

Discussion paper
**Access to Lets:
A future for rent
deposit schemes in
Scotland**

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Shelter

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Foreword

This is a discussion paper that reviews existing rent deposit schemes and asks 'what role they can play in the future in helping to meet housing need by facilitating access to housing in Scotland?'

This paper does not provide detailed statistical information about rent deposit schemes in Scotland because its intention is to stimulate debate about the future of rent deposit schemes in Scotland – not to evaluate in detail the experience so far. For example, it provides no indication of the capacity of individual schemes or of Scottish schemes as a whole to meet the needs of people in homeless people and other people in housing need.

It should also be noted that although a range of organisations operate Scottish schemes: normally local authorities and voluntary agencies, this paper does not compare between types of organisations.

This paper also points towards the potential usefulness of a national tenancy deposit or bond scheme, but it does not attempt to costs this or provide details of how it would work in practice.

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Summary

The private rented sector plays a small but important role in the provision of accommodation for homeless people on low incomes. It has therefore traditionally played an important part in the prevention of homelessness.

Accessing to the private rented sector is difficult for some people because of the need for rent deposits and speedy access to housing benefit. Rent deposit schemes are therefore about tackling one of the causes of homelessness – the inability to quickly access accommodation in the private sector. This review therefore considers the Homelessness Task Force's recommendation that rent deposit schemes should be a preventative tool in the campaign to end homelessness.

In this review, Shelter argues that there is a need to refocus attention on the important role that the private sector plays as tenure of the last resort for many homeless and low-income people. This attention must in particular consider the way in which this sector can be harnessed by local authorities, many of whom do not have enough temporary accommodation to meet the new temporary accommodation duties for non-priority need homeless people contained within the Housing (Scotland) Act 2001.

Local authorities and the Scottish Executive need to further identify ways in which some of the difficulties that low-income people face in accessing this sector can be removed. These problems range from housing benefit restrictions for single people to not having the funds to pay for a deposit at the start of a tenancy.

This paper argues that Scotland's 17 existing experiments with rent deposit schemes have been successful in overcoming some of the barriers people face when accessing this sector. We therefore suggest that existing schemes should be better resourced and new schemes should be developed as part of local authority homelessness strategies.

These schemes provide rent deposits in cash or guarantee (a promise to pay out if need be) to landlords to permit low-income people to secure private rented sector accommodation. Deposits can be very high and without help, they may be beyond the reach of low income or homeless people.

Schemes may also be able to work closely with landlords in an area to overcome some landlords' reluctance to accept housing benefit claimants. This can be done, by, for example, providing much wider private rented sector services, such as a letting service for landlords which ensure they have a constant stream of tenants who are covered by the scheme. This review and wider research (Rugg, 1996) has found that rent deposit schemes give tenants access to a larger choice of better quality accommodation to rent.

Schemes can also ensure the recovery of deposits at the end of a tenancy and, where necessary, for example, in the in the event of a dispute over the non-return of a deposit, provide an effective mediation service between landlords and tenants. The non-return of deposits is a widely acknowledged problem for low-income tenants (NACAB, 1999).

Schemes do not however directly increase the quantity or quality of private rented accommodation that is available. But they are able to monitor the quality of the stock accessed by tenants using the scheme and operate preferred landlords schemes – the best service going to the best landlords.

This review finds that rent deposit schemes coupled with help to access housing benefit can offer enough incentives to private landlords to entice them to take part.

This review advocates that in the long term a national tenancy deposit or bond scheme be introduced in Scotland¹. This scheme would hold all rent deposits centrally, for example, by an agency, who then mediates between landlord and tenants at the end of a tenancy. The agency would be self-financed by the interest from the deposit funds. This approach could build on experience so far in England with the ‘Tenancy Deposit Scheme’, which is being operated by the Independent Housing Ombudsman.

¹ The details of how this scheme would operate in practice are not considered here and would have to be fully worked out prior to its introduction.

1. Introduction

As early as July 1999 Wendy Alexander, then Minister for Communities stated about rent deposit schemes that 'we believe that such schemes have a valuable part to play in promoting housing opportunities for households on low incomes'. Since then rent deposit schemes have slowly been developing in Scotland.

On the 7th of March 2002 the Homelessness Task Force published its final report. This report states that:

... we wish to emphasise the importance of rent guarantee/deposit schemes in enabling young people and others of limited means to obtain access to the private rented sector. A number of local rent guarantee/deposit schemes have been piloted under the Rough Sleepers Initiative. We recommend that all local authorities should introduce rent guarantee/deposit schemes by 2004. The Executive should issue national guidance on such schemes, based on lessons learned from local pilots; local authorities should also receive initial funding to enable schemes to be set up (para. 43).

This paper argues that the then Minister's sentiment and the recommendations of the Homelessness Task Force are correct and that either individual schemes should be extended across Scotland or a national tenancy deposit scheme should be developed that will contribute to the prevention of homelessness.

This paper reviews the role that rent deposit schemes are presently playing in Scotland. We focus mainly on the way in which such schemes can help to ensure that homeless and low-income people can access private rented sector housing. It therefore refocuses attention on the role that rent deposit schemes can play in the prevention of homelessness.

Throughout the United Kingdom there is a national housing benefit system, which ensures that low income people and people in housing need can afford their accommodation. Shelter believes that rent deposit schemes should be part of this national framework – providing funds for people to enter the private rented sector.

The private rented sector plays a very important role in the housing market as a privately financed, flexible housing option for low-income people. However, the extent to which it can meet housing need is limited by the relatively small size of the sector, high costs, insecurity and poor quality. Recent housing policy has relied increasingly on the private rented sector to house low-income households in Scotland.

People on low incomes often find it very difficult to secure access to private rented accommodation. This review considers the reasons for this, but then takes as its main focus the role that rent deposit schemes are playing in improving low-income people's access to the sector.

This review of rent deposit schemes that are currently operating throughout Scotland should inform housing policy-makers and practitioners interested in developing rent deposit schemes throughout Scotland. It is based on literature received from 12 of Scotland's 17 rent deposit schemes. It makes 5 main points:

1. Rent deposit schemes can help prevent homelessness by making it easier for low-income people to enter the private rented sector.
2. Rent deposit schemes can be an important part of local authority strategies for the prevention of homelessness and so should be introduced in all areas of Scotland.
3. There are lessons to be learnt from Scotland's existing experience of rent deposit schemes. We consider what these schemes deliver and look at what new schemes could provide to ensure they are successful.
4. Both landlords and tenants can benefit from rent deposit schemes.
5. In the long run there is a case for a national agency to hold deposits and ensure their safe return if it is appropriate to do so.

The range of assistance the 12 schemes reviewed here provide varies tremendously, but all overcome two difficulties that tenants face.

- Firstly, finding money for deposits and/or rent in advance. Rent deposit schemes help to overcome this obstacle by providing either the funds themselves or a guarantee that any damages, rent arrears, etc would be covered by the scheme.
- Secondly, rent deposit schemes can also deal with non-return of rental deposits. This is what the Citizens Advice Bureaux have described as the most common cause of concern reported to them about the private rented sector (NACAB, 1999).

