**HOUSING COMMUNITIES AND LOCAL GOVERNMENT COMMITTEE INQUIRY**

**IMPACT OF COVID 19 (CORONAVIRUS) ON HOMELESSNESS AND THE PRIVATE RENTED SECTOR**

**A SUBMISSION OF WRITTEN EVIDENCE FROM SAFEAGENT – 1 MAY 2020**

1. **INTRODUCTION**

1.1 **safeagent** [www.safeagents.co.uk](http://www.safeagents.co.uk) is a not for profit accreditation scheme for lettings and management agents operating in the Private Rented Sector (PRS). **safeagent**  firms are required to:

* deliver defined standards of customer service
* operate within strict client accounting standards
* maintain a separate client bank account
* be included under a Client Money Protection (CMP) Scheme

1.2 Firms must provide evidence that they continue to meet **safeagent** criteria on an annual basis, in order to retain their licence. The scheme operates UK wide and has 1500 firms with over 2500 offices.

1.3 **safeagent** is an accredited training provider under the Rent Smart Wales scheme and meets the requirements for training for agents under the Scottish Government Register. **safeagent** operates a Government approved CMP scheme.

**2. CONTEXT**

2.1 As an umbrella body for lettings and management agents, our evidence mainly relates to the impact of COVID 19 on the PRS. However, we are mindful that the PRS has a major role to play in preventing and tackling homelessness. Protecting the PRS and those living in it during the COVID 19 crisis will be important to reducing the risk of a spike in homelessness following the lockdown, as well any serious damage to capacity. We hope, therefore, that this enquiry will help to ensure that the PRS works effectively in the longer term, for tenants, landlords and agents.

**3. WRITTEN EVIDENCE**

**How effective has the support provided by MHCLG and other Government departments in addressing the impact of COVID-19 on those in the private rented sector, rough sleepers, and the homeless?**

3.1 We have found that the support provided by MHCLG has been effective in mitigating the impact of the pandemic on the sector. The Department has been both helpful, responsive and has acted speedily during a difficult period. As an approved Client Money Protection Scheme, we have had regular weekly meetings with MHCLG who have acted on intelligence provided to them to assist the sector. We look forward to supporting their efforts as the COVID 19 crisis develops and ultimately moves into release from lockdown.

3.2 We welcomed the publication of the guidance *“Coronavirus (COVID-19) Guidance for Landlords and Tenants” (MHCLG March 2020)* We and our firms have found it to be very detailed, with helpful questions and answers for tenants, landlords, agents and local authorities.

3.3 We welcomed the fact that the guidance clearly stated that tenants should continue to pay rent and abide by all other terms of their tenancy agreement, to the best of their ability. We have emphasised to our firms that rent levels agreed in tenancy agreements remain legally due but encouraged them to ensure communication channels are kept open at this time between tenants and landlords. Landlords and agents are by and large responding positively when tenants let them know that they are running into difficulties. Furthermore, the Government has a strong package of financial support available to tenants - and where they can pay the rent as normal, they should do.

3.4 Unfortunately, however, some mixed messages seem to be reaching tenants despite this guidance. Please see the section on problems below for details.

3.5 As regards regulation and enforcement, we think the Government’s approach of encouraging local authorities to take a common-sense, pragmatic approach is an effective one that ensures tenants are kept safe and landlords are supported. Where existing licensing schemes are in place, we are supportive of arrangements by which local authorities prioritise high-risk properties, in order to protect vulnerable tenants and target imminent risks to health.

3.6 We note that local authorities are being encouraged to pause any new licensing schemes at an appropriate point. We have found that, with the odd notable exception, local authorities appear to be taking this guidance on board. Those local authorities who are currently consulting on new schemes appear to appreciate the need to be flexible around the timing of any implementation.

**3.7 safeagent** and its firms welcome the financial support schemes that the Government has put in place for businesses and the speed with which these have been set up. Schemes accessed by our firms, according to a recent survey\* of agents, include:

* Small business grant funding (79%)
* Coronavirus Job Retention scheme (78%)
* HMRC Time To Pay scheme and deferred VAT payments (58%)
* Business Interruption Loans (19%)
* Statutory sick pay relief package for SMEs (17%)

*(\*Statistics quoted in this submission are based on responses by 186 agents in April 2020)*

3.8 Later in this submission we argue that these schemes should be continued and only phased out for lettings and management agents in a risk averse fashion.

3.9 In relation to Government departments, **safeagent** would also commend the work of the Department for Work and Pensions (DWP) in managing an increased volume of Universal Credit claimants ensuring that, where applicable, Housing Benefit is made available via Local Authorities.

