams and, as a result, the supply of services to the communities concerned. For the NFA’s Fletcher, delays both at the start of the UC claim process and in the waiting time before receipt of the first payment need to be addressed. The issue is, however, broader. “The DWP wants to instill a change of culture and they have an obligation to make sure the message gets through,” she says.

