

Renters at risk

Getting through the coronavirus crisis

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CONTENTS

1. Executive summary	4
2. A Triple Crisis: The Economic Outlook	6
Introduction	6
Private renting before lockdown	7
Lockdown in the private rented sector: a growing cohort of Covid-claimants	9
3. The Gaps in the Safety Net	12
The problems with welfare provision before lockdown	12
In lockdown, housing benefit levels haven't met the housing costs of many 'Covid claimants'	15
The benefit cap is cutting holes in the safety net	18
4. Our recommendations: Getting Renters Through	25
APPENDIX: research AND METHODOLOGY	27
Research Methodology	27
Tables	28

1. EXECUTIVE SUMMARY

We face a three-fold crisis. A **global pandemic** that's affected the lives of millions. A resultant **economic crisis** that has threatened the livelihoods of hundreds of thousands. And these crises are taking place in the midst of a long-standing **housing crisis**. A housing crisis that has made our homes unaffordable and made the lives of millions of private renters precarious.

Even in the best of times, many parents have had to choose between feeding their families and paying the rent. And over 300,000 people have reported that they've fallen behind on their rent during the pandemic, putting them at risk of eviction and homelessness. We need to act now.

We know that the solution is to build social homes, urgently. But we also need more support for those facing eviction now. We need to help renters get through the current crises.

The Government has taken bold and significant steps to date: setting up an unprecedented furlough scheme and restoring the Local Housing Allowance back up to cover 30% of rents. These steps must be commended – and they have certainly helped avoid the worst outcome.

But as the impact of the crises become visible, and the eviction ban ends, it's clear that more support is needed to keep families across the country in their homes. With the sudden arrival of the pandemic many who might have thought themselves secure in their home before, now find themselves in a precarious position.

"I was furloughed in March and now we're struggling. I've not been able to pay the whole rent because I did some food shopping instead. I couldn't pay the council tax and did apply for a reduction, but now they've sent me a bill wanting almost £250 a month. I can't pay as I'm the breadwinner as my husband is too poorly to work but not entitled to help. It's getting so much worse – we're having to decide between food or rent." – Nicola, Leigh

Huge numbers who lost income during lockdown were unable to pay their rent. With the five week wait for benefits built in to the system, and no way to move to somewhere cheaper, hundreds of thousands have the financial impact of the pandemic hanging over their heads. Even if they've managed to increase their

income and can pay the rent going forward, the rent arrears they've built up could lead to automatic eviction, putting their homes and futures at risk.

And many others who have come to rely on the benefit system, often for the first time, have found that caps and restrictions have prevented them from being able to pay the rent going forward.

We are recommending a targeted set of interventions to help struggling renters pay off their arrears, pay the rent going forward, and help prevent a rising tide of homelessness.

Recommendations

- **Create a Coronavirus Renters Relief Fund to help private renters pay off 'Covid rent arrears' that put them at risk of losing their homes.**
- **Lift the benefit cap to ensure renters get the help they need to pay the rent going forward and prevent a rising tide of homelessness.**
- **Make sure that the Local Housing Allowance (LHA) remains, at the very least, aligned with the 30th percentile of local market rents and review to make sure that LHA is enough to cover the rents of all those who need it.**
- **Build much more social housing to create much needed jobs and provide the genuinely affordable, secure homes we so desperately need.**

2. A TRIPLE CRISIS: THE ECONOMIC OUTLOOK

Introduction

The global pandemic has had a significant impact on all our lives, but it has not affected us equally. In just a few short weeks the country went from business as usual to 'stay at home'. Most shops and services closed their doors for months, some for good. By August, 9.6 million jobs had been furloughed¹ and 2.7 million people were claiming unemployment related benefits².

At Shelter we saw a huge rise in calls to our advice line, with many worried about paying their rents or losing their homes. When we campaigned for protections for renters, the Government took swift action to avoid the worst outcome. The evictions ban helped ensure that nobody would be legally evicted in the middle of the greatest health crisis in a hundred years. The Local Housing Allowance (LHA) rate was restored so it covered three in ten rents in each area – as it was last set in 2011 – helping households in receipt of housing benefit to afford their rents once more. And of course, the furlough scheme, helping to pay 80% of the wage of so many workers has undoubtedly protected many jobs.