**What problems remain a current and immediate concern for these groups?**

3.10 Despite the guidance that has been issued by Government, some mixed messages seem to be reaching tenants on payment of rent. Some seem to be under the impression that:

* They are entitled to an automatic reduction in rent – for example with only 80% being due if they are on furlough
* Any temporary reduction in rent payments automatically equates to a temporary reduction in the rent itself
* Arrears built up during the lockdown period will be written off
* If they are students, they do not need to continue to pay their rent if they are living elsewhere while the educational establishment they are attending moves to on line tuition. The position here has been further confused by some large student accommodation providers waiving rent. Whilst this may be the chosen option for large institutional landlords who can bear the cost, the situation for small landlords housing students is very different.

3.11 All the above arrangements can be negotiated with landlords and many are, in fact, responding positively. However, it would be extremely useful if more publicity could be disseminated by Government, to ensure that any disinformation around automatic entitlement to rent reductions, waivers or write offs is clarified. In particular, Government needs to make it clear that the three-month hiatus on evictions does not mean rent is in any way waived. **safeagent** would be happy to help disseminate such information further and we have been supporting our firms in their communications with landlords and tenants to that effect.

3.12 This is not to say that some tenants do not find themselves in very difficult financial circumstances to which our agents are sympathetic. We have found that the following groups are hit the hardest, when their livelihoods are affected by COVID 19:

* Self-employed tenants, who are experiencing long delays before payments under the Self-employment Income Support Scheme commence
* Self-employed tenants whose entitlement to help under the scheme is limited by the fact that their historic profits were low, relative to the income they would currently have been receiving in normal circumstances
* Directors of small Limited Companies, whose wages tend to be very low, relative to the total income (including dividends) they would currently have been receiving in normal circumstances. We note that 80% of wages only are eligible for subsidy under the furlough scheme
* Newly unemployed tenants - and those with substantially reduced incomes - who cannot claim Universal Credit, due to having modest savings of over £16,000
* Ongoing Universal Credit claimants, a disproportionate number of whom are from vulnerable groups at risk of homelessness, who cannot afford their rent and/or do not have their rent paid direct to their landlord or agent.

3.13 To address these problems immediately, we would suggest that:

* Measures are taken to ensure that the self-employed can afford their rents, either from the help they receive under the Self-employment Income Support Scheme

or through non-means tested access to Universal Credit.

* Directors of very small Limited Companies should receive similar help to the self-employed, with dividend income taken into account when calculating the 80% subsidy level
* Local housing allowance rates should continue to increase in line with rents, following the end of the 5 year freeze which took place on 1 April 2020
* Universal Credit should cease to be means tested for the time being
* Arrangements for direct payment of the Universal Credit housing element, publicised, promoted and made more flexible.

3.14 These measures would help to mitigate the immediate risks to tenants. Later in this submission, we provide evidence about the likely post-lockdown impacts.

3.15 As regards landlords and agents, the biggest immediate problem is tenants not being able (or in some cases willing) to pay their rent. In our survey, 73% of agents said up to 20% of tenants had asked for a rent reduction, with 21% reporting requests levels of 20% - 50%.

3.16 Furthermore, 69% of agents have been asked for extra time to pay rent by up to 20% of their tenants. 23% reported similar requests from 20%-50% of tenants,

3.17 For agents, the risks associated with the current emergency are exacerbated by:

* A drastic reduction in new business, in line with Government guidance to avoid home moves where possible (this was reported by 76% of agents who replied to our survey – with a further 22% experiencing a moderate decline)
* Cashflow problems
* Agents having an increased role as mediators, where tenants have requested help, at a time when they are short staffed as for financial reasons, they have had to furlough staff
* The onset of new legislative requirements, some of which are being introduced despite the COVID 19 crisis.

3.18 These challenges come on top of those associated with the Government’s decision to suspend all evictions. Whilst we support the public health policy intention behind this measure, it has meant that no action can be taken against tenants who were in rent arrears before the lockdown. Some agents who replied to our surveys are of the view that a number of tenants with a poor pre-COVID 19 track record are exploiting the current situation, adding to financial pressures.

3.19 As businesses, agents suggested that the following measures could help them to remain viable in the immediate term:

* Enhanced overdraft facilities
* More efficient implementation of the Business Interruption Loans scheme by the banks
* Help with office rents
* Early guidance on re-activating workplace premises and the operation of their businesses, e g carrying out viewings and check-outs whilst observing an appropriate degree of social distancing.

3.20 Many agents were concerned about arrangements for payment of Universal Credit direct to the agent. However, we are aware that, in some cases, Alternative Payment Arrangements can made to ensure that the housing element of Universal Credit is paid direct. We understand that the following guidance applies to Managed Payment to Landlord (MPTL) arrangements:

<https://www.gov.uk/government/publications/universal-credit-alternative-payment-arrangements/alternative-payment-arrangements>

3.21 The problem is, therefore, that this guidance is quite restrictive as to the groups that can be helped and the procedural hurdles that need to be negotiated. This is exacerbated by the fact that, in contrast with Housing Benefit, some agents find it difficult at this time to establish any problem-solving dialogue with Job Centre Plus staff or those involved with actual payments. In our view, there is a strong case to be made for streamlining the MPTL arrangements, both now and in the longer term.

