



# Foreword

In recent years, we have seen unprecedented growth in the UK's private rented sector (PRS) and it is expected that by 2020 there will be over 11 million people living in private rented homes.

It can no longer be assumed that renting is simply a temporary stop-gap: for many people, there is no other choice. Tenants can find themselves unable to leave the sector because increasing costs make home ownership out of reach. In addition, the lack of social housing means more and more vulnerable people have no alternative.

The growth and changing nature of the PRS means that issues affecting tenants are receiving increased scrutiny. In 2013 we funded Sliced Bread Consulting and the University of Bristol's Personal Finance Research Centre to explore the nature and extent of financial exclusion among private tenants. The findings showed that while initiatives to increase financial inclusion had been successful, worryingly the levels of financial exclusion among private renters had reduced at a slower rate than other tenure groups and a substantial core of private renters remained unbanked. Vulnerable private tenants had largely been ignored in both policy and practice.

We have funded this framework for local action to identify ways in which the level and extent of financial exclusion currently experienced by private tenants can be reduced. This will in turn help to reduce the housing insecurity and poor living conditions experienced by a core of these tenants and improve their chances of achieving other positive social outcomes.

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December 2014



# A framework for local action

**Meaningful and sustainable financial inclusion** is more nuanced than simply having access to a bank account. It aims to ensure that people are able to access appropriate products, information, advice and support to make confident and effective decisions about their use – or non-use – of financial products.

Financial inclusion is about ensuring people have access to products appropriate to their needs and have the information, advice and support they require to make confident and effective decisions about their use of them. This document is intended to provide a starting point in meeting the needs of financially excluded private tenants. It is aimed at local organisations, including local authorities, whose remits include housing or financial inclusion. The framework offers guidance to develop policies, practices and partnerships to increase financial inclusion.

The document sets out the **case for action** and identifies five **priorities for local action** as a way to tackle financial exclusion among private tenants. In doing so, it includes practical examples and case studies of the initiatives some organisations already have in place to address the problems.

The framework does not intend to imply that action must be taken against all of the priorities, or that they apply in any particular order. The organisations that engage with the framework are best placed to determine how it can be used to achieve impact in their areas.

## What is its purpose?

The purpose of the framework is to act as a call to action to organisations across the United Kingdom to take action locally to address financial exclusion among private tenants. It is designed to provide practical support by identifying ways in which local policymakers and practitioners can:

- **recognise** private tenants at risk of financial exclusion;
- **reach out** to those tenants;
- include private tenants as beneficiaries of **existing initiatives**;
- focus on private tenants as beneficiaries of **new initiatives** in order to improve their financial inclusion.

## How has it been developed?

The framework has been developed in collaboration with a wide range of local organisations and stakeholders from across the UK. It draws on original research, funded by the Nationwide Foundation, which established the nature and extent of financial exclusion among private tenants for the first time.<sup>1</sup> It is also informed by extensive stakeholder engagement and a series of UK-wide workshops designed to bring the issue of private tenants' financial exclusion to the foreground and facilitate the development of local strategies to address it. The stakeholders who participated in the workshops told us that what they would find most helpful was a way to harness existing experience and identify some 'quick wins', enabling them to make a difference without needing to start from scratch or find significant additional resource. This framework shares the knowledge and experience gained by stakeholders who work with financially excluded private tenants.

## Who is it for?

The framework will be of relevance to individuals and organisations with remits in housing, financial inclusion or financial capability, including but not limited to:

- Local authority housing and homelessness services
- Community partnership organisations
- Credit unions
- Social services
- Debt advice charities
- Young people's charities
- Financial capability forums
- Financial inclusion partnerships
- Registered social landlords
- Private landlord associations
- Individual private landlords
- Homelessness charities
- Citizens Advice Bureaux
- Social entrepreneurs

# The case for supporting private tenants to become financially included

The number of unbanked adults in the UK has fallen since the early 2000s as a result of efforts to improve overall levels of financial inclusion.<sup>2</sup> Because private tenants have been largely neglected in financial inclusion policy and practice, financial inclusion among this group has reduced more slowly. Consequently, private tenants have been found to be at greater risk of being unbanked than tenants in social housing.<sup>3</sup> *Helping private tenants achieve financial inclusion*<sup>4</sup> revealed that many tenants in private rented accommodation are experiencing financial exclusion which undermines their quality of life, limits their access to housing and compounds housing insecurity.

