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DIRECT PAYMENT OF HOUSING BENEFIT

What do claimants think?

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DIRECT PAYMENT OF HOUSING BENEFIT

What do claimants think?

Published for the Joseph Rowntree Foundation
by the Chartered Institute of Housing

Annie Irvine, Peter A. Kemp and Katharine Nice

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Direct payment of Housing Benefit – What do claimants think?
Annie Irvine, Peter A. Kemp and Katharine Nice

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Executive Summary

Policy background

- The government plans to introduce a radical reform of Housing Benefit for *private* tenants. Known as the Local Housing Allowance (LHA), the new scheme has been piloted over a two year period prior to a planned national roll-out. Subject to parliamentary approval of the Welfare Reform Bill, the LHA will be implemented across Britain for claimants in privately rented housing in 2008.
- The radical feature of the LHA is that, unlike the present Housing Benefit (HB) scheme, entitlement is no longer based on the tenant's rent. Instead, within each local market area, there is a flat-rate allowance for all privately rented claimants, which varies only by household size and composition. Yet most of the controversy has focused, not on the design of the flat-rate allowance, but on the associated proposal to pay it to claimants rather than to their landlords. Local authorities will only be able to pay the LHA to the landlord if they consider that the tenant is 'vulnerable' and incapable of managing their financial affairs, is unlikely to pay their rent or has accrued eight weeks' rent arrears.
- The government does not currently plan to extend the LHA to social housing. But it does hope to encourage the payment of HB to claimants instead of landlords in that sector; and clause 34 of the Welfare Reform Bill makes this possible. The government hopes that paying HB to claimants will promote personal responsibility and empower them to budget for themselves; that it will help workless tenants to develop the skills they will need when they move into paid work; and that it will encourage them to open bank accounts and pay their rent by standing order or direct debit, thereby helping to promote financial inclusion and payment modernisation. But critics argue that, if HB is paid to claimants rather than landlords, they will spend the money on other things rather than use it to pay their rent; and hence that it will result in increased rent arrears and evictions.

This report

- This report examines HB claimants' understanding, attitudes and experiences of the two different payment methods, that is, payment to the claimant and payment to the landlord. It explores this issue in the context of claimants' attitudes towards their liability to pay the rent and how rent payment fits into their household budgeting more generally.

- The study involved qualitative interviews with 82 HB claimants renting from local authority, housing association and private landlords in three local authority areas. The interviews were focused on three potentially vulnerable demographic groups: single people under 25, families with children, and pensioners. Just under a quarter of the sample were from an ethnic minority. Among people of working age, a quarter had a disability or limiting long-term illness. A majority of the pensioners had ailments or impairments of various kinds.

Managing money and paying bills

- People on HB are necessarily living on relatively low incomes and this is likely to affect the ways in which they manage their money and pay their rent and other bills. The research team identified three main approaches to money management: (1) ordered, (2) flexible and (3) chaotic.
- *Ordered* money managers either made comprehensive use of automated banking or operated strict routines in collecting income and paying bills. Many of the pensioners in the study, but few of the young people, were ordered in the way they managed their finances. *Flexible* money managers were less rigid than ordered money managers in their approach to monitoring and using money. They preferred payment methods that they felt provided control over when and how much they paid, such as cash, cheques, and internet banking. People were flexible in their approach either through choice or because of financial and other constraints. *Chaotic* money managers were found only among young people and lone parents. They had difficult financial situations and many of them said they could be forgetful about paying bills and/or were generally careless with money.
- Four ways of using banks, and automated payments in particular, were identified:
  (1) no bank use,
  (2) person-controlled banking,
  (3) limited used of automated banking and
  (4) comprehensive use of automated banking.
- People who made most use of automated payments found them convenient, reliable and helpful in organising their finances. Some people felt that paying bills by automated methods was sensible, but that it could only be done for all bills if there was sufficient income to feel happy about losing some control over exactly when payments were made. Non-automated payment methods, which gave personal control and thus flexibility, were favoured when finances were delicately balanced. Some people with bank accounts nevertheless did not use automated banking, in some cases because they believed they did not have

access to such facilities. Non-automated methods were preferred by people who were confused about automated payment options. Post Office Card Accounts were used by people without bank accounts.

Paying the rent

- There was a strong commitment among claimants to keep up to date with the rent. Paying their rent was generally viewed as the most, or one of the most important, household bills. However, less organised money managers found it more difficult to maintain their rent payments. A small number of families said that at times of extreme financial hardship, rent may be secondary to food and fuel expenses; and some young people felt that, when money was tight, they would consider the relative consequences of falling behind on different bills.
- Almost all claimants were aware that failure to pay the rent would lead to recovery action being taken by their landlord and that this could ultimately result in eviction. However, a lack of clarity about landlords' procedures, and perceptions of slow action on arrears recovery, was evident among some claimants.
- The majority of claimants felt they were responsible for paying the rent due on their accommodation. Even among those who were not contributing any of the rent money or personally handing over the payment to the landlord, over half of claimants felt that they were nonetheless responsible for ensuring the rent was paid. However, a small number of claimants viewed payment of HB to the landlord as effectively removing them from any involvement in the rent payment process.
- The great majority of people were aware of the amount charged for rent on their home and how much HB was being paid. Many also retained and filed documents relating to rent payment and HB claims. However, for people who had HB paid to their landlord, there seemed to be relatively little regular communication from the local authority about HB transactions. While many people did not raise this as a particular problem, some would have liked clearer and more frequent statements of when and how much HB had been paid on their behalf.

HB payment preferences

- With few exceptions, people preferred the arrangements currently in place, be that paying HB to them or directly to their landlord. This was as true among council and housing association tenants as private rented tenants, even though many people in social housing said they had not been given a choice in the

matter. There was an association between greater use of automated banking facilities and a preference for receiving HB. People who were more organised in managing money were also more likely to prefer payment to the claimant, compared to those who demonstrated a more chaotic approach.

- Four main themes emerged from the data in relation to the advantages of paying HB to the claimant. First, it was perceived as giving people greater awareness of the status of their HB claim and rent payment process, and enabled them to respond quickly to any problems or delays. Second, there was a desire to retain control and responsibility for personal finances. Third, paying HB to the claimant was also seen as a simpler option where HB covered only part of the rent or was paid on a different date from when rent was due. Finally, payment to the claimant meant their HB status could be concealed from the landlord.
- Six major themes were mentioned by people who preferred HB to be paid to their landlord. First, some people felt that it avoided the 'hassle' of making HB and rent transactions. Several people were unaware that if they were paid HB it could be paid directly into their account and thought that they would have to deposit a giro cheque in person. Second, some people gained peace of mind from having the council pay HB directly to their landlord. In this way, they *'…knew the rent had been paid'* and had *'…one less thing to worry about'*. Third, many claimants felt HB was very much labelled as 'the rent' and, as such, was not their money. They felt it made more sense, therefore, for HB to be paid directly to the landlord rather than to them as a *'middle man'*. Fourth, some claimants incorrectly believed that, if HB was paid directly to the landlord, they would avoid involvement in any administrative problems with their claim. Fifth, the temptation to spend HB on things other than the rent if it was paid to them was a concern for some claimants. Some people worried about balancing competing priorities when money was short, while others admitted that they might spend the money on impulse. Finally, some people found that keeping HB separate from other household income was an aid to budgeting.

Moving to claimant payment

- Although claimants who had HB paid directly to the landlord generally wanted to keep that arrangement, many did not think that it would be particularly difficult to adjust to receiving HB and paying full rent to the landlord. People who thought the transition would be straightforward tended to have more organised approaches to money management and to be more familiar with using automated banking facilities. Overall, pensioners seemed less concerned about this change than families or young people. People's views on how easy or difficult they would find dealing with HB and paying the full rent did not

appear to be affected by whether they rented from a private or a social landlord, or whether HB covered all or just part of the rent.

- Some of the claimants who were anxious about dealing with HB and paying rent in full were concerned about the 'hassle' this would involve (e.g., going to the bank to deposit HB giros). This could be addressed by moving to more automated methods of financial management, including paying HB directly into bank accounts and paying rent by standing order or direct debit. For this to work effectively, HB must be paid to claimants in a timely and regular manner, as many people on benefits do not have sufficient leeway in their finances to accommodate any administrative delays, which might result in unauthorised overdrafts and hence penalty charges.
- A minority of young people and families were worried about using the HB money for other things, be that consciously or inadvertently. Potentially useful strategies might be the use of a separate bank account for dealing with rent and major bills, alongside one for more general day-to-day spending. There was evidence that use of automated bill payment methods could be an aid to effective budgeting. However, people on low incomes did not always have the flexibility in their cashflow to pay all major bills by standing orders or direct debits. The evidence suggested that a change to payment of HB to claimants as the normal method would not necessarily result in greater use of standing orders or direct debits to pay rent.
- The government's argument that paying HB to claimants might help people prepare for work was not immediately obvious to claimants. However, people generally agreed that being responsible for HB and rent could potentially help to enhance the money management and budgeting skills of some claimants. Additionally, some thought that being familiar with an income and outgoing of this size may contribute to an easier transition into work.

Chapter One
Introduction

In 2002, the government announced plans to introduce a radical reform of Housing Benefit for *private* tenants (DWP, 2002). Known as the Local Housing Allowance (LHA), the new scheme has been tested in 18 'Pathfinder' local authority areas, prior to a planned national roll-out. The experience of the LHA in nine of the pathfinders has been evaluated by an independent team of researchers. Interim reports of the evaluation have already been published and the final report is due in the summer of 2007.

In 2006, the government's welfare reform green paper presented proposals for introducing the LHA nationwide, albeit with some minor modifications to reflect the experience of the Pathfinders (DWP, 2006a, 2006b). These proposals were subsequently included in the Welfare Reform Bill 2006. Subject to parliamentary approval, the LHA will be implemented across Britain for claimants in privately rented housing in 2008.

The radical feature of the LHA is that, unlike the present Housing Benefit (HB) scheme, entitlement is no longer based on the tenant's rent. Instead, within each local market area, there is a flat-rate allowance for all privately rented claimants, which varies only by household size and composition.[1] When it is rolled out nationally, the LHA payment will be set at the median – or mid-point – rent in the local market area.[2]

Because the LHA is a flat-rate allowance, claimants whose rent is below the LHA level receive more in benefit than they pay in rent.[3] Meanwhile, claimants whose rent is higher than the LHA have to make up the shortfall out of their other income. In theory, this design should give tenants a financial incentive to shop around when looking for accommodation in the private rental market. In contrast, the current HB scheme gives claimants relatively little 'shopping incentive' (Kemp, 2000).

Paying Housing Benefit

Although it is a radical reform, most of the controversy has focused, not on the design of the new flat-rate allowance, but on the associated proposal to pay it to claimants rather than to their landlords. Local authorities will only be able to pay the LHA to the landlord if they consider that the tenant is 'vulnerable' and incapable of managing their financial affairs, is unlikely to pay their rent (given a known track record) or has accrued eight weeks' rent arrears.

Under the present scheme, local authorities pay HB to their own tenants via a transfer payment to their rent account. Private and housing association tenants may request that their HB is paid to the landlord rather than to them personally. In practice, many housing associations encourage, and some private landlords require, their tenants to request payment to the landlord when they apply for HB. Where the tenant is eight or more weeks in arrears, landlords are entitled to have the HB paid directly to them.

The net result is that all HB claimants renting from councils and (according to DWP records) 92 per cent of those renting from housing associations are on payment to the landlord. The proportion of claimants renting privately whose HB is paid to the landlord is 60 per cent nationally (DWP, 2006a), but varies considerably from one area to another. In the LHA Pathfinder authorities, for example, it ranged from 18 per cent in Edinburgh to 63 per cent in Lewisham prior to the implementation of the LHA (Anderson et al., 2005). It is not clear why this marked variation in practices exists, but there is no evidence to suggest that it reflects differences between areas in the vulnerability of HB claimants.

Although the current position is that, in the majority of cases HB is paid to the landlord, this has not always been so. Prior to the introduction of HB in 1982/83, recipients of means-tested income support benefits (including those who were council tenants) were paid an amount to cover the rent as part of their basic benefit. Thus, they paid all of the rent themselves to their landlord. Meanwhile, other low income tenants were able to claim rent rebates (council tenants) and rent allowances (housing association and private tenants) from the local authority. While the rebates for council tenants were paid directly into their rent account, almost all rent allowances were paid to the claimants, who therefore had to pay all of the rent themselves. Only a very small minority of rent allowances were sent directly to the landlord (Kemp, 1984).

With the introduction of HB in 1982/83, local authorities took over the administration of housing payments to tenants in receipt of means-tested benefits, which in the case of council tenants was now to be paid into their rent account. At that time, HB for private and housing association tenants continued to be paid to the claimant in the majority of cases. However, since then there has been a shift towards paying HB to the landlord instead of the tenant. This has been a silent revolution and not one that was directly the result of change in government policy.

Policy debate

Initially, the government intended that the LHA would, in due course, be extended to claimants living in social rented housing. In practice, it has proved difficult to design a flat-rate scheme that is suitable for this part of the housing market, where properties are allocated and rents determined using administrative procedures

rather than market forces (Kemp, 2006). As a result, the idea of introducing a flat-rate LHA in social housing has now been dropped, at least for the time being (DWP, 2006a).

However, the government still hopes to encourage the payment of HB to claimants instead of landlords in the social rented sector (DWP, 2006b). Indeed, clause 34 of the Welfare Reform Bill would allow regulations to be made that could be used, for example, to require that HB payments be made to claimants, including those renting from local authorities. This aspiration reflects the fact that some of the government's objectives for reform – such as financial inclusion and taking personal responsibility for paying the rent – relate to the benefit being paid to the claimant instead of the landlord (rather than whether it is flat-rate or based on the claimant's rent).

With the shift away from payments to landlords, some tenants will be receiving HB and paying the rent for the first time. It has been argued that the move away from landlord payments will represent a major cultural change for some claimants (DWP, 2004). This is likely to be particularly true of council and housing association tenants.

The government's case against paying HB directly to landlords was outlined in the recent green paper on welfare reform. It argued that Housing Benefit is 'a passive benefit':

> *Most claimants have their Housing Benefit paid directly to their landlords, which means that they have no personal responsibility for their rent and many are unaware of how much rent is actually paid on their behalf. This does nothing to prepare claimants for moving into work and undermines the relationship between landlord and tenant.* (DWP, 2006a, p82)

The government hopes that paying HB to claimants will promote personal responsibility and empower them to budget for themselves; and that it will help workless tenants to develop the skills they will need when they move into paid work. An additional hope is that paying HB to claimants will encourage them to open bank accounts and pay their rent by standing order or direct debit, thereby helping to promote financial inclusion and payment modernisation (DWP, 2006a).

