

Written evidence submitted by National Debtline to Public Bill Committee – Renters Reform Bill (RRB23)

1. Executive summary

- 1.1 We welcome the Government's intention to deliver greater security for tenants in the private rented sector.
- 1.2 However, we are **concerned about the introduction of new ground 8A for possession (repeated rent arrears)**, which means someone could be automatically evicted if they had been behind on two months' rent on three occasions within three years, even where these arrears were subsequently repaid quickly and in full.
- 1.3 This fails to recognise that it is common for people to experience financial shocks, which they then recover from, and the Government has not presented evidence that such a ground is necessary or proportionate. We would like to see this new ground removed from the Bill, or at the very least made discretionary.
- 1.4 We would like to see **an amendment to the Bill to introduce a pre-action protocol for rent arrears for private tenancies, setting out steps that a landlord would have to follow to help a tenant resolve arrears, as part of the possession claims process.** This could include measures such as signposting to free debt advice, providing time for people to apply for benefits and seeking to agree an affordable repayment plan. This would help ensure people living in the private rented sector receive an appropriate, equivalent level of support as social housing tenants and mortgage holders.
- 1.5 We welcome the new exemption to the rent arrears ground for possession where someone's arrears are due to a delay receiving a Universal Credit payment they are entitled to. However, we would like to see consideration given to **extending this to also cover delays in receiving Housing Benefit or Discretionary Housing Payments.**
- 1.6 More broadly, there remain fundamental issues around the affordability of private sector rents. Alongside the Bill, **the Government should end the current freeze on Local Housing Allowance rates and uprate these to cover at least the 30th percentile of local rents**, while ensuring appropriate ongoing uprating to maintain levels of support.

For more information on our submission, please contact Grace Brownfield, Senior Influencing Manager, grace.brownfield@moneyadvicetrust.org.

2. About National Debtline and the renters we support

- 2.1 National Debtline is a free debt advice service run by the charity, the Money Advice Trust. We offer free, independent and confidential advice on personal debt over the phone and online. The Money Advice Trust also runs Business Debtline, the UK's only free, dedicated debt advice service for self-employed people and small business owners.
- 2.2 In 2022, our National Debtline advisers provided help to more than 110,000 people by phone and webchat and we had over 1.5 million visits to our [advice website](#).

- 2.3 The majority (67%) of people we help at National Debtline rent their home.¹ Just under one in five people we help at National Debtline have rent arrears.²
- 2.4 The level of actual rent arrears only shows part of the story. We know from our work with people in debt that many people try to protect their tenancy at all costs, and so will go without other essentials or fall behind on other bills in order to prioritise rent payments. Our research with people across the UK found that, in the previous three months:
- **27%** of private renters had **gone without heating, water or electricity**
 - **One in five (21%)** had **sold personal or household items** due to the rising cost of living
 - The **same proportion (21%)** had **gone without food or meals**.
- 2.5 Private renters were the most likely of any housing tenure to report having to take these measures. **A quarter (25%) of private renters say they regularly lose sleep worrying about money** – again, the highest proportion of any housing tenure.

3. New ground for possession for repeated rent arrears (Ground 8A) – Clause 3, Schedule 1 (Paragraph 22)

3.1 This element of the Bill creates a new mandatory ground requiring a court to award possession if someone has been in at least two months' rent arrears, three times within the previous three years, regardless of the arrears balance at the hearing (and even if it has been reduced to zero).

