



## A SUSTAINABLE POST COVID 19 PRIVATE RENTED SECTOR (PRS)

As a result of the COVID-19 pandemic's continued impact on employment and incomes, we may see an increase in the number of tenants unable to pay the level of rent agreed in existing tenancy agreements, with heightened risk of more people falling into arrears.

At **safeagent**, we want to see a fair, and appropriate system put into place, which ensures tenants who are struggling to pay their rent, and landlords who are facing financial difficulties as a result, have a clear way forward. We believe that the [existing Government measures](#) go a long way to creating a safety net for tenants.

However, **safeagent** wants to go further, with a process that enables landlords, agents and mortgage lenders, where they are involved, to work together to create stability for tenants and prevent homelessness.

## SUPPORTING TENANTS AND LANDLORDS

### Universal Credit

If a tenant loses their job, one of their first actions should be to tell their agent/landlord about their situation. If they are eligible, they should apply for Universal Credit (UC) as soon as possible.

However, as the system currently operates, it is only after two months in arrears that a tenant can agree to the housing element of UC being paid direct to their agent/landlord. **Safeagent** believes that the system should be reformed and that there should be the option to have the housing element paid to the agent/landlord from the first payment, with no wait for an Alternative Payment Arrangement (APA) to be set up. This would enable tenants to better manage their finances and give landlords the confidence to maintain existing tenancies.

### Local Housing Allowance

Local Housing Allowance (LHA) rates have increased recently, helping to prevent arrears and promote landlord confidence. However, shortfalls still exist and **safeagent** supports LHA rates being increased further. Government should ensure that the Benefits Cap does not negate the effect of increased LHAs. The Discretionary Housing Payments that Local Authorities can make to assist tenants should be better funded and widened in scope, to explicitly include existing tenants who are in difficulty. Local Authorities should also ensure that the availability of these payments are made known as widely as possible, to help prevent tenants going into arrears.

### Payment Plans

Tenants who are experiencing reduced incomes and/or facing increasing arrears because of the current economic situation should discuss and agree a payment plan with their agent/landlord at the earliest opportunity.

**Safeagent** is supporting the use of a free payment plan tool Resolve <https://resolve.flatfair.co.uk/> that:

- facilitates renegotiation of rent arrears payments in a legally robust fashion
- takes full account of the evidence for the tenant's new altered financial circumstances
- supports transparent dialogue between landlord/agent and tenant, with a full audit trail.

Payment plans can be used whenever rent arrears accrue during a tenancy, as a way to break the pattern of rent non-payment. They also provide some peace of mind for all parties, thus reducing the potential for exacerbating mental health issues.

There is an important role here for lettings and management agents, who are uniquely placed to offer mediation and negotiation between tenants and landlords. Agents would also provide the important service of setting up the plan, as well as collating and holding the confidential evidence needed at all stages of the process. A July 2020 survey of **safeagent** members suggests that a high proportion of the landlords they work with are sympathetic to this type of approach.

## **INCREASING CONFIDENCE FOR LANDLORDS AND LENDERS**

Where landlords are only receiving a proportion of the previously agreed rent payable under an existing tenancy via UC, this may cause a shortfall in what they can afford to pay against their buy to let mortgage, if they have one. This particularly affects landlords with a small number of buy to let properties, the income from which they rely upon heavily.

In such cases, **safeagent** proposes that there should be agreement by lenders that, on production of evidence of the level of rent being paid directly from UC (which doesn't cover the agreed rent) they will accept a reduction in mortgage payments for a specific term (i.e. 6 or 12 months). Where a tenant's circumstances change and they move from UC to paid employment, the rent and mortgage payments would revert to the previous level or reflect whatever payment plan can be agreed between tenant and landlord. It is important that this does not affect a landlord's credit rating and measures should be put in place to prevent this from happening.

**Safeagent** believes that there needs to be an urgent dialogue between Government, lenders, landlord and agent organisations as well as consumer groups as to how such an arrangement could be set up. The aim would be to help landlords to keep tenants housed, thus preventing homelessness, whilst also allowing landlords to maintain their financial stability.

If, by only partially paying what is due on their mortgage, landlords build up debt, **safeagent** would argue that they should be eligible for a grant from the Government, similar to the coronavirus small business grant to recompense them for the shortfall on their mortgage and any additional interest over the period.

For this to work, there should again be agreement that there would be no adverse effect on a landlord's credit history by entering into such an arrangement with their lender. Furthermore, there should be no exclusions, in the terms of new or existing buy to let products, that prevent lettings to tenants who are claiming benefits.

Where landlords who do not have mortgages are not getting their rents fully funded from a new UC arrangement, there should be consideration as to how they could access a similar grant system of top-up.

Consideration should also be given as to what the future holds for a tenant's credit history should they find themselves either without a job or with reduced income but entering into loans or arrangements which make financial sense for now. **Safeagent** does not want to see a generation of tenants and landlords blighted, as an unintended consequence of trying to make the best of a bad situation and act responsibly. **Safeagent** believes there should be discussions with credit referencing agencies to ensure there is a historical recognition process covering the situation that has occurred during the pandemic. Adjustments will need to be made to the algorithms which compile a credit rating.

## **The Role of Lettings and Management Agents**

Where UC is being paid direct to an agent, there is the reassurance that funds would be protected by their mandatory membership of a Client Money Protection scheme. It would be important that no arrangement for payment of the housing element of UC should be made unless the agent's status has been confirmed as having CMP.

## **CONCLUSION**

**Safeagent** believes that what we need now is less of the vitriol which seems to pervade any sort of discussion around arrears and more collaborative efforts to produce a workable process which will protect the interests of all as we get through this extraordinarily challenging period together.

### **Summary of the Proposed Process**

- An existing tenant whose income is reduced informs their landlord/agent and claims UC (if eligible)
- The housing element of any UC claim is paid direct to the landlord/agent from day one
- Where UC is not covering the rent in full, the lender agrees to a reduction in mortgage payments for a specified period
- A payment plan is drawn up between the tenant and the landlord, taking account of any UC direct payments and shortfalls
- Any changes to the tenant's circumstances are dealt with via a new payment plan
- If necessary, the landlord/agent claims Government grant to cover any debt built up due to the agreed reduction in mortgage payments

### **Main Advantages of the Proposed Process**

- Tenancies are sustained and homelessness prevented
- Tenants do not build up long term debt or have their credit histories adversely affected
- The financial viability of landlords is maintained, ensuring no unnecessary reductions in the supply of rented housing
- Landlords get access to a viable replacement for the mortgage holiday arrangements previously in place
- Lenders can be confident that mortgage payments will be safeguarded
- Maximum advantage is taken of the skills and knowledge of professional lettings and management agents.