Critics of the proposal argue that, if HB is paid to the tenant rather than the landlord, claimants will spend the money on other things rather than use it to pay their rent. Hence, these critics fear that rent arrears will increase and, consequently, so too will evictions and homelessness (Anon, 2005; Ricketts, 2006). Mortgage lenders, in turn, have expressed concern that an increase in rent arrears will reduce landlords' cash flow and hence their ability to service their loans. This argument implicitly assumes that HB claimants cannot be relied upon to pay the rent if the benefit is given to them rather than to their landlord.

Despite these claims and counter-claims, there is relatively little research evidence on HB payment methods, particularly about the views of claimants themselves. The Pathfinder evaluation found that, prior to the introduction of the LHA, most private rented claimants wanted to stay with the method they currently had, whether that was payment to them or to their landlord (Anderson *et al.*, 2005). This is an important finding, but it does not tell us anything about how social housing tenants – those renting from a local authority or housing association – feel about how their HB is paid. The research reported here aims to go some way to meeting the urgent need for more in-depth research evidence that can inform the development of policy on HB payment methods in relation to social as well as private tenants.

Research aims

This report examines HB claimants' understanding, attitudes and experiences of the two different payment methods, that is, payment to the claimant and payment to the landlord. It explores this issue in the context of claimants' attitudes towards their liability to pay the rent and how rent payment fits into their household budgeting more generally.

Because the government hopes that paying HB to claimants will foster financial inclusion, the report also examines claimants' views and experiences of bank accounts and the possibility of using these to receive HB and to pay the rent. Finally, the report explores whether paying HB to working age claimants would affect how they feel about moving into paid work.

The detailed objectives of the research on which this report is based were:

- To examine claimants' understanding, views and experience of the payment of HB to them versus payment directly to the landlord.
- To examine claimants' budgeting methods and the priority they gave to paying the rent.
- To examine claimants' views, use and experiences of bank accounts.
- To explore claimants' beliefs and behaviour about their liability to pay the rent while on HB and what the consequences would be if they failed to pay it.
- To explore how claimants considered they would budget for and pay the rent, if HB were to be paid to them instead of directly to the landlord.
- To explore working age claimants' perceptions about moving into paid work, if HB were to be paid to them instead of directly to the landlord.

In examining these themes the research compared the views and experiences of local authority, housing association and private tenants, as well as those of different demographic groups.

Research methods

In order to address the research aims, the study involved in-depth, semi-structured interviews with HB claimants renting from local authority, housing association and private landlords.

This qualitative approach enabled the researchers to explore claimant perspectives on HB payment methods in depth and to uncover the context to and reasoning behind the views they expressed. This provided a richer, more detailed understanding than would have been possible from a more quantitative approach. However, while qualitative interviews can provide important insights into the range of views and experiences, they are not intended to provide data that is statistically representative of the wider population.

The fieldwork was conducted in three local authorities between January and June 2006. The three authorities were selected to represent differing housing and labour markets, and to include urban and rural areas, as well as a geographical spread. The selected locations were a London borough, a northern city, and a rural council in the Midlands. Although for practical reasons the fieldwork was confined to England, there is no evidence to suggest that perceptions about HB payment methods are significantly different in Scotland or Wales.

Because HB claimants are a very diverse population, it was decided to focus the interviews on three demographic groups:

- single people under 25
- families with children
- pensioners.

The reason for including single people under 25 years of age was that they typically have significantly lower benefit income than older claimants in otherwise similar circumstances, which might make budgeting for the rent more difficult for them.[4] Families with children were included because budgeting can be difficult for parents struggling to get by on a low income. Indeed, some commentators have argued that families living in poverty would be forced to make a choice between buying necessary items for their children or paying the rent, if HB was paid to them instead of their landlord.[5] Finally, pensioners were included because of the possibility that they would find it especially difficult to adjust to having to deal with HB and rent payments themselves.

The interviews were conducted in claimants' homes, audio recorded and transcribed in full. The software package MAXqda was used for data management and initial coding. Qualitative analysis was carried out using the Framework approach developed by the National Centre for Social Research (Ritchie *et al.*, 2003).

The people interviewed

In total, 82 HB recipients were interviewed. Of these, 21 were local authority tenants, 21 were housing association tenants, 20 were private tenants with HB being paid to the landlord, and 20 were private tenants with HB being paid to them.

Table 1.1 gives a more detailed breakdown of the interview sample by gender, demographic group and landlord type. The families included 13 couples and 11 lone parents.

Table 1.1: The people interviewed

	London (n = 27)	Northern city (n = 31)	Rural (n = 24)	Total (n = 82)
Males	9	11	15	35
Females	18	20	9	47
Young people	5	13	0	18
Families	10	10	4	24
Pensioners	12	8	20	40
Social rented	17	16	9	42
Private rented	10	15	15	40

Just under a quarter of the interviewees described their ethnicity as being other than white British. This proportion is above the national average and reflects a decision to include a London borough with a large percentage of residents that are from minority ethnic groups. Among people of working age, a quarter said they had a disability or limiting long-term illness. A majority of the pensioners had ailments or impairments of various kinds.

Almost all of the claimants in the social rented sector had their HB paid directly to the landlord (see Table 1.2).[6] The 40 private tenants were equally divided among those whose HB was paid to the landlord and those who received the benefit themselves. Thus, the sample comprised 58 claimants with payment to the landlord and 24 with payment to the claimant.

As Table 1.3 shows, 31 claimants were getting all of their rent covered by HB. Meanwhile, 51 claimants were getting only part of their rent met by HB. Throughout the report, the term 'full HB' will be used to refer to situations where the claimant's rent was wholly covered by HB and 'partial HB' to refer to cases where HB covered part of the rent. Table 1.3 and Table 1.4 show the numbers of interviewees for whom HB covered all or part of the rent, by payment method, household type and housing tenure.

Table 1.2: HB payment method, by landlord type

	Claimant payment	Landlord payment	Total
Social landlords	4	38	42
Private landlords	20	20	40
Total	24	58	82

Table 1.3: Proportion of rent covered by HB, by payment method and household type

	Full HB	Partial HB	Total
HB to landlord	27	31	58
HB to claimant	4	20	24
Young people	9	9	18
Families	4	20	24
Pensioners	18	22	40
Total	31	51	82

Table 1.4: Proportion of rent covered by HB, by tenure

	Full HB	Partial HB	Total
Local authority	14	7	21
Housing association	6	15	21
Private – landlord payment	7	13	20
Private – claimant payment	4	16	20
Total	31	51	82

Structure of the report

This report is structured as follows:

Chapter Two explores people's approaches to managing money and paying bills, including their use of, and views on, bank accounts. This provides essential contextual material because it is important to examine rent payment and the receipt of HB in the context of how people manage their money overall.

Chapter Three discusses claimants' perspectives on the importance of paying their rent – including the consequences of failing to do so – and explores their sense of ownership and involvement in the payment of rent and the receipt of HB.

Chapter Four examines claimants' preferences for how their HB is paid and the perceived advantages of each method, firstly in relation to claimant payment and then with regard to landlord payment.

Chapter Five looks at how people whose HB was currently paid to their landlord felt about the prospect of receiving it themselves, and how they might cope with the change. It also considers all claimants' views more generally about the idea of HB normally being paid to the claimant, as proposed under the LHA. The chapter concludes by considering one of the government's proposed rationales for a move towards widespread claimant payment – easing the transition to work – and exploring claimants' perspectives on this postulated advantage.

Chapter Six outlines the conclusions of the research and considers the implications for policy.

Chapter Two
Managing money and paying bills

People entitled to Housing Benefit are necessarily on relatively low incomes and this is likely to affect the ways in which they manage their money and pay their rent and other bills. Rent payment should not be viewed in isolation, but instead needs to be seen within the context of people's money management and bill payment strategies. This chapter provides an insight into how people on Housing Benefit (HB) manage their money on sometimes tight budgets. In doing so, it provides important information about the financial characteristics of the people interviewed. It also sets the scene for the findings on people's experiences of paying rent in Chapter Three and their attitudes to the payment of Housing Benefit in Chapters Four and Five.

The chapter begins with a typology of approaches to managing money, which takes into consideration various elements of practice such as monitoring spending, budgeting, prioritising, saving and methods used to pay bills. The second half of the chapter explores the extent to which participants were financially included, by looking at how bank accounts, and automated payment mechanisms in particular, were used.

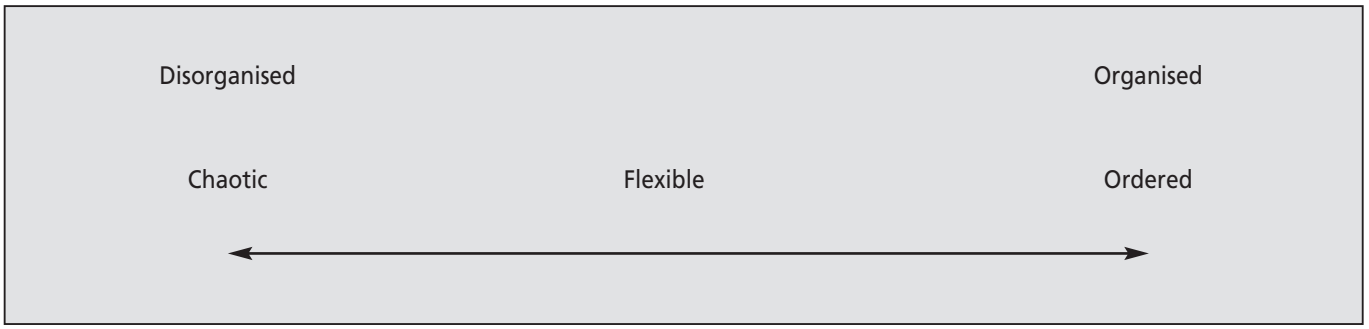
The chapter draws on analysis of data from all 82 participants and was informed by previous research on money management (Kempson *et al.*, 1994; Kempson, 1996; Whyley *et al.*, 1997).

Approaches to managing money

In looking at how people managed their money, particular attention is given to the methods and timeframes used to pay bills, including the rent. The bill payment methods used ranged from automated facilities – direct debits[7] and standing orders[8] – to person-controlled methods including internet or phone transfers, pre-payment by card, book or meter, or responding to bills by sending cheques or paying in person at banks, post offices or local authority offices.

Analysis of the interview data on using income identified three broad approaches to managing money, which can be situated along a continuum from 'disorganised' to 'organised'. The three types have been labelled as 'ordered', 'flexible' and 'chaotic' (see Figure 2.1).

Figure 2.1: A money management continuum



Practices varied considerably, not only between these types, but also within them. The continuum demonstrates how people assigned to the same type could do things differently and be considered more or less organised than another assigned to the same type. It is also possible for people to have altered their approach over time and thus move along the continuum in either direction. However, this chapter will focus only on what people said about their current practice.

Table 2.1 provides a summary of the key characteristics of these money management types. As will be shown, there are some links between money management type, demographic group, and perhaps income level too. There appears to be no such link with different kinds of tenancy (whether private or social) or geographical area.

Ordered money managers

The largest grouping was of people who appeared to have an ordered and systematic approach to managing money. People describing ordered or routinised bill payment arrangements typically paid bills the same way in each cycle of payment. Most owed this structure to making comprehensive use of automated payment facilities, namely direct debits and standing orders. However, there were also ordered money managers who made little or no use of such facilities. Instead, they collected income regularly, paid bills immediately and adhered to spending limits by relying on self-organisation and strict, unbroken routine. Shared characteristics of ordered money managers are discussed before describing the differences between those who achieved a systematic approach through automated methods and those who did so manually.

Each of the three demographic groups studied were represented in this type. However, most of the pensioners were ordered money managers. In contrast, few of the youngest people managed money in this way. A number of reasons were apparent for an ordered approach among pensioners in particular. Those who organised their payments by automated methods did so because they perceived

Table 2.1: Summary of money management types

	Ordered: by automated payments	Ordered: by strict routine	Flexible: by choice	Flexible: by circumstances	Chaotic
Personal characteristics	Pensioners and families (couples and lone parents).	Pensioners, families (lone parents and couples) and young people.	Pensioners, families (couples only) and young people.	Pensioners, families (lone parents and couples) and young people.	Young people or lone parents. Inexperienced in financial management.
General approach	Pay bills the same way in each cycle of payment by using automated payments (direct debit/standing order).	Pay bills the same way in each cycle of payment by relying on self-organisation and strict personal routine.	System is less regimented. Bills not always paid the same way each cycle; control of when and how bills are paid is preferred.	System is less regiment-ed. Bills not always paid the same way each cycle; financial/ living circumstances make it hard to be more structured.	No coherent payment/budgeting cycle structure or routine. Forgetful and careless about paying bills.
Monitoring	Close monitoring where finances tightly balanced; no need for monitoring where finances healthier.	Close monitoring where finances tightly balanced; no need for monitoring where finances healthier.	Finances not monitored closely.	Close monitoring.	Lose track of money.
Budgeting	No strict budget, but a regular spending routine. Spending after all bills paid.	No strict budget, but a regular spending routine. Spending after all bills paid.	According to rough impressions of available funds; draw spending money as needed.	Preference for weekly budget as more manageable.	Spend as needed from day-to-day.
Planning ahead for bills	None, as all bills taken care of.	Setting aside money at home for less frequent bills.	Saving for large expenses; using money set aside for a specific payment for more immediate bills.	None, living from day-to-day.	None, living from day-to-day.
Payment methods	All direct debit/ standing order.	All/mostly various cash payment methods.	Preference for cash payments; often a mix of cash payment methods.	Preference for cash payments; often a mix of cash payment methods.	Preference for cash pre-payment methods.
Timing	All bills paid on time. No juggling.	All bills paid on time. No juggling.	Pay bills in own time.	Pay when have money; some juggling.	Mish-mash of payment timings. Bills juggled. Some protection of important bills (e.g.rent).
Debt	Small loans being repaid. Balance/minimum paid, if credit used.	Small loans being repaid. Balance/minimum paid, if credit used.	Some current debt. Debt repayment is manageable.	Some current debt. Debt repayment is manageable.	Current debt. Repayment plans not always in place.
Saving	Some savings.	Some savings.	Some savings.	No savings.	No savings.
Banking	Comprehensive use.	More limited use.	No bank use, basic banking and some use of additional facilities.	No bank use, basic banking and some use of additional facilities.	No bank use, basic banking and some use of additional facilities.

this as convenient, especially where leaving the house was not easy; as reliable; and as a sensible way of organising their affairs in the event that they left financial obligations to others (after their death). Also, some pensioners in receipt of an occupational pension or pension credit (in addition to the state retirement pension), said they were better-off financially in retirement than they had been in work and could, therefore, afford to set up a system of direct debits without fear of becoming overdrawn and being charged by the bank. Older people who did not use direct debits said they were used to a strict routine they had developed over the years and knew that it worked for them.