- 3.2 **We are very concerned about new ground 8A** which means someone could be automatically evicted if they had been behind on two months' rent on three occasions within three years, even where these arrears were subsequently repaid quickly and in full. This creates the potential for people to be evicted, even though their tenancy is sustainable, and they have no current rent arrears.
- 3.3 The mandatory nature of this ground is incredibly harsh. It is not uncommon for people to experience financial shocks that may temporarily affect their ability to pay their rent, but from which they then recover, pay off the arrears and continue paying rent as normal.
- 3.4 This might occur – for example if someone changes jobs, has reduced hours at work, experiences fluctuating income (commonly the case for self-employed people), is awaiting a lump-sum payment, or has an unexpected but significant expenditure.
- 3.5 A wide range of evidence has shown that renters – particularly in the private sector – typically have lower levels of financial resilience and security, making it more likely they will experience temporary shocks that affect their ability to pay their bills. Half (48%) of private renters have no savings – compared to 27% of mortgage holders and 17% of owner occupiers.³ Separate research by the IFS found around half of private renters have

¹ Figures for Q3 2023.

² Based on clients with data about debts owed.

³ Department for Levelling Up, Housing and Communities (2023) [English Housing Survey 2021 to 2022: Headline report](#)

less than a month's net income in savings.⁴ Research by National Debtline found that just one in five private renters (21%) said they are always able to afford to pay their household bills (compared to 38% of UK adults as a whole) – reflecting the potential volatility within their finances and the pressure of high rent costs.

- 3.6 The Government has stated that new ground 8A is needed to avoid tenants 'exploiting' the rules of ground 8 (rent arrears) by reducing their arrears below the two-month threshold before a hearing, to avoid eviction.⁵ However, **the Government's own impact assessment admits they 'do not have data on how often this occurs' or whether it is an issue.**⁶ Given this, there is no evidence that the introduction of such a harsh new ground is proportionate or necessary.
- 3.7 In addition, there is already a discretionary ground (ground 10) where a court can award possession where someone is in any level of rent arrears at the time of a possession hearing. This means there is already a route for landlords to evict tenants who persistently build up arrears, only to reduce them slightly below the two-month threshold for mandatory possession under ground 8, before a possession hearing. Discretionary ground 11 also allows for eviction where there is a persistent delay in rent payments (regardless of whether there are any arrears either when the claim begins or at the time of the hearing).

Recommendation:

- 3.8 We do not believe the Government has presented evidence that new Ground 8A is needed, and we are concerned it will leave renters who have lower levels of financial resilience exposed to unfair evictions.
- 3.9 **We would therefore like to see it removed from the Bill. At the very least, the ground should be made discretionary, so that the court can prevent an eviction where this is not justified.**

4. Introduction of a pre-action protocol for rent arrears

- 4.1 The nature of ground 8 means that landlords can apply for an automatic eviction if a tenant falls behind on two-months of rent. There is no requirement for the landlord to take steps to see if the debt situation can be resolved, or to support the tenant, for example by establishing an affordable repayment plan.
- 4.2 If the Government is to achieve its aim to deliver greater security in the private rented sector, including the benefits – and cost-savings – this brings for wider society, they need to ensure support is provided to private renters who fall into financial difficulty.
- 4.3 For social housing tenants, the rent arrears ground is discretionary and there is a [pre-action protocol](#) which local authorities and housing associations must follow before being

⁴ IFS (2023) [Characteristics and consequences of families with low levels of financial wealth](#)

⁵ Renters Reform Bill Impact Assessment, p.59

⁶ [Renters Reform Bill Impact Assessment](#), paragraph 34, page 16

able to make a possession claim. The Financial Conduct Authority (FCA) sets out rules⁷ that mortgage lenders must follow when someone falls into arrears, including attempting to negotiate an affordable payment plan and making them aware of any government support schemes. There is also a [pre-action protocol for mortgage arrears possession claims](#), which requires lenders to refer the mortgage holder to independent debt advice, discuss options for an affordable repayment plan and provide information about the local authority housing department.

4.4 This would not be about requiring private landlords to offer the same level of support and forbearance as a local authority, housing association or mortgage lender can. However, it is reasonable, and in both tenants' and landlords' interests, to see if arrears can be resolved and a tenancy sustained. We would therefore like to see the introduction of a pre-action protocol for rent arrears in the private rented sector. This would set out reasonable steps that landlords would be required to take, such as:

- Providing information about, and signposting to, free, independent debt advice (to reduce the burden on landlords, standardised information and signposting routes could be made available to them – for example, by the Money and Pensions Service – who oversee debt advice services in England).
- Providing time for people to apply for benefits, including any housing-related elements.
- Seeking to agree an affordable payment plan to repay the arrears.

