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BRIEFING

Getting ahead on falling behind

Tackling the UK's building arrears crisis

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February 2021

Acknowledgements

This briefing note has been greatly enriched by conversations with many organisations and individuals, not least: the National Resident Landlords' Association and the Scottish Landlords' Association; the National Housing Federation and a number of individual housing associations; the Local Government Association; Joseph Rowntree Foundation, Shelter, StepChange and Z2K; the Welsh Government; and academics Montserrat Pareja-Eastaway, Mark Stephens and Christine Whitehead. The author thanks colleagues Torsten Bell, Mike Brewer and Karl Handscomb for their guidance and advice Any errors remain, of course, the author's own.

The research presented throughout uses data from an online survey conducted by YouGov and funded by The Health Foundation. The figures from the online survey have been analysed independently by the Resolution Foundation and the views expressed here are not necessarily those of The Health Foundation or YouGov..

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L. Judge, *Getting ahead on falling behind: Tackling the UK's building arrears crisis,* Resolution Foundation, February 2021

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Summary

In this briefing note we examine how families are managing their housing costs as the Covid-19 crisis persists. Many in the UK entered the pandemic spending a high share of their income on housing, leaving them at risk in the event of an earnings fall. But while a short, sharp income shock is not without its problems, savings and other resources often enable people to weather a small storm. In contrast, a drawn-out crisis can tax family finances to the point that a large fixed cost such as housing becomes hard to sustain. When this occurs, policy has a clear role to play: it can support incomes directly; help families to reduce their housing costs; and mediate effectively between those who owe and are owed.

So how have families coped with their housing costs across the crisis? Using new data from a representative survey of UK working-age adults, we show that housing arrears have increased steadily over the pandemic period. In January 2021, we estimate that 9 per cent of families in the social rented sector were behind with their housing payments, alongside 6 per cent of those renting privately and 2 per cent of mortgaged home owners. Such rates stand considerably higher than the pre-Covid-19 ‘norm’: across all three tenure groups, our January 2021 figures are at least twice the level of arrears observed going into the crisis. These percentages translate into significant numbers: we estimate that over 750,000 families were behind with their housing payments in January 2021, 300,000 of which contained dependent children.

The higher incidence of arrears in the renter population is in part explained by the disproportionate labour market hit they have experienced during the pandemic. Close to one-quarter (24 per cent) of private renters have seen their earnings fall during the last ten months, compared to one-in-six (16 per cent) working-age adults with a mortgage. But even when they have had the same negative experience over the Covid-19 period, renters have a higher risk of arrears than home owners. For example, 8 per cent of those with a mortgage that have lost their job since February 2020 report being in rent arrears, but that figure is half as high again for private renters (12 per cent).

There are a number of reasons that could explain this. To begin, our survey shows that twice as many privately-renting families entered the pandemic with no savings compared to mortgaged home owners (22 per cent and 11 per cent respectively). In addition, despite widespread calls for forbearance in the face of the Covid-19 shock, just 3 per cent of private renting families have been able to negotiate a lower rent over the last ten months (a further 5 per cent have been refused), compared to one-in-ten (10 per cent) families with a mortgage who have received a mortgage holiday. In one respect, however, those that rent are more privileged than owners: the benefits system supports them with their housing costs when their income falls below a certain level. That said, private renters

paying just an average rent in their area would still experience a shortfall in support despite the welcome increase to Local Housing Allowance rates in the earliest days of the crisis.

Although we expect an easing of restrictions on economic activity as the vaccine continues to be rolled-out, the scale of arrears accumulated since March 2020 still leaves problems ahead for tenants, landlords and the state. Both benefit cuts and the end of furlough are pencilled in for the spring, either of which will strain family incomes further. Likewise, unemployment looks set to rise, rather than fall, through 2021, potentially driving up arrears further still. Although there is no 'hard-stop' to the evictions ban, there is likely to be a significant increase in possession claims in the coming months as the courts seek to deal with 'normal' business, a significant backlog and 'Covid-19 excess' cases. This is a daunting prospect for a system that was already under stress prior to the pandemic (in 2019, the average possession case took 44 weeks from beginning to end).

Possession proceedings are the final (very unpleasant) way of resolving rental arrears but the Discretionary Housing Payment (DHP) system works to avert this outcome for many. Given the growing share of families with rent arrears, the data we gathered on DHP awards via a Freedom of Information request contains a few surprises. Crucially, we find that more than half of local authorities made fewer awards in the first nine months of 2020-21 than in an average nine months of 2019-20. This could be because the benefit increases made in response to the pandemic have protected some, or because local authorities are hoarding DHPs for when the eviction ban ends. But the system's usefulness in this crisis has also been limited by the rules determining who is eligible: our survey shows that more than half (56 per cent) of private renter families with arrears are not in receipt of benefits, the passport to the DHP system.

Taken together, our findings suggest the Government needs to do more if arrears are to be managed in an orderly manner as the Covid-19 period unwinds. Other nations are one step ahead here: both Scotland and Wales now offer tenant loans underwritten by the state (modelled on a Spanish scheme that has been in place since March 2020). We estimate that £375 million would be the maximum required to capitalise a similar scheme for English private and social renters (based on current levels of arrears). But it is fair to expect some quid pro quo from landlords if the state takes on the risk of non-payment of arrears via a tenant loan scheme. The time has come for the Government to deliver on its promise of a pre-action protocol for private renters and require landlords take serious steps to negotiate a payment plan with indebted tenants before proceeding to court.

Housing arrears are unlikely to get better before they get worse, especially if further setbacks to the recovery occur. But policy can act to support those who need help most (by maintaining the UC uplift and rolling over DHP budgets, for example), and to smooth the consequences for those who are close to the edge (by introducing a loans scheme and requiring landlords work seriously with tenants to make their homes affordable). A lack of policy action will leave many just muddling through, when management would be so much better.

Across all tenures, housing cost arrears have doubled over the Covid-19 period

Housing is often the largest fixed cost that households have to pay each month, and one that can be difficult to adjust in the short term. As a result, it plays a critical role in determining living standards, especially in periods when incomes change dramatically. No-one can dispute that, for many, the last ten months have been just such a period: parts of the economy have been effectively closed and millions of workers furloughed; unemployment has risen (albeit not yet to the extent observed in previous recessions); and shielding, home schooling and the like have forced some to reduce their hours. Put together with the fact that for many in the UK, housing costs absorb a large share of their income, and the pandemic has the potential to create a significant build-up of housing stress.[1]

This briefing note explores how families have managed their housing costs over the Covid-19 crisis.[2] We begin our exploration of housing debt with Figure 1, which presents new data from a representative survey of 6,000-plus UK working age adults fielded in January 2021.[3] As this makes clear, families have been steadily more likely to struggle with their housing costs as the pandemic period has continued.[4] Social renters have the highest incidence of arrears: we estimate that more than one-in-twelve (9 per cent) families living in the social sector were behind in part or full with their housing payments in January 2021, as were just shy of 6 per cent of private renters and 2 per cent of mortgaged home owners. Arrears have increased significantly for all tenure types from their pre-pandemic level, with at least twice as many families in each experiencing more housing stress than 'normal' (see Box 1 for how we estimated this, alongside other assessments of housing debt over the Covid-19 period).

1 See, for example: D Tomlinson, Inequality street: Housing and the 2019 general election, Resolution Foundation December 2019.