Across this group, paying bills took priority over general spending, such that 'spending money' was only accessed once all bills had been paid. Some people imposed spending limits by transferring a certain sum into a separate account or by withdrawing a set amount of cash to last until the next payment cycle. Most people said they did not set strict budgets when shopping, but had a regular routine and, therefore, a rough idea of how much they should spend.

Individual bills were not given priority or 'juggled', either because people paid bills by automated methods and felt all their bills were prioritised or that they did not have the flexibility to change the date of payment; or because they believed strongly that it was important to pay all outstanding debts on time and could afford to do so.

Compared to people with other approaches, ordered money managers were more likely to have some savings, to save regularly, or to have money to spare in their bank account at the end of each payment cycle.

Ordered by automated payments

Some of the ordered money managers paid all, or nearly all, bills by direct debit and standing orders. This way of meeting financial demands was considered easy, convenient (especially for those who worked full time), reassuring and to have removed the 'bother' of paying each bill. Payment by equal monthly instalments was favoured because it avoided large, unexpected bills.

Monitoring finances and ensuring income and expenditure were synchronised was more important to people whose finances were more finely balanced than to those who had money to spare that acted as a cushion. People receiving income weekly were glad that monthly direct debits were spaced out over the month; those on monthly incomes liked paying their bills together soon after their income arrived, so they knew what was left was for general spending.

Some people explained that they were not naturally well organised, but that by establishing a system of automated payments they achieved an ordered approach

to dealing with finances. This was illustrated by people who said they might be inclined to spend more on other things if they controlled when and how bills were paid, rather than them being taken automatically from their account.

Ordered by manual payments

People operating a manually ordered system monitored their finances closely and some did this by keeping a written record of their income and expenditure. They did not use automated payments because they feared they would not know when payments had been made, or how much had been taken from their account.

People here adhered strictly to well-practised routines. This was evident in how they withdrew cash and settled bills in the same weekly or fortnightly visit to the post office or bank, on the day they knew their income would be paid in. Mostly, control in knowing how much they had and how much they needed to spend was aided by consistently withdrawing the same amount of money each cycle and putting the same amounts on pre-payment meters or cards.

Some people settled bills less frequently because they waited for quarterly or annual demands. However, they ensured they settled them as soon as they arrived, even if this meant making an unscheduled trip into town. Some people made sure they could afford to pay less frequent bills when they arrived by regularly setting aside dedicated sums of money. One way of doing this was to compartmentalise money at home, using envelopes. Another way of budgeting for larger bills was to regularly top-up credit with companies, for example, using cards and savings stamps.

A small number of pensioners paid only one or two bills by automated methods. Although they mostly used manual methods, automated payments were used when this was required by the creditor or when they sought to draw confidence from knowing that important or more infrequent bills would always be paid. Explanations for mixing methods of payment are explored more fully below.

Flexible money managers

The second grouping identified comprised people who could be described as adopting a flexible approach to managing money. Compared with ordered money managers, their bill-payment routines were less rigid, money was not monitored so closely and a range of payment methods were used. All three demographic groups were among flexible money mangers. Within this type, there were two sub-groups: people who chose to operate a more flexible approach because they liked having complete control over their money; and people who felt they had to be more flexible because their financial and living circumstances meant it was hard to be

more structured. Again shared characteristics are first examined before describing differences between these two sub-groups.

Among flexible money managers, there was much less use of automated payments and a strong preference for cash payment because this was felt to give greater personal control. People liked the certainty of knowing payments had been made. Moreover, paying in advance for gas and electricity using a meter gave people control over how much was spent and helped to manage use according to what was affordable. These considerations were most influential in people's decision making about paying bills, even when they were aware that pre-payment cash methods were an expensive way of paying.

To an outside observer, some of the more flexible approaches to paying bills appeared chaotic and hard to manage. Examples were using a mix of payment methods and altering the amount paid each time. However, people said their system worked for them and that they felt in control. Indeed, many of them demonstrated success in avoiding debt. There were signs of organisation too, such as regularly checking bank statements, compartmentalising money to ensure enough was available when bills were due, matching the periodicity and level of income streams to particular payments, and saving money.

Choosing flexibility

Some people chose to adopt a more relaxed and flexible approach to paying bills. In general, they appeared to have relatively healthy finances. They could, therefore, afford to monitor money and budget according to rough impressions of what there was and what was needed, rather than by close observation of printed or written records.

People here were used to controlling their finances by handling cash. They did not appear to keep to a routine in paying bills, or pay as soon as bills arrived. Rather, they responded in their own time, deciding or sometimes forgetting to pay until a 'red' bill arrived, and accessed cash or transferred money as and when needed for general spending. Money that had been set aside for specific payments was sometimes used flexibly for other bills, where people were confident they could replenish the money before payment was due. In general, people ensured that they saved for larger expenses and did not want to engage with credit facilities.

Flexibility by circumstances

Financial and other circumstances could be significant influences in taking a flexible approach to using money. Some people living on low or irregular incomes and trying to manage finely balanced finances, said they would like to be more organised in managing money, but felt they could not afford to do so. In fact, this sub-group included people who had organised their finances entirely by

automated payments in the past, but who felt they could not afford to do so after a dramatic drop in income. Nearly all the people here received full HB and included people from all three demographic groups.

Monitoring finances and precise timing were important because it was difficult to meet all expenses. People on the lowest incomes said they could not afford to save or plan ahead and lived from day-to-day. There was some preference for budgeting on a weekly, rather than longer, basis because it was more manageable to deal with smaller expenses and there was no temptation to spend money that should be saved for later. Some people had current debts, such as large credit card balances and bank or Social Fund loans, which were being repaid in instalments. Debts had been triggered by periods without income, such as when waiting for benefit payments; changes in circumstances, such as adapting to a benefit income; and family members' excessive spending.

Some people who were struggling financially explained how receiving income was their cue for paying bills and how they tried to take action to avoid debt. There were examples of people contacting creditors and asking for an extension or stopping standing orders to ensure they paid only when they had enough money. There were occasions when some people 'juggled' bills, choosing to pay some and delay others until a later date because they could not afford to pay them all at the same time. On such occasions the bills paid on time were those to creditors who 'shout the loudest'; those that arrived when people had money; those felt to be more important to pay such as gas and electricity because non-payment might mean a cut in service; those where there was a greater financial penalty for missed or delayed payments; and those set up to be paid automatically by direct debit or standing order. Such juggling illustrates how people controlled when and how much they paid, but also the irregularity and uncertainty within their management style.

A flexible approach to bill payment was necessary amongst those living in shared, privately rented houses who needed to split bills and collect contributions from housemates before paying. People who relied on others in managing money also needed to be flexible. Some elderly people who did not often leave home depended on family, friends, neighbours and voluntary helpers to access income and make payments on their behalf. They therefore needed to use payment methods and timings that were convenient for their carer.

Chaotic money managers

The third and smallest grouping was the most disorganised in managing money. Their descriptions of their approaches to meeting financial obligations were notable for an absence of a coherent structure or routine, for a mish-mash of payment

methods and timings, for not always keeping track of money, for not planning far in advance for future outgoings or having savings, and for a general impression of chaos. Their self-ratings of money management skills were generally low. All had experience, mostly current, of being in debt, having taken a loan, building up arrears for utilities, or becoming overdrawn at the bank. Chaotic money managers were either young people or lone parents, and included people on full or partial HB and living in private or social rented accommodation.

Poor financial positions and attitudes towards, and limited experiences of, managing money were influential in taking a chaotic approach. Low incomes, repayment of debts and delicately balanced financial positions made it hard for people to meet all financial demands. Consequently, all chaotic money managers juggled bills, such that lower priority payments were often late or missed, sometimes leading to months of arrears. Cash pre-payment methods were favoured because they enabled flexibility in deciding when to pay. The payment method chosen could depend on the timing of bills and the state of finances at that time. For example, a debit card could be used when there was enough money to debit the account instantaneously and a cheque used when there was not yet enough money in the account. Despite this sense of disorganisation, there were examples of rent and other prioritised payments being protected, for example by physical separation in different bank accounts or by giving money to a family member for safekeeping.

What perhaps distinguished chaotic from flexible money managers who were also struggling financially, was more severe indebtedness and their attitudes to paying bills. Some of those overwhelmed by demands for payment also said they were forgetful about paying bills, could not always be 'bothered' to keep to a bill-paying routine, lived from day-to-day buying what was needed, and found it hard to be careful with money. It seemed that their indebtedness was linked to disorganisation in meeting financial commitments and low incomes, rather than a one-off trigger such as a change in circumstances.

Amongst people living in shared, privately rented houses, a routine appeared difficult to implement and adhere to when household members took it in turn to pay particular bills. This may be a particular problem for young people as they are more likely to live in shared accommodation.

A number of people attributed their poor money management skills to inexperience. Some young people had received little or no instruction in managing financial obligations and some older people were new to organising finances because other household members (such as deceased or former spouses) had previously taken responsibility for it. Some of them expressed interest in receiving financial management advice. Some people had already taken action to try to

improve their money management skills by accessing financial advice from various public and voluntary sector agencies they were already in touch with, and by starting to use more manageable bill-payment arrangements. Some said they hoped to use more automated payment methods in the future so that personal organisational skills would be relied upon less.

Using bank accounts

The government is seeking to increase financial inclusion by encouraging greater use of bank accounts and automated credit and debit transfers among benefit recipients. It anticipates that paying Housing Benefit to claimants will encourage greater use of banks (DWP, 2002).

Most study participants had bank accounts of some description. Personal and joint current accounts, basic accounts, business and savings accounts, with banks and building societies, were in use. Many people had more than one account, which helped to keep money separate for different uses such as paying the rent or saving. Not all accounts were currently in use. This happened when people had allowed savings to dwindle, opened a new account at another bank, or opened a basic account to avoid using the overdraft on their current account.

It was common for people to have had accounts for a long time, typically opening them as a child or when they first started work. Few problems in opening accounts were encountered amongst the study group, but those that did occur were experienced by people who did not have the required forms of identification, people with a history of indebtedness, and non-British immigrants who needed to show that they had a job in the UK. These problems have also been identified in research by the Citizens Advice Bureau, in addition to problems specific to rural areas (CAB, 2006). A minority of people in the present study had no bank account and all of these people used of Post Office Card Accounts.

This section describes a typology of bank use which emerged from analysis of how people paid bills. The four broad types identified were:

1. No bank use
2. Person-controlled banking
3. Automated banking – limited use
4. Automated banking – comprehensive use

The typology was primarily based on the extent to which payment by automated methods was used, but also takes into consideration the number and kind of accounts held, and the facilities used or at least available.

No bank use

A minority of study participants had no bank account, but all made use of Post Office Card Accounts (POCAs). Each age group was represented here and there was an even split between people who rented social housing and those who were private rented tenants. People with no bank accounts were found amongst all types of money managers. There were, therefore, some people who operated fairly organised approaches to money management without the use of banking facilities. Cash-only payment systems were in operation, and were perceived as simple and transparent because people knew exactly when payments had been made.

Among reasons for not having a bank account were: having experienced problems using accounts in the past; having little money; and preferring the perceived simplicity of a POCA compared to banks which could be 'confusing' and impose charges.

Some people had intentions to open a bank account in the future because they perceived it would have advantages over a POCA. For example, direct debits were expected to provide certainty that bills would be paid on time. POCAs were thought restrictive by people who wanted to deposit and save money and to have greater access to cash. If nothing else, banking was perceived as keeping money secure. It seemed appropriate to some people who were not working to open a bank account when in work and earning a higher income.

Person-controlled banking

A large group of people had bank accounts, but did not use any automated payment methods. There were some people here who had only recently opened a bank account, having previously had no account. Most had basic bank accounts, with a more limited range of facilities compared to current accounts. Some basic account holders said they had been given the option to set up direct debits and standing orders but had chosen not to. Some thought their basic account had no access to automated payment facilities. There were also people with current accounts and access to a full range of facilities including overdrafts, savings accounts and credit cards. Use of these facilities varied. In some cases, accounts were used very simply, as places to receive income, store money and access cash. However, there were also people who used debit cards, overdrafts, phone transfers and loans, but still preferred not to use automated payment methods. All three demographic groups and all three types of money managers were represented among people using this approach to banking.

Three main explanations emerged for using bank accounts in this way:

- It gave people control over their money. Control was important to pensioners used to closely managing their spending; to people on tight budgets who were concerned about becoming overdrawn and incurring bank charges; and to those who had previously used banking facilities more extensively and run up debts, and so wanted to implement an approach to using money that seemed more manageable.
- It was a matter of habit, personal preference or banking inexperience. Some people used banks in a simple way because they did not know any other way of using banks, or were new account holders. Facilities such as automated payments seemed confusing. Cash was preferred because it was a familiar way of paying bills and was easy to keep track of.
- There was a perception of having little choice. Some young people and people with poor credit histories had the impression that they had not been granted access to accounts offering a wider range of facilities.

Automated banking – limited use

People in this group were making minimal use of automated payment facilities, but used them for at least one payment. Most people had knowledge of, and access to, a wide range of banking facilities but had made conscious decisions to limit or avoid their use. Influences on such limited use were:

- having had negative past experiences when debts accumulated through the use of credit cards or direct debits;
- having delicately balanced finances, and fears about becoming overdrawn if there were insufficient funds for the collection of direct debits and bank charges were applied;
- believing that paying in advance by monthly instalments was more expensive than paying in retrospect by quarterly or annual bills;
- preferring the convenience of using methods set up by previous tenants, such as pre-payment meters for gas and electricity.

Some people had intentions to use more automated methods, but had not got round to setting them up, or felt they could only do so if they had a higher income.

