

Tenant Hardship Loan Fund – Information for advice providers

Introduction

At the end of August 2020 the Scottish Government announced the creation of a £10M Tenant Hardship Loan Fund as a further support intervention as part of our response to the coronavirus crisis.

This fund will offer loans to tenants (both private rented and social sectors) who are struggling with rent because of changes to their finances and / or employment during the pandemic. Loans will be interest free and repayments will be deferred, with the loan being repayable over a number of years.

The loan will be available from early December and will be administered by Energy Savings Trust on behalf of Scottish Government.

Background

Throughout the pandemic the Scottish Government have sought to keep people safe and in their homes. We have introduced a range of support interventions in response to the pandemic, including the extended notice periods within the Coronavirus (Scotland) Act and the increases to Discretionary Housing Payments (DHPs), along with interest free loans for landlords. There is no single solution to the difficulties being experienced as a result of the impacts of the coronavirus pandemic in Scotland, and the Tenant Hardship Fund is a part of a broader effort to support those who are affected.

We want people to access the most appropriate form of financial support and the loan will not always be the best option for people who are facing difficulty. The loan is repayable and many tenants may be entitled to non-repayable support, for example through Universal Credit and Discretionary Housing Payments, which is a much better option.

This loan offers the potential for people to clear arrears and remove the threat of eviction, particularly for those who have returned to being able to pay their full rent. This includes tenants who lost their job in the period immediately before the coronavirus pandemic and were unable to seek new employment due to restrictions.

Whilst ongoing borrowing to pay rent is unsustainable, for people who have had reduced earnings but have the prospect of returning to being able to pay existing rent or moving to more affordable accommodation in the short term, allowing borrowing to cover future rents for a limited period of time could be helpful.

The terms of the loan will be more favourable than other lenders, and of course the loan is interest free, but there will be a consideration of affordability and the ability to repay to make sure that all lending is responsible.

Target Group

There is no specific target group and the loan will be available for private and social housing tenants.

Examples of people who might find the Tenant Hardship Fund a useful option are:

- A hairdresser, whose salon has re-opened but with much reduced customer numbers because of social distancing and hygiene requirements

- A self-employed taxi-driver who continues to work although fares are at a fraction of their usual numbers
- A hospitality worker whose hours have been reduced
- A couple where one partner is experiencing a loss or reduction in income but their combined income means they are not eligible for support with their housing costs

These examples are intended to be illustrative and are not prescriptive or exclusive, although the key elements are that a tenant who may find this loan a useful option is likely to:

- Continue to be employed and have some income
- Be out-with the scope of Universal Credit / Discretionary Housing Payments
- Be facing reduced income as a temporary situation with likelihood of being able to come back into payment of rent in the shorter-term

In order to make sure that tenants are accessing non-repayable support where they can, we want them to seek advice prior to applying for the loan. This is especially true for anyone who has recently lost a job or entered the benefits system for the first time.

We do not want to exclude tenants from applying for the loan unless they have taken advice but the loan process will seek to “channel” people towards seeking advice.

Practical things that will be included in the loan process are:

- The loan landing page will highlight that other, more suitable options may be available and sign-post where to go for advice before making an application
- The application form will include a declaration that the applicant has investigated and applied for other forms of support where these are available
- Specific questions on whether advice has been sought will be included in the application form
- The loan administrator will advise anyone who gets in touch that they should seek advice and sign-post where to go for it.

Where applicants have not received advice they will be sign-posted to organisations that can provide advice (Shelter Scotland, Citizens Advice Scotland, Money Talks teams, local authority advisors etc). These organisations will not be able to advise on the loan itself or the appropriateness of a loan for individual tenants. They will, however, be able to help inform applicants of any other support that might be available.

Overview of the loan terms

The interest free loan is available for private and social sector tenants who:

- Have the right to reside within in the UK
- Were not in rent arrears prior to 01 January 2020

Tenants can only apply for a loan on 1 occasion and will not be permitted to make multiple applications.

The loan scheme funding may be used to:

- clear rent arrears that have arisen since 01 January 2020 and/or;
- pay a maximum of 3 months future rent payments.

Tenants can apply for a loan to cover rent payments as per their tenancy agreement for a period of up to 9 months in total. However, tenants cannot apply for more than 3 months of future rent payments.

To confirm the level of any arrears, the loan administrator will contact the landlords, or where applicable the landlords letting agent, of the applicants for verification of the current circumstances. This will include the amount of monthly rent due, the level of outstanding rent arrears and confirmation that these arrears were accumulated after January 2020. To avoid delays in offering the loan to eligible tenants, landlords and letting agents are asked to provide the requested information as quickly as possible.

In addition to this information, private landlords will also be required to sign an agreement preventing them from taking action to repossess a property on the grounds of rent arrears, the landlord or their family member intend to live in the let property, the landlord intends to sell the let property and the landlord intends to use the let property for a purpose other than housing, during any period where rent payment are covered by the loan . Any formal action to end a tenancy on these grounds that has already been started will also need to be withdrawn.

Loan repayments will be deferred for 6 months following payment of the loan, with the loan being repaid in 60 monthly instalments. The loan can be fully repaid at any point.

Applicants will need to pass an affordability check and a credit check before being offered a loan.