There is a relatively widespread perception that private tenants must have a functioning bank account in order to secure their accommodation. According to the latest data, eight per cent of private tenants – an estimated 650,000 people - are completely unbanked<sup>5</sup>. While this represents a drop from 2009/10, when ten per cent of private tenants were unbanked, it nonetheless indicates that, as the population of private tenants has grown, there remains a hard core of private tenants – estimated at around 650,000 at both time points – who remain vulnerable to financial exclusion. Research suggests that in some areas of the UK, such as Northern Ireland, the proportion of private tenants without a bank account is likely to be much higher.<sup>6</sup>

The perennial problems of the private rented sector - high rent, lack of choice and poor quality accommodation - are compounded as a result of tenants' financial exclusion in a number of ways:

- Being without a bank account significantly reduces the pool of properties available to them, as it puts the use of letting agents and landlords who require payment by direct debit completely out of reach.
- With only a short-term tenancy agreement or without any formal tenancy agreement at all, few feel able to ask their landlords to make repairs, for fear of retaliatory rent increases or evictions.
- The cost of moving, exacerbated by the need to make a deposit on a new property before the current deposit has been released, and by landlords' retention of some or all of the deposit, are further compounded by financially excluded private tenants' lack of access to savings or credit facilities.

The feeling of being trapped in unsatisfactory properties as a result of financial constraint is amplified by unbanked private tenants' low expectation of ever being able to access a better property.

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2 Family Resources Survey 2007-08

3 *Regression analysis of the unbanked*, Finney A and Kempson E, 2009

4 Whyley C, Finney A and Muspratt D (2013) *Helping private tenants to achieve financial inclusion*.

5 New analysis using data from the 2012/13 Family Resources Survey. Distributed by the Economic and Social Data Service. Crown Copyright material is reproduced with the permission of the Controller of HMSO and the Queen's Printer for Scotland. We are grateful to these organisations for making the data available to us.

6 Whyley C, Finney A and Muspratt D (2013) *Helping private tenants to achieve financial inclusion*.

Many unbanked private tenants live in properties in a poor state of repair and, sometimes, seriously unsafe or unsanitary conditions. Some have very insecure housing arrangements and face a high risk of homelessness in the short to medium term. Figures indicate that the end of a tenancy now accounts for 30% of homelessness.<sup>7</sup> Often financially excluded private tenants are in the private rented sector as a result of adverse life experiences, including serious ill-health, domestic violence, bankruptcy, relationship breakdown and having been in care or in prison.

Many private tenants believe that their needs are unrecognised by central and local government and they feel that nobody is looking out for their interests. This includes misunderstanding of housing charities like Shelter, which they think focus only on people who are homeless; Citizen's Advice Bureaux, which they see as being only for people in serious debt; and local authority support services, which they perceive to be available only to social tenants. As a result, financially excluded private tenants tend to believe that there are no services available to help them.

## Priorities for Action

**Five priorities for action to help financially excluded private tenants were consistently identified by stakeholders involved in this project. These priorities acknowledge the financial constraints within which local organisations are currently operating and where possible identify opportunities to maximise outcomes from existing activities.**

- ① Build private tenants' needs into local financial inclusion strategies**
- ② Maximise use of existing contact points to identify private tenants at risk of financial exclusion**
- ③ Promote access to rent accounts and bond schemes**
- ④ Embed financial inclusion and financial capability within housing support services**
- ⑤ Make landlords part of the solution**

## 1 Build private tenants' needs into financial inclusion strategies and services

The private rented sector is highly localised, with distinct characteristics and challenges. The solutions to private tenants' financial exclusion are best delivered at local level. However, experience suggests that unless private tenants are identified as a priority group with specific needs it is less likely that this group will benefit from financial inclusion initiatives.