Local authorities have powers under sections 24 and 26 of the Local Government Act 1988 to provide any person with financial assistance for the acquisition, construction, conversion, rehabilitation, improvement, maintenance or management of accommodation for let by the private sector, but they can only exercise these powers with the consent of the Secretary of State. This assistance need not be in cash, but can take the form of guarantees or indemnities. This general consent allows them to use these powers to help tenants with rent in advance and rent deposits.

Local authorities can already give assistance to voluntary bodies to run rent deposit schemes on their behalf. The circular² giving the consent sets out good practice principles for rent deposit schemes. These include a condition that landlords must not retain deposits unjustifiably when a tenancy ends.

² SDD/31/88. Housing (Scotland) Act 1988: schemes for payment to assist local authority tenants to obtain other accommodation.

We argue here that Ministers should now emphasise that schemes should be given priority as part of homelessness strategies.

We also argue that in the long term the development of a national scheme for the holding and returning of rental deposits need to be developed in Scotland.

1.1 What is a rent deposit scheme?

The term 'rent deposit' has a range of meanings including bonds, guarantees and payments, but they all mean much the same thing. That is, money or a promise of money to cover the landlord against any damage to the accommodation, any rent arrears and any theft will be covered by the scheme.

Landlords will normally require around the equivalent of one month's rent as a deposit against loss, damage and /or unpaid rent – through there is no statutory control over the amount that can be charged. This is a large sum of money for tenants on low incomes to find, and causes two problems for tenants:

- (a) the problems of raising the deposit in the first place; and,
- (b) the problems of regaining that deposit at the end of the tenancy.

Rent deposit schemes – also called bond schemes or keyfunds – help to overcome these difficulties by providing either a deposit in cash to a landlord or a written guarantee given to a landlord in place of the cash asked for when a private sector tenancy is granted. What is actually covered depends on the particular scheme.

In Scotland a number of schemes and initiatives have developed to help meet the first point – the raising of the deposit – through the growth of locally-based rent deposit guarantee schemes. Both local authorities and voluntary organisations operate these. In the absence of these funds many people's only alternative could be to stay in a low quality B&B or access a hostel. The average bond guarantee in Scotland in all the schemes we reviewed is £300, which is not too high a price to pay.

Research (Rugg, 1996; NACAB, 1999) suggests that although these schemes have been very successful in helping low-income tenants to access the private rented sector, they presently operate on a small scale in very few areas. Therefore, where schemes exist they have tended to be targeted at specific groups such as single homeless people. In other words not everyone who needs help will qualify.

Guarantee schemes have developed because research (Randall and Brown, 1994) suggests that schemes that provide deposits in cash have problems securing their return. They therefore found that guarantees were more effective. It also found that where landlords were required to justify claiming on deposits the level of claims was much lower. They may however make it more difficult for schemes to attract landlords to take tenants accessing schemes.

1.2 What is the private rented sector?

In Scotland, the private rented sector comprises just 7% of the housing stock and is comprised mostly of private lettings owned by landlords who do not let property as a full time job or as their core business but as a sideline interest. Those who let property as a business account for only around a quarter of all privately let addresses. These are mainly property companies and institutions, such as the church, charities and government departments.

1.3 Why is the private sector important for low-income people?

Traditionally the private rented sector has been the sector of the last resort for those homeless people who are not considered to be a priority by local authorities under the Housing (Scotland) Act 1987. This is because there are fewer barriers to entry.

It should also be noted however that although the private rented sector does have this important last-resort role, it does also have a second role of providing people with alternatives to owner occupation. This is particularly for younger people and people in training and education. But this role of the private sector is not the focus of this review

The type of barriers that low-income people experience when accessing other sectors include:

1. **Public rented sector:** (a) people accessing social housing either have to wait on the housing register for a house or (b) apply as homeless, then by meeting certain criteria, e.g. you must have a local connection to the area to get a house through the homelessness route.
2. **Owner occupied sector:** you need to have certain characteristics, normally a permanent job, to ensure a regular source of money that will convince a bank manager to give a person a mortgage.

Due to having fewer barriers to entry, the private sector has always been of some importance to low income people even though the sector is small. This importance derives from what Kemp (2000) has called its 'residual role'. That is, accommodation which is let to low income people, many of whom would prefer to live in social housing, but are unable to gain access to that tenure for the time being at least (Kemp and Rhodes, 1994a).

Evidence suggests (Kemp, 2000, p.7) that for many households the private sector also acts as the 'tenure of the last resort'. It provides accommodation for those who would otherwise be homeless.

1.4 The basis for rent deposit schemes

Rent deposit schemes need to be developed in almost all areas of Scotland to (a) provide access to private rented sector accommodation and to (b) aid with the recovery of any deposit money paid to a landlord at the start of a tenancy.

- a) **Access:** No statutory regulation exists at present in Scotland over the charging of rental deposits, which can be very high and therefore beyond the reach of low income or homeless people. Rent deposit schemes can provide the deposit thereby allowing homeless and low-income people to access private rented sector accommodation.
- b) **Recovery of deposits:** Concern about the non-return of deposits paid at the beginning of a tenancy is a major concern for low-income people renting in the private sector. In Scotland, there is also no statutory regulation over how deposit money is held by landlords or for how it is eventually returned to the tenant, or indeed about who should benefit from the interest accumulated.

According to the Citizens Advice Bureaux, landlords frequently withhold deposits, often for reasons that cannot be justified. They get away with this because no inventory of household contents is provided at the start of a tenancy and no breakdown of costs against which a deposit can be withheld is given to the tenant. Often the only option open to former tenants hoping to get back their deposit is a small claim action in the Sheriff Court. But, this can take many months to be considered, costs money to take action and doesn't always favour the tenant. Then, even if they win the case, the landlord may not pay and it is left up to the tenant to take enforcement action.

Some tenants are then unable to obtain alternative accommodation as they cannot afford a new deposit before getting the previous one back. These problems are well documented in the report 'Unsafe Deposits' (NACAB, 1999).

Rent deposit schemes therefore ensure that the tenant recovers any money paid to a landlord at the beginning of a tenancy.

1.5 Rent deposit schemes or a Scotland-wide 'deposit bond scheme'?

In the long run, the present system of paying deposits and/or rent in advance, in the hope that the money will be returned at the end of the tenancy needs to be changed. This traditional arrangement between tenants and landlords, where all control over the deposit money lies entirely with the landlord is one over which no regulation exists, i.e. local authorities have no power to control how this money is held or used.

One alternative that has been suggested in policy circles is that of an agency that would hold all rent deposits on behalf of landlords and tenants throughout Scotland. The agency would operate a system for resolving disputes over the return or non-return of deposits. Though this would be the ideal way forward, and would be easier to achieve than setting up countless locally based schemes. This could be on the model of the 'Tenancy Deposit Scheme', which is currently being piloted in England by the Independent Housing Ombudsman. This model is discussed below.