All three money management approaches and demographic groups were present amongst people making limited use of automated payment facilities. They shared, with people who did not pay any bills automatically, preferences for cash, various pre-payment methods and POCAs[9] (where they had one in addition to a bank account), and expressed similar concerns about using more direct debits. However,

people in this group differed from those who did not use automated banking facilities because they had at least one automated payment. Direct debits had been chosen for small instalments or infrequent payments that might otherwise be easily forgotten. In contrast, some people decided to use automated methods for larger and what were considered important payments, such as rent, so that they were certain to be paid and, therefore, prioritised. Payment by an automated method was not always through choice, but instead required by creditors.

There was evidence of how other banking facilities can be useful to people in how they manage money. In particular, internet and phone transfers were convenient for people who could not easily leave the house, and having more than one bank account meant people could compartmentalise money earmarked for particular purposes, such as Housing Benefit for rent.

Automated banking – comprehensive use

The final group comprised people who made comprehensive use of bank facilities, and paid all or almost all their bills by automated methods.

All those who made comprehensive use of automated payment methods had an 'ordered' approach to managing money. Explanations for such comprehensive use, as for taking an ordered approach to managing money, centred around convenience, affordability and both time- and cost-effectiveness.

A number of findings reinforce the argument that only those who can afford to use automated banking for most, if not all, payments do so:

- None of the young people, all of whom had relatively low incomes, used automated banking comprehensively.
- A large number of pensioners, most of whom said they were comfortable financially, organised their finances almost entirely using direct debits and standing orders.
- Families who felt in comfortable financial positions also made considerable use of automated methods to pay their bills.
- Some previously comprehensive users of automatic payments had scaled back their use after their income dropped substantially.

In contrast to people who made *limited* use of automated facilities, but did so to pay rent (see previous sub-section), there were some *comprehensive* users of automated payments who chose not to pay rent in this way. This seemed to be because, as it was one of their largest and arguably most important outgoing, it felt appropriate to have some personal control over exactly when and how it was paid, to avoid becoming overdrawn.

Although, in general, people here made good use of various banking facilities, some people (of all ages) expressed a sense of ill ease in using facilities they did not trust (such as cash machines and internet banking), and facilities that might encourage indebtedness (such as credit cards and overdraft facilities.)

Patterns emerging

There was some evidence of a link between housing tenure and bank use, but this was only true for the northern city. Here, people renting social housing tended to make no or only person-controlled use of banks, and people in private rented accommodation tended to make more advanced use of banks and pay at least one bill automatically. This pattern was not replicated in the other locations, where tenants of each rented sector were fairly evenly represented across the more limited and more advanced types of bank use. One explanation might be that there are particularly low incomes and high incidences of worklessness amongst social tenants in this area, and thus, fewer motivations for opening a bank account or using particular banking facilities. Having a job and a higher income were reasons why some people in the study opened accounts or used more sophisticated banking facilities.

Against what we might have expected, people living in the rural area did not cite distance travelled as a problem in using banks or a reason why they did not have a bank account.

As before, a conclusion from the analysis is that age and income level might influence people's use of banks. Most of the pensioners and a majority of families in the study group made at least one automated payment. In contrast, a minority of people aged under 25 paid at least one of their bills in this way and no one in this age group made comprehensive use of banking facilities. This perhaps reflects the correlation between age and income level, such that because young single people have lower incomes they feel they cannot afford to allow (all) their bills to be paid automatically. It may also point to some young people's financial illiteracy and inexperience.

Summary

Analysis of the data has shown that people manage money and use banking facilities in many varied ways. Most people had bank accounts, but perhaps surprisingly, the extent to which banking facilities were used was not necessarily linked to being organised or not in managing money. Although all those who comprehensively used automated payment methods described an ordered approach to managing money, there were also people who were equally systematic

with little or no use of banking facilities. However, chaotic money managers invariably made less use of automated payment methods.

There are perhaps signs of success for the government's financial inclusion agenda, in the high numbers of people with bank accounts and receiving money by automatic credit transfers. However, it did not necessarily follow that people made *payments* by automatic means. Although paying bills by automated methods was regarded as a sensible approach, some felt that it could only be done comprehensively with sufficient income; enough to feel happy about losing some control over exactly when payments were made. A residual bank balance was needed as a cushion against slipping into an overdraft, and paying charges, when direct debits and income were not synchronised. Manual payment methods which gave personal control, and thus flexibility, were favourable while finances were delicately balanced.

Some ways of managing money and paying bills seemed *ad hoc* and perhaps chaotic, but most people felt that their system worked for them. Despite this, it was apparent that advice on managing money and using banks would be useful to some people, such as those who expressed uncertainty, unfamiliarity and concern about how automated payment methods might work; people who had used direct debits in the past and found them unmanageable; and people who specifically identified a need for help in organising their finances and repaying debts. It could also be argued that changes to banking practices, such as cancelling charges for becoming overdrawn when income and expenditure are not synchronised, could be helpful and welcomed by people on low incomes.

Chapter Three
Paying the rent

One of the government's rationales for paying Housing Benefit to claimants is to encourage personal responsibility for paying rent among benefit recipients. The government believes that payment of Housing Benefit (HB) direct to landlords *'…means that [claimants] have no personal responsibility for their rent and many are unaware of how much rent is actually paid on their behalf'* (DWP, 2006a, p82). Meanwhile, as noted in Chapter One, landlords and other stakeholders have raised concerns that payment of HB to the claimant will result in increased rent arrears, leading to possible eviction and homelessness. This implies that some claimants do not see keeping up to date with their rent payments as a priority, or that they do not see the consequences of non-payment as serious.

This chapter begins by discussing claimants' perspectives on the importance of paying their rent and the consequences of falling into arrears. It discusses the notion of responsibility for paying the rent and then explores claimants' sense of ownership of, and involvement in, the process of receiving HB and paying the rent.

Importance of paying the rent

Rent payment and arrears

All claimants were of the opinion that keeping up to date with the rent was important, most feeling very strongly on the matter. For many people, this was linked to the fundamental need to keep a roof over one's head, a secure home being the foundation from which all other aspects of life could be carried out. Some people also highlighted their moral commitment to timely rent payment (and likewise all household bills), while others emphasised the wish to avoid the stress that being behind with the rent would cause them. Meanwhile, others were concerned about the damage to their relationship with their landlord that could result from rent arrears.

Around half of the study group had never fallen behind with their rent, while the remainder had current and/or past experience of rent arrears. Most of the claimants currently in arrears explained that this was due to problems with the recalculation of their benefit entitlement following changes in circumstances and not due to wilful non-payment. For example, some people got into arrears when payment of their HB was suspended while their award was reassessed. Others were having overpayments reclaimed from their HB following a change to their employment situation.

Similarly, among people who were not currently in arrears but had been behind with the rent at some time in the past, several said they had accrued arrears due to delays in the processing of their claim, either at the outset or following a change of circumstances. More often, however, the rent arrears among this group were due to non-payment as opposed to administrative complications with their HB claim.

In terms of demographic group, pensioners were the least likely to ever have been in rent arrears, followed by families and then young people. The rural local authority had a much lower proportion of claimants who had experienced arrears than the other two areas, but this was likely to be due to the larger numbers of pensioners interviewed in the rural location.

Arrears were much less common among people who had an organised approach to money management and those who made comprehensive use of automated bill payment methods. This pattern reflects the study's findings regarding other types of debt (see Chapter Two). In terms of payment method, people whose HB was paid to their landlord were somewhat more likely to have experienced arrears, though this was often due to administrative problems rather than deliberate non-payment. This may indicate a greater tendency among people on claimant payment to maintain rent commitments throughout any administrative delays. However, a small number of people on landlord payment (including private and housing association tenants) described how they had continued to pay their full rent during a time of delay. All were organised money managers, making comprehensive use of automated payments, and most were pensioners. There was no notable difference in the incidence of arrears among people on full or partial HB, or between social and private rented tenants.

Among people who had fallen behind through non-payment of rent, the scale of such arrears varied. Some claimants had been in severe arrears, with debts amounting to several hundred pounds, but for others it was a case of being a few weeks late with their regular payment. In a few cases, the arrears had been accidental and quickly rectified, for example, forgetting to post the rent cheque before going away on holiday. Additionally, a small number of private tenants had withheld rent in the past, during a dispute with their landlord.

Consequences of rent arrears

Claimants were asked what they thought would happen if they fell into rent arrears. All claimants who had personally experienced this had been able to come to some arrangement with their landlord. In most cases, this involved an agreed repayment plan, where the debts were cleared in manageable instalments. For social housing tenants, a typical process seemed to start with warning letters, followed by meetings to arrange repayment plans, and possible court action if these were not adhered to. Contact with tenants was made quickly if rent payments were not received. While eviction was seen by most claimants to be an

ultimate outcome of rent arrears, there was a general view that this was not usually a speedy process. Housing associations in particular were seen to be good at helping tenants to manage their debts, while some council tenants felt that local authorities allowed arrears to reach too serious a level before taking strong action.

Among private tenants, there was less of a consensus about the action that private landlords would take to recover rent arrears. However, their comments suggested that less formalised processes were in place compared with the social rented sector. In some cases, people felt that arrears would quickly result in eviction, perhaps within a matter of weeks. Conversely, a number of private tenants described good relationships with their landlords, and felt – or indeed knew from experience – that the landlord would be understanding if there was a reasonable explanation for the arrears and was assured that the money would be paid in due course.

Prioritising rent

To further explore views on the importance of rent, claimants were asked where rent payment fitted into their priorities, when considered among the range of household expenses. As noted in Chapter Two, for people who managed all of their household bills by automated methods, prioritising one bill payment over another was not an issue in practice. Likewise, for people on full HB, a decision on where to prioritise rent was a moot point. Most people were therefore speaking hypothetically and it is acknowledged that responses in the abstract may not reflect actual behaviour. However, most claimants were able to comment on how they expected they would prioritise rent payment in times of particular financial hardship.

The great majority of people stated that rent would always be their top priority, many again referring to the importance of keeping a roof over their head. Some felt that rent would be given equal priority with key utilities such as gas and electricity, but agreed that it was one of the most essential payments to maintain. Only a small minority of claimants said that, if money were particularly short, rent would not necessarily be their top priority. This group was equally divided among young people and families, all were either flexible or chaotic money managers and most had other current debts. Claimants with families explained that keeping their homes warm and their children fed and clothed would be of greater importance than rent, if a choice had to be made. For the young people, the lower priority given to rent was linked to the relative consequences of non-payment as compared to other debts. The threat of eviction was seen as less immediate than the consequences of defaulting on council tax (which could result in swift court action) or utility bills (where services could be suspended or penalty charges imposed).

Overall, then, it appeared that the high priority placed on rent payment by the majority of claimants was not due to a sense of imminent threat of eviction if payments were to fall behind. Rather, the impression was of a fundamental

commitment to keeping up to date with what was invariably seen as (one of) the most important household bills, for peace of mind and for moral principle, regardless of whether or not the consequences of non-payment were immediate or severe. However, despite leniency being appreciated by some tenants, it might be suggested that landlords in both the social and private rented sectors could be more explicit about their procedures on arrears and should take prompt and consistent action to avoid arrears mounting to unmanageable levels.

Responsibility for the rent

During the interviews, claimants were asked who was responsible for paying the rent for their house. Although the intended meaning was *'Who was responsible for ensuring that the rent was paid?'*, some respondents understood it to mean *'Who gave the rent to the landlord?'* Taking their spontaneous responses, a majority of claimants said that responsibility lay with them, by far most common reply being simply *'Me'* or *'I am'*. However, some claimants gave an alternative answer, in most cases attributing responsibility to the government, the council or Housing Benefit.[10] A small number of people on partial HB stated that responsibility was shared, explaining that they paid part of the rent and Housing Benefit paid part.

All but one of the people on claimant payment said that they were responsible for paying their rent. Among people whose HB was paid directly to their landlord, there was a greater tendency to attribute responsibility to another party, but again, a majority stated that they were responsible for paying their rent. However, some claimants on full HB said that, although their rent was fully covered by Housing Benefit, they were ultimately responsible for ensuring that it was paid. Some claimants noted that they would be the landlord's first port of call in the event of any problems with the HB claim. However, as is discussed in Chapter Four, some claimants felt that by having HB paid directly to their landlord, this absolved them of any need to become involved in administrative matters. Private tenants on landlord payment (full or partial) were the most likely to feel that they were not responsible for the rent. This echoes a finding discussed in Chapter Four that private tenants were predominant among claimants who saw the deferral of responsibility for HB problems as a reason for preferring landlord payment.

Engagement with the rent

Awareness of rent amount

The majority of claimants in the study group were aware of how much rent was being paid on their behalf. When asked, most were able to quote their total rent and others were able to quickly locate documents giving the specific figures. Indeed, many had well organised filing systems which they brought out in

interviews, which also contained correspondence about council tax benefit, pensions, tax credits and other personal and financial matters. Thus, while not everybody retained the figures in their head, it was evident that most claimants treated their rent and HB claim documentation with importance.

However, people on claimant payment showed a more consistent level of awareness of their rent amount than those on landlord payment. A small number of claimants said that they were unaware of their overall rent amount. Most of these people were retired, had been on full HB for some years and, in the absence of any problems arising, had ceased to pay close attention to the specific details of their claim. The remainder were all young people, including several who had always had their full rent covered by HB. Tenants who were uncertain of their rent amount were found largely in the social rented sector.

Additionally, there was confusion among some social housing tenants about the distinction between their rent and any ineligible service charges (namely water rates but also fuel in some supported accommodation). Several people referred to these utility payments as their 'rent' and so were under the impression that they were receiving only partial HB.

Monitoring rent and HB payments

A second approach to assessing engagement with the rent was to consider the extent to which claimants kept a check on their rent and HB payments. To some degree, this was dictated by the level of information that was provided by landlords and local authorities, and could also vary depending on the tenant's rent payment method. Social housing tenants who were paying partial rent by cash or some other non-automated method received receipts for any payments they made at council offices or pay points. Those paying by standing order or direct debit were able to check their bank statements for records of rent deduction. Where records were available, claimants varied in their personal interest in monitoring payments. Some people did not retain receipts from weekly payments, but others would have liked a more formal acknowledgement of rent transactions, and regretted their council's withdrawal of rent books.

Most social housing tenants said that they received some form of written communication regarding their rent payments, for example quarterly statements showing rent and HB transactions. Practices of private landlords varied. Some supplied rent books, issued monthly receipts or provided annual statements. However, others did not give any formal acknowledgement of rent paid. In many cases, tenants who paid rent by an automated method were content with this, as they could check their own bank statements to see that rent had been debited. Claimants who paid by cash or cheque, however, sometimes felt they would like an official record of payments made.