In many areas, financial inclusion and financial capability initiatives run by housing associations and community groups are already seeing success. Some initiatives are open to private tenants, but organisations rarely undertake any marketing specifically to attract them, instead focusing on social tenants. This is a missed opportunity and prevents private tenants from receiving support with financial inclusion within existing available funding. Financial inclusion policy should highlight the opportunities for private tenants to engage in existing initiatives.

In 2013, Brighton and Hove City Council (BHCC) developed its Financial Inclusion Strategy and firmly embedded this within BHCC's wider work on welfare reform, digital inclusion, and child poverty. BHCC's aspiration is to "play a leadership role in relation to the city's financial wellbeing". In reflection of this, the strategy is sponsored by the city's director of finance and resources and governed by a corporate financial inclusion board. A workstream is being developed to tailor existing initiatives to focus on the specific needs of private tenants.

## 2 Maximise use of existing contact points to identify private tenants at risk of financial exclusion

To successfully engage private tenants with financial inclusion initiatives we need to know how to identify them. Private tenants are considered to be harder to reach than social tenants because of the dispersed nature of where they live but, even in a resource-constrained environment, it is possible to identify those most in need of help. A wide range of local authority departments and local stakeholders have responsibilities which already bring them into contact with private tenants experiencing, or at risk of, financial exclusion. For example:

- Vulnerable private tenants are disproportionately represented in houses of multiple occupation (HMOs), in relation to which local authorities already have statutory responsibilities.
- Local authority private sector housing teams deal with environmental health and other legal issues related to housing. These teams must regularly encounter private tenants living in poor quality or unsafe housing, many of whom will be at risk of financial exclusion.
- Housing Benefit teams know when Local Housing Allowance is being paid directly to a private landlord or into Post Office Card Accounts, indicating a high risk of financial exclusion.

- Following recent welfare reforms, various local authorities are proactively offering support to people affected by the benefits cap, some of whom will be private tenants.
- Local Support Services Frameworks and the Support and Exceptions Working Groups have been tasked with identifying people likely to need additional support following the introduction of Universal Credit.
- Private tenants presenting to GP surgeries or advice agencies with problems relating to poor quality housing, such as damp or fuel poverty, may be at risk of financial exclusion.
- Applicants to the Common Housing Register, unsuccessful applicants for social housing and people turned away from local authority housing and homelessness services have a high likelihood of suffering problems relating to financial exclusion.
- Voluntary and community groups that work with private tenants or with people who are trying to access rented housing will have clients experiencing financial exclusion. For example in Brighton around 70% of the YMCA's clients are private tenants.

Mapping these contact points and pooling the intelligence gathered from them is a relatively resource-light way of building an area-wide profile of private tenants at risk of financial exclusion. The contact points also offer opportunities to build financial inclusion support into existing services and to direct private tenants to existing or new financial inclusion initiatives.

Information and training should be offered by local authorities and other agencies involved in financial inclusion to all frontline staff who come into contact with vulnerable private tenants to help them recognise those who are at risk of financial exclusion and refer them for appropriate support. This would include frontline staff working in the public, private or voluntary sector in areas as diverse as housing, health, education, employment, financial and social services. Training programmes of this kind have, in the past, been successful in helping frontline staff across a range of services to identify people with debt problems and refer them to appropriate advice services.

The Greater Manchester Help with Rent Scheme was established in 2011 by a group of local authorities across Greater Manchester to help tenants cope with changes to the benefits system. It operates a website <http://www.helpwithrent.org.uk/> aimed at giving people information on *'how benefit changes will affect you and how making the most of your money can keep your home secure'* and which includes a welfare benefits and LHA calculator. The website also contains links to other sources of help and advice, and provides template letters for people to use to contact their landlord and creditors. Offering an online referral service, people who register for help will be contacted by an advisor for more bespoke help and advice. The Help with Rent Scheme also has a Mobile Advice Centre with a timetable of visits to neighbourhoods within Greater Manchester.