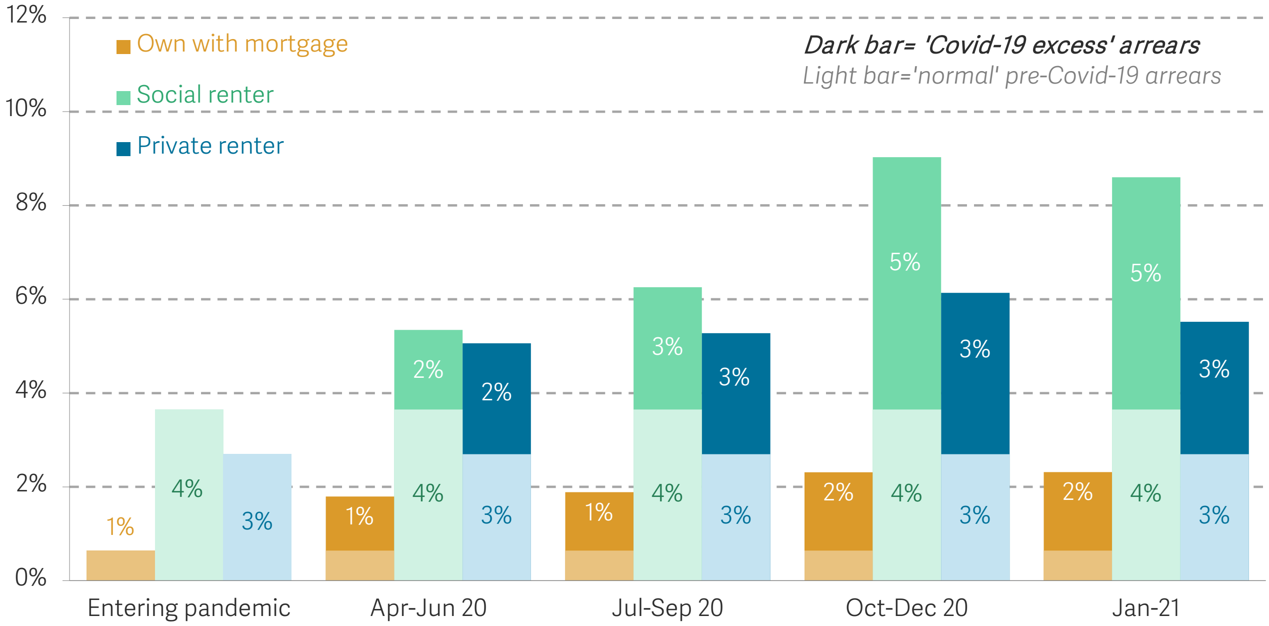
2 Throughout this briefing note we use the term 'families' to denote a family (or benefit) unit, our preferred unit of measurement for much of our housing analysis. A family unit comprises a single adult or a couple, along with any dependent children. For further discussion of the virtues of this measure, see A Corlett and L Judge, Only half of families own their own home – how do the other half live?, Resolution Foundation, December 2016. We do not review the experience of those who own their homes outright and live in another's home (a group largely comprised of adult children living with parents) in this briefing note given their largely negligible housing costs.

3 Total sample size was 6,389 18-65-year-olds. Fieldwork was undertaken online by YouGov plc during 22nd – 26th January 2021. The figures have been weighted and are representative of all UK adults (aged 18+) according to age, gender, and region.

4 We use the term 'housing debt' as a shorthand for renters who have fallen into arrears or mortgage holders who have missed or delayed payments, rather than to refer to those who owe a formal debt on their property (i.e. a mortgage).

FIGURE 1: **Families in all tenures have seen housing debt increase steadily over the last year**

Proportion of working-age family units falling behind with housing costs, by tenure: UK, 2020-2021



NOTES: Base = all UK adults aged 18-65 (n=6,389). Base by categories: Own with mortgage n=2,397; Social renter n=495; Private renter n=1,191. These figures have been analysed independently by the Resolution Foundation and reweighted to adjust adult responses for family unit analysis. 'Entering pandemic' figure indicates all those who had fallen behind on housing costs at some point before Covid-19 and reported housing debt in April-June 2020.
SOURCE: RF analysis of YouGov, UK Adults aged 18 to 65 and the coronavirus (COVID-19) – January 2021 wave.

BOX 1: **Estimating the effect of the pandemic on housing arrears**

Housing arrears are clearly not a new phenomenon: in 'normal' times there are still many who struggle with their housing costs. So how can we best assess the additional pressure that Covid-19 has placed on families over the last ten months? Our survey identifies those who have had arrears at any point before the Covid-19 crisis began, and we estimate a pre-pandemic arrears baseline as those families in our survey that indicated both that they had experienced arrears prior to Covid-19, and were in housing debt in our earliest spell (April-June 2020) (we describe these families as those 'entering the pandemic' with arrears). The advantage of this definition is that it standardising our measure over a three-month period.

Other studies have sought to estimate the build-up of housing debt in recent months which act as useful comparators to the numbers we present in Figure 1. Drawing on a survey fielded in the early days of the pandemic (June-July 2020), for example, MHCLG estimate that 6 per cent of mortgaged home owning households, 7 per cent of private rented households and 13 per cent of social rented households were in housing arrears.[5] Likewise, a report for the Joseph Rowntree Foundation based on a survey fielded during autumn 2020 suggests 5 per cent of households in the private rented sector, and 12 per cent of those socially renting were behind with their housing costs.[6] Compared with these, estimates of the level of arrears from our survey are on the conservative side when it comes to the overall incidence of housing arrears for both mortgaged home owners and social renters, but in line for private renters.

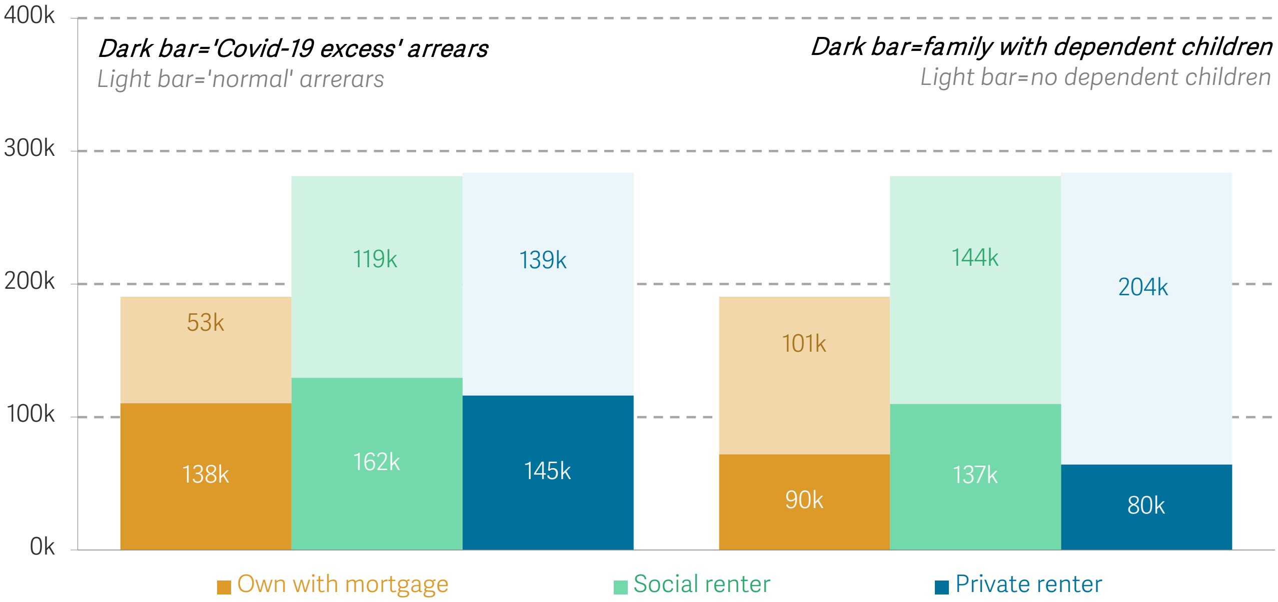
Assessing how accurate our pre-pandemic estimates are is a little more challenging. The MHCLG study found that, the incidence of arrears over 2019-20 stood at 0.5 per cent for mortgaged home owning households, 5 per cent for private rented households and 11 per cent for social rented households. As a result, they conclude that mortgagors and private renters, but not social renters, had an increased incidence of arrears in the pandemic period. But other studies that take a slightly different approach to the question of 'new arrears' give us more confidence in our estimates: a recent report by Citizens Advice, for example, found that half of private renters that are currently in arrears had no previous experience of housing debt.[7]

These percentages translate into a significant number of families (see Figure 2).[8] We estimate that 756,000 working-age families were behind with their housing costs across the UK in January 2021 (284,000 private renter families, 280,000 living in the social rental sector and 190,000 home-owning families). Of these, 450,000 can be described as 'Covid-19 excess', that is over-and-above the number we would expect to be in arrears in 'normal' times. Moreover, our survey suggests that approximately one-half of social renting- and mortgaged home owning-families that are in arrears, and close to one-third of those that rent privately, contain dependent children, equivalent to 307,000 families who would be viewed as priority need by the state if they were made homeless.[9]

5 MHCLG, Household resilience study: Wave 1 report, MHCLG, December 2020.
6 D Baxter, R Casey and R Earwaker, Struggling renters need a lifeline this winter: A briefing, Joseph Rowntree Foundation, November 2020.
7 G Byrne, R Derricourt and C Hann, New year, same arrears: How the pandemic is leaving private renters with unmanageable debt, Citizens Advice, January 2021.
8 We estimate the number of families in housing cost arrears by applying our survey percentages to the number of family units in each tenure observed in Q3 20202 ONS, Labour Force Survey. See: ONS, Coronavirus and its impact on the Labour Force Survey, ONS, October 2020, however, for an interesting discussion of data collection challenges encountered over the Covid-19 period.
9 See, for example: Shelter, Priority need of homeless families with dependent children [accessed 14 February 2021].