Another alternative is that of amending the rules of the Department of Work and Pensions Social Fund to allow for the payment of individual deposits. But this alternative has also failed to win support from politicians at Westminster. This option would require support at the UK level as it involves the benefit system, which has not been devolved to Scotland.

At Shelter we advocate the development of a national scheme similar to the being operated in England. However, Shelter also believes that if no national scheme is to be developed in the near future then there is a need to increase the number of rent deposit schemes operating in Scotland. To do this in the short term will we believe mean the development of more local authority based / led schemes and more funding to voluntary organisations to provide these services. This is a particular need in areas of Scotland that are not presently covered by any scheme.

This review of rent deposit schemes should give an understanding of schemes that are presently operating in Scotland, which we argue must be the short term template for these new schemes.

1.5.1 Experience in England with the ‘Tenancy Deposit Scheme’

In England there is a scheme called the ‘Tenancy Deposit Scheme’ (TDS), which is operated by the Independent Housing Ombudsman (IHO)³.

Under the Housing Act 1996 IHO was encouraged to offer its services to the private rented sector and in particular to deal quickly, cheaply and fairly with deposit disputes. The IHO developed this scheme and identified ways to support it by protection for deposits and a guarantee that they would be returned if the Ombudsman found in favour of the tenant.

The TDS was developed by the IHO working with a Steering Group chaired by DETR and consisting of representatives from landlord, agent and tenant organisations. In January 2000 the Westminster government agreed to fund a two-year pilot scheme costing £460,000. Therefore, central government currently covers the costs of running the scheme. The aim is to cover 30,000 tenancies during the two-year life of the pilot. IHO is managing the pilots with grant-aid from DETR. The purpose of the scheme is two-fold:

1. to protect deposits so that tenants can be assured that they will be returned, subject to the terms of the tenancy agreement.
2. to resolve any disputes quickly, cheaply and fairly.

Landlords and agents taking part in the scheme choose between two options for holding the deposits:

- Under the custodial option the deposit goes into a special Nationwide Building Society account overseen by the Ombudsman. If there is no dispute at the end of the tenancy, withdrawal is straightforward. The landlord/agent can only withdraw the money under their own signature alone if they instruct that the tenant should get the whole sum. If there is a dispute, there will be no payment until the Ombudsman has adjudicated. Nationwide will then pay out the deposit in accordance with his instructions. The

³ Further details of the scheme are available at <http://www.ihos.org.uk/tds/about.htm>.

interest gained by the deposits while they are held by Nationwide will be used towards the costs of the scheme

- Alternatively, the landlord or the agent can select the insured option. They continue to hold the money in their own bank account, but also pay for insurance from the CGU Guarantee Society to ensure that the deposit will be repaid if there is a dispute and the Ombudsman finds in favour of the tenant. Under those circumstances, he instructs the CGU to make the repayment, and the insurance company then recovers the money from the landlord/agent. If there is no dispute the landlord/agent will keep or repay the deposit according to their agreement with the tenant.

As part of the scheme the Ombudsman issues his decision and instructions for paying back a deposit within 10 working days of receiving the necessary papers. Tenants can contact IHO to see if a landlord is taking part in the scheme and can then apply by post to the IHO. The scheme has successfully drawn landlord organisations in, for example, as early as 19th June 2001 the Association of Residential Letting Agents (ARLA) signed up its 1200 member offices in England to the scheme.

The scheme has now been operating for two years and is the subject of an ongoing evaluation. However, the Westminster Government has announced that it is being extended for a further two. Prior to considering such a national scheme, Scotland would need to consider fully the evaluation of this English scheme.

1.6 Rent deposit schemes are dependent upon landlord participation

Rent deposit schemes are dependent on landlords accepting the terms under which a scheme will provide a deposit or deposit guarantee. It is likely however that there will always be landlords who will refuse to work with a scheme.

Schemes must therefore, and many in Scotland have, develop the services that they offer to landlords, for example, a letting / re-letting service for their properties and a mediation service in the event of tenancy disputes. The most successful schemes will be those that offer enough incentives to landlords to ensure that they take part.

This wider role becomes clear when we examine what Scottish schemes presently provide, which is in some cases extends well beyond the traditional remit of rent deposit schemes.

1.7 Accessing the private rented sector is becoming difficult for low-income people

This role of tenure of the last report has reduced in importance in recent years for a number of reasons. These reasons have introduced new barriers of entry for low income people to the private rented sector, including:

- 1 Government policy** has made access to this sector very difficult for low-income and homeless people. The Housing (Scotland) Act 1988 deregulated the private

rented sector in Scotland and aimed to create an open competitive market in which low-income private tenants could no longer get a Rent Officer to register a Fair Rent on their homes. Prior to this landlords could only charge up to the Fair Rent set by this officer, which was reviewed every two years. Tenants who were on benefit or on similarly low incomes were entitled to Housing Benefit up to the level of the Fair Rent on their home. A Rent Assessment Committee can still make a determination of a 'market rent', but this is no longer the previous fair rent.

Nowadays, most tenants must pay whatever rent their agreement stipulates. The Rent Officer still exists, but his/her role is to set Housing Benefit levels, not rent levels, and over the past few years there have been many cuts in Housing Benefit levels for private tenants. These cuts have gone hand in hand with average rents that have risen significantly since deregulation (Bailey, 1996).

The sum of these changes is that it has become more difficult for low-income people to afford to live in the sector.

- 2 **Rent in advance:** According to the schemes we reviewed many landlords are now requiring substantial deposits and rent in advance, before letting their property. There is no statutory regulation over the amount that can be charged so these can be prohibitively high for homeless and low-income people.
- 3 **Letting agent fees⁴** now have to be paid in some cases to agencies that either own the property themselves or let it on behalf of a landlord. These fees further reduce the financial ability of homeless and low income people to access private lets.
- 4 **Competition with tenants:** Recent research by the Joseph Rowntree Foundation (2000) in Scotland has found that accessing the private sector is becoming increasingly difficult for homeless people, who are effectively 'in competition' with other, tenants, e.g. students, who landlords perceive as being preferable.
- 5 **Landlord's preferences:** Surveys of private rented sector landlords consistently show that they least prefer to not to let to unemployed people and housing benefit tenants. For example, Kemp and Rhodes (1994) found that landlords least like to let to young single people and unemployed people, and three fifths of landlords prefer not to let to tenants on housing benefit.

Landlords may even refuse access to the sector because of the way housing benefit is administered which takes such a long time (Kemp and Rhodes, 1994)⁵.

4 This is not to say that are set at inappropriate levels, in fact fees are regulated by the Accommodation Agencies Act 1953, what we are saying is that they further reduce access to private accommodation.

5 Claims for housing benefit can take a very long time. On average it takes 32 days for Scottish local authorities to process housing benefit claims, which is 18 days more than the DSS target of 14 days (Audit Commission, 2000).