Box 1: Government Covid Support for renters

Over the course of March, the government:

- Introduced the Job Retention Scheme allowing employers to furlough their staff and receive 80% of their pay from the government and created a short-term Self-Employment Income Support scheme.
- Banned evictions by suspending possession hearings in the courts, allowing people to stay safe in their homes.
- Increased the standard allowance for those claiming Universal Credit (UC) by £20 a week and simplified the application process.
- Restored LHA rates from where they had fallen after a decade of cuts, back up to match rents at the 30th percentile in each area.
- changes to the process of maintaining a claim, including an end to the requirement to attend appointments at Jobcentres and a relaxation of the work conditionality requirements.

These actions are to be commended. They helped protect the lives of many at an unprecedented time. However, as the impacts of the initial pandemic and lockdown

¹ <https://www.gov.uk/government/statistics/coronavirus-job-retention-scheme-statistics-august-2020>

² <https://www.ons.gov.uk/employmentandlabourmarket/peoplenotinwork/outofworkbenefits>

start to become visible, and the Government starts to end some of these measures, it's clear that more support is needed. These issues now need urgent attention.

To assist, we have undertaken further research and analysis of what the system now looks like and set out the changes needed to better protect private renters from homelessness due to Covid19.

Private renting before lockdown

Too many renters were in a precarious situation before a global pandemic and resultant economic downturn robbed them of their livelihoods.

Private renting remains the most expensive housing tenure. Private renters spend an average of 40% of their income on rent. This is more than those buying with a mortgage (19%) and social renters (30%)³. This varies with age, with some groups particularly stretched. In 2017/18, those aged 16 to 24 spent 81% of their income on rent.⁴

It's no surprise that more than one in four private renters (28%) struggle to pay their housing costs,⁵ and nearly half of working renters say they are only one paycheque away from losing their homes.⁶

Over a quarter of a million people were homeless⁷, and half a million households were forced to 'sofa surf' in the last year⁸. Over one million children were living in overcrowded homes⁹. And many were living in poor quality and even dangerous homes. One in four (25%) private rented homes were considered non-decent.¹⁰

High rents and low incomes have left private renters very vulnerable because it means that most private renters can't save for a rainy day.

³ This is based on HRP and partner income including housing benefit. Source: MHCLG, English Housing Survey 2018 to 2019: housing costs and affordability, Annex Table 3.1

⁴ In 2017/18, private renting households spent 41% of their income on rent. This is based on HRP and partner income, including benefits. MHCLG, English Housing Survey 2017 to 2018: private rented sector report, Annex Table 2.3

⁵ In 2017/18, private renting households spent 41% of their income on rent. This is based on HRP and partner income, including benefits. MHCLG, English Housing Survey 2017 to 2018: private rented sector report, Annex Table 2.3

⁶ https://england.shelter.org.uk/media/press_releases/articles/almost_half_of_working_renters_only_one_paycheque_away_from_losing_their_home

⁷ Christmas 2019

⁸ 'English Housing Survey 2018-19, 'Sofa Surfing and concealed households factsheet, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/898373/Sofa_surfing_fact_sheet.pdf

⁹ English housing survey 2018-19

¹⁰ MHCLG, [English Housing Survey 2018 to 2019: headline report](#), Annex Table 2.2

Savings

In 2018/19, 2.75 million private renting households had no savings at all. This equates to 61% of private renters.¹⁴ And families are particularly likely to be unable to save - before the pandemic, seven in ten (71%) of privately renting families with children had no savings.¹⁵

Box 2: Who lives in the private rented sector?

There are now **11 million people** living in the private rented sector. The private rented sector has doubled in size in the past twenty years.

A lack of social housing

Once housing mainly transient workers or young people on their way to home ownership, the private rented sector is now the home of people who cannot access social housing and cannot afford to buy their own home. From families to older people, 9 million adults and 2 million children live in the private rented sector.¹¹ Many of those who now live in the private rented sector would traditionally have lived in more affordable government-provided social housing. But the lack of provision over decades has meant that more and more have been forced into the private rented sector.