FIGURE 2: **More than half a million more families are in housing arrears compared to normal times**

Number of working-age family units in housing arrears, by tenure and 'Covid-19 excess' (left-hand panel)/dependent children (right-hand panel): UK, 22-26 January 2021



NOTES: Base = all UK adults aged 18-65 (n=6,389). Base by categories: Own with mortgage n=2,397; Social renter n=495; Private renter n=1,191. These figures have been analysed independently by the Resolution Foundation and reweighted to adjust adult responses for family unit analysis.
SOURCE: RF analysis of YouGov, UK Adults aged 18 to 65 and the coronavirus (COVID-19) – January 2021 wave and ONS, Labour Force Survey 2020.

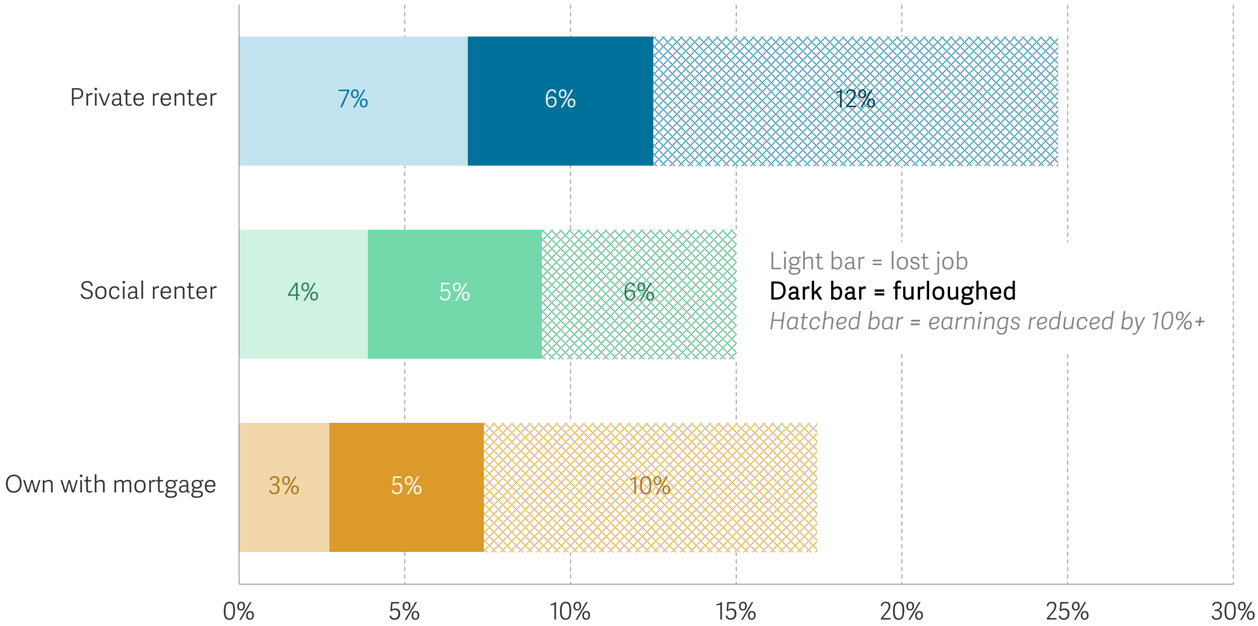
Private renters have experienced the largest hit to earnings in recent months

Studies have frequently suggested that the vast majority of families prioritise their housing costs over and above all others, with arrears not lightly accrued given the risk to one's home.[10] So what sits behind this picture of rising but differential housing debt? In Figure 3 we show how the Covid-19 labour market hit has been experienced across our three key tenure groups (here we show results for individuals and not for family units). Strikingly, one-quarter (24 per cent) of private renters have seen their earnings reduced in some way (through losing their job, being furloughed, or experiencing some other form of cut in earnings) over the pandemic period. That said, it would be wrong to understate the incidence of the earnings falls experienced by those living in other tenures, given that more than one-in-six (16 per cent) mortgaged home owners, and one-in-seven (14 per cent) social renters, have also seen their earnings fall substantially over the period.

10 See, for example: J Lane, B McCay and M Thorne, Hidden debts: the growing problem of being behind on bills and in debt to the Government, Citizens Advice, August 2018.

FIGURE 3: **Close to one-quarter of private renters have seen their earnings fall over the pandemic period**

Proportion of working-age adults experiencing a fall in earnings since the Covid-19 outbreak, by tenure: UK, 22-26 January 2021



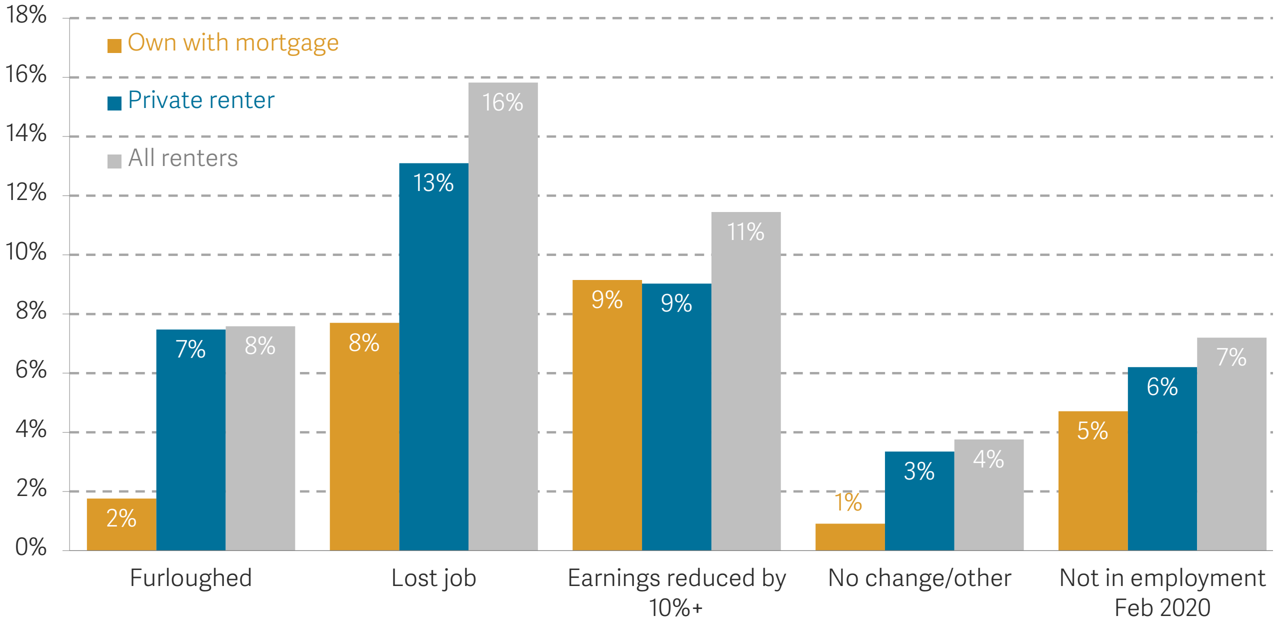
NOTES: Base = all UK adults aged 18-65 (n=6,389). Base by categories: Own with mortgage n=2,397; Social renter n=495; Private renter n=1,191. 'Furloughed' and 'Lost job' relate to employees' main job; 'Earnings reduced by 10%+' captures those not in either of these first two groups who have experienced a significant decrease in earnings. These figures have been analysed independently by the Resolution Foundation.
SOURCE: RF analysis of YouGov, UK Adults aged 18 to 65 and the coronavirus (COVID-19) – January 2021 wave.