3.22 Finally, it is a concern that despite Client Money Protection Regulations having been in force since April 2019, some letting agents operating in the sector are not yet covered by CMP schemes. These non-compliant agents present a significant financial risk to landlords and tenants. If, due to financial difficulties, they close down and the contents of their client account have been used in the operation of the firm with no back up of a CMP scheme to reimburse them, this could cause further financial hardship. **safeagent** believes that there should be clear messaging to consumers to check which scheme their agent is part of before parting with any rental money. Once the current emergency is over, we would urge Government to place real emphasis on enforcement of the CMP Regulations.

**What might be the immediate post-lockdown impacts for these groups, and what action is needed to help with these?**

3.23 Despite the best efforts of Government to manage the immediate impact of COVID 19 on the PRS, it is clear that the sector will face significant challenges as lockdown ends and the life span of temporary measures expire. As regards tenants in the PRS:

* Some will have significant arrears that have been built up during the lockdown period and may even owe interest on outstanding amounts
* Some furloughed employees are likely to lose their jobs once subsidies cease
* Many self employed people and directors of small companies will face cash flow problems as business takes time to pick up
* Those who claimed Universal Credit during lockdown may face a difficult period of fluctuating entitlement, as they return to sometimes insecure or uneven employment.

3.24 Landlords and agents will no doubt continue to be sympathetic, for example by not charging interest on arrears. However, they will also face risks to their own livelihoods. It will, therefore, be important to:

* re-iterate that rent payments and other tenancy obligations need to be met
* provide guidance on the kind of payment plans that could be put into place with tenants.

3.25 Our firms have told us that payment plans are an area in which they need detailed advice – in order to enable them to help people in lower paid or less secure jobs to clear their rent arrears and maintain their tenancies. This is an area of support which **safeagent** is seeking to provide.

3.26 The scale of the affordability problem was highlighted in our survey. 86% of agents estimate that up to 20% of tenants will be at risk of eviction, due to arrears built up or loss of ability to pay rent. 8% thought that as many as 20%- 50% of tenants could be at risk.

3.27 Notwithstanding the above, landlords and agents will need to able to get fair possession of their properties where there is no realistic prospect of rent being paid. There will be a backlog of possession cases following the moratorium on evictions and the courts will need to be supported in dealing with them.

3.28 Any ongoing protections for tenants should take account of the need for fair possessions by landlords who will already have faced significant risks to their businesses. If rent arrears built up during lockdown has to be written off, there should be government help available for those landlords affected.

3.29 Landlords should not be penalised for any backlog of repairs that was due to lack of access to properties and availability of contractors during the lock down. Tenants should not be entitled to hold back rent payments for failure to carry out repairs in these circumstances.

3.30 For tenants on Universal Credit, streamlined MPTL arrangements should continue into the future. This will help to sustain tenancies, enabling landlords to be confident of income and tenants to know their rent is being paid. Local housing allowance rates should continue to increase in line with rents, year on year.

3.31 It will also be important to take measures which have a positive impact on utilising the increased number of empty properties that will have built up during lock down. Many of these could be made available to homeless households or those at risk. This will help to avoid spike in homelessness and rough sleeping once the current emergency arrangements expire. Many of our firms would be willing to work in partnership with Local Authorities to address this issue.

3.32 As regards enforcement, Local Authorities should continue to delay non-urgent action as the PRS market returns to “normal”. This could entail suspending improvement notices and deferring works in default. Local should contact landlords to emphasise the importance of keeping properties free from serious hazards, whilst reassuring them that a pragmatic, risk-based and common-sense approach will be used when considering any enforcement action.

3.33 As previously mentioned, particular attention will need to be paid to enforcement of mandatory CMP amongst non-compliant agents. It will be important to ensure that the risk to client funds is minimised by maximising compliance with mandatory CMP.

3.34 In order to help agents as businesses, it will be important to ensure that the financial help currently available to them is phased out cautiously and gradually. Agents estimate that it will take around six months to get income back to sustainable levels, longer than most businesses. This is due to the lead in times associated with signing up landlords, preparing properties for letting, marketing and finding tenants.

3.35 Lastly, there is a worry that landlords may decide to leave the sector when the crisis is over (68% of the agents who replied to our survey estimate that up to 20% of landlords will sell up, with 27% estimating that 20% - 50% will exit) Landlords and agents need to be supported to remain in the PRS, despite the likely structural economic pressures, such as job losses across the hospitality industry in which a large number of tenants work. Landlords who have availed themselves of suspended mortgage payments should not have that held against them by lenders in future dealings. Nor should it affect their credit ratings.

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