



**Department of Communities and Local Government: Banning letting agent fees paid by tenants**  
**Homeless Link submission – June 2017**

**Introduction**

1. Homeless Link is the national membership charity for organisations working directly with people who become homeless or who live with multiple and complex support needs in England. With over 700 members, we work to improve services and campaign for policy change that will help end homelessness and secure a sustainable future for supported housing.
2. Homeless Link runs the Housing First England project, which works with services to make Housing First a viable housing option in England. Housing First services provide individuals with multiple and complex needs with stable housing and intensive, flexible and person-centred support to enable them to begin recovery and move away from homelessness.
3. Many of our members support people to move into accommodation through a combination of working with landlords; pre-tenancy training; support for landlords and support for residents. Our response to this consultation is based on research conducted by Homeless Link into the support members provide. Data was gathered from four sources: Homeless Link's call for evidence on innovative responses to move on;<sup>1</sup> analysis of Move On Plan Protocols (MOPP),<sup>2</sup> qualitative semi-structured telephone interviews with ten homelessness service providers who indicated in Homeless Link's Annual Review 2016 that they were running an 'innovative response to move on', and case studies with five service providers who responded to our call for evidence.

**Response**

**Question 4: Do you think that refundable deposits, payable at the outset of a tenancy, should be capped? If yes, please indicate the level of the cap.**

4. Our research has found that the main aspiration of people who are homeless is to have a home of their own. Homeless supported housing services help people to achieve this.
5. The main approach in England to housing single homeless people can be described as a 'linear' or a 'staircase' approach, with most homeless people spending time in short-term supported accommodation, e.g. hostels, before eventually moving into independent accommodation. This can involve several moves, for example a move

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<sup>1</sup> Homeless Link put out a Call for Evidence on the Homeless Link website in August/September 2016 asking for examples of innovative responses to move on. We received 20 responses.

<sup>2</sup> The Move On Plan Protocol (MOPP) is a toolkit developed by Homeless Link that enables local authorities and service providers to audit resettlement needs in homelessness services in their local area. The audits can show where clients do not have access to the right move on options and gives local authorities a basis for the development of new resettlement options. The MOPP has been in use by local authorities and voluntary organisations since 2012. Analysis is based on 62 of responses from audits carried out between 2012 and 2014.

into an emergency shelter; then into a short stay hostel; a possible further move into second stage or specialist hostel (relating to support needs); progression to semi-independent or shared accommodation; and ultimately, moving into independent accommodation.

6. The issue of 'move on' from homeless supported housing has been an increasing challenge for services due, in the main, to the shortage of available affordable accommodation. According to Homeless Link's 2016 Annual Review, 30% of clients were ready to move on from supported housing but were not able to do so.<sup>3</sup> Of this group, 27% had been waiting for six months or longer. Given the much higher rate of Housing Benefit charged for hostel accommodation, the lack of affordable move on accommodation has significant financial ramifications for government.
7. The private rented sector (PRS) was identified as the most likely move on option for most service users across all organisations participating in our research. All providers indicated that this was due to a lack of access to social housing, either because so few units are available so that service users would have to wait years to successfully get a property, or due to the criteria applied effectively excluding some of this client group.<sup>4</sup>
8. All organisations identified difficulties in accessing accommodation in the PRS. In comparison with a social tenancy (historically the most typical route for those moving on from homeless services), moving on to the PRS needs a significant sum of money up front as a deposit, high rental costs in comparison with Local Housing Allowance rates, and lacks the support provided by the structures of social housing. This was the case across the board, but particularly for younger people who wished to move on independently but who were eligible only for the Shared Accommodation Rate of Housing Benefit.
9. These difficulties are further compounded by the prevalence of low paid and insecure work, meaning that many service users are faced with the prospect of moving into a high cost and low support environment at a time of change and instability in their lives.
10. We have heard from a member working to secure tenancies in the PRS in London through a Housing First model that the upfront costs that the majority of landlords/agents charge (one month rent in advance, one month deposit and also agency fees) are at times in excess of £1,500. This figure varies depending on the LHA rent of where the property is located, but for example for a property in Camden:
  - LHA is currently £260.64 per week.
  - One month rent in advance: £1,129.00
  - One month deposit: £1,129.00
  - Agency Fees: £350.00
  - Total= £2,608.00

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<sup>3</sup> Homeless Link (2017) 'Single Homelessness Support in England: Annual Review 2016'

<sup>4</sup> For example, refusing to take clients with prior arrears excluded service users who had lost a home as a result of arrears, but had improved their financial management, or who simply could not afford their accommodation in the private rented sector and were seeking more affordable rents in the social sector.