But even when they have experienced the same labour market shock during the Covid-19 crisis, mortgagors and renters have very different probabilities of falling behind with their housing costs. In Figure 4 we chart the risk of being in housing arrears in January 2021 contingent on an individual's job history over the pandemic. (Sample sizes mean we are unable to report the arrears risk for social renters, but we include them in our 'all renters' bar). Renters are four times as likely as home owners to report being in arrears if they have been furloughed, and twice as likely if they have lost their job.

Two other points are worthy of note. First, this analysis shows the protective power of furlough: both private renters and home owners have a lower risk of arrears if they fall into this group than the other earnings-hit categories. Second, those who have felt the full weight of the Covid-19 labour market shock have a higher risk of arrears than adults who were not in employment in February 2020, illustrating that arrears arise not just from a low income in its own right but also from a difficulty adapting to a reduced income when costs are hard to change (the one exception to this being mortgaged home owners who have been furloughed, whose arrears risk remains low).

FIGURE 4: **Renters are four times as likely to have fallen into arrears than mortgagors if furloughed**

Proportion of working-age adults in housing costs arrears in January 2021, by tenure and job change over pandemic period: UK, 22-26 January 2021



NOTES: Base = all UK adults aged 18-65 (n=6,389). Base by categories: Own with mortgage n=2,397; Private renter n=1,191; All renters n=1,686. 'Furloughed' and 'Lost job' relate to employees' main job; 'Earnings reduced by 10%+' captures those not in either of these first two groups who have experienced a significant decrease in earnings. These figures have been analysed independently by the Resolution Foundation.
SOURCE: RF analysis of YouGov, UK Adults aged 18 to 65 and the coronavirus (COVID-19) – January 2021 wave.

Owners have been more successful than renters at their reducing housing costs over the pandemic period

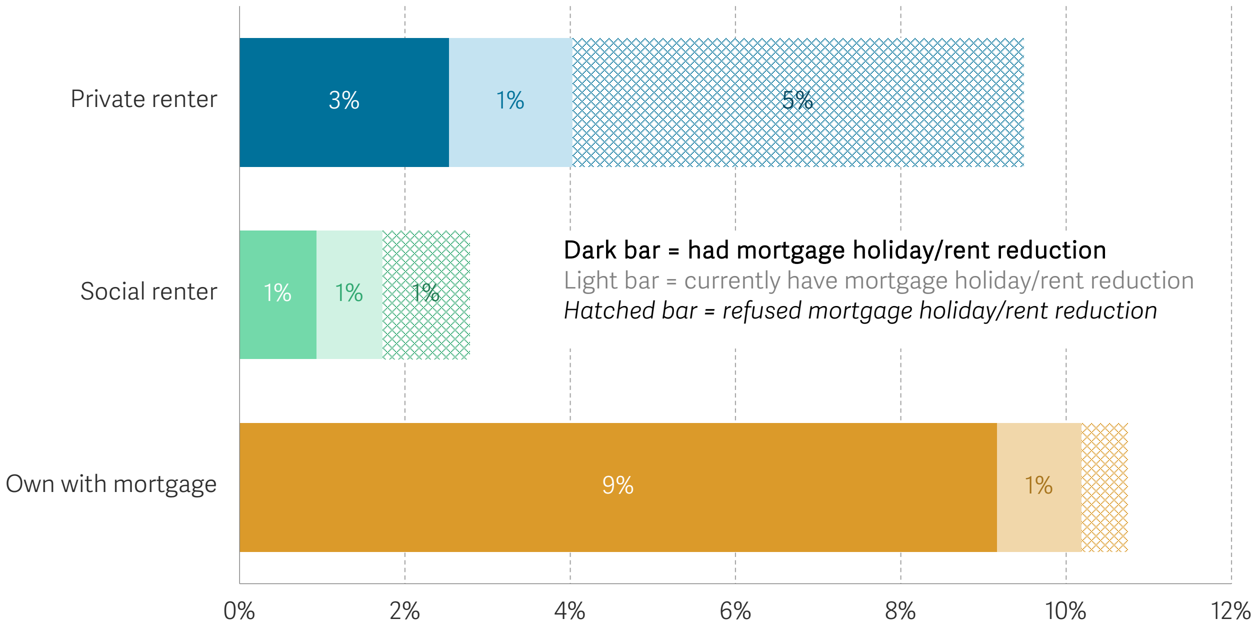
One way to avert arrears is to seek to reduce one's housing costs while incomes are suppressed. In the earliest days of the pandemic, the Government exhorted landlords to offer forbearance to those struggling with their housing costs when possible, as well as worked with lenders to ensure that mortgage holidays were offered wherever possible.[11] Figure 5 shows that this has been a real help for some. Over the course of the last ten months, one-in-ten (10 per cent) of families with a mortgage have received a mortgage holiday for example (with 1 per cent still enjoying one in January 2021). In contrast, only three per cent of private renters, and two per cent on social renters have had a rent reduction over the pandemic period (1 per cent of both tenure groups still have some holiday in place). But perhaps most strikingly, one-in-twenty (5 per cent) of private renters have asked for a rent reprieve but been refused over this time, compared to just one-in-two hundred (0.5 per cent) of mortgagors in the same position. This may not be a

11 See, for example, MHCLG: Guidance to landlords and tenants, last updated January 2021 which states 'It's important that landlords offer support and understanding to tenants who may start to see their income fluctuate'.

surprising finding – mortgaged families have longer-term relationship with a lender than most private renters do with their landlord, as well as a demonstrable amount of wealth to act as security – but nonetheless it demonstrates the privileged position that owners have been in compared to renters in the Covid-19 crisis.

FIGURE 5: **One-in-twenty private renters have sought a rent reduction over the pandemic but been refused**

Proportion of working-age family units acting to manage housing costs formally during Covid-19 period, by tenure: UK, 22-26 January 2021



NOTES: Base = all UK adults aged 18-65 (n=6,389). Base by categories: Own with mortgage n=2,397; Social renter n=495; Private renter n=1,191. These figures have been analysed independently by the Resolution Foundation and reweighted to adjust adult responses for family unit analysis.
SOURCE: RF analysis of YouGov, UK Adults aged 18 to 65 and the coronavirus (COVID-19) – January 2021 wave.

Although the state has sought to help with housing costs, many have had to change behaviours to manage

Of course, when earnings drop and a family's income falls below a certain point, the benefits system is designed to provide support. As the Government has often noted, one of the key ways it has sought to help affected families that have experienced an income hit during the pandemic cover their housing costs is via the £20 a week uplift to Universal Credit introduced in April 2020 (the retention of which remains in question at the time of writing), and the relinking of the Local Housing Allowance (LHA) to the 30th percentile of private rents (the value of which will be frozen in the next fiscal year).[12] But support