The longer it takes to process claims the more likely it is that more and more landlords will let to people who are not on benefits.

- 6 Housing costs may be too high.** Low-income private tenants, even if they are on Income Support and are therefore entitled to the maximum level of Housing Benefit, usually receive less Housing Benefit than they pay in rent. They then have to make up the difference out of their Income Support, even though Income Support is supposed to be the State minimum that people can live on (excluding housing costs). Few, if any, low-income tenants can make up the difference out of their Income Support or other very low incomes (McLaverty and Kemp, 1998).

It is significant that between 1996 and 2000 there has been a 30% fall in the numbers of private tenants claiming housing benefit. This may indicate that fewer low-income people are accessing the sector (though a proportion will reflect lower unemployment). This is an argument for the extension of rent deposit schemes.

1.8 Rent deposit schemes can make it somewhat less difficult to access the sector

Rent deposit schemes can help to tackle a number of these difficulties. However, we emphasise that these schemes cannot address all of the long-term problems that exist for low-income people in the private rented sector, for example, housing benefit. Having said this it is clear from this review of existing Scottish rent deposit schemes that many have adopted a much wider remit than simply providing rent deposits, for example, some work with housing benefit departments to speed up applications, with landlords to provide a letting service to overcome their preference for non-housing benefit clients and act as a letting agent to avoid letting agent fees.

But many areas do not have a rent deposit scheme and even in areas that do it is necessary, due to resource constraints to limit the numbers of people accessing the schemes. This means that for many the homelessness route remains the only realistic route into housing.

1.9 The homelessness route may become the only choice

Difficulties in accessing the private rented sector therefore lead many low-income people, at some point, to approach a local authority as homeless.

Those who take this route have, under the Housing (Scotland) Act 1987, been divided into two groups: those who meet the required criteria and are housed and those who don't and are not. As it stands the latter category, comprising many single people, including, young people over the age of 18 are excluded in this way from local authority accommodation, because they are not a priority.

For these groups the private sector really does become the tenure of the last resort. These groups have, over the last few years, developed into the target group for most rent deposit schemes. But the Housing (Scotland) Act 2001 changes this situation somewhat.

It does this by providing this non-priority group with the right to access temporary accommodation. This does not however spell the end for rent deposit schemes because the duties to provide temporary accommodation do not extend a permanent offer of accommodation to homeless people. In fact, they probably increase the need for such schemes.

Instead the new legislation says that if somebody is homeless but not in priority need then a local authority shall: 'secure that accommodation is made available for his occupation for such period as they consider will give him a reasonable opportunity of himself securing accommodation for his occupation' (Housing (Scotland) Act 2001 s.3 (3) (i) & (ii)).

Local authorities need to consider ways in which they can assist homeless people to secure accommodation while they are in temporary accommodation. We believe that one solution would be the introduction of a greater number of more comprehensive rent deposit schemes across Scotland and develop closer links with the private rented sector to increase access.

Rent deposit schemes provide a number of benefits to local authorities. These include:

1. They may reduce the likelihood of a person being forced to apply as homeless to a local authority; and / or,
2. They can reduce the length of time that people not in priority need spend in temporary accommodation after applying as homeless under the new local authority duties to homeless people contained in the 2001 Act by helping individuals and families to secure accommodation for their occupation.

1.10 Chapter conclusion: The prevention of homelessness

The prevention of homelessness is being given an increasingly high profile. It has for example been an important theme for the Homelessness Task Force over the last two years.

At present the legal duty in relation to the prevention of homelessness is that, if a priority need applicant is unintentionally threatened with homelessness within 28 days, then local authorities must take reasonable steps to prevent the loss of accommodation. The Code of Guidance on Homelessness discusses the ways in which local authorities may prevent homelessness arising, or recurring, and much of this commentary extends beyond these basic legal duties.

New duties toward homeless people contained in the Housing (Scotland) Act 2001 (henceforth termed 'the Act'). For example, there is now a duty on local authorities to 'develop strategies that prevent and alleviate homelessness'.

This new duty and others contained within this Act will be implemented in a staged manner over the next few years. During this time local authorities and the Scottish

Parliament need to consider enhancing the tools that are presently available to prevent homelessness in Scotland.

Under the Housing (Scotland) Act 2001 Scottish Ministers may require particular types of assistance to be provided by local authorities to this group; and at Shelter Scotland we advocate that Scottish Ministers encourage local authorities develop rent deposit schemes, because too few are presently in operation in Scotland covering too small a part of the country.

Research carried out in 1999 (Yanetta and Third, 1999) found that 10 local authorities and just 7 housing departments had rent deposit schemes in operation and this review has found that not much has changed. There are now more voluntary sector rent deposit schemes, but these lack the resources of local authority based schemes.

Rent deposit schemes should form part an integral part of homelessness strategies as they can:

- 1. Help local authorities to meet new duties contained within the Act.** For example, the new duties to provide accommodation for homeless people, all of whom now⁶ have the minimum right of access to either permanent⁷ or temporary⁸ accommodation. Throughout Scotland, based on current information, we believe there will be another 14,900 homeless households each year (more than an 81% increase) for which temporary accommodation will now be required (Gill, 2001).
- 2. Reduce the length of time spent in temporary accommodation:** The new duties may lead to individuals and families spending long periods in temporary accommodation, however, reducing time spent in temporary accommodation, particularly B&Bs is a Scottish Parliament objective. By ensuring that rent deposit schemes are fully operational when the new temporary accommodation duties are implemented, some part of this objective may be achieved by ensuring that homeless people, not assessed as being in priority need, can access the private sector.

6 The 1987 Housing (Scotland) Act did not give all homeless people guaranteed access to housing, but placed a duty on local authorities to give access to those in priority need, who were not intentionally homeless and who have a local connection. The new duties require that temporary accommodation be provided to non-priority applicants and intentionally homeless applicants during the processing of an application, and for as long as is needed to give a homeless person reasonable opportunity to secure alternative accommodation.

7 A homeless household in priority need who have not made themselves intentionally homeless must be provided with permanent accommodation: in the form of a Scottish Secure Tenancy (SSST) or an assured tenancy.

8 Temporary accommodation must be provided in two new instances:

1. If the local authority believes that an applicant may be homeless they must now make sure that accommodation is available pending any decision on whether they are homeless or not. This duty previously only applied to an individual thought to be in priority need.
2. If somebody is homeless but not in priority need then a local authority shall: 'secure that accommodation is made available for his occupation for such period as they consider will give him a reasonable opportunity of himself securing accommodation for his occupation'.