Communication specifically regarding HB seemed to be less regular than correspondence regarding rent. People on claimant payment were necessarily aware of how much HB had been paid and when, but the only people to be receiving regular correspondence directly from the HB office were those whose HB was paid to them by giro, in which case the attached counterfoils provided a receipt of sorts. For many claimants on landlord payment, in both the private and social rented sectors, the only assurance that their HB was in order was that they had not heard otherwise from their landlord. People on landlord payment were largely unaware of the specific payment dates of HB, though several knew it was calculated weekly and that HB payment dates were often not synchronised with rent due dates. A small number of claimants whose benefit was paid to their landlord expressed a wish for more regular and detailed information on their HB claim than was currently provided. However, these people did not always realise that claimant payment could be a means of achieving this.

Summary

This chapter has considered claimants' responsibility for and engagement with their rent and HB payments. Across the sample as a whole, there was clearly a strong commitment to keeping up to date with the rent. Paying their rent was generally viewed as the most, or one of the most important, household bills. However, there was evidence to suggest that less organised money managers (who were often younger people) found it more difficult to maintain their rent payments. Overall, it would seem that stakeholder concerns about increased levels of arrears resulting from a widespread change to claimant payment may be largely unwarranted. Nevertheless, a small number of families said that at times of extreme financial hardship, rent may be secondary to food and fuel expenses, and some young people felt that, in such circumstances, they would consider the relative consequences of falling behind on different bills. A lack of clarity about landlords' procedures, and perceptions of slow action on arrears was evident among some claimants.

The majority of claimants felt they were responsible for the payment of rent on their accommodation. Even among those who were not contributing any proportion of the monies or personally arranging for payment to the landlord, over half of claimants felt that they were nonetheless responsible for ensuring that the rent was paid. There were, however, a small number of claimants who viewed payment of HB to the landlord as effectively removing them from any involvement in the process.

The great majority of people in this study were aware of the amount of rent that was being charged for their home and how much HB was being paid. There was

also evidence that retaining and filing documents relating to rent payment and HB claims was important to people. However, for claimants on landlord payment there seemed to be relatively little regular communication regarding HB transactions. While many people did not raise this as a particular problem, some would have liked clearer and more frequent statements of when and how much HB had been paid on their behalf. Moving to claimant payment could be one way of obtaining such information.

Chapter Four
Housing Benefit payment preferences

This chapter considers Housing Benefit claimants' preferences for how their benefit is paid. It begins with an overview of claimants' preferred method of payment. The subsequent sections explore in more detail the perceived advantages of each payment method, firstly in relation to payment of Housing Benefit (HB) to the claimant and then with regard to payment of HB to the landlord.

Claimant preferences

Among the study group overall, people generally said they preferred their existing HB payment method, a finding that is consistent with the results of the surveys of private tenants in the LHA Pathfinder evaluation (Anderson *et al*., 2005; Roberts *et al*., 2006). This level of satisfaction with existing arrangements is particularly notable with regard to local authority tenants, since this group is not offered a choice of payment method when they make a claim for HB: payment is always made to the landlord. Despite a choice being available in principle, it is often the case that landlord payment also becomes the default payment method for housing association tenants, as was the case for around half of such tenants in the study group. However, only three social housing tenants who had automatically been allocated landlord payment expressed a wish to change to claimant payment.

While a small number of private tenants had opted for a particular payment method at the request of their landlord, the majority recalled making the choice themselves. There was little evidence, among this study group, of private landlords requiring that HB be paid to them directly. Of those who had a free choice, most felt they had made the right decision, with just three people feeling they would now like to change their payment method. Very few individuals said that they genuinely had no preference one way or the other. Table 4.1 on page 38 gives an overview of the payment method preferences of the 82 HB claimants.

Both preference groups included claimants representing all demographic groups, landlord types, bank use and money management approaches. However, there was evidence to suggest that preference for claimant payment was associated with more comprehensive use of (and by implication, greater familiarity with) automated banking facilities. Additionally, chaotic money managers had a greater tendency to prefer landlord payment than people with ordered or flexible approaches.

Table 4.1: HB payment method preferences

	Preference for claimant payment	Preference for landlord payment	No preference	Total
Currently has claimant payment	22	1	1	24
Currently has landlord payment	5	51	2	58
Total	27	52	3	82

Advantages of claimant payment

Four main themes emerged regarding the advantages of paying HB to the claimant:

- Awareness and certainty
- Control and responsibility
- Simplicity
- Concealment of HB status.

Firstly, many people who preferred claimant payment explained that this method gave them a greater awareness of the status of their HB and rent payments. People knew how much HB had been paid and when, and could be certain that the rent had been paid in full and on time, having done this themselves. Moreover, this arrangement meant that the claimant was quickly aware of any delays or problems with their HB claim and could take steps to clarify or address the situation. One pensioner, renting from a housing association, recounted two occasions where she had been unaware of a stoppage to her HB and had only been alerted to this several weeks later by a letter demanding over £1,000 in rent arrears. As a result of this experience, she was keen to change to claimant payment in order to avoid similar problems in the future.

Secondly, for some people, a preference for claimant payment was linked to a general wish to retain control and responsibility for their finances, a view that was also found by the LHA Pathfinder evaluation (Anderson *et al.*, 2005; Roberts *et al.*, 2006). These claimants were among those who had also mentioned a desire for awareness and assurance that the system was operating smoothly, indicating the close association between these issues. While differences were slight, the issues of awareness, ownership and control seemed more often to be of concern to pensioners and young people, as compared to families. There also seemed to be a greater tendency towards these views among claimants on partial rather than full HB, perhaps reflecting the slightly more complex nature of these claims. Additionally, a small number of people stressed their belief that it was not the

landlord's job to deal with the HB office. Some felt that it was unfair to ask their landlord to manage the calculations involved in a partial HB payment, while others felt strongly that their HB claim was a wholly separate matter from their tenancy agreement. The former was an arrangement between the claimant and the council and the latter between tenant and landlord.

A third common theme amongst those who preferred claimant payment was that it was a simpler arrangement for people on partial HB. Unsurprisingly, this perspective came predominantly from people who were in this situation. They felt it was more straightforward for the claimant to receive HB and then to top it up as necessary before passing the full amount of rent on to their landlord. Claimant payment was also seen to be simpler where the payment cycle of HB did not match with the date the rent was due. Where rent was due calendar monthly, but HB was paid fortnightly or four-weekly, some people felt that it was easier for the claimant to receive the HB and pay the full rent on the date it was expected by the landlord. However, some of these claimants (predominantly private sector tenants) noted that, were their HB to cover the full rent, they would not mind changing to landlord payment, as this would then seem the more straightforward method.

Fourthly, some people noted that claimant payment potentially allowed their HB status to be concealed from the landlord, should this be necessary, a finding that is consistent with the results of the evaluation of the LHA Pathfinders (Anderson *et al.*, 2005; Roberts *et al.*, 2006). Several people referred to the reluctance of some private landlords to let accommodation to tenants on HB, a perception that is supported by research evidence (Bevan et al., 1995). As such, claimant payment potentially widened the range of rental opportunities in the private rented sector. Indeed, some people who were living in supported accommodation or had been allocated privately rented accommodation having been homeless stated that, were they to be seeking a private tenancy in future, they would prefer claimant payment in order to increase their chances of securing accommodation in the sector. A smaller number of people referred more generally to the stigma attached to benefit status, and simply preferred their landlord not to know, feeling that how the rent was financed was their own business.

Other advantages of claimant payment noted by a minority of people included:

- leverage with the landlord via the ability to withhold rent in lieu of outstanding maintenance or repairs;
- the ability to use HB money flexibly within the overall household budget, alongside other income streams; and
- the potential to accrue a small amount of interest while HB was in their bank account.

Advantages of landlord payment

Six main themes emerged regarding the advantages of having HB paid directly to the landlord:

- No 'hassle' of making HB and/or rent transactions
- Peace of mind that (at least part of) the rent has been paid
- HB goes directly to the final beneficiary
- Tenant avoids responsibility for any problems with their HB claim
- Avoids the temptation to use HB for things other than the rent
- Simpler to manage the household budget.

Many people who preferred to have their HB paid directly to the landlord felt that this saved them the 'hassle' of making financial transactions around HB or rent. A majority of those expressing this view were pensioners, perhaps reflecting a more limited ability to get out and about, although families also made up a substantial proportion of those holding this opinion.

Several people assumed that, if HB were to be paid to them, it would come in the form of a giro cheque, which they would then have to deposit into the bank in person.[11] Unsurprisingly, references to the added hassle of *'…going to pay the rent'* were more common among those who were currently on full HB (i.e. not required to deal with any proportion of their rent at present). However, several claimants already making a regular transaction for part of the rent also believed that dealing with the full amount would result in additional paperwork or effort on their part. Furthermore, this view was even found among people who managed most of their finances through automated methods, not just those dealing mainly in cash or cheques.

A related theme was that payment of HB direct to the landlord was *'…one less thing to worry about'*. For some people, this *'worry'* was explicitly ascribed to an ongoing health problem or restricted mobility in old age. In these cases, claimants wanted the assurance that (at least part of) the rent would be paid if they were ever unable to deal with it themselves. Other claimants with no specific limitations also felt that landlord payment provided assurance that *'…you know the rent has been paid'*, a view also reported by the LHA Pathfinder evaluation (Anderson *et al*., 2005; Roberts *et al*., 2006). While these claimants usually spoke of *'peace of mind'*, there sometimes seemed to be a sense of a deferral of responsibility, typifying the attitude that current government policy is attempting to change. Occasionally, this was made explicit, with claimants stating that they did not want to have such a large amount of money in their charge or be responsible for making sure the rent was paid. In other cases, there was a more implicit message that people were content to *'switch off to it'* and let the council and the landlord manage the process

on their behalf. The reassurance that some people gained from handing control to the council and their landlord is in direct contrast to those claimants who preferred claimant payment for the very same reason – that they could feel confident that the rent had been paid.

A number of people held the view that HB was *'…not my money'*; that it was in effect already 'the rent' and thus should be given directly to the landlord. This opinion took on different emphases among people in the study group. For some people, payment to the claimant seemed an inefficient method, with money *'…going round in circles'* or unnecessarily involving them as a *'middle man'*. This is again in contrast to claimants described in the previous section, who wished to take control and exercise responsibility for their HB and rent transactions. For other people, the objection was more moral in nature: they felt the landlord had an entitlement to receive HB directly as it was rightfully his or her money and not that of the claimant.

Another view was that the council in fact had a *responsibility* to ensure the landlord received the money, and that the tenant should have no part in this. This links to another theme: the view that landlord payment absolved the claimant from any responsibility or blame, should there be a problem with the HB process. While the claimant does legally have a responsibility for their HB claim, a small number of people who preferred landlord payment did so because they felt that any problems (e.g. delays and consequent arrears) would be dealt with by the council and their landlord, and that they themselves would not need to become involved. This perspective came largely from private sector tenants who had actively chosen their payment method, as opposed to claimants for whom landlord payment was the default method.

Reflecting the concerns of some stakeholders, many people preferred their HB to be sent directly to the landlord because this removed the possibility of the money being used for something other than the rent. This view was largely concentrated among families and young people, with very few pensioners raising this as an issue. While a small number of people (mainly younger claimants) admitted that they would struggle to resist *'dipping into'* the money for entertainments and impulse purchases, a more common concern was that, when living on a low income, competing priorities would create unwelcome dilemmas. Several of the parents in the sample said that at times of particular financial hardship, any available money may be spent on food, fuel or clothing for their children, in preference to keeping up to date with the rent. For these people, payment of HB to the landlord was an effective means of ensuring that (at least part of) their rent was always paid, and avoiding such dilemmas. People who worried about spending HB on things other than the rent were also concentrated among the more limited users of banking facilities, perhaps mirroring the finding reported in Chapter Two, that using automated banking reduces the potential for spending money that is needed for other financial commitments.

Some of the people who preferred HB to be paid directly to their landlord felt that this was an aid to their overall budgeting. Distinct from the issue of consciously (if reluctantly) using the money for other things, some people thought there was a risk of inadvertently spending HB if it was paid to them. These claimants felt they would get *'confused'* if HB was paid into their account and got *'mixed up'* with their other money, which could lead to *'accidentally'* spending the HB before the rent had been paid. Others highlighted problems of cashflow if payments of HB into their bank account were used to cover other direct debits or *'swallowed up'* by an existing overdraft. Again, the ability to bracket out the HB portion of the rent through payment directly to the landlord was seen as a way of avoiding such problems.

Other reasons for preferring landlord payment generally related to being happy with the status quo, with claimants who had always had HB paid to their landlord having no cause to change. However, two claimants said that problems opening or using bank accounts meant landlord payment was the simpler method at the present time.

Summary

This chapter has described claimants' preference for either payment to the claimant or to the landlord and the reasons for their preference. In general, people tended to prefer their existing arrangements. Very few people were dissatisfied with their current payment method, which may be particularly noteworthy given that many social rented tenants were not in fact offered a choice at the outset of their claim. Moreover, the majority of people could give reasoned arguments for their preferences, which related to their personal circumstances and financial situation.

Among those who preferred payment to the claimant, four key themes emerged. Firstly, people valued the greater awareness and assurance of the smooth running of the HB and rent payment process. Secondly, for some people, this was linked to a general desire to take ownership and control of their finances. Thirdly, claimant payment was felt to be the more simple method where HB covered only part of the rent, in that the claimant and/or their landlord did not have to make complex calculations across varying payment cycles. Finally, payment to the claimant potentially gave people the option to conceal their HB status from the landlord, and thus avoid problems finding suitable accommodation in the private rented sector.

As for the benefits of payment to the landlord, six main themes were identified. Several people felt that the *'hassle'* of making transactions around HB receipt and rent was reduced through payment to the landlord, although to some extent these perceptions of *'hassle'* may reflect the low level of awareness that HB could be paid by directly into bank accounts by automated credit transfer (ACT). For some

people, landlord payment provided a general peace of mind. This was sometimes directly linked to a health problem which limited the claimant's ability to deal with their finances. In other cases, however, there seemed to be some degree of willingness to defer responsibility for the benefit, of the type that current policy aims to combat.