12 See, for example, MHCLG Minister Lord Greenhalgh's written answer to Parliament, HL Deb, 25 January 2021.

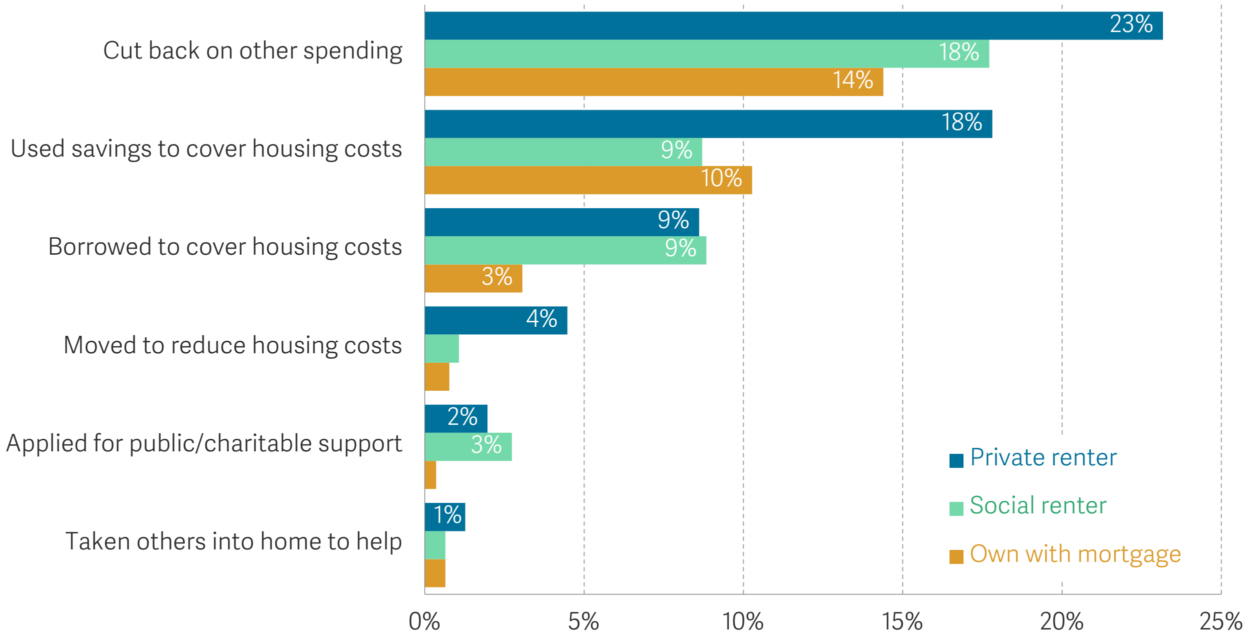
from the benefits system only goes so far. Critically, private renters can only get help with their housing costs up to the LHA rate for their local area regardless of their actual rent (previous Resolution Foundation analysis has documented the scale of the shortfalls that a private renter paying an average rent in a high cost area could experience as a result).[13] Moreover, those with mortgages are only entitled to Support for Mortgage Interest (SMI) after nine straight months of being in receipt of UC (SMI also takes the form of a loan, not a grant).

The Covid-19 earnings hit, the challenges of reducing one's housing costs and low benefit replacement rates have required many to adopt other strategies to cope with their housing costs in recent months (see Figure 4). Close to one-quarter (23 per cent) of families renting privately have cut back on other spending in order to cover housing costs, for example; very worryingly, nearly one-in-ten (9 percent) of private and social renters have borrowed money to make their rent, something that is clearly unsustainable. Close to on-in-five (18 per cent) of private renters have drawn down on their savings to cover their housing costs, compared to 10 per cent and 9 per cent respectively of families with mortgages and social renting (and this is despite the fact that mortgagors were far more likely to enter the crisis with a financial buffer: our survey shows that four times as many socially renting families, and twice as many of those renting privately, reported having no savings at the outset of the pandemic compared to mortgaged home owners (40 per cent, 22 per cent and 11 per cent respectively).[14] These findings may be unsurprising given the more exposed position of private renters already shown in this note, but they underline that the problems caused by housing costs are not limited to those in arrears in January.

13 For detailed analysis of the potential shortfalls between LHA rates and average private rents, see: L Judge and C Pacitti, Housing Outlook Q2 2020: Housing and the coronavirus income shock, Resolution Foundation, April 2020.
14 See notes to Figure 6 for details.

FIGURE 6: **Families from all tenures have used a host of strategies to manage their housing costs**

Proportion of working-age family units acting to manage housing costs informally during Covid-19 period, by tenure: UK, 22-26 January 2021



NOTES: Base = all UK adults aged 18-65 (n=6,389). Base by categories: Own with mortgage n=2,397; Social renter n=495; Private renter n=1,191 These figures have been analysed independently by the Resolution Foundation and reweighted to adjust adult responses for family unit analysis. Multiple responses allowed.
SOURCE: RF analysis of YouGov, UK Adults aged 18 to 65 and the coronavirus (COVID-19) – January 2021 wave.

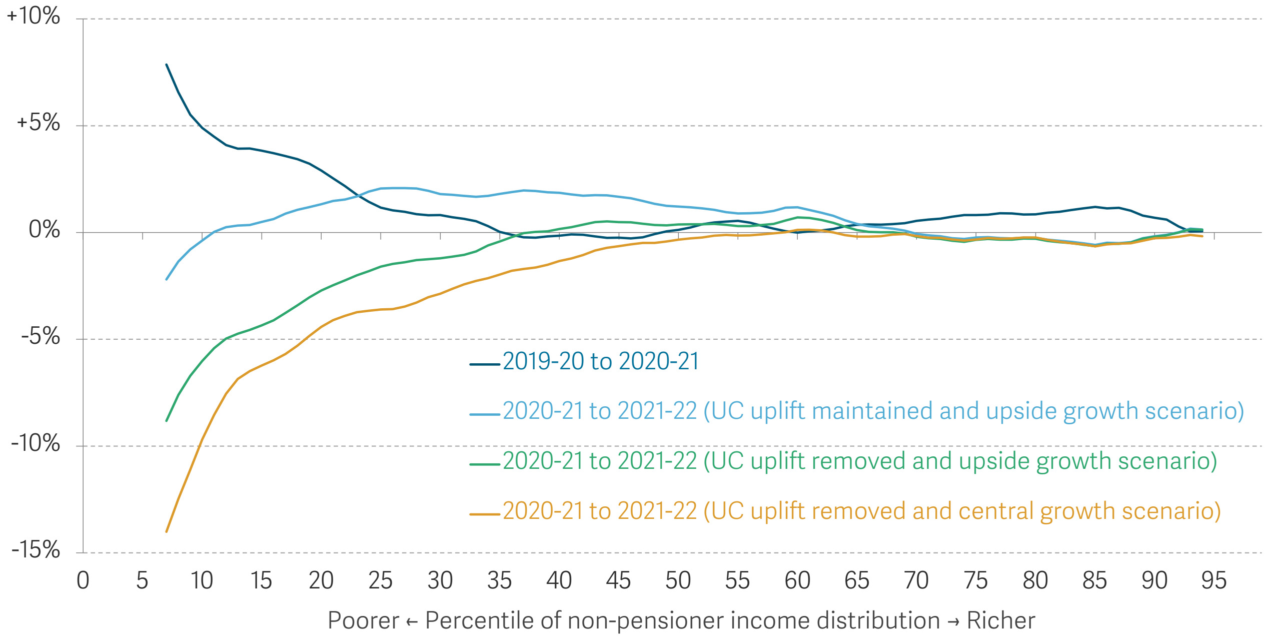
The weak living standards outlook and the duration of the crisis will increase housing cost pressures

What emerges from our survey, then, is a picture of Covid-19 housing stress that is significantly differentiated by tenure. Families with mortgages have not been immune from the pandemic labour market shock, but they are less likely than private renters to have been furloughed, lost their job or seen their earnings fall substantially for another reason. Although they receive minimal support with housing costs from the benefit system, they have both had more private resources to fall back on and been more able than other groups to defer their payments (of course, low interest rates also continue to keep their housing costs at often very manageable levels). In contrast, renters have been far more likely to see their earnings fall in the Covid-19 crisis, and, although the benefits system provides them with assistance if their incomes are low enough, this may not be sufficient to cover their housing costs in full. Add into this mix the greater structural challenge that private renters face negotiating a reduced rent, and it is clear that they are at the sharper end of the pandemic housing costs crisis.

Moreover, there are reasons to think that the pressure on renters will not abate in the short term. To begin, the living standards outlook over the next year is precarious, especially for those at the lower end of the income distribution (who are, of course, far more likely to be renters than home owners). There has been no indication from Government that it will retain the £20 a week uplift to UC that has helped protect the incomes for some of those experiencing an earnings shock in the last year (LHA rates will be frozen at 2020-21 levels, rather than increasing in line with inflation or the level or local rents, but this will be beneficial for those living in areas where rents fell in 2020). And, no matter how rosy a view one takes of the economic outlook, unemployment is still expected to rise when the furlough scheme ends in late April, meaning a new shock to family incomes.[15] Figure 7 proves the point.