Recommendation:

4.5 An amendment to the Bill should be added to introduce a pre-action protocol for grounds 8 (rent arrears) and 8A (repeated rent arrears), setting out steps that a landlord would have to follow to help a tenant resolve arrears, as part of the possession claims process.

5. Amendments of existing ground 8: Rent arrears – Clause 3, Schedule 1 (paragraph 21)

5.1 This paragraph creates an exemption to grounds 8 (rent arrears) and 8A (repeated rent arrears) meaning that, if a tenant's arrears are only because of a delay receiving a Universal Credit payment they are entitled to, they cannot be evicted.

5.2 We welcome this change, which will provide vital protections for people receiving Universal Credit. It rightly recognises that someone could find themselves with a level of rent arrears that meet the ground 8 or 8A thresholds through no fault of their own, due to delays in receiving their payments.

⁷ Financial Conduct Authority Handbook, Mortgages Code of Business (MCOB) 13.3, [Dealing fairly with customers with a payment shortfall: policy and procedures](#)

5.3 However, we would encourage the Government to consider whether this provision should be extended to also cover any delays in someone receiving their Housing Benefit entitlement or a Discretionary Housing Payment (DHP). Although delays may be less common than with Universal Credit, the underlying impact and rationale would be the same and extending this provision to cover these payments would ensure parity of treatment regardless of the benefit someone receives.

Recommendation:

5.4 We would welcome the Committee asking the Minister what consideration the Government has given to extending this provision to Housing Benefit and Discretionary Housing Payments.

6. Private rented sector affordability

6.1 Our advisers are hearing every day about the struggles that people living in the private rented sector can face affording their rent, and the impact this can have on their wider finances, including their ability to pay other essential bills. While there are welcome measures within the Bill, it does not address the fundamental issues around the affordability of private sector rents.

“House rent and energy bills are now up to the sky. I am really struggling to manage my living costs. I don’t know what I should do. I have childcare issues; my wife is working full time, and I am working part-time, and we are struggling every day. This is a mental trauma for us.”

“It’s really hard to afford basic items. My children always eat but sometimes I miss meals. Gas and electricity top-ups are getting harder. Paying a full month’s rent is hard so I try to pay as much as I can each month. I’m occurring debt in this department but I’m still paying part of my rent, so I’m not fully getting into debt. I am unable to add to my savings account, and used what savings I had last year.”

- Quotes taken from National Debtline research with adults across the UK⁸

6.2 The freeze in Local Housing Allowance (LHA) since April 2020, despite rents rising to their highest recorded levels,⁹ has led to a significant erosion of support for private renters on the lowest incomes. Research by the IFS found that just 5% of new private rental properties on Zoopla are covered by LHA rates and are therefore affordable to people receiving Housing Benefit or Universal Credit, a drop from 23% since before the freeze.¹⁰ This is despite the fact that 38% of private renters receive Housing Benefit (or the equivalent housing element of Universal Credit)¹¹ – highlighting the stark gap between demand for, and supply of, affordable private rented properties.

⁸ Quotes taken from National Debtline research, conducted by Opinium, 25 – 28 April 2023. Sample of 2,000 UK adults weighted to be nationally representative.

⁹ ONS (June 2023) [Private rental market summary statistics in England: April 2022 to March 2023](#)

¹⁰ IFS (2023) [Housing quality and affordability for lower-income households](#)

¹¹ Ibid

Recommendation:

- 6.3** Alongside the Bill, the Government should end the current freeze on Local Housing Allowance rates, uprating these to cover at least the 30th percentile of local rents. The Government should also introduce an effective mechanism for ongoing uprating to ensure levels of support are maintained in the face of rising rents.

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