## ③ Promote access to rent accounts and bond schemes

Private tenants' needs are often closely aligned with those of other financially excluded groups. However two initiatives, developed specifically for private tenants, are successful in mitigating the impact of financial exclusion on access to and ability to sustain tenancies.

### Rent Accounts

Some credit unions now provide rent accounts for private tenants, enabling them to have their benefit or income paid into the account and their rent paid directly out of it. In many cases, these accounts have proved invaluable for people whose Housing Benefit was previously paid directly to their landlord and who were reluctant to make rent payments to their landlords themselves for fear of the money being 'eaten up' by other pressing financial needs.

Local authorities can further promote these accounts by paying the account fee on behalf of landlords who are housing people under the councils' homelessness obligations and by advertising rent accounts on correspondence with recipients of housing-related benefits.

**Bristol Credit Union** offers a Rent Direct Account, into which benefit income can be paid directly, with rent payments then sent directly to landlords. Landlords pay £2.50 for each payment they receive and in Bristol some landlords now require their tenants to open a Rent Direct Account. The account also includes a separate 'ring-fenced' managed account to help people avoid the risk of bounced payments. This element of the account is provided with a charge to the account holder but, occasionally, landlords will pay for this on behalf of their tenant to help them sustain the tenancy.

### Bond Schemes

Bond schemes help people without access to savings or credit to find the money they need to pay deposits on private rented properties. These are becoming increasingly widespread, although they are often restricted to particular client groups. Crisis provides a list of bond schemes operating across the United Kingdom. ([www.crisis.org.uk/find-pr-scheme](http://www.crisis.org.uk/find-pr-scheme))

The **Bondboard** is operated by a homelessness charity in Rochdale and Bury, providing written deposit guarantees which take the place of a cash deposit for people experiencing homelessness or who would otherwise be unable to secure private rented property in the area. Critically, the Bondboard also offers information and practical support to tenants, including pre-tenancy workshops and peer mentoring, to help them improve their economic well-being and maintain their tenancies successfully. [www.thebondboard.org.uk](http://www.thebondboard.org.uk)

## 4 Embed financial inclusion and financial capability within housing support services

Offering private tenants help with financial inclusion and financial capability at the time they are seeking a new tenancy provides an opportunity for timely intervention. A number of programmes, often operated by charities, social enterprises or social housing providers, are designed specifically to help people access and sustain private tenancies.

Many include support with finances and financial capability for tenants, including help with opening a bank account and using transactional banking services; budgeting, understanding and keeping on top of bills; and dealing with financial difficulties. This element is a key factor in encouraging landlords to let their properties to more vulnerable and excluded people.

**1625 Independent People** runs a number of specialist projects in Bristol and South Gloucestershire aimed at supporting young people gain the skills they need to access housing successfully. Independent Lets is a service provided to both landlords and prospective tenants. The service provides young people with:

- tools and information to help them find and keep a private tenancy;
- help with getting the money together to secure the tenancy and help with budgeting and bill paying;
- assistance in communicating with their landlord to help the tenancy run smoothly. [www.1625ip.co.uk/What-We-Do/Private-Rented-Sector-Scheme/Young-people-Independent-Lets.aspx](http://www.1625ip.co.uk/What-We-Do/Private-Rented-Sector-Scheme/Young-people-Independent-Lets.aspx)

### **Brighton Housing Trust's PRS Solutions**

- The Tenancy Support Service, provides people experiencing mental health problems with weekly coaching sessions to gain the practical skills and knowledge they need - including support with budgeting, bill payment and use of banking services - to sustain private rented tenancies. [www.bht.org.uk/services/prs-solutions](http://www.bht.org.uk/services/prs-solutions)

## 5 Make landlords part of the solution

A constructive relationship with private landlords is central to strategies aimed at reducing private tenants' financial exclusion. In this context the needs of landlords and tenants are closely aligned. The credit union rent accounts, bond schemes and housing support services, outlined above, are just some examples of areas where single initiatives have been able to meet the needs of both tenants and landlords.