FIGURE 7: **Even in the best-case scenario, the short-term outlook for household incomes is weak**

Change in real (CPI-adjusted) average equivalised non-pensioner disposable household income, after housing costs, by income percentile and scenario: 2019-20 to 2020-21 and 2020-21 to 2021-22



SOURCE: RF analysis of DWP, Households Below Average Income; RF forecast.

Here, we present a range of scenarios with different economic and policy assumptions for income growth across the distribution in 2021-22.[16] Even in the best-case scenario where there is a buoyant return to economic growth and the UC uplift is retained, income

15 See, for example: Monetary Policy Committee, Monetary Policy Report, Bank of England, February 2021.
16 This figure was first published in M Brewer, A Corlett, K Handscomb and D Tomlinson, The living standards outlook 2021, Resolution Foundation, January 2021.

growth will be minimal. The importance of the maintaining the value of UC is brought home by the other scenarios: without it, those in the bottom third of the distribution will see their incomes fall (even if there is a rapid return to normal economic activity), a prospect that all households below average incomes face if UC's value is not maintained and the bounce back is less rapid (a reasonable expectation given the difficult start to the year).

Finally, as Figure 1 makes clear, it is not just the scale of the crisis that is driving rising arrears, but also its duration. While some do have resources they can draw down on to cover their housing costs in the first instance (savings, family support and indeed the goodwill of their landlords), the longer the pandemic continues the more depleted such reserves will be. If 2020 has taught us anything it is that the virus is unpredictable and setbacks to the recovery could easily occur. But if the crisis were to drag on for longer than currently anticipated, this could have an effect on the rate and depth of arrears independent of any further income shocks.

Arrears will be far more of consequence as the eviction ban unwinds

Even if the economy does return quickly to form, and incomes do not fall further in 2021-22 – a scenario that seems unlikely – that will not in itself resolve a year's worth of accumulated housing debt. But although the build-up of arrears over the course of the pandemic period has no doubt been stressful and unpleasant for all concerned, the practical consequences to date have been limited. In the earliest days of the crisis, the Government took a number of steps to ensure that no-one would lose their home as a result of the pandemic. In Figure 8 we set out the state of play in England and show there are essentially three aspects of the eviction ban.[17] First, landlords (and lenders) who wished to act against a tenant (or mortgagor) over the course of the pandemic have had to give more notice of eviction than normal: currently six months as opposed to the usual two.[18] Second, possession proceeding were suspended in the earliest months of the crisis, but since September 2020 have been heard, albeit with a Practice Direction in place that requires the claimant (i.e. the landlord) to provide information to the courts about the effect of the pandemic on those in arrears.[19] Third, any possession order the courts currently make is not enforceable, as bailiff action is suspended during the

17 As housing is a devolved policy area, Scotland, Wales and Northern Ireland have taken similar but subtly different steps to England on this issue. See W Wilson, Coronavirus: Support to landlords and tenants, House of Commons Library Briefing paper 08867, January 2021 for further details.

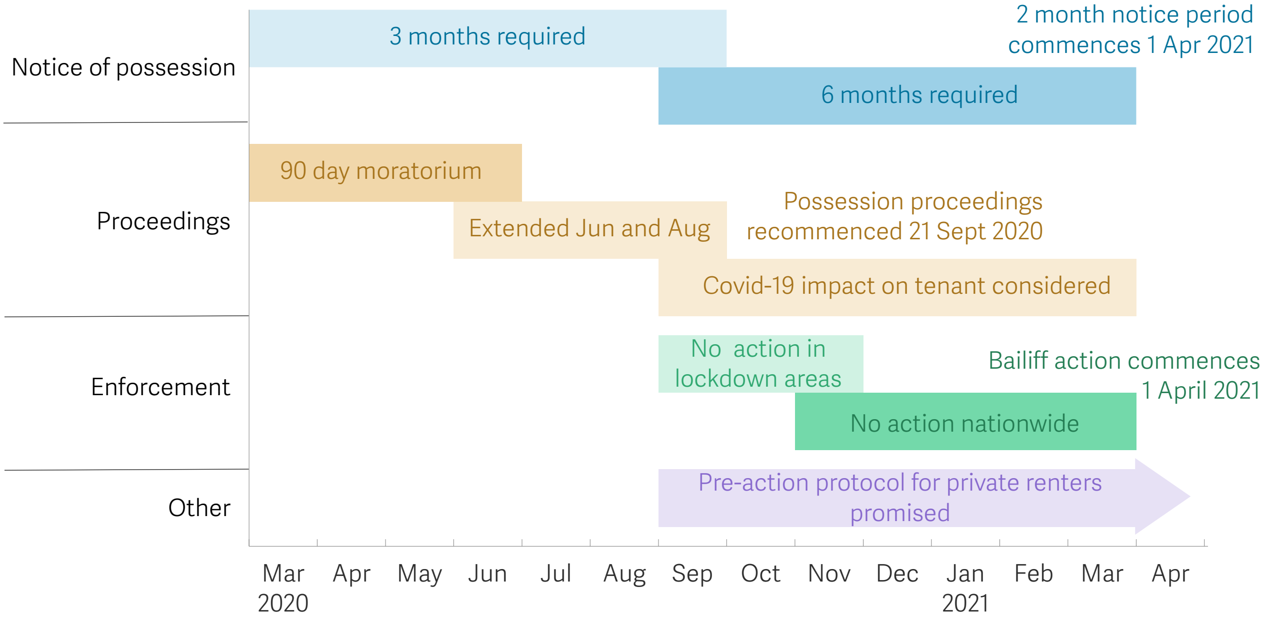
18 As of August 2020, eviction action has been allowed in the most egregious of circumstances (anti-social behaviour, for example, or rent arrears of six months or more).

19 Some have questioned the usefulness of this Practice Direction, however, given that the majority of possession proceeding are brought under Section 21 ('no fault evictions') or Section 8 ('non-payment of rent for 8 weeks or more'). Both grounds lead to a mandatory possession order meaning the judge cannot take information about the tenant's circumstances into account. See, for example: A McCarthy: Briefing: UQ – the implications of the end of the eviction ban for people renting their home, Shelter, July 2020.

national lockdown (due to expire on 1 April). However, one protection that was promised for tenants - a 'pre-action protocol' for private landlords - remains missing.[20]

FIGURE 8: **The eviction ban affects notice, hearing and enforcement procedures**

Summary of changes made to possession procedures over the pandemic period: England, March 2020 to April 2021



SOURCE: RF analysis of House of Commons Library, Coronavirus: Support to landlords and tenants, Briefing paper 08867, January 2021 and MHCLG press release, 14 February 2020.

In practice, then, there is no imminent 'hard stop' to the evictions ban; instead, the protections that have been put in place to ensure arrears do not lead to people losing their homes over the Covid-19 crisis period are due to attenuate during 2021, and repossessions should therefore pick up pace once again. But this raises the important question of how the system will cope with both the backlog of 'normal' cases that has built up over the last ten months, as well as the 'excess' caseload we identify in our survey. In 2019, county courts in England and Wales were already showing signs of strain when it came to possession cases: it took almost 12 weeks on average between submitting a claim to getting to hearing; a further 28 weeks before a warrant was typically issued; and another four before possession was actually achieved.[21]