3. **Help to ensure homeless people are not made homeless again:** There is a need to ensure that those homeless people who are provided with temporary accommodation until such a time as they can 'secure alternative accommodation', are not thrown out of their temporary accommodation onto the streets when a 'reasonable opportunity' has elapsed, but instead are given assistance, such as rent deposits to find alternative accommodation.
4. **Provide advice and information:** A rent deposit scheme can also provide homeless people with the advice and assistance on how to secure permanent accommodation that local authorities must now make available to all homeless people in their area. It can do this by providing advice and information at the point of contact.
5. **Provide access to the private sector:** Traditionally the private rented sector has been the sector of the last resort for homeless people not considered to be a priority by local authorities⁹. Kemp (2000) calls this its 'residual role'. Accessing this sector is very difficult for homeless and low-income people, as more and more landlords are requiring substantial deposits or rent in advance before letting their property, which they cannot afford. Rent deposit schemes can remove this barrier.
6. **They can help develop a multi-agency approach** to ensuring homeless people and people in housing need can access the private sector. The scheme should receive referrals from the council, voluntary agencies, housing associations, CABx, RSI projects, Social Work, Welfare Rights and also from the people themselves.
7. **They can help refugees to access the private rented sector.** Asylum seekers who achieve refugee status have under a month until the support of the National Asylum Support Service comes to an end. During this time they must access alternative accommodation. Rent deposit schemes would provide this group, few of who have resources of their own, with rent deposits to allow them to access this sector. Though it is also important to note that refugees will face issues of quality and tenancy management in the private sector.

⁹ As there is no need to meet criteria to gain access and a permanent source of income or for money to pay transaction costs associated with buying a home.

2. Scottish rent deposit schemes

In this part of the paper we consider in some detail how existing Scottish rent deposit schemes are operating. We look at:

1. who schemes provide for
2. the aims of Scottish schemes
3. how schemes are funded
4. what Scottish schemes currently provide for tenants and for landlords?
5. the criteria that tenants and landlords must meet to be eligible to take part in schemes.

2.1 Who do Scottish rent deposit schemes provide for?

The majority of the 17 rent deposit schemes operating in Scotland provide for homeless people who have non-priority status under the Housing (Scotland) Acts 1987, i.e. those people who will not be provided with permanent accommodation under the Housing (Scotland) Act 2001 or previous legislation.

The main groups are:

- single homeless people 18-25
- childless couples 18+
- in housing need or badly housed, i.e. if their current tenancy is unsuitable for needs.

Other groups to whom some schemes offer their support include:

- people who have slept rough in the last year;
- lodgers – guests or lodgers without a tenancy, those in B&Bs or living with friends or relatives, leaving prison, relationship breakdown;
- homeless couples with children; and
- homeless single parents.

The latter two should, however, have a right to permanent accommodation under the Housing (Scotland) Acts. There may however be issues of availability, location or even **choice** over where a local authority will house a person that will lead to them accessing the private sector and therefore potentially needing rent deposit scheme services.

2.2 The aims of Scottish rent deposit schemes

This review studied the literature produced by each rent deposit scheme in Scotland and compared the overall aim of each scheme. We found that Scottish rent deposit schemes do not share a single common aim.

A quarter have as their main aim to help reduce homelessness and / or combat rough sleeping (perhaps reflecting the fact that they were funded under the Rough Sleepers Initiative). Whilst the majority have as their main aim to help meet housing need: 'to enable people in severe housing need to access housing'; and, 'to help all eligible people regardless of race, sex, age, sexuality, disability or religion'. Some state as their aim to improve access to the private sector, for example:

- to overcome the reluctance of landlords to rent to D.S.S. claimants
- to provide rent in advance for new tenants claiming Housing Benefit
- aim to enable people who have nowhere to stay secure their own privately rented accommodation
- to enable single people and couples to access private rented accommodation
- to develop a network of accommodation through using deposit guarantees to help homeless people find and secure high quality private rented accommodation.

The aim of another is to meet what can only be a local authority derived objective 'to reduce referrals to hostels'. Some recognise the important role of support to maintain tenancies:

The provision of accommodation, together with support for those who require help in maintaining their tenancy, will enable clients to live independently and make real choices about their own lives by developing confidence and self esteem.

Some have objectives that are related, but not specifically aimed at meeting housing need such as 'to reduce out-migration from the area'.

2.3 How are rent deposit schemes funded in Scotland?

The diverse funding sources presently accessed to fund rent deposit schemes provide evidence that these schemes, though not a new idea, remain in their infancy.

- a Hospital Patrons Fund
- Housing Association funding
- trust funding
- council funding
- RSI funding
- Citizens Advice Bureaux
- CRISIS – SMARTMOVE
- Health Board
- a voluntary services council
- church donations
- individual donations
- Lloyds TSB Foundation

- local organisations
- Housing Partnership funding

The RSI has provided funding for 6 schemes in Scotland – the average amount allocated by the Scottish Executive in 2000/2001, under the RSI, to rent deposit schemes was £41,612. This fell to 39,810 in 2001/2002.

2.4 What do rent deposit schemes currently provide?

Each of the schemes reviewed in this paper provided a written deposit guarantee against damage or theft to the property. Therefore, no cash changes hands unless there is damage, theft or rent arrears at the end of the tenancy.

The schemes considered in this review did not cover money owed because of:

- arrears due to late payment of housing benefit (though a number of schemes paid rent in advance to cover this, with housing benefit being paid to the scheme to repay the rent in advance);
- tenant bills such as gas, electricity, telephone, water rates and TV licence; ordinary wear and tear; and,
- the cost of repairing the mechanical breakdown of any installation which the landlord is required by law to repair.

Each one of the schemes also undertakes to assess support needs and ensure any support needed to maintain tenancy is provided.

One particular difficulty for staff of rent deposit schemes is actually identifying who exactly is liable for any money that has to be paid to a landlord in the event of damage to the property or rent arrears etc. If it is the tenant who is liable, this liability is just another factor in that person or family's exclusion from housing in all sectors.

The following are services offered by rent deposit schemes in Scotland. Some of the schemes may offer additional services, but we are only considering those services detailed in the literature provided by each scheme.

2.5 Services provided for tenants and prospective tenants

Range of services	Scheme provision
Advice on renting a property	<ul style="list-style-type: none"> All schemes provide some advice on renting a property. One scheme answers queries on the landlord's responsibilities to the tenant.
Finding Accommodation	<ul style="list-style-type: none"> All schemes provide some advice and assistance
Rent in advance	<ul style="list-style-type: none"> Four schemes provide rent in advance (1-6 months). Two schemes provide rent guarantees until housing benefit is sorted out.
Housing Benefit	<ul style="list-style-type: none"> Seven schemes provide help with filling in housing benefit forms. Four schemes liaise with housing benefit departments to ensure benefit claims are processed quickly. One scheme encourages landlords to take tenants on housing benefit.
Other benefits	<ul style="list-style-type: none"> Three schemes check eligibility to all benefits.
An accessible list of landlords	<ul style="list-style-type: none"> Ten schemes state that they maintain and add to a list of acceptable landlords. Six schemes state that they locate additional landlords.
Check the condition of the property	<ul style="list-style-type: none"> Seven schemes inspect the condition of properties and ensure it is appropriate to meet housing need. One states that it encourages improvements to properties.
Inventories	<ul style="list-style-type: none"> Five schemes keep an inventory detailing the condition of properties to ensure it is appropriate. Just one inspects properties at the end of a tenancy.
Befriending service¹⁰	<ul style="list-style-type: none"> Three schemes provide a befriending service.
Length of support	<ul style="list-style-type: none"> Two schemes state that it is available for a period of six months initially, which can be extended to a maximum period of twelve months.
Budgeting and saving	<ul style="list-style-type: none"> Two schemes help tenants in the scheme to save for their next deposit. One scheme helps with budgeting.

