Rent Guarantees could be key to help Universal Credit claimants unlock the private rental market

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Landmark study explores ways to encourage private sector landlords to support tenancies from people receiving Universal Credit

Rent guarantees and upfront cash payments from local authorities are most effective in opening up the private rented sector for people receiving benefits according to major new research from the Centre for Homelessness Impact, the Behavioural Insights Team and the National Residential Landlords Association.

The study found these approaches had the greatest positive impact on landlords' openness to renting to people in receipt of benefits, however the overall willingness of landlords to rent to those in receipt of benefits still remained relatively low, highlighting the need for policy changes to be made to drive change.

For many years, rising rents and shortages of social housing have put pressure on large numbers of people and families, significantly increasing housing vulnerability, especially for those receiving benefits. This has been compounded by the increase in Universal Credit (UC) claimants as a result of the coronavirus pandemic. Recent government figures show a doubling from 3 million people in March 2020 to 6 million today which has made finding solutions that work for tenants and private landlords more urgent.

The centrepiece of the new research was an online trial involving more than 2700 landlords across England and Wales. Each participant was asked about different scenarios to understand how they would react and respond, across two broad areas:

Whether disclosing additional information about a tenant has any impact on increasing landlord willingness to continue with the application of someone receiving UC. Landlords were sent information on:

- Pre-tenancy training: A certificate of completion and schedule for a tenancy skills programme
- Budget planner: A table of the tenant's income & expenditure
- Alternative payment arrangement (APA) leaflet: Information about APA, which is the process in England whereby housing benefit is transferred directly to the landlord (as opposed to being paid as part of the lump sum UC payment to the tenant)

And:

Which Local Authority incentives or support programmes are most effective at increasing landlord willingness to rent to someone receiving UC, considering:

- £1000 cash upfront: a cash payment upon signing a tenancy agreement;
- Rent guarantee: a written guarantee from the Local Authority that they will cover late or unpaid rent;
- Deposit bond: a cash amount equivalent to one month's rent set aside to cover any costs a landlord may incur during the course of the tenancy;
- Support from a landlord liaison officer: a dedicated resource that acts as a single point of contact for private landlords who need support with a tenancy

Landlords who received information about budget planners, pre-tenancy training or APA reported very similar willingness to rent to potential tenants as those who received no additional information. This suggests that these are less effective at changing landlords' attitudes than previously expected.

Significantly, the study indicates that the willingness of landlords to rent to people receiving UC remains low. Even with the strongest interventions, landlords' willingness to let properties to people at risk of

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homelessness fell between ‘somewhat unlikely’ and ‘neutral’ (with neutral being the middle point of a 7-point scale).

The study was commissioned by the Centre for Homelessness Impact, a What Works centre that supports the use of data and evidence in bringing about a sustainable end to homelessness. The research was conducted by the Behavioural Insights Team, one of the world’s leading behavioural science organisations, in partnership with National Residential Landlords Association, the UK’s largest membership organisation for private residential landlords.

Dr Ligia Teixeira, Chief Executive of the Centre for Homelessness Impact said,

“Taking an evidence-based approach to unlocking the private rented sector for people in receipt of Universal Credit who were previously less likely to gain access, is just one way in which we might end homelessness sustainably by focusing on prevention instead of mitigation.

By making sure more housing options, including the private rented sector, are available to people who are in receipt of Universal Credit and at risk of homelessness, these trials help us move towards an environment where both landlords and prospective tenants have their needs met.”

Ben Beadle, NRLA Chief Executive, National Residential Landlords Association said:

“The private rented sector can play a valuable role in providing longer term accommodation for those at risk of homelessness or struggling to maintain a tenancy. It is vital that policymakers heed the findings of this research to engage with landlords effectively and ensure they are confident that any risks they perceive will be addressed.

“As the research shows, the central element for landlords is continued rent payments. Government holds the key to this, through continuing to link local housing allowance to market rents, improving the administration of Universal Credit and better utilising guaranteed rent schemes at a local level. Without taking these vital steps, the Government will not tackle the homelessness crisis.”

Eva Kolker, policy lead for housing and homelessness from the Behavioural Insights Team said:

“This has been a great partnership with the Centre for Homelessness Impact and NRLA producing some really important results with policy implications for both central government and local authorities. Most research on reducing homelessness through the private rented sector focuses on tenant behaviour, but far less looking at landlord decision-making and behaviour. The participation of the NRLA in this partnership allowed us to run the UK’s first ever behavioural trial with landlords.”

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