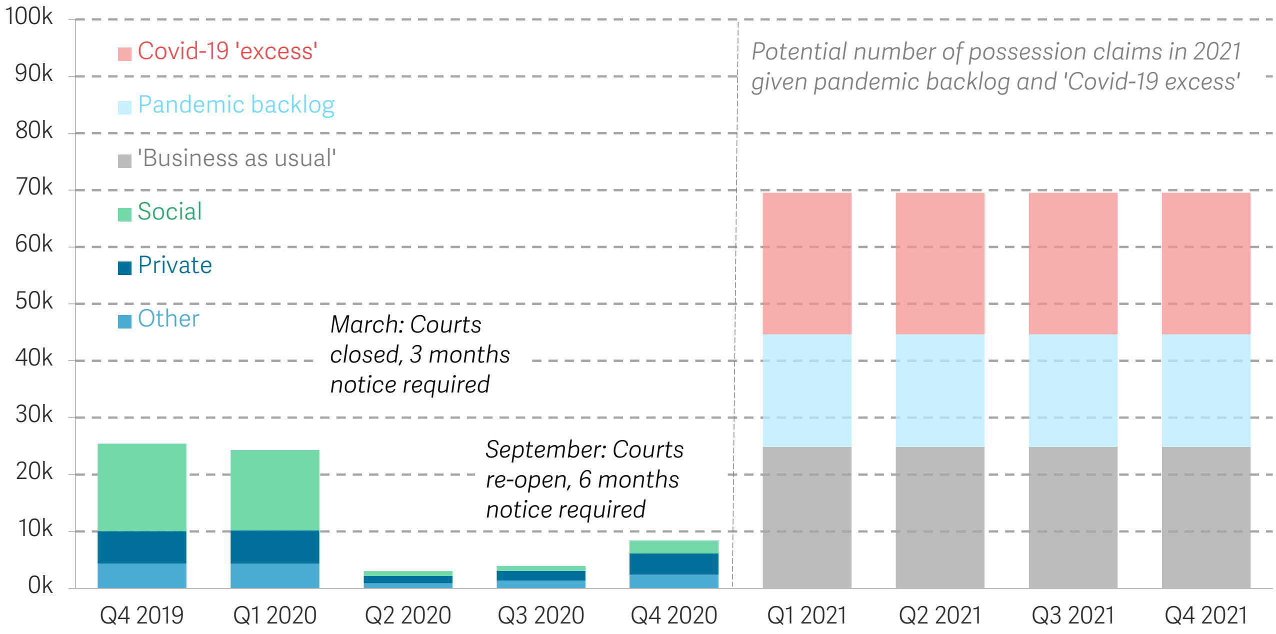
20 See: MHCLG, Complete ban on evictions and additional protections for renters, MHCLG, March 2020. Pre-action protocols were already in place for lenders and social landlords prior to the pandemic. See, MHCLG, Guidance for pre-action protocol for possession claims based on mortgage or home purchase plan arrears for residential properties, MHCLG January 2017; Ministry of Justice: Pre-action protocol for possession claims by social landlords: Guidance, MOJ, January 2020.

21 Figures are mean number of weeks. For further details, see: Ministry of Justice, Mortgage and landlord possession statistics: October to December 2020, Table 6.

Moreover, a simple thought experiment suggests that the volume of possession claims that could be made to the courts in 2021-22 may be considerable. We set out our thinking in Figure 9. This begins by showing the 'normal' number of possession claims pre-pandemic (around 25,000 per quarter), alongside those made over the Covid-19 period (less than 16,000 between April and December 2020). We then proceed as follows: we imagine that over the course of 2021 the courts could have to handle a 'normal' caseload once again (25,000 claim per quarter); the 'pandemic backlog' (spread over the year that is around 15,000 per quarter); and 'Covid-19 excess claims' (which we estimate to be a further 25,000 per quarter, given that we showed in Figure 1 that arrears stand at twice their normal level). While there are many uncertainties here, this nonetheless gives a sense of the pressure the courts may find themselves under as the eviction ban unwinds.

FIGURE 9: **Both 'backlog' and 'Covid-19 excess' possession claims look set to put the courts under serious strain**

Actual and potential possession claims by landlords in the county courts: England and Wales, 2019-2021



NOTES: Other = claims made under the accelerated procedure where no information about type of landlord is given.
SOURCE: RF analysis of Ministry of Justice, Mortgage and landlord possession statistics.

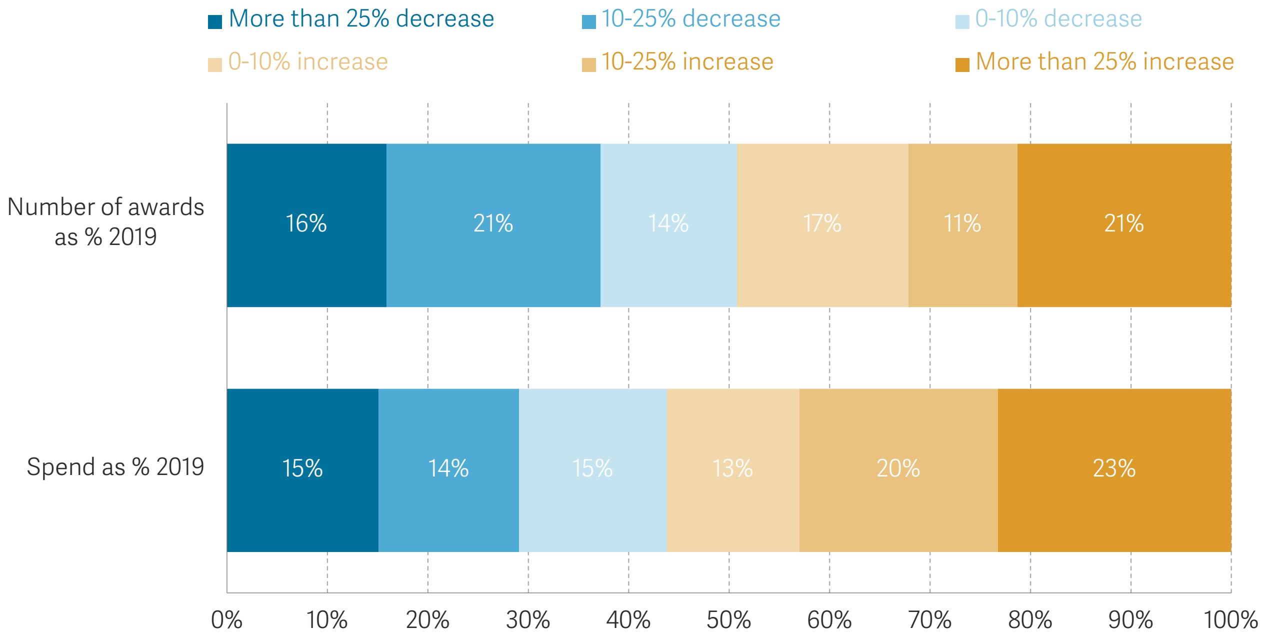
More than half of renters with arrears fall through the cracks when it comes to additional housing support

Even at the best of times, possession proceedings are clearly very unpleasant for tenants and landlords as well as onerous for the state. The key way that policy seeks to avoid this outcome as far as possible is through a Discretionary Housing Payment (DHP), a source of support that ministers have pointed to throughout the Covid-19 crisis.[22] Administered by local authorities in Great Britain, such awards are available for a range of housing-related reasons, such as helping renters at the outset of a tenancy with the deposit or a rent advance, and topping up UC awards in the event that tenants have been subject to the benefit cap, the bedroom tax or experienced a shortfall between the prevailing LHA rate and their actual rent. As the name suggests, such awards are not an entitlement but instead are granted at the discretion of the local decision maker.

DHPs should, then, have acted as an important backstop for the many who our survey suggests have struggled to cover their rent during the pandemic period. In view of this, the Freedom of Information (FOI) data we present in Figure 7 makes for interesting reading. As this makes clear, more than half (51 per cent) of the 356 local authorities that responded to our FOI made fewer DHP awards in the first nine months of 2020 (April-December) compared to an average nine months in 2019-2020. When we look at the cash value of these awards the picture is somewhat improved, but it remains the case that, at the end of December, 44 per cent of local authorities in our sample were underspent on DHPs compared to an average nine-month period in the last financial year.[23]

FIGURE 10: **Close to half of local authorities have not spent as much on Discretionary Housing Payments in 2020 as they did in 2019**

Proportion of local authorities, by change in volume and spend on Discretionary Housing Payments 2019-20 to 2020-21: Great Britain



NOTES: Based on responses from 256 local authorities.
SOURCE: RF analysis of Freedom of Information request to all UK local authorities, submitted 22/12/20.

22 See most recently, for example, HMT Minister John Glenn's written answer to Parliament, HC Deb, 3 February 2021.
23 This is perhaps even more surprising given that the DHP budget was increased at the 2019 Spending Review, with an additional £40 million provided to local authorities in 2020-21.