¹⁰ A service staffed by volunteers who offer a supportive role to people who may feel socially isolated or face life difficulties. Developing a befriending project should be considered as part of a rent deposit scheme.

Independence	<ul style="list-style-type: none"> • Two schemes help develop skills for independent living.
Responsibility	<ul style="list-style-type: none"> • Two schemes clearly lay out areas of responsibility of the tenant.
Council tax	<ul style="list-style-type: none"> • Just one scheme helps clients to fill in council tax forms.

2.6 Tenants must meet certain criteria

In order to qualify for the help of a rent deposit scheme people are usually expected to meet certain scheme criteria (these criteria are ranked by the number of schemes who require each). They must:

- have a limited income, for example, under £90 per week (all schemes)
- be on income support (5 schemes)
- be capable of living independently / maintaining a tenancy¹¹ (4 schemes)
- be unable to raise a deposit from other means (3 schemes)
- have a local connection (2 schemes)
- meet additional unspecified needs led criteria (2 schemes)
- be registered with the council for assistance (one scheme)
- be referred by the local council (one scheme)
- be willing to save for their deposit in the future (one scheme)
- have not previously caused the scheme a loss (one scheme)
- sign a minimum 6 month tenancy agreement (one scheme)

2.7 Services provided for landlords and prospective landlords

The main benefits of rent deposit schemes for landlords are:

- they find tenants for landlords properties;
- they find replacement tenants quickly when properties become empty; and,
- they guarantee the reimbursement of rent arrears and uninsured damage, loss and theft (this is up to a maximum limit beyond which the landlord must go to court).

¹¹ The CRISIS SMARTMOVE rent deposit scheme template, for example, contains a number of points that need to be considered when developing a Rent Deposit Scheme. They state, 'inappropriate referrals to tenancies can reflect badly on a scheme'. Applicants are required to show an ability to live independently or a willingness to accept support in order to (see next page) do so. They take a number of factors into account: firstly, a history of drugs, alcohol, arson, violence, and / or unjustifiable rent arrears. However, correspondence with schemes indicates that even where these criteria exist, it is usually possible for a person to get a second chance.

It is clear from this research that further consideration needs to be given to identifying the most appropriate groups of tenants for rent deposit schemes, as the private sector as the private rented sector may not be the right place for people who have chaotic lifestyles, mental health, drug or alcohol problems – particularly as the most they will be offered is a 6 month tenancy. Schemes cannot be a catch all solution for those groups not catered for by mainstream social housing and specialist supported accommodation.

Range of services	Scheme provision
Housing Benefit	<ul style="list-style-type: none"> • Four schemes ensure that housing benefit payments are made direct to landlord. • Four monitor housing benefit applications and contact dept to try to insure that housing benefit is paid and on time. • One provides 4 weeks rent in advance, subject to housing benefit levels. Paid back to the scheme from the first Housing Benefit payment.
Responsibility	<ul style="list-style-type: none"> • Two schemes lay out areas of landlord responsibility.
An accessible list of landlords	<ul style="list-style-type: none"> • Ten schemes maintain and add to a list of acceptable landlords. • Six schemes locate landlords in order to match them with clients. • One invites landlords to join scheme. • One has a Supported landlord scheme.
Rent in advance	<ul style="list-style-type: none"> • Two schemes provide rent in advance.
Provide advice	<ul style="list-style-type: none"> • Two provide advice.
Inventories	<ul style="list-style-type: none"> • Five schemes keep inventories detailing the condition of properties and any contents when a tenancy is started. • Only one scheme explicitly states that it inspects properties at the end of a tenancy.
Tenants	<ul style="list-style-type: none"> • One scheme screens tenants for landlords.
Training and administration	<ul style="list-style-type: none"> • One scheme provides training and administration to landlords. • One provides administrative assistance with standard tenancy agreements and inventories.
Standard tenancy agreement	<ul style="list-style-type: none"> • One scheme provides a standard tenancy agreement.
Best practice	<ul style="list-style-type: none"> • One provides best practice advice to landlords, including advice on current legislation and other relevant information: safety, fitness and management in the private rented sector.

1.8 Landlords must meet certain criteria

The following are the range of criteria that Scottish schemes require from landlords:

- Two schemes require that landlords house a nominated tenant without a deposit or rent in advance for a minimum of 6 months.
- All schemes require the landlord's property to be fit for habitation.
- All landlords must accept housing benefit and low-income tenants.
- Landlords provide information to ensure HB claims are made quickly.
- Provide access to the property to allow the scheme to make up an inventory and if necessary for claims to be investigated.
- Landlords must contact the scheme immediately if arrears build up.
- They must respond to scheme enquiries within a reasonable period.

Summary

Scottish schemes provide mostly for non-priority need homeless people. They have diverse aims, ranging from providing access to the private sector to reducing out migration from areas. They are funded by diverse sources. All Scottish schemes considered in this review provide a written deposit guarantee against damage or theft to the property, rather than a cash deposit.

Schemes provide a surprising range of services to both landlords and tenants, many of which are well beyond the traditional remit of a rent deposit scheme and which are more of a private rented sector facilitator, for example, some act as a letting service, tenancy advisor and dispute mediators.

All schemes also require both tenants and landlords to meet certain criteria before they will be accepted by the scheme. For example, tenants must have low incomes or be actually homeless and landlords must accept housing benefit and low-income tenants.

3 Good practice in developing new rent deposit schemes in Scotland

This review illustrates that there are many positive aspects of rent deposit schemes as they operate in Scotland. The following takes the experience of these schemes and points at some areas of good practice that could be developed by future rent deposit schemes. We suggest:

1. A scheme aim.
2. How schemes could prioritise their resources.
3. The range of services that a rent deposit schemes could provide for tenants and for landlords, and we identify which are the most important.
4. What landlords who take part should agree to do.
5. How to identify potential landlords for a scheme.
6. What factors to monitor once the scheme is operational.

3.1.1 Aim

The aims and objectives of existing Scottish rent deposit schemes can be summarised as helping to reduce homelessness and to enable all eligible people, regardless of race, sex, age, sexuality, disability or religion, in housing need to access housing, by providing rent deposit guarantees and help with accessing housing benefit. Together these services can secure access to privately rented accommodation.

We do not suggest that this aim be adopted by any or all rent deposit schemes, but the elements contained within should be present within the aims of most schemes.