Private renters are more likely to be in work

Private renters tend to be younger than their social or home-owning counterparts. The average age of private renters is 40 years, compared to 52 and 57 years for social renters and owner-occupiers respectively. But increasing numbers of older people and families are renting privately. 38% of privately renting households have dependent children, and most (73%) are in work.¹²

What's wrong with private renting?

Private renting is precarious. While the sector has doubled in size in twenty years, regulation has not kept up. Private renters are vulnerable to being served a Section 21 'no-fault' eviction notice at almost any time. Renters are too afraid to exercise their consumer rights¹³ not reporting repairs for fear of being turfed out. Many renters feel like they have to put up with poor quality, shoddy housing and dangerous, overcrowded conditions because they can't afford to leave and are scared of being evicted or being made homeless. In addition to the threat of eviction, private renters battle with inadequate regulation and too few ways of enforcing the regulation that does exist.

Private renting is also expensive. Rents are not tied to incomes, which leaves private renters spending more on their housing costs than those in any other type of housing.

¹¹ English Housing Survey 2018 to 2019

¹² Christiansen, K., Lewis, R., [UK private rented sector: 2018](#), Office for National Statistics, Jan 2019

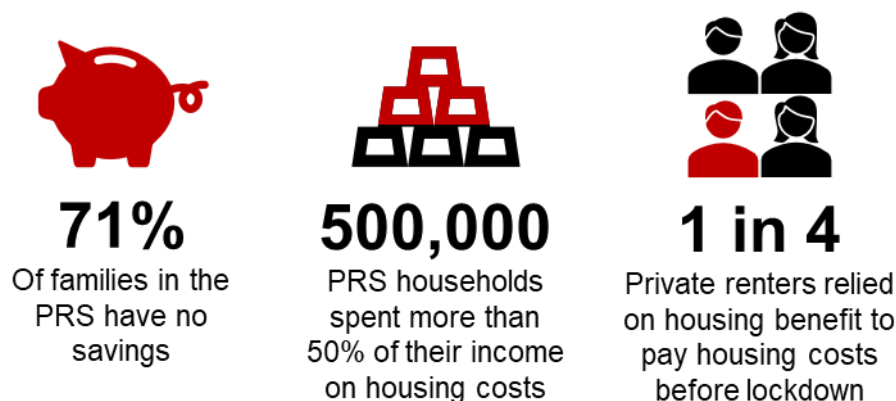
¹³ YouGov survey of 3,995 private renters in England, online, weighted according to official statistics provided by Shelter, Aug-Sept 2019

¹⁴ MHCLG, English Housing Survey 2018 to 2019: housing costs and affordability, Annex Table 2.10

¹⁵ This was calculated by comparing the number of families with dependent children in the PRS who have no savings with the number of families with dependent children in the PRS more broadly.

Many who might traditionally have lived in social housing have been forced into more expensive private rented sector accommodation – so that **even before lockdown one quarter of private renters were claiming housing benefit.**

But, in many cases, housing benefit was not sufficient to even protect working families from homelessness. In fact in 2018, 55% of homeless families - and 40% of households - were in work.¹⁶ **Chapter 3** looks at the gaps in the welfare system that mean people end up homeless.



17

Lockdown in the private rented sector: a growing cohort of Covid-claimants

Lockdown has changed all our lives, but it is clear that it has had particular impact on those who rent their home privately.

The economic disruption hasn't affected all jobs equally nor all households equally. Research has identified that workers in some of the hardest hit sectors, such as retail, and hospitality,¹⁸ are more likely to live in the private or social rented sector.¹⁹ Huge numbers who have lost their jobs or seen their income reduce have found themselves unable to pay their rent.

Government support has proven a vital lifeline for many, including people who may never have claimed housing benefit or government support before.

