
Shelter

Campaigns Briefing

Local Housing Allowance and direct payments - giving claimants a choice

Shelter has surveyed over 450 individuals currently claiming LHA within nine Local Authorities across England and has discovered that of those claimants whose LHA is paid directly to them...

- Over a quarter have fallen behind with rent payments since moving onto LHA.
- Of the claimants who would choose landlord payment if they could, 95% are struggling to manage their finances.
- Almost half of the claimants who have had experience of both forms of payment believe that landlord payment better helps them in managing their rent and household budgets.

Shelter is calling on the government simply to allow claimants the choice over whether LHA is paid directly to them or to their landlord.

Most Local Housing Allowance (LHA) claimants have no choice over whether their benefit is paid to them or paid directly to their landlord. New Shelter research reveals that the presumption of direct payment to tenants is increasing cases of rent arrears and discouraging landlords from accepting LHA claimants as tenants.

What is Local Housing Allowance?

Local Housing Allowance (LHA) is the new form of housing benefit for private rented sector tenants. Government has been rolling it out nationally since April 2008. There are just under 675,000 LHA claimants, accounting for around 60 per cent of housing benefit claimants in the private rented sector. In addition to the presumption of direct payment to tenants, LHA is also distinct from housing benefit in setting a flat rate payment in each area, according to location and household size (For more information on this see the Shelter paper A Postcode Lottery: http://england.shelter.org.uk/professional_resources/policy_library)

Why pay LHA to tenants?

The government's aim in introducing LHA was to empower claimants and allow them a greater degree of choice when looking for a rental home. Giving a tenant control of their benefit was supposed to reinforce the principle of tenant choice, but actually it undermines it: under the new system, claimants can no longer make their own choice about whether to have their benefits paid to them or to their landlord. Only if the claimant can be proved to be vulnerable will they qualify for landlord payment.

A survey of providers of rent deposit schemes undertaken by Crisis found that just 16% of respondents who had made vulnerability applications said they had always been successful.

The National Landlords Association found that 54% of landlords who said that they would not rent to benefit tenants said that it was because of fears of rent arrears.

60% of respondents found it difficult to find landlords who are willing to let to LHA claimants.

Of those respondents who receive LHA themselves rather than having it paid to their landlord:

46% of claimants who have had experience of both forms of payment found that landlord payment helped them most to manage their rent and household budget.

Only 33% of claimants who have had experience of both preferred receiving the payment themselves.

Is the new payment method working?

Impact on landlords

If a tenant is not classed as vulnerable and fails to pay their rent, the landlord must wait for **eight weeks** of rental arrears before the local authority can implement an automatic 'trigger' to transfer the rent payment from the tenant to the landlord. In reality, this can take much longer and landlords can be forced to pursue tenants privately through the courts in order to reclaim their lost rent. A survey by the National Landlords' Association found that **54%** of landlords who said that they would not rent to benefit tenants said that it was because of fears of rent arrears. As a result, landlords are becoming increasingly reluctant to let to benefit claimants.

Impact on vulnerable tenants

Shelter has also found that the system is failing to identify vulnerable people who should – even under the current system - be eligible to have their LHA payments made to their landlord. Consequently, many are failing to manage their finances properly, falling into rent arrears and having their tenancies terminated. The safeguarding process that was put in place to ensure that those who were unable to manage their financial affairs or who fell into rent arrears would be able to access landlord payment is not working. Shelter research has found a lack of consistency across local authorities in defining vulnerability, as well as disparities in the application process and accessibility of information and guidance. A survey of providers of rent deposit schemes undertaken by Crisis found that just 16% of respondents who had made vulnerability applications said they had always been successful.

What do claimants prefer?

Shelter's research has found overwhelmingly that claimants would prefer to have their LHA paid directly to their landlord. This would help people with managing their finances and reduce their temptation to spend the LHA on paying off bills or other debts. It would also provide claimants with security so that they can ensure that rent is being paid and there is no chance of losing their home.

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Over a fifth of respondents were not aware that payments made direct to landlords were even available under LHA.

‘So I knew it was being paid and that there was no way it could be spent on anything different. I can’t afford to lose my tenancy’. Carl, 29

‘It means that even when my family has nothing, at least I know the rent will be paid’. Sharon, 41

‘I don’t want the temptation to spend it on other essentials like food or transport.’ Vicky, 42

When we asked claimants to tell us why they prefer landlord payment, here are some of their reasons.

Davina has been on housing benefit for the last five years and is currently working part time to cover the shortfall between her rent and LHA rate. She has had experience of both direct payment and landlord payment, and at the moment her LHA is paid straight into her bank account. She applied for LHA to be paid direct to her landlord but was turned down and has since found it more difficult to manage her finances. Davina worries about spending LHA on other essentials and then not having enough to pay her rent at the end of the month especially as she is a lone parent with two young children.

After moving out of his home with a mortgage following a relationship breakdown, Steve has been renting privately for the past five years. He has been claiming LHA for less than 12 months after he had to leave his job due to suffering from depression. Having his LHA paid directly to his landlord has prevented him from becoming homeless as he feels that his situation would have been much worse if he had had to handle direct payments into his bank account.

Shelter recommendation

We are calling for the Government to give claimants the choice over who their benefit is paid to. This reform would help prevent rent arrears, unplanned moves, and homelessness but would still enable people to keep control of their finances if they prefer. It would also increase the supply of landlords willing to let to benefit claimants.

Next steps

Please write to the Secretary of State for Work and Pensions to express your support for bringing back choice for claimants over who their benefit is paid to.

To find out what else you can do to support our campaign, please contact: Anne Baxendale, Public Affairs Officer, by emailing Anne_Baxendale@shelter.org.uk or telephoning **0344 515 1182**.