3.2 Prioritising rent deposit scheme resources

A rent deposit scheme will normally not be able, due to resource constraints, to address the needs of every person who asks for help, or who is referred, for help. Instead it must prioritise. Here we consider the criteria that may be adopted by schemes.

During the following points we consider the role that the private sector plays in housing people who are accessing the private sector as a last resort, i.e. people who have not been allocated housing by a local authority under existing homelessness legislation. We are not saying that the private sector is the best place for vulnerable homeless people – merely that it is at times the only option.

Firstly, to address the needs of homeless people – whether people directly request help himself or herself, or indirectly through referral from a council.

Rent deposit schemes in Scotland can provide for homeless people who have non-priority status under the Housing (Scotland) Acts 1987 and 2001, i.e. those people for whom permanent accommodation will not be provided. These people now have a right to temporary accommodation until they can secure accommodation of their own and councils must assist them in finding this accommodation.

Prioritisation within this group should not occur as all homeless people are in housing need.

Secondly, additional criteria can be written as a description of circumstances, rather than as hurdles through which people must jump. For example, all homeless people accessing rent deposit schemes, will generally have low incomes and are therefore on benefits, and be in a position where they could not raise a deposit from other means.

Finally, those developing schemes should be careful when applying additional criteria to those who access their service, as these may be exclusionary, for example:

- Schemes should not require a homeless person to provide evidence that he or she is capable of living independently/maintaining a tenancy, as many homeless people do have chaotic lifestyles. Schemes should instead aim to ensure the provision of intensive support by the scheme and others to ensure tenancies are maintained and people are helped to live independently.
- Schemes should not require a local connection. Local authorities are not required to apply this to homeless people under the Housing (Scotland) Acts, though it is dealt with, within strict parameters, in guidance. We do not believe that it should be applied by rent deposit schemes, which should provide for all those in housing need¹².
- Schemes should not require homeless people to save for a future deposit. Shelter does not consider this appropriate given the very low incomes of this group and the fact that in many areas rents are well above housing benefit.
- Homeless people who have previously caused the scheme a loss should not be barred from its services. Shelter believes that each case must be considered on its merits and nobody should be excluded.
- Anyone on a low income should be able to apply to a rent deposit scheme for help. At present the cut off point used by most schemes is £90 which is far too low, particularly as someone earning this amount would still qualify for housing benefit towards their rent.

3.3 What services can a rent deposit scheme provide?

The following is the potential list of services that schemes could provide – firstly to tenants and then to landlords. A number of the services being provided by rent deposit schemes in Scotland could be better defined as a wider service to the private rented sector. In this

¹² Feedback from schemes on this review suggests that it can take a few months for an applicant to find a place to live – by which they have built up the required qualifying time. So local connection is not normally a difficulty.

respect the scheme services considered here are not all being operated by every scheme in Scotland, but each is being operated by at least one scheme.

Not all schemes will have the resources to do each of these. We have therefore broken the potential services that a scheme could provide for both tenants and landlords into three types: the first level is the most important, the second level can be provided if possible and the third level whilst welcome should not be priority.

3.3.1 What services can a rent deposit scheme provide for tenants?

First level scheme services:

1. It can act as a guarantor for the deposit against damage to the property in question. Rent deposit guarantees can be provided for any length of time, but in Scotland most schemes have provided one for 6 months in the first instance and, depending upon circumstances, extended for a further 6 months¹³.
2. It can provide rent in advance (reclaimed through housing benefit). This has become an important function important due to the unacceptable length of time it can take to process a housing benefit application, and also because even if the application is processed quickly, the money is paid in arrears, which some landlords do not accept¹⁴.

Second level scheme services:

The scheme can provide help with the filling in of Housing Benefit and Council tax forms and can liaise with the local authority to try to ensure that applications are processed quickly and benefits paid.

1. Scheme staff should understand tenancy agreements and be able to advise tenants of their rights.
2. It can clearly lay out areas of tenant responsibility in an easily understood manner.
3. It can provide advice and assistance to people in housing need in finding and obtaining accommodation.
4. It can maintain and develop an accessible list of acceptable landlords, as part of this, it can support those landlords who maintain the best properties by providing them with the best service.
5. It can encourage improvements to properties. It can visit all properties to inspect their condition prior to adding the property to their list or advocating that landlord. The

¹³ A further 6 months should be provided where tenants have not been able to contribute towards their own deposit and / or ongoing support is required.

¹⁴ It can be argued that rent deposit schemes are propping up failure in the way housing benefit is administered and operated, by reacting to inadequacies in the system by paying rent in advance. This is not a fault of rent deposit schemes but instead is a necessary reaction to existing circumstances. Politicians should address the inadequacies inherent in the administration and operation of housing benefit.

scheme should contact the Council's Environmental Health Department about particular properties they are unsure about.

6. It can visit the property, prior to letting, with the prospective tenant and complete an inventory detailing the condition of the property and any contents when a tenancy is started. It can then inspect properties at the end of a tenancy (one scheme in our study kept a photograph record in case of disputes).

Third level scheme services:

1. It can assess support needs and ensure any support needed to maintain the tenancy and to develop skills for independent living is provided¹⁵. It can provide staggered support and reduce this over time.
2. It can consider the introduction of a befriending service as part of their support package, as described above.
3. It can help clients with budgeting and saving.

3.3.2 What services can a rent deposit scheme provide for landlords?

First level services:

1. It guarantees the reimbursement of rent arrears and uninsured damage, loss and theft. This is up to a maximum limit beyond which the landlord must go to court.
2. It can provide 4 to 8 weeks rent in advance to the landlord, when necessary and subject to housing benefit levels, which can be paid back to the scheme from the first housing benefit payment (refer to footnote 10).
3. It provides landlords with a letting service for their properties, by finding tenants for landlord's properties and replacement tenants when empties or voids appear.

Secondary level services:

1. It can inspect the property and provide a copy of a fully completed inventory of the property and its contents to the landlord at the beginning and end of a tenancy.
2. It can act as an intermediary in any dispute, and in the event of a claim by the landlord, assesses whether it has any basis. If it does the scheme pays the money out and seeks recompense from the client (refer to footnote 10).
3. It can provide advice and assistance to landlords on tenant's rights.

¹⁵ An assessment of the person's ability to live independently should be carried out to highlight any potential support needs. Then it is vital that the appropriate resources are put in place to provide the appropriate support. It is this support, which will ensure that tenancy conditions are not broken, and deposits lost.

4. It can assure landlords that housing benefit is payable and have it paid direct to the landlord. It can also monitor housing benefit applications and contact the council to try to insure that housing benefit is paid and on time, and keep the landlord informed of progress.

Third level services:

1. It can provide the landlord with a standard tenancy agreement and administrative assistance with standard tenancy agreements.
2. It can provide best practice advice, advice on current legislation and other relevant information: safety, fitness and management in the private rented sector.
3. It can guarantee support to the tenants, thereby reassuring the landlord.