Source: MHCLG, English Housing Survey 2018 to 2019: headline report, Annex Table 1.5 and MHCLG, English Housing Survey 2018 to 2019: housing costs and affordability, Annex Table 2.12

¹⁶ Pennington, J., Kleynhans, S., [LHA Impact Assessment: The effects of the reforms since 2011](#), Shelter, 2020

¹⁷ See footnotes 12 & 5;

¹⁸ Gough, J., [Coronavirus and the economic impacts on the UK: 23 April 2020](#), Office for National Statistics, 23 April 2020

¹⁹ Resolution Foundation, [Private renters are at the heart of growing housing pressures](#), Resolution Foundation, 9 April 2020

There has been a huge surge in the number of people turning to our social security safety net since the start of the pandemic response. In less than two months (between 16 March and 12 May), there were 2.6 million applications to Universal Credit. **This means the overall number of claims has nearly doubled** – there are nearly as many new claims as there were total claims before the pandemic (2.9 million).

Some sectors of the economy are now opening up, the eviction ban has ended and emergency economic measures are easing. But it is likely to take years for the economy to recover. Many of the job losses in lockdown may be permanent, and things may get worse before they get better, especially if a second spike demands another national lockdown. Yet already it's clear that more support is needed.

With the five week wait for benefits built in to the system, and no way to move to somewhere cheaper during lockdown, hundreds of thousands have been unable to pay their rent and have built up rent arrears. These arrears put them at risk of automatic eviction through the courts.

And others who have come to rely on the benefit system, often for the first time, have found that caps and restrictions have prevented them from being able to pay the rent going forward.

Covid Arrears

Despite the unprecedented level of support, many have faced or are still facing massive shortfalls in their housing costs. New research carried out by YouGov showed that 322,000 adult private renters (4%) - who were not in arrears prior to the pandemic – have since fallen behind on their rent.²⁰

Whilst the rapid and necessary improvements to the housing safety net has meant that this number isn't many magnitudes higher – it's clear that too many people are slipping through the cracks.

And ever since this pandemic gripped hold of the country, causing chaos for hundreds of thousands of renters, our services have been deluged with calls from worried families and workers plunged unexpectedly into debt. In the first month of lockdown more than half (55%) of calls to our helpline were related to difficulties people were in as a result of Covid. Now that the eviction ban has ended, their ability to clear Covid-arrears will be critical if they are to stay safe in their homes.

Threat of Eviction

The eviction ban has kept people in their homes over the summer, but it hasn't removed the threat. Tens of thousands of renters are poised to lose their home. Even back in June a survey showed that nearly 300,000 adults (3.4% of private renters) reported that their landlord/agent has been in touch since the middle of March 2020 and mentioned that they might have to leave or threatened them with

²⁰ YouGov survey of 3,698 England 18+ including 598 private renters in England, online, weighted to England adults, fieldwork 17 August to 19 August 2020.

eviction.²¹

By law, 8 weeks of rent arrears is grounds for automatic eviction through the courts, putting hundreds of thousands more at risk of losing their homes due to the financial impact of coronavirus hanging over their heads.

²¹ 3.4% of private renters, an equivalent of 294,068 adults. YouGov survey of 1,058 private renters in England, online, 16+, weighted to be representative of England's private renters using official statistics, fieldwork 4th June to 11th June 2020. Estimated equivalent number of people is calculated by Shelter.

3. THE GAPS IN THE SAFETY NET

The problems with welfare provision before lockdown

Going into the pandemic, the safety net provided limited support to private renting families in need and was in desperate need of investment. Both the LHA rate and the benefit cap had a huge impact on peoples' ability to pay their rent.

The Local Housing Allowance rate left many renters with a shortfall

The maximum amount of housing benefit or the housing element of UC that a private renter can claim to help pay their rent is known as the 'local housing allowance (LHA) rate'. In theory, LHA is designed so that households will get enough housing benefit to cover the cost of renting a suitable home in their area, that is large enough for their needs. When a household submits a claim for housing benefit, they receive either: enough to cover their full rent (if their rent is below the LHA rate), or the maximum amount of LHA (if their rent is at or above the LHA rate). This is why it is so important that LHA rates are set appropriately and in a way that matches local rents.

However, at the point that lockdown began, LHA bore no relation to the cost of renting a home.

[Shelter research from January 2020](#) found that there were even large gaps between some of the cheapest private rented homes and housing benefits. In 2011, LHA rates were set so that they covered 30% of local rents (the then welfare minister stated this was to cover the cost of where someone on a low income would typically be expected to live). However, then followed almost a decade of cuts and freezes. By 2020, LHA failed to cover the cost of even 10% of two