Further information

To be kept updated on the Tenant Hardship Loan Fund please contact PRSTenantHardshipFundCovid-19@gov.scot

Questions and answers

Questions and answers have been drafted and are attached at Annex A.

Annex A: Tenant Hardship Fund – questions and answers

Q: How will a loan be of benefit to people who are already struggling?

A: The Tenant Hardship Fund will not be an appropriate choice for everyone. Where someone is considering a loan to help them manage issues, particularly arrears that have arisen in the last few months as a result of the impact of the coronavirus pandemic, it is likely that our interest free terms and repayment period will be helpful.

Q: Who is eligible to apply for a Tenant Hardship loan?

A: There is no specific target group, the key eligibility criteria are:

- tenants (both PRS or social rented sector)
- experiencing difficulties with rent costs as a result of the impacts of coronavirus pandemic

Q: Will the loan be an option where DHPs have been refused?

A: We will not exclude those who have been refused a DHP from applying for the loan.

Q: Will tenants be excluded if they have eligibility to alternative support (for example Universal Credit)

A: No although tenants are urged to find out whether they are eligible for repayable support before applying for the loan. Even with interest free repayments over a 5 year period (loans can be paid back early), alternative non-repayable support is a more helpful option. Existing eligibility and award of Universal Credit / Discretionary Housing Payments will not prevent an application to the loan fund although there is an affordability check, as required in all forms of responsible lending.

Q: Will the loan support people with No Recourse to Public Funds (NRPF)?

A: No Recourse to Public Funds (NRPF) is a broad term and includes people who have permission to live and work in the UK and may well have had a reasonable income from employment or self-employment prior to the pandemic. However, as this is a loan scheme the ability to repay will be a contributing factor to any decision on an application, in line with the requirement for responsible lending. Where a person has NRPF and has no income, or prospect of income, it is very unlikely such an application would be successful.

Q: How will you ensure tenants have taken suitable advice prior to applying for a loan?

A: The loan application process will include sign-posting throughout.

- The loan landing page will highlight that other, better options may be available and sign-post where to go for advice before making an application
- The application form will include a declaration that the applicant has investigated and applied for other forms of support where these are available

- Specific questions on whether advice has been sought will be included in the application form
- The loan administrator will advise anyone who gets in touch that they should seek advice and sign-post where to go for it.

Q: Will tenants facing eviction be compelled to apply for a Tenant Hardship Loan?

A: No, the loan is another support option that will be available for some tenants but there will be no requirement to apply.

Q: What rent arrears can a tenant apply for help in respect of?

A: Loans will be available for up to a total of nine months (max) of rent costs covering:

- Rent arrears, where those arrears have arisen since 01 January 2020 (the loan will not be available where a tenant had rent arrears before this date)
- This can include up to a maximum of 3 months of future rent payments as part of the 9 month total

Q: Can a tenant apply for a loan in respect of arrears accumulated prior to January 2020?

- **A:** No, the loan will not be available to tenants where they had rent arrears before 01 January 2020

Q: Can a tenant apply for loan assistance more than once?

A: It is proposed that tenants will be able to apply for loan assistance once, rather than on multiple occasions. The purpose of the loan is to provide an additional short-term offer that helps tenants manage rent arrears and come back into paying their rent. The 6 month period before repayment begins and the 5 year repayment period recognises the continuing uncertainty around impacts of the pandemic.

Q: How will affordability be assessed?

A: Assessment of affordability of the repayments will be based on the income and outgoing information provided by the applicant. Where the assessment shows that the applicant cannot afford the repayments then the loan administrator will contact the applicant to seek further information that could be taken into consideration. The affordability assessment looks at the applicants incomings and outgoings to check whether the applicant has enough surplus income, after other costs, to make the loan payments.

Q: When will loan repayments commence?

A: Loan repayments will be deferred for 6 months as standard.

Q: Who will loan awards be paid to and at what frequency?

A: The option of paying the loan directly to the landlord will be available but that will not be mandatory. Where the tenant does not wish the payment to be made directly to the landlord there will be a requirement to pass it on within a stated timescale and provide confirmation that they have done so. Tenants will be required to opt for

payment of the whole loan directly to the landlord or to themselves given the complexity in processing involved in multiple payments being made in connection with the same loan.

Q: Will applicants be required to provide evidence of rent arrears?

A: Yes, the loan process will ask for evidence of rent arrears, including amounts and the period that the rent arrears relate to. Tenants will be asked to provide details of their landlord and the details of rent arrears will be verified with the landlord as part of processing the application.

Q: What information will a landlord be asked to provide?

A: As part of the loan assessment the scheme administrator will contact a tenant's landlord, or where applicable their letting agent, to verify the monthly rent, the level of arrears and to confirm that these arrears relate to the eligible period i.e. the arrears were not accumulated prior to January 2020.

Private landlords will also be required to sign an agreement preventing them from taking action to repossess a property on the grounds of rent arrears, the landlord or their family member intend to live in the let property, the landlord intends to sell the let property and the landlord intends to use the let property for a purpose other than housing. Any formal action to end a tenancy on these grounds that has already been started will also need to be withdrawn.

Q: Will payment of a loan be delayed if a landlord does not provide the requested verification information.

A: Yes, the information from the landlord is required to reach a decision on whether a loan can be offered. Landlords are asked to provide all the requested information as soon as possible to avoid any unnecessary delays.