11. Upfront costs are a particular barrier for homeless people in receipt of housing benefit who do not have savings to meet these costs. Some services, for example Commonweal and M25, have trialled embedding an element of saving into their support, to enable residents to build up money for a deposit on a private rented flat, or to manage a dip in income. However, many individuals are forced to take out pay day loans, borrow money from family to cover the cost, or simply do not move on to a tenancy and remain within homeless services.
  12. **Given that upfront costs pose a significant barrier for people in accessing the PRS, Homeless Link would welcome a cap on the amount of money required at the outset of the tenancy (including both the refundable and holding deposit). Further, to limit the barrier caused by upfront costs, Homeless Link would challenge the requirement for a one month rent in advance to people in receipt of housing benefit, given that once an individual signs up for a property, a housing benefit application can be made, and so the landlord is guaranteed to receive the rent.**
- Question 5: How can Government best support the sector to expand or develop new approaches to minimise the financial burden on a tenant at the outset of a tenancy? For example, enabling tenants to pay their deposit in instalments over the first few months of the tenancy or using a line of credit approach where an agreed deposit amount is blocked on a tenant's credit card.**
13. As indicated, Homeless Link's research has identified that the main barriers to accessing the PRS is the significant sum of money required up front as a deposit, and the high rental costs in the PRS in comparison with Local Housing Allowance rates.
  14. Therefore, although Homeless Link welcomes a reduction in up-front costs, as high monthly rental costs are already an issue for individuals any support the Government offers will need to ensure that these monthly costs can be met through local housing benefit levels.
  15. However, it is currently the case that current welfare entitlements and their interaction with the housing market challenge the ability for tenants to meet monthly costs, and the willingness of landlords to rent to them.
  16. The gap between Local Housing Allowance rates (which are currently frozen) and market rent is a major barrier to people moving on, as accommodation is simply not affordable. The difference between LHA rates and market rent can also provide a disincentive for people to move on where supported accommodation is affordable and a PRS tenancy is not. Further, LHA rates are currently threatening to stifle innovation in the sector by making it difficult for organisations to use private investment to increase the supply of PRS accommodation where high rental costs render return on investment minimal.
  17. Moving on to shared accommodation is becoming a more common requirement with the introduction of the Shared Accommodation Rate for under 35s. However, there is an issue with the lack of available shared accommodation to meet this increased demand. Further, this introduces issues around dignity and respect as it requires adults up to the age of 35 to share, at a life stage where they could be starting families and thus setting up a family home.

18. Removing the automatic entitlement to housing costs under Universal Credit for people aged 18-21 reduces the ability of young people to move on from homelessness and presents a real risk of increasing homelessness in this age group.
19. The introduction of Universal Credit, in particular the waiting time of 6-8 weeks for initial payments and the default mechanism of housing costs being paid directly to the claimant rather than direct to the landlord (as was done under the Housing Benefit system) means that private landlords are now unwilling to rent to claimants.
- 20. To support the sector, Government will therefore need to ensure that people in receipt of Housing Benefit, or the Housing Cost element of Universal Credit, are able to afford any increased monthly rental costs. This will require LHA rates to be tracked in line with local market rents. Further, to increase the incentives for landlords to rent to people in receipt of Universal Credit, claimants should be empowered to have the choice to have the housing element paid directly to the landlord, as was previously the case with Housing Benefit.**

**Question 8: What do you think will be the main impacts of the ban on letting fees paid by tenants? Please include any unintended consequences that you believe may arise.**

21. Homeless Link welcomes the ban on letting fees. Lower up-front costs may make moving into private rented accommodation easier, and aligns with the preventative measures in the Homeless Reduction Act 2017 as it increases the opportunity for people to move from unsuitable accommodation without bearing a disproportionate financial cost to end a tenancy.
22. As local lettings agencies in the UK effectively offer a full housing management service, helping to ensure that accommodation is of reasonable quality, Homeless Link recommends that measures are put in place to ensure that agents are incentivised to ensure a reasonable quality of properties, which is not always the case at the moment. Poor space standards, failure to meet safety requirements and poor repair are commonly reported to us by services making use of the private rented sector. Low quality accommodation can impact on mental health and self-worth and consequently an individual's ability to move forward with their lives.
- 23. To mitigate any adverse impact on the quality of the PRS supply from the ban on letting fees, Government should boost investment in low cost rental accommodation providing affordable housing for households on very low incomes.**