Again relating to ownership and responsibility, there was a widespread belief that landlord payment was the more efficient method, as the money was going directly to the final and, in some people's view rightful, beneficiary. In a minority of cases, people stated explicitly that they preferred landlord payment as they felt this absolved them from responsibility or blame in the event of any problems with their HB claim.

Concerns about HB being used for things other than the rent were also highlighted. For some people, this anxiety was linked to possible temptation to spend the HB on impulse. Others (often families) worried that competing priorities such as food and fuel payments may take precedence over the rent when money was particularly tight. For other people, allowing HB to bypass their general household finances was useful in helping them to monitor and manage their overall budget. In this way, HB did not become *'mixed up'* with their other money, and could not be used inadvertently for other purposes.

There is a substantial correspondence between the views of claimants in this study and those found in the LHA Pathfinder evaluation. Reasons given for preferring either claimant or landlord payment covered very similar themes (see Roberts *et al.*, 2006). While the Pathfinder evaluation involved only claimants in the private rented sector, this study suggests that the rationales and preferences of tenants in the social rented sector may be largely similar.

Chapter Five
Making the transition to claimant payment

This chapter considers claimants' views on the possible transition to payment of Housing Benefit to the claimant. First, it considers how people whose Housing Benefit (HB) was currently paid to their landlord felt about the prospect of receiving it themselves and how they might cope with such a change. Next, potential ways of addressing perceived challenges are discussed. The chapter then describes people's views more generally about the idea that HB might normally be paid to claimants, as proposed under the new LHA arrangements. The final section considers claimants' perspectives on one of the government's proposed rationales for a move towards widespread claimant payment; easing the transition to work.

Managing the transition to claimant payment

As noted in Chapter Four, most claimants did not want to change the way their HB was paid. But when people whose HB was paid to their landlord were asked how they would feel about receiving HB themselves, the degree of reluctance or anxiety about the prospect of a change varied. Despite preferring to stay with landlord payment and, in some cases, having reservations about the added inconvenience or apparent inefficiency of claimant payment, the majority of people currently on landlord payment felt that they would have no particular problems in making the change to claimant payment. On the other hand, a substantial minority felt that there would be some challenges in making the transition. The following sub-sections of this chapter consider the extent to which claimant characteristics – approaches to bank use and money management, the proportion of rent covered by HB, landlord type and demographic group – were related to each viewpoint.

Bank use and money management

A feeling that the change to claimant payment would be unproblematic was more common among people who made greater use of the range of banking facilities, with most making at least some use of automated methods such as standing orders and direct debits. Nonetheless, the claimants perceiving few difficulties included many who were paying their rent via a person-controlled (rather than automated) method or were currently on full HB which was paid direct to their landlord. This may reflect the finding in Chapter Two that limited use of automated banking facilities does not necessarily imply difficulties in managing money.

However, there did appear to be a correspondence between perceptions of coping with a change to claimant payment and the money management types presented in

Chapter Two. Although some flexible and chaotic money managers were among those who thought the transition would be straightforward, most people with this view had a more ordered approach to their finances.

The areas of concern highlighted by claimants who felt they would struggle with a change to claimant payment largely mirrored their reasons given for preferring landlord payment. These included:

- the hassle of dealing with HB and rent transactions;
- the risk of the money being consciously used for things other than rent;
- worries about inadvertent spending through budgeting difficulties.

As noted in Chapter Four, many reservations about taking on management of HB were based on the assumption that benefits and rent would be paid manually. These people assumed that claimant payment would mean receiving a giro, which they would have to cash or deposit into a bank account. This was indeed the case in one of the three local authorities at the time of interviews. Payment of HB by ACT is increasingly available among local authorities, but is not yet a universal option.[12] Where it is available, the hassle associated with giro handling could be avoided for people that have bank accounts. However, this facility is not available to POCA users since HB cannot be paid directly into their account (Citizens Advice, 2006).

It might be supposed that the perceived hassle of making rent transactions would be of greater concern to people who managed their money largely by manual methods (e.g. paying bills in cash). Overall, claimants who were making a partial rent payment via a person-controlled method were almost equally divided in their feelings about the ease of managing the change to claimant payment. However, all the people who felt that managing their benefit themselves would entail hassles around rent payment were either paying rent in person or were receiving full HB that was being paid directly to their landlord.

People who expressed concern about consciously dipping into HB money for other purposes made lesser use of automated banking facilities. Moreover, all of them were either flexible or chaotic money managers. Indeed, over half the chaotic money managers in the study group felt they would have difficulties in adjusting to claimant payment.

In contrast, those who worried about 'accidental' spending of HB money included a number of ordered money managers and people making fairly comprehensive use of automated banking. Fear of inadvertent spending was linked to apprehension about altering a well established and tightly managed system, where the introduction of an additional item could '*…confuse us a bit for quite a while*'. This suggests that, for these people, difficulties in moving to claimant payment are likely to be transitional rather than enduring problems.

Proportion of rent covered by HB

Just over half the claimants whose HB was paid to their landlord were receiving partial HB and making up the difference, while the remainder received full HB, covering their whole rent (see Table 1.3, page 13). Thus, in considering a change to claimant payment, some people were contemplating an increase in the size of one of their existing regular outgoings, while others were reflecting upon the introduction of an additional item to their household expenditure. However, people's views on whether the change to claimant payment would be problematic or not did not appear to be related to whether they were currently receiving partial or full HB.

It is worth noting that, in financial terms, the scale of the potential change to claimant payment varied widely among claimants in the study group. Among those on partial HB, the proportion of rent covered by the benefit ranged from 0.5 per cent to 98 per cent of the total amount. In monetary terms, this ranged from just £1.70 per month to almost £1,300. Thus, for some claimants, the increase in the amount of money being dealt with on a monthly basis could be substantial, if they were to change to claimant payment.

In contemplating how they would adjust to this change, all claimants on landlord payment, who were already paying partial rent by standing order or direct debit, said that they would simply increase the size of this transaction to the full rent amount. Similarly, people who were currently paying part of their rent by a person-controlled method (for example, cash, cheque or funds transfer) generally said they would continue with their established rent payment method, simply increasing the amount. Only two people considered the possibility of changing from a person-controlled to an automated method of paying the rent, were they to move to claimant payment.

Just over half the people who were currently on full HB said they would begin to pay rent by standing order or direct debit, while the others were expecting to use cash or cheques. These preferences were again generally in line with their existing payment practices for other household bills. Thus, these findings suggest that a change to claimant payment would not necessarily bring about a move towards greater use of automated methods of money management, but would more likely be integrated into people's existing payment systems.

Landlord type and demographic group

Landlord type (social or private) seemed to be unrelated to how people felt they would cope with a change to claimant payment, and there were also no apparent area differences. However, there was a clear association with demographic group. A large majority of pensioners felt there would be no difficulties in making the

transition, a finding that is likely to reflect other factors such as their tendency to be more ordered money managers. Families were more mixed in their opinions, but among young people there was a strong tendency to feel that the transition to managing HB themselves would be problematic. Concerns about dipping into HB money for other things – be that essential living expenses or impulse buys – were only found among families and young people.

Young people were on particularly low incomes (under £50 per week at the time of interviews) and many had never been responsible for paying rent, having lived in the social rented sector and received full HB continuously since leaving their childhood home. As noted in Chapter Two, many young people in the study group had limited experience of managing financial obligations. This, combined with their lower income, may mean that young people need particular support in making a change to claimant payment. Even if payment to the claimant is limited to the private rented sector under the LHA, a group that may require specific advice is young people leaving supported accommodation and taking up a private rented tenancy for the first time. Even so, none of the young people highlighted rent transaction hassle as a problem. As pointed out in the previous chapter, this may reflect fewer physical or time constraints among young people, as compared to older people and families respectively.

Possible strategies for managing the transition

This section considers some potential ways of easing or overcoming problems perceived by claimants if HB were to be paid directly to them, namely conscious or inadvertent spending and the hassle of making HB and rent transactions. These possible strategies are based on both claimants' own comments and inferences drawn from them by the research team.

The young people and families who expressed anxieties about consciously dipping into HB money for things other than the rent present a somewhat contradictory picture, when the widespread strength of commitment to staying up to date with the rent is considered (see Chapter Three). While claimants' concerns in the context of a hypothetical discussion were undoubtedly real, the outcome of such a dilemma in practice can only be guessed at. It may be that the importance of keeping the roof over one's head would override the temptation to spend HB on other things, though this would perhaps depend on how quickly and seriously people believed rent arrears would impact upon them. However, the association between such concerns and less organised money management and bank use suggests that budgeting advice and support in implementing a more structured routine for making bill payments may reduce the possibility of HB money being used to meet other financial commitments.

For claimants who felt they would get *'confused'* or that their income streams would get *'mixed up'*, leading to inadvertent spending of their HB, money management advice may again help them to make the change to claimant payment. For some people, managing a larger cashflow was evidently an unfamiliar and daunting prospect. One suggestion was that claimant payment could be introduced in increments for those with little experience of budgeting for the rent, beginning with the claimant taking responsibility for just part of their HB: *'Do it gradually as opposed to just throwing them all that money and hoping'*. Some claimants also noted that they would like more frequent and clearer statements of how much HB had been paid to them, as an aid to monitoring and distinguishing their income streams. Others said that, were they to change to claimant payment, they would use a separate bank account for receiving HB and paying rent. This would provide a means of separating a large and important outgoing from more general day-to-day spending. Indeed, such systems were being operated by some of the claimants in the study group who were already receiving HB themselves, in order to ensure that the money for rent was not *'spent by accident'* or *'swallowed up'*.

Universal availability of HB payment by ACT would be a significant factor in easing the transition to claimant payment as the LHA is rolled out. Raising awareness of this option may also contribute to lesser anxiety among claimants, and thus fewer objections, as the scheme is implemented.[13] Regarding the perceived *'hassle'* of making rent transactions, a change to rent payment by standing order or direct debit might seem a simple solution (cf. DWP, 2004). A minority of claimants were paying rent in cash because their only facility was a POCA, which did not allow for any other method. Some of these people said that they would be happy to pay rent via an automated method if they had the option. However, in exploring people's reasons for their current choice of rent payment method and their views on bill payment more generally, it emerged that several of the claimants had reservations about the use of automated payments. The reasons for this are described in Chapter Two, and included worries about becoming overdrawn and incurring penalty charges, and a general apprehension about using methods over which the account holder has less immediate control.

An important obstacle in this respect is the problems of HB administration, which often result in delayed or suspended payment of the benefit. HB claimants are necessarily on low incomes. If HB is to be normally paid to claimants, it will be crucial that it arrives in their account on time because many people do not have sufficient residual balances to cover the rent in the absence of the benefit. This was indeed the case for some people already on claimant payment, who explained that they needed to wait for their HB payment to arrive in their account (by ACT or giro) before they were able to pay the rent. It was also noted that problems could be encountered at the beginning of a new claim, in terms of the arrears that people with no alternative resources could build up if an award was not processed quickly. Thus, a successful move to claimant payment as the normal method will

partly depend on HB being deposited into claimants' accounts in a timely and predictable manner, and not just on claimants' own money management practices. A useful contribution from the banking industry may be to waive penalty charges where administrative delays to regular benefits result in claimants becoming overdrawn. Alternatively, local authorities could be required to pay the charges where they are the result of official errors or delays in the payment of HB.

While not considered specifically among the challenges of adjusting to claimant payment, it is also worth recalling the extent to which claimants on landlord payment saw their benefit payment as belonging to the landlord and *'…not my money'*. A useful contribution to a smooth transition to claimant payment may therefore be to promote understanding of the legal position: that HB is a *social security benefit* belonging to the claimant to help them pay their rent and that what the landlord is entitled to is the *rent*.

Views on claimant payment as the default method

Having explored people's feelings about how they personally would cope with the change to claimant payment, views were sought on the government's proposed system of normally paying HB to the claimant. There was a marked lack of support for the introduction of claimant payment as the 'default' method of payment. Of the 82 claimants, only one seemed to be in full agreement with the government, stating that anyone who was capable of managing their HB and rent should be obliged to do so. In contrast, the majority view was that the claimant should be allowed to choose between payment to themselves or to their landlord; this would enable them to select whichever method best suited their personal and financial circumstances (including self-knowledge of the likelihood of 'misusing' the HB). Even among those whose personal preference was for claimant payment, few could see any advantages in removing the option of payment direct to the landlord.

Echoing the concerns of some landlords and stakeholder groups, many claimants felt that the widespread introduction of claimant payment would result in increased levels of rent arrears, potentially leading to eviction and homelessness. The strong level of commitment among the study group to maintaining rent payments has already been noted (see Chapter Three), and in voicing these concerns, many people (particularly pensioners) did not see arrears and eviction as a risk for themselves, but perceived problems for *other people*. Such comments were more common among claimants whose HB was paid to their landlord than those with personal experience of dealing with HB and rent themselves, perhaps indicating that the prospect of claimant payment as an 'unknown quantity' was more onerous than in practice. This may be of particular significance if claimant payment is extended to the social rented sector, where there is a more embedded culture of payment directly to landlords.

While 'choice' was seen as a good thing in principle, many people qualified this with the suggestion that it should only apply to those with a *'…good track record'*. There remained a feeling that certain people would struggle with managing their HB and rent payments and so this would be best taken out of their hands. This included young families with competing priorities and young people who had not yet developed the responsible attitude necessary to deal with such large sums of money. Some people highlighted the dilemmas that anyone who was unemployed or on a low income would face if presented with a large amount of money, but others felt that some claimants were simply untrustworthy.

A substantial minority of people felt that there should be one rule for all and that it should be payment to the landlord. This view came predominantly from pensioners and was also more common among social housing tenants and those with a personal preference for landlord payment (these latter being largely concurrent features). The strength of this opinion varied. There was sometimes a conflict between people's personal preference for claimant payment and an overall feeling that landlord payment for all was *'safer'*. Others were steadfast in their belief that HB should never be paid to claimants and was a recipe for disaster.

Notwithstanding the general lack of support for the proposals overall, the majority of people agreed with the suggestion that in cases of substantial rent arrears, payment of HB should revert to the landlord. However, there were a few objections to this, with some people highlighting the complications it could cause for private sector tenants who may have been concealing HB status from their landlord. Other objections reflected the view that HB was a matter between the claimant and the council, to be kept separate from any issues around their tenancy agreement with the landlord.