Given the demonstrable pressure that renters have experienced since Covid-19 began, these findings are more than surprising. So, what could explain this picture? First, there could be some seasonality to the DHP spend: local authorities might, for example, experience more demand for funds in the winter, and especially the new year period. As a result, comparing the first nine months of a financial year with an average nine months perhaps skews the results to a degree. Second, the eviction ban may have both reduced the need for DHPs over the period and caused some local authorities to hold back their budget in 2020 for when the additional legal protections that have been put in place for renters are lifted. Third, it is plausible that the £20 a week uplift to UC and other benefit increases such as the elevated LHA rates have reduced the 'normal' pressure on housing costs from those who are in receipt of benefits, potentially causing the 'non-Covid' DHP caseload to decline.

Moreover, there may be other reasons why the DHP budget has not been taxed as much as we might expect given the rise in housing stress over the pandemic period. Critically, these payments are only available to those on UC (or equivalent legacy benefits). However, our survey shows that more than half (56 per cent) of private renter families who were in arrears in January 2021, and just under half (48 per cent) of social renters in the same position, were not in receipt of benefits, leaving them unable to access this key source of support.[24] Whatever the reason, this evidence suggests at first glance that the many calls currently being made to increase DHP funding are misplaced.[25] But providing support for housing costs to those on the lowest incomes is likely to be critical during 2021-22 (and perhaps for longer), for all the reasons we argued above. Indeed, this indicates that it would be sensible to fund local authorities to at least the same level in 2021-22 as in the current financial year, as well as roll over any under-spend.

The state could ensure the orderly management of Covid-19 arrears for relatively small cost

Our findings suggest that it is time for policy makers to find a better approach to the management of housing arrears that have accumulated over the Covid-19 period (and look set to continue to build at least in the foreseeable future). Discretionary housing payments are clearly a critical part of the solution especially for those on low incomes, and efficiently functioning courts are an ultimate backstop for when arrears cannot be

24 Of the 5.5 per cent of private renter families reporting arrears in January 2021, 3.1 per cent were not in receipt of UC or Housing benefit. RF analysis of YouGov, UK Adults aged 18 to 65 and the coronavirus (COVID-19) – January 2021 wave. Base = all private renters (n=1,191). These figures have been analysed independently by the Resolution Foundation and reweighted to adjust adult responses for family unit analysis.

25 See, for example: D Baxter, R Casey and R Earwaker, Struggling renters need a lifeline this winter: A briefing, Joseph Rowntree Foundation, November 2020.

resolved in any other way.[26] But there is currently little in between these two measures to help tenants and landlords with the orderly management of housing arrears that this time last year could not have been imagined.

So what other strategies could be adopted to enable arrears to unwind without significant negative consequences to renters and landlords alike? The UK is of course not alone in experiencing a significant build-up of Covid-19 rent arrears, nor in noting the particular vulnerability of private renters during the pandemic. Spain, for example, has introduced a tenant loan scheme backed by the state as part of a broader package of protections for private renters. Under this, landlords have been encouraged to offer a rent moratorium but, in the absence of agreement, a tenant loan scheme has been established to fill the gap. Applicants must not have had pre-Covid-19 rent arrears, and must prove hardship in order to access support. Payments are capped and cover a maximum of six months' rent, and are paid direct to the landlord.

Despite a lack of performance data, the Spanish model has attracted considerable attention, and similar schemes have recently been set up in Wales and Scotland. So how much would such a scheme cost if it were to be rolled out England too? Figure 10 shows the range in the amounts of housing debt held by individuals in our survey, and suggests that both the median private and social renter had built up arrears between £201 and £400 in January this year (respondents were asked in which band their arrears fell, rather than to give a precise amount).[27] Taking the mid-point of each band to estimate a mean value suggests that, in January 2021, the average value of arrears among social renters was £780, and was £800 among private renters, both much higher than the median because of some with very high values of arrears.[28] With an estimated 280,000 private renter families in England currently in arrears (alongside another 40,000 in Scotland and Wales), this suggesting that an English private tenant loan scheme would need to be capitalised to a maximum of £200 million, a figure that would increase to £375 million if social renters were also eligible for support.[29] These amounts drop to £100 million and £175 million respectively if loans were only offered to those with no history of pre-Covid-19 arrears.

26 Landlords can also pursue rent arrears as a standard debt by applying for a county court judgement but this, too, is slow, burdensome and if the tenant has no earnings, difficult to enforce. For further information see: National Resident Landlord's Association, Enforcing a county court judgment, NRLA, no date.

27 Our private renter figures are similar to those compiled by the National Resident Landlord Association who estimate typical arrears are between £250 and £500. See: NRLA, Government needs to tackle rent arrears crisis, NRLA, December 2020.

28 Despite the fact that our estimated means are based on small sample sizes, they are not significantly different from other sources. D Baxter, R Casey and R Earwaker, Struggling renters need a lifeline this winter: A briefing, Joseph Rowntree Foundation, November 2020 calculate private and social renter housing arrears in the UK stood at £400 million in November 2020.

29 See footnote 8 for details of method used to estimate number of families in arrears.

FIGURE 11: **The typical renter with arrears currently owes between £201 and £400, but some much larger debts drag up the mean**

Distribution of amounts owed by those in housing arrears, by tenure: UK, 22-26 January 2021

NOTES: Base by categories: Private renter (n=97); Social renter (n=55). These figures have been analysed independently by the Resolution Foundation and reweighted to adjust adult responses for family unit analysis.
SOURCE: RF analysis of YouGov, UK Adults aged 18 to 65 and the coronavirus (COVID-19) – January 2021 wave.

However, setting up a tenant loan scheme is not without its challenges. There is the practical problem of finding a suitable body to administer the loans (the job has gone to credit unions in Wales, and the Energy Loans for Housing body in Scotland). Moreover, as FCA-regulated entities, such schemes have affordability requirements that mean only those with a reasonable prospect of paying off the loan (albeit over a long time frame) are eligible. As a result, tenant loans are proving something of a niche product: by December 2020, the Welsh scheme had received over 800 expressions of interest but many applicants had not proceeded and only 22 loans had been made.[30] Teething problems aside, however, in the other nations, a tenant loan scheme in England would formalise and depersonalise the housing debt that renters have built up over the Covid-19 crisis. Moreover, housing loans schemes with a clear public purpose are not without precedent: although far from a perfect comparator, Homes England already administers the Help to Buy Equity Loan scheme (which involves a risk to government that its equity stake in homes purchased with such loans could go down as well as up).

Given a tenant loan scheme would transfers the risk of Covid-19 arrears from landlords to the state, it may be equitable to ask landlords for something in return. One option is that

30 Minister for Housing and Local Government, Written answer to Welsh Parliament, 22 December 2020.

a requirement could be attached to a loan application that the landlord and tenant use mediation to negotiate a manageable repayment plan or a lower future rent. Likewise, the Government could expedite its promise and introduce a pre-action protocol for private landlords, requiring them to take serious steps to resolve rent disputes out of court where possible. But any steps in this direction should be part of a wider package of reform: in the longer term, it is the Renters Reform Bill that will systematically recalibrate the relationship between landlords and tenants in the wake of Covid-19.

Conclusion

This briefing note has examined the incidence and distribution of housing arrears that have accumulated since the pandemic began. No tenure group with significant housing costs has gone unscathed during the crisis, but private renters have been hit particularly hard. Whether we look at exposure to the labour market shock, the ability to negotiate lower housing costs for a temporary period, or eligibility for emergency housing support, private renters appear consistently at a disadvantage compared to mortgaged home owners and social renters. Moreover, as the crisis drags on, strategies such as drawing down on savings or relying on forbearance to cope with housing costs are likely to wear thin. The hoped-for economic recovery in 2021 will not deal with the problem of accumulated arrears, and there is a real danger that the courts could become overrun with the backlog of cases.

Ultimately, it is important that the Government continues to support those hit worst by the Covid-19 shock over the coming fiscal year. Retaining the UC uplift of £20 a week is a priority if arrears are not to deepen or grow, as is getting right the phase-out of the JRS to avoid a large rise in unemployment. But policy action is also needed to help tenants and landlords manage existing arrears in an orderly way. Discretionary Housing Payments remain a key source of support for those on low incomes, budgets should be maintained in 2021-22 and councils allowed to roll over any underspend. But there is a large group who cannot access a DHP that are also under housing stress. For this group, a tenant loan scheme, along with requirements on landlords to mediate, would go a long way towards an equitable and efficient resolution of the incipient housing cost crisis.

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