Many authorities work proactively to attract landlords and to engage with them. Caerphilly Council, for example, has a very active and vibrant landlord forum. Landlord forums can help local authorities identify "leadership landlords" who will champion new initiatives. These forums can also provide an early insight into developing trends, problems and opportunities.

Critically, many private landlords – especially the growing number of 'accidental' landlords - also need help and support. Private landlords are often particularly in need of support when tenants are placed with them under a local authority's preventing homelessness obligations. Manchester Homelessness Service, for example, runs a tenant/landlord mediation scheme and has a landlord advice worker.

In Wales, the **Wales Co-Op THFI** (Tackling Homelessness Through Financial Inclusion) Toolkit was developed in response to anxiety and confusion about Universal Credit among both tenants and landlords. The toolkit provides information and practical support to all parties who could potentially benefit from wider take-up of credit union rent direct accounts, including local authorities, private landlords, credit unions and tenants. The toolkit aims to ensure that all affected parties are informed and confident about forthcoming welfare reform, in order to reduce the need for crisis management further down the line.  
[www.walescooperative.org/tackling-homelessness-through-financial-inclusion](http://www.walescooperative.org/tackling-homelessness-through-financial-inclusion)

**Just Life** charity in Manchester – offers six months' on-going support to tenants and landlords, targets tenants, particularly single people, and landlords in private rented sector. [www.justlife.org.uk/resourcing/justlife-at-home/](http://www.justlife.org.uk/resourcing/justlife-at-home/)

**Homes for Good** is Scotland's first social enterprise (Community Interest Company) letting agency. It channels all of its profits into services for tenants and landlords. Homes for Good's aim is create safe homes for tenants and sound investments for landlords.

## Concluding remarks

Private tenants' financial exclusion has, historically, been largely neglected in both policy and practice. This is, at least in part, because private tenants are more difficult to identify and reach than other financially excluded groups. Now that research has established the true extent, nature and impact of financial exclusion among private tenants, it becomes imperative that strategies are developed to tackle it. Throughout our work on this topic, stakeholders have told us that the solutions to financial exclusion among private tenants are most likely to be successful where they are developed locally, and are grounded in the needs and resources available in specific areas. This framework for action provides a starting point for local stakeholders who want to address private tenants' financial exclusion in their area and shares the knowledge and experience of stakeholders who have already begun this journey. The application of the framework will, inevitably, vary from area to area but it aims to ensure that all those who are working to help private tenants to become financially included have a benchmark of existing practice from which to start.

The full report of findings from the research project undertaken prior to the development of the framework for action was published in 2013:

Whyley, C, Finney, A and Muspratt, D (2013)  
Helping private tenants achieve financial inclusion.

The report is available for free download at:  
[www.nationwidefoundation.org.uk/SlicedBreadNwidereport.pdf](http://www.nationwidefoundation.org.uk/SlicedBreadNwidereport.pdf)

## Workshop details

Seven workshops were held at locations across the UK: Brighton, Bristol, London and Manchester, Belfast, Cardiff, and Glasgow. The organisations who participated represented an extensive range of interested organisations including local authorities, charities aimed at providing housing and/or support to vulnerable people, debt advice services, community finance organisations and social enterprises.

The workshops were designed to explore the issues facing private tenants locally based on stakeholders' experiences, any current activity being undertaken to address these, and any learning from previous or existing financial inclusion initiatives aimed at helping other groups. The workshops were also intended to help participating organisations identify new opportunities to tackle financial exclusion among private tenants locally; to facilitate new partnerships in doing so; and to kick-start new activity in the area.