3.4 What a landlord should have to do to be included in a scheme

The landlord does not get these services without having to meet certain criteria, which should include:

1. Providing a property that is fit for habitation (that complies with HMO licensing regulations and which have all current safety certificates).
2. Accepting tenants on housing benefit.
3. Accepting tenants nominated by the scheme.
4. Agreeing with the scheme arrangements for the resolving of disputes and for the payment of monies by the scheme.
5. Accepting a written guarantee in place of a cash deposit.
6. Providing information to the scheme to ensure the payment of housing benefit.
7. Providing access to the property to carry out an inventory and basic safety check and able to investigate any claims which arise.
8. Contacting the scheme if the tenancy ends or if rent arrears arise.
9. Responding quickly to scheme enquiries.

3.5 Identifying potential landlords

Throughout Scotland there are a number of examples of how potential landlords have been identified by schemes that could be adopted by those developing a new rent deposit scheme or expanding an existing one, these include:

- drawing together of a private landlord forum

- advertising the rent deposit scheme widely, and publicise the benefits to landlords, and ask them to come forward and place themselves on the list
- identifying potential landlords through the Empty Homes Initiative
- encouraging owners of derelict, empty or properties in poor repair to contact the council and to try to bring them back into use
- contacting the housing benefit department to obtain a list of all current registered landlords to promote the scheme
- contacting local letting agencies

3.6 Monitoring the Scheme

All rent deposit schemes should monitor their system to ensure that it is working. They should monitor:

- the number and type of landlords they are dealing with
- the number and type of properties they have on their books
- the number of households the scheme has assisted
- the length of stay in scheme assisted tenancies
- the percentage of claims in relation to the number of guarantees ended
- details of debt recovery
- the scheme's success rate
- areas where the scheme isn't working
- all landlords and tenants could be asked to complete an evaluation form on the service they have received
- referring agencies could provide feedback on the process

3.7 Section summary

The most important function of the rent deposit schemes presently operating in Scotland is to address the needs of homeless people – whether people directly request help himself or herself, or indirectly through referral from a council. This is not to say that rent deposit schemes cannot play their part in a wider service for people accessing the private sector, merely that the most likely reason why schemes exist at present is to provide help for people to access this sector who would otherwise find it difficult.

In addressing these needs schemes should try to avoid a number of things:

- Schemes should not require a homeless person to provide evidence that he or she is capable of living independently/maintaining a tenancy. Schemes should instead aim to ensure that people are helped to live independently.
- Schemes should not require a local connection.
- Schemes should not require homeless people to save for a future deposit.
- Homeless people who have previously caused the scheme a loss should not be barred from its services.

Depending on the amount of resources that a scheme has, it could operate very extensive services above and beyond the traditional remit of rent deposit schemes, such as a letting service for landlords. However, many schemes will not have sufficient resources to provide anything but the most basic rent deposit scheme. To facilitate the different types of schemes that may develop, we ranked the services provided by schemes for both landlords and tenants into three categories. It is the first category of services that we emphasise as being the most important.

But the full potential for these schemes can only be realised if they are implemented as part of a wider private sector scheme – providing services in addition to the rent deposit function.

Conclusion

To enable the private rented sector to work efficiently people need to be able to move between tenancies quickly and without undue difficulty. It is in the interests of both landlords and tenants that the sector work well and that people are able to move between tenancies. However, if landlords do not return deposits or take a long time to return deposits, the rent deposit system slows down this movement and may even prevent people accessing a new private sector tenancy.

By overcoming these difficulties with the return of deposits, rent deposit schemes can play a significant role in improving access to private rented sector accommodation for low-income people. Thereby improving the overall efficiency of the sector.

These schemes offer benefits to both landlords and tenants. These benefits are potentially substantial enough to ensure that a rent deposit scheme in an area can become an effective tool for the prevention of homelessness.

The most important function of rent deposit schemes is to address the needs of homeless people – whether people directly request help himself or herself, or indirectly through referral from a council. In addressing these needs schemes should avoid excluding any homeless person by requiring people to meet strict access criteria, such as having a local connection with the area.

Scotland's 17 existing experiments with rent deposit schemes have been successful in overcoming some of the barriers people face when accessing this sector. We therefore suggest that existing schemes should be better resourced and new schemes should be developed as part of local authority homelessness strategies.

In addition, schemes may be able to work closely with landlords in an area to overcome other access obstacles, such as landlord's reluctance to accept housing benefit claimants. This can be done, by, for example, providing much wider private rented sector services, such as a letting / re-letting service for landlords which ensure they have a constant stream of tenants who are covered by the scheme.

Schemes do not directly increase the quantity or quality of private rented accommodation that is available. They can however monitor the quality of the stock accessed by tenants using the scheme and operate preferred landlords schemes – the best service going to the best landlords.

In May, 2001 the Homelessness Task Force stated that it wanted to look at how an approved landlord scheme would operate, and what incentives could be offered to landlords to make them take part. This work finds that rent deposit schemes can offer enough incentives to landlords to entice them to take part.

The present system of landlords holding rental deposits until the end of a tenancy ensures that the onus is upon the tenant to claim back the deposit at the end of the tenancy. The

reverse should be the case, i.e. it should be the landlord who has to justify withholding the deposit.

In the long term there is a need to consider the development of a national agency that holds deposits on behalf of tenants and ensures their return if appropriate at the end of the tenancy. Where appropriate this agency would deduct from the deposit; arrears, cost of repairs and so forth. This agency would work to strict time deadlines, perhaps 14 days to return a deposit.

Recommendations

1. Rent deposit schemes have an important role in accessing the private rented sector and also in raising standards of tenancy management.
2. Rent deposit schemes should be an integral part of the homelessness strategies of local authorities, which are presently being produced to accord with new duties contained within the Housing (Scotland) Act 2001.
3. Rent deposit schemes have an important role to play in providing access to temporary accommodation or follow on to temporary accommodation for non-priority homeless people.
4. There needs to be model rules and procedures developed in Scotland for rent deposit schemes to ensure consistency across the country.
5. Many of the rent deposit schemes in Scotland are relatively new. If additional funding were provided they would be able to build on the support services they currently provide.
6. Scotland could move towards the development of a national rent deposit agency and national scheme.

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Appendix: Schemes Considered

1. Patron of Cowanes Hospital in partnership with Cowanes Hospital Housing Association, Cowane's Trust and Stirling Council.
2. Shetland Rent Deposit Scheme
3. McKay Smartmove Project Dundee Cyrenians
4. DIGS Deposit Deposit Guarantee Scheme (Dumfries and Annan)
5. Fife Keyfund
6. Seascape (South Ayrshire Escape from Homelessness). Run by volunteers and a management company.
7. South Lanarkshire Jubilee Key Scheme.
8. Smartmove East Lothian
9. CATH Keyfund
10. Aberdeen Cyrenians Rent Guarantee Scheme
11. Aberdeenshire Cyrenians Rent Guarantee Scheme
12. Rough Sleepers Project (West Dunbartonshire Council) Rent Deposit Guarantee Scheme.