Where discussed, most people also agreed that exceptions to claimant payment for people who were financially vulnerable in some way (e.g. through mental health or substance abuse problems) were reasonable. However, it was often suggested that, in most cases, a relative or carer would already be in a position of responsibility for managing this person's financial affairs, and so an automatic decision for landlord payment was not necessarily required.

The transition to work

One of the central objectives of current HB reform is to reduce barriers to work (DWP, 2002, 2006a). These barriers are seen to reside in the complexity of administration regarding changes of circumstance when taking on part time or temporary work and in claimants' uncertainty of how much benefit they will be entitled to following a move into employment or increase in their earnings or hours of work. As such, it is primarily proposals around the simplification of

administrative processes and the fixed-rate element of the LHA, rather than payment to the claimant, that will address these barriers. However, it has also been asserted that claimant payment can *'…help bridge the gap between being out of work and taking a job'* by *'…empowering people to budget for and pay their rent themselves'* (DWP, 2002, p18). There is some evidence that people with financial management skills are more likely to make an effective transition to work, and to retain employment (Farrell and O'Connor, 2003; Graham *et al.*, 2005). Working age claimants who were currently unemployed, sick or otherwise economically inactive, were therefore asked about their plans regarding return to work; and all working-age claimants were asked whether they felt that the way HB is paid might have any influence on the process.

Of the 42 working-age claimants, 11 were in full or part-time employment. The remaining 31 individuals comprised 12 who were looking for work and receiving Jobseeker's Allowance (JSA) and 19 who were economically inactive. This latter group included 11 people with a long-term illness or disability (most of whom were receiving Incapacity Benefit) and eight who were caring full time for young children or, less commonly, an adult partner.

All but one of the claimants receiving JSA were young people. Their circumstances and aspirations meant that some were more actively engaged in job-seeking activities than others. Claimants receiving Incapacity Benefit invariably said that they would be willing to work if they were not limited by health problems. Some expected to try working in the near future, but others were apprehensive about starting a job when their health condition was unpredictable or not yet formally diagnosed or controlled. All the people looking after children intended to seek work once their youngest child was in school or alternative childcare arrangements could be found. However, those caring for an adult partner felt that, while they would be willing to work under different circumstances, they could not at present foresee a time when they would be able to give up their caring duties.

Having discussed their current circumstances, working-age claimants were asked whether, for somebody who has been out of work for some time, the way HB was paid might have any influence on how they felt about moving into employment. Presented in this way, very few claimants spontaneously suggested that claimant payment could ease the transition into work. Several people thought that it would not have any effect, while others highlighted alternative issues that they felt did have a bearing on feelings about returning to work. In particular, people mentioned 'better off' calculations, which establish the level at which potential earnings will compensate for loss of benefits on entering employment. Other factors that claimants noted might assist the transition to work (some of which are already in place) included: short-term 'run on' of Housing Benefit; simplification of

the administrative process when part time work is taken up; 'taster' courses to gain experience of different types of work; and support from an emotional or holistic (rather than just financial) point of view.

The findings reported in Chapter Four indicate that work-related issues did not feature in claimants' spontaneously advanced reasons for preferring one HB payment method or another. As such, the notion that paying HB to claimants might contribute to work-readiness usually had to be introduced by the interviewer. After prompting, however, most people agreed, or at least acknowledged the rationale, that claimant payment could be a useful preparation for work, in that it might assist the development of budgeting skills and confidence in managing money. None of the claimants who had expressed concerns about budgeting if they had to deal with their HB made an explicit link to their own situation after this topic was raised. It could be asserted, however, that the benefit of money management experience via claimant payment is necessarily implied in these cases. Other people said that they did not feel a need for this type of preparation as they already felt confident in their budgeting abilities gained, for example, through money management training, previously earning a relatively high salary, or having managed a household budget for a family. However, it was noted that the experience of managing HB and rent payment while out of work may be a useful preparation for people who had never worked or organised a family budget.

In addition to strengthening budgeting skills, there was also some recognition that claimant payment might reduce the *'shock'* of paying (a larger amount of) rent when in work. The importance of having a realistic perception of household outgoings was highlighted; claimant payment could assist people in making a more accurate 'better off' calculation and so, in theory, be less deterred by the fear of losing benefits. On the other hand, it was noted that receiving HB themselves would mean that claimants were constantly reminded of the large amounts of money that were being regularly paid on their behalf. Again, relating to the 'better off' calculation, it was felt that this greater transparency about the true position of their finances might somehow reduce the impetus to seek work.

A minority of people challenged the proposition that paying HB to claimants would help to prepare them for work. One view was that the idea was patronising to people on low incomes, who were well aware of the need to pay their bills. Others felt that the ability or otherwise to budget for the rent was essentially a matter of character: people understood that rent must be paid and whether or not they met this responsibility depended on having *'the right priorities'*, rather than the influence of any financial training.

Summary

This chapter has considered how claimants whose HB was currently being paid directly to the landlord thought they would cope with a change to managing the benefit and rent themselves. Over half of those who commented felt that the transition would pose few problems. These people tended to operate more ordered approaches to money management and make greater use of banking facilities. However, if they were not already in place, there was no apparent preference for using automated methods to pay the rent, nor plans to start using them, upon HB being paid to claimants. As such, it seems that a widespread change to claimant payment will not necessarily prompt an increase in the numbers of claimants using automated methods to pay their rent. This has indeed been a finding of the LHA Pathfinders (Roberts *et al.*, 2006).

People who foresaw difficulties in adjusting to claimant payment highlighted concerns that mirrored their reasons for preferring payment to the landlord. Claimants who expressed anxieties about conscious 'misuse' of HB differed in their approach to managing money from those who worried about inadvertently spending it, the former being more chaotic while the latter were often more organised. In both cases, money management advice might be useful in making the transition to claimant payment, perhaps including the introduction of automated payment methods or systems to keep funds for key financial outgoings separate from day-to-day spending money (e.g. through the use of a separate bank account). Young people with limited experience of managing a household budget or large sums of money would seem key targets for such support as the LHA is rolled out.

While a seemingly simple solution to perceived transaction hassles might be paying rent by standing order or direct debit, the concerns of people on low incomes about using these automated methods must be taken seriously. If people are to take on responsibility for paying their full rent, it is important that HB is paid promptly and regularly into claimants' accounts. Payment of HB by automated credit transfer would also contribute to a smooth transition to claimant payment, both at an operational level and in terms of claimants' acceptance of the new system.

Contrary to what might be assumed, people who were currently making no contribution to their rent seemed no more or less apprehensive about taking on management of this transaction than those making some contribution already. There was also no apparent association between landlord type and perceived ability to manage the change to claimant payment. However, given the extent to which claimants on landlord payment felt they would be a *'middle man'* under a system of claimant payment (noted in Chapter Four), it may be helpful to clarify and promote the legal status of HB, as rightfully belonging to the claimant and not their landlord.

The proposal to introduce claimant payment as the normal method for paying HB found very little support among claimants in the study group. Most people felt that the option to have HB paid to the landlord for personal preference should at least be retained, and others went further to assert that HB should always be paid directly to the landlord. Notwithstanding the overall opposition to a default claimant payment system, however, there was general agreement regarding exceptions to the rule proposed under the LHA. The government's argument that claimant payment might help people prepare for work was not immediately obvious to study participants. However, with prompting, many agreed that managing HB and rent could contribute to strengthening people's budgeting skills where this was needed.

Chapter Six
Conclusions

The government's proposal that Housing Benefit should normally be paid to the people who claim it, and not to their landlords, has proved to be controversial. This is perhaps not surprising as there is much at stake in the successful implementation of this proposal, especially if it is extended to tenants living in social housing.

On the one hand, the government hopes that paying HB to claimants will increase their awareness of the rent and make them feel greater responsibility for ensuring that it is paid, help those who are not in work to become more job ready, encourage financial inclusion and contribute to the broader objective of benefit payment modernisation.

On the other hand, many landlords have expressed concern that rent arrears will increase significantly if HB is paid to claimants. Mortgage lenders fear that arrears could increase to such an extent that it may undermine the ability of some housing associations and private landlords to repay their loans. Meanwhile, Shelter, Citizens Advice and other consumer organisations are worried that claimants may get (further) into debt, leading to increased levels of eviction and homelessness.

This report has examined claimants' views and experiences about how their Housing Benefit is paid. This is important because up until now most of the voices that have been heard on this issue have been those of other stakeholders – including the government, organisations representing landlords and mortgage lenders, and consumer organisations – rather than the people who are actually entitled to HB. And while the Pathfinder evaluation has explored the experiences of private tenants receiving the LHA, there has been little research evidence on the views of other private tenants on HB or of local authority and housing association claimants.

By taking a qualitative approach to this question, we have been able to explore claimant perspectives in some depth. While in-depth interviews cannot provide estimates of the numbers of claimants that have particular opinions, they can provide rich insights into the range of views and preferences on the subject and the reasons behind them. Although we had expected that there might be differences in claimant perspectives between the three fieldwork areas, in practice such variation did not exist and we have no reason to suppose that our results are not applicable to other local authorities.

This final chapter summarises the main conclusions from the research and identifies some implications for policy.

Managing money and paying bills

Claiming HB and paying rent do not exist in isolation but are two aspects of the ways in which people manage their household income and expenditure. We found that how people managed their money and used banking facilities varied. While some approaches to handling money and paying bills seemed to be ad hoc, most people felt that their system worked for them. Despite this, our findings indicate that some claimants (and especially young claimants) could benefit from advice on money management, including use of banks.

Our classification of people as ordered, flexible or chaotic money managers was based on their attitudes and behaviour regarding monitoring money, budgeting, prioritising, saving, and payment methods. There were some associations between money manager type, demographic group and income. For example, many of the pensioners but few of the young people had an ordered approach to managing their finances. Meanwhile, the chaotic money managers were young people and lone parents facing difficult financial situations. Some of the people with a flexible style of money management attributed this to their relatively tight financial situation. Approaches to managing money were also related to preferences for personal control over money, living circumstances, and how organised people were in general.

Some HB claimants used a different payment method for rent compared with their other major bills. Thus, there were people who paid most bills manually, but paid rent by an automated method because they liked the certainty of knowing that this larger and more important bill would be paid. In contrast, there were also people who paid most bills by direct debits or standing orders, but chose to pay rent manually because they felt they had more control over when this large amount would be debited from their account.

People who did not have bank accounts used Post Office Card Accounts (POCAs). Some of them intended to open an account at some point in the future, but had not yet got around to doing so. Helping benefit recipients to open and make use of bank accounts could play an important role in ensuring a relatively smooth transition to receiving HB payments and paying the full rent to their landlord.

There were a number of influences on the extent to which banks, and automated facilities in particular, were used. Knowledge and understanding about whether facilities were available and, if so, how they worked was one significant factor. An important reason why some claimants did not use automated payment methods was anxiety about the possibility of money being taken when there was not enough in the account and hence being charged by the bank for an unauthorised overdraft. People who made substantial use of automated payment methods found them to be convenient, reliable and helpful in organising their finances.

There was evidence to suggest that paying bills by automated methods was regarded as a sensible approach, but only where there was sufficient income to provide a margin for error and cope with a lack of synchronisation between credits and debits to their account; and enough to feel happy about losing some control over exactly when payments were made.

Paying the rent

The fear that rent arrears will rise significantly if HB is paid to non-vulnerable claimants rests on the implicit assumption that they cannot be relied upon to pay their rent. It suggests that claimants do not see paying the rent as a high priority compared with their other bills; or that they think the short-term benefit of using the HB money for other purposes outweighs the potential longer-term consequences of getting into arrears; or that they do not believe the sanctions for non-payment are very serious.

In fact, in this study, the great majority of claimants said that paying the rent was very important and that it was the first or equal first priority among their household bills. They said this was because they did not want to be evicted for non-payment of rent. As many people put it, it was important to *'…keep a roof over your head'*, for without that they would have nothing. As well as avoiding the possibility of eviction, some claimants felt a moral obligation to pay the rent due or wished to avoid the stress and anxiety that they would feel if they were to get behind with the rent. Several private tenants said they wanted to avoid rent arrears because it would adversely affect their relationship with the landlord.

Nonetheless, a small number of families did say that keeping their children fed and clothed and the house warm would be a greater priority than paying the rent, if a choice had to be made. In addition, a few single young people saw the rent as a lower priority than utility bills or felt they would not be able to resist spending HB money on other things. All of these claimants were either chaotic or flexible money managers. People with these approaches to their finances were also more likely to have experienced rent arrears. Thus, if HB payments are to be normally made to claimants, some of them are likely to need help and advice in order to make a successful transition from landlord payment to claimant payment.

Though around half of the people in the study group had current or past experience of arrears, these were often linked to HB administration rather than wilful non-payment. This may have implications as tenants take on increased responsibility for their rent.

Claimants were aware that rent arrears did have consequences and would lead to recovery action being taken by their landlord. Some had a fairly clear idea of what steps would be taken to recover the debt (often based on personal experience)

while others had only a vague idea or had to guess. Most claimants believed that eviction was a possible consequence of non-payment, though in some cases they thought it would be some time before that was likely to happen.

When asked, the majority of claimants said that paying the rent was their responsibility. However, some people interpreted the question about responsibility to mean who paid the rent to the landlord. Almost all of the people who said the HB office (or the government, jobcentre plus or the pension service) was responsible for paying the rent were on landlord payment. Some claimants on full HB thought that landlord payment meant they did not need to be involved in the rent payment process. However, most claimants demonstrated an awareness of their rent amount and a commitment to monitoring rent payments.

Claimants' preferences about HB payment methods

In general, people were happy with they way their HB was currently paid, even if they had not actively chosen the method they had. This finding is consistent with the results of the surveys of private tenants in the LHA Pathfinder evaluation (Anderson *et al.*, 2005; Roberts *et al.*, 2006). This study also found that most people had clear reasons for their preference, be that payment to themselves or to their landlord.

In part, people's preferences reflected the extent to which they wanted to retain personal control of the HB and rent payment process. Some people wished to take full responsibility for their personal finances and valued the awareness and assurance that came with receiving HB themselves. Others were more willing to leave matters to the local authority and their landlord. By doing so, they felt they were avoiding the 'hassle' of making HB and rent transactions. Some people also felt that payment to the landlord avoided the need to become involved in any administrative problems that might arise regarding their HB claim.

In some cases, claimants on partial HB felt it was simpler for them to receive the benefit themselves, and to pay the full rent in one lump sum on the due date. Conversely, some people found it useful to keep HB separate from their other household finances as an aid to overall budgeting, and so favoured payment directly to the landlord.

A minority of people were worried that, if HB was paid to them, they might spend the money on things other than the rent, be that intentionally or inadvertently. This concern was more prevalent among young people and families, and those with more chaotic approaches to money management. In contrast, people who preferred claimant payment had more ordered money management practices and made greater use of (and therefore were more familiar with) automated banking.

For people in the private rented sector, one advantage of payment to the claimant was the option to conceal benefit status from landlords. Some people felt that their HB claim was not the landlord's business. On the other hand, a number of people felt that HB was not their money, but rightfully belonged to the landlord. Hence they thought it made more sense for the council to pay the landlord directly, rather than for the claimant to act as a *'middleman'*.

Moving to claimant payment

While most people who had their HB paid directly to the landlord wanted to keep this arrangement, many of them did not think that it would be particularly difficult to adjust to receiving HB and paying full rent themselves. People who thought the transition would be straightforward tended to have more organised approaches to money management and to be more familiar with using automated banking facilities. Overall, pensioners seemed to be less concerned about a change than families or young people.

Some of the claimants who were anxious about receiving HB and paying the rent in full were concerned about the 'hassle' this would involve (cf. DWP, 2004). The use of automated transactions would be one way of addressing this concern. This would involve HB being paid by automated credit transfer into bank accounts and claimants paying their rent by standing order or direct debit. For this to work effectively, however, HB would need to be paid to claimants in a timely manner, that is, in advance of the rent due date. This is because many people on benefits do not have sufficient leeway in their finances to accommodate lack of synchronisation between receipt of HB and payment of rent.

Another concern was about HB money being used for other things, be that consciously or accidentally. In such cases, there may be a need for advice about money management and budgeting. Potentially useful strategies might be the use of a separate bank account for dealing with rent and major bills, alongside another for more general day-to-day spending. Where cash flow allows, greater use of automated bill payment methods could be an aid to effective budgeting. Clear and frequent statements of HB payments may also assist claimants in keeping track of their overall household budget.

Considering the payment method system more broadly, there was little support for removing the option for the claimant to select payment to their landlord, as proposed under the LHA. The ability to choose one method or the other according to one's circumstances was generally seen as preferable, though some people felt that HB should always be paid to landlords, without exception.

There was general agreement among working age claimants that being responsible for HB and rent payment could potentially help people with limited money

management and budgeting skills. Being familiar with an income (HB) and outgoing (rent) of this size might also contribute to an easier transition into work. However, people felt that other factors, such as better off calculations, were more important in decisions about moving into work.

Finally, the findings do not support the view that certain groups of claimants such as disabled or elderly people should be automatically classified as vulnerable. Some of the claimants who wanted HB paid to them and not to their landlord were disabled people (in some cases with severe impairments) while others were very elderly. It should not therefore be assumed that just because someone is disabled or over a certain age that they are too 'vulnerable' to be paid their HB. At the same time, there is concern about whether there are effective ways to identify people who really are so vulnerable that they cannot manage their financial affairs (Citizens Advice, 2005). Consequently, a case by case approach will be needed to assess vulnerability in order to avoid writing off whole groups of people as incapable of managing their financial affairs and paying their rent. Equally, it will be important to ensure that truly vulnerable people do not fall through the net, if payment to the claimant is once again to become the normal method for paying HB.

The LHA evaluation

As noted in the Introduction, the DWP has commissioned an evaluation of the LHA Pathfinders. In addition, Shelter has conducted its own study of the LHA in several of the Pathfinder areas. Both the LHA evaluation and the Shelter study have found that the introduction of the scheme has gone well (Shelter, 2006; Walker, 2005). There has been an increase in the use of bank accounts, about nine out of ten LHA recipients are currently on claimant payment, and rent arrears have not significantly increased across the Pathfinder areas as a whole. Inevitably, there have been teething problems (Citizens Advice, 2005), but generally the concerns about large numbers of claimants falling behind with their rent have not materialised.

Of course, the Pathfinder experience relates only to private tenants. This raises the question of whether the LHA findings about HB payment methods are applicable to social housing tenants. What can be said in answer to that question is that, where the research reported here examined the same topics as the evaluation of the LHA Pathfinders, the results are very similar (see Anderson *et al.*, 2005; Roberts *et al.*, 2006). This includes, for example, claimants' approaches and attitudes to the use of automated payment methods and their preferences about how their HB is paid. In these aspects, the views and experiences of the private and social housing tenants receiving HB in this study were very similar to those of the private tenants receiving the LHA in the Pathfinder areas. This suggests that the LHA evaluation findings about the transition to claimant payment may, to an extent, carry over to social housing and not just to the privately rented sector.

Policy implications

Chapter Five discussed at length some of the issues that may be encountered in making the transition to claimant payment as the default method and suggested ways of addressing these concerns. The final section of this chapter summarises the policy implications of the research.

Although most people on landlord payment would prefer to remain that way, claimants with an organised approach to money management and those who are familiar with automated banking methods should find it relatively straightforward to adjust to claimant payment. However, other claimants may find it less easy to make this transition. The findings of this research suggest that the following steps would perhaps increase the prospects of a successful transition to claimant payment:

- Many people with less organised approaches to money management, and those who have little experience of using banks or automated payment methods, will need support in order to make a successful transition to claimant payment. This may include money management advice and, where applicable, assistance in opening a bank account. Local authorities should ensure that there are adequate advice services are available to claimants. Landlords should ensure that the availability of such services are drawn to the attention of their tenants.

- Local authorities should provide claimants with clear, regular and frequent statements of the HB that has been paid to them. Likewise, in the absence of up to date rent books, landlords should provide their tenants with regular and frequent statements of the rent payments they have made. These statements of HB receipts and rent payments could help claimants to keep track of and manage their budgets.

- The use of bank accounts, and in particular automated methods for receiving HB and paying the rent, could reduce the perceived 'hassle' of claimant payment. Local authorities should therefore offer claimants the option of receiving HB by automated credit transfer.

- In order to make the use of direct debits or standing orders financially viable for people on the lowest incomes, the payment date for HB should precede the due date for the rent within each claimant's payment cycle. In addition, claimants need to be assured that HB will be deposited regularly and predictably into their bank account.

- Local authorities should be required to cover the penalty charges levied by banks where administrative problems in the regular payment of HB result in claimants becoming overdrawn through no fault of their own.

- Landlords need to be clear with tenants about the sanctions they will take in the event of rent arrears, take those steps where arrears do arise, and ensure that such action is always taken sufficiently early to prevent claimants from getting into substantial debt.[14]
- Decisions about vulnerability need to be carefully judged to ensure that people are not unfairly dismissed as incapable of paying their rent and to identify those people who are genuinely unable to manage their financial affairs.

Notes

1 The taper on incomes above the HB personal allowances, and the deductions for non-dependent adults living in the claimant's household, continue to apply under the LHA. Hence claimants whose income is above their personal allowance, or who have non-dependents living with them, receive less than the full LHA payment.

2 In the Pathfinder areas, the LHA is based on the local rent ceilings that are used in the current HB scheme for private tenants with deregulated tenancies. These ceilings are known as the Local Reference Rent and the Single Room Rent. The median is the rent above which 50 per cent of tenancies have a higher rent and below which 50 per cent have a lower rent.

3 In the Pathfinder areas, claimants receive all of the excess of the LHA over their rent. The government is proposing to introduce a cap (possibly of £15) on the excess when the scheme is rolled out nationally.

4 Single claimants under 25 are awarded a lower rate of Jobseeker's Allowance or Income Support than people aged 25 and over. They are also subject to the Single Room Rent (SRR) restriction in the HB scheme, which limits the amount of benefit payable to the mid-point in rents for shared accommodation in the local area. Research into the SRR has found that it is a cause of financial hardship for young people (Kemp and Rugg, 1998; Harvey and Houston, 2005).

5 At a conference organised by the National Housing Federation on HB reform, all of the speakers voiced this concern, most of them referring to parents having to make an invidious choice between buying shoes for their children or paying the rent, if HB was paid to them instead of their landlord.

6 The very small number of social housing tenants with claimant payment reflects the fact that that is how HB is currently paid to all council tenants and 92 per cent of housing association tenants.

7 A direct debit is an instruction from a customer to their bank or building society authorising an organisation to collect varying amounts from their account, as long as the customer has been given advance notice of the collection amounts and dates.

8 Standing orders are customers' instructions to their bank to pay a set amount, to a named beneficiary, at regular intervals either for a specific period of time or until cancelled. A standing order differs from a direct debit in that it requires

the customer's bank to send the money, while a direct debit requires the beneficiary to claim the money.

9 POCAs were preferred by people who lived near a post office, those used to accessing cash through the post office, and people wanting to support their post office against the perceived threat of closure.

10 Some of these people cited the pension service or jobcentre plus, which may reflect the fact that it is now possible to claim HB at these offices when making a claim for Jobseeker's Allowance, Income Support, Incapacity Benefit or Pension Credit.

11 At the time of interviews, one of the three authorities involved in the study could only issue HB by giro. However, by the time of writing, this authority had introduced the option of payment of HB by ACT.

12 Support is being provided to local authorities via the HB reform fund to enable those who do not pay by ACT to make the transition.

13 The majority of claimants already on claimant payment preferred to receive HB by ACT. However, a few people preferred having a giro as they felt it enhanced their sense of control and gave them the assurance that the benefit had been paid.

14 This assumes that the arrears are due to reasons other than administrative problems in the processing or payment of HB.

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- 'what works' must be appropriate for the particular agencies and community, and should avoid 'shifting the problem' either to a new location, or from one landlord to another;
- legal remedies are an option, but not necessarily the most appropriate response in every case.

The action frameworks may be used to improve: strategic planning and monitoring; training and staff development; for reference in day to day operational work; improve working between different staff and residents within an organisation, and make multi-agency work – such as crime and disorder partnerships – more effective.

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THE MODERN PRIVATE RENTED SECTOR

David Rhodes

The modern private rented sector contains a wealth of up-to-date information, based on latest census data, on private renters within the UK. There are chapters looking at the:

- history and context of the modern private rented sector,
- size and distribution of the private rented sector,
- types of privately rented properties,
- characteristics of people who rent privately, and
- characteristics of privately renting households.

The analysis compares the private rented sector with owner occupation and social rented housing to help identify its key characteristics, and to show how it is in many respects a unique tenure. Different 'sub-sectors' of the private rented sector are also analysed to explore the extent of diversity within the tenure.

The report examines the ways in which the private rented sector and its sub-sectors vary geographically across the UK, how there are variations across different types of area, and how there are variations according to differing rural and urban contexts. An appendix contains a listing of some key characteristics of the private rented sector for all UK local authority areas.

The report concludes that private renting remains a diverse tenure that performs a number of important roles within the modern housing system. Looking to the future, it suggests that the flexibility of the private rented sector may continue to be one of its key strengths.

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UNDERSTANDING HOUSING DEMAND – Learning from rising markets in Yorkshire and the Humber

Paul Hickman, David Robinson, Rionach Casey, Stephen Green and Ryan Powell

In recent years, interest has grown in housing markets but relatively little is known about *how* and *why* they change. Based on quantitative and qualitative research in the Yorkshire and the Humber region, with particular attention focusing on four very different in-depth case studies, this report sheds further light on this issue by concentrating on one side of the housing market equation, housing demand, and the aspirations, attitudes and wants of households. Unusually, the research focuses on 'rising' markets. The study found that:

- Residential mobility is not simply a response to 'triggers' and 'push-pull' factors but a highly complex process. In-movers 'read' the market in different ways, saw different 'signals' within it, behaved differently within it, and responded to it in different ways.
- There is no 'magic ingredient' which causes some markets to rise quicker than others. The bundle of factors driving residential mobility, and ultimately housing market change, in the case study areas differed.
- Within the context of the overall housing field, residential mobility decisions appear to be a result of a complex interplay between four factors: *people's resources*; *residential perceptions and understandings*; *notions of place*; and *identity and dispositions*, with the latter factor appearing to be the most important.
- The desire to satisfy aspirations appeared to be particularly important for many households. It was possible to categorise residents' aspirations into two groups: those concerned with buying into a *lifestyle* and those that were closely linked to status, and, in particular, the household's *position* on the housing 'ladder' and in society.
- A recurring theme across the case studies was a – sometimes implied, sometimes explicit – preference among respondents to live among 'people like us'.
- In many parts of the region, housing-market change is not being driven by the decisions of purchasers as *consumers* but instead by their decisions as *investors*, and increasingly, housing is becoming an investment commodity more akin to stocks and shares.
- A number of negative consequences associated with rising markets relating to affordability, community cohesion and the cost of regeneration programmes were identified.

This report is an essential resource for practitioners and policy-makers at the national, regional and local level who need to understand housing markets and *how* and *why* they change.

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DEMOLITION, RELOCATION AND AFFORDABLE REHOUSING – Lessons from the Housing Market Renewal Pathfinders

Ian Cole and John Flint

The demolition of properties and subsequent relocation of residents are amongst the most visible and emotive elements of housing market renewal programmes. In particular the designation of clearance areas, the use of Compulsory Purchase Orders, and the levels of compensation provided to owner-occupiers affected by the process have been the subject of high profile political and media debates and raise a number of challenges for local communities and housing and regeneration practitioners and policy-makers.

This report identifies the key issues relating to housing clearance, demolition, compensation packages and relocation. Based on research in the Housing Market Renewal Pathfinder areas, it provides an assessment of how residents are being supported at all stages of the process and provides good practice principles and examples. It also demonstrates how:

- individuals and communities might be further empowered in decision-making processes about clearance and relocation;
- a range of support mechanisms may be offered to residents, including vulnerable households; and
- new financial products, including equity relocation loans, may be utilised to facilitate access to affordable and appropriate new homes and to build sustainable communities.

The study finds that:

- Housing demolition and resident relocation present a number of challenges for housing market renewal and require comprehensive support services for affected households going through the process to be established at each stage .
- There is a significant affordability gap between the compensation some owner-occupiers receive for the acquisition of their existing property and the cost of purchasing an appropriate new home. Addressing this affordability issue requires a range of innovative financial products to be developed alongside other housing access mechanisms.
- Housing Market Renewal Pathfinders need the active engagement of central government, financial institutions and housing providers and developers in order to minimise the disruption caused by demolition programmes and to maximise individual housing opportunities and longer-term neighbourhood sustainability.

This report is an essential resource for community representatives and housing and regeneration practitioners, as well as policy-makers at national, regional and local levels who are involved in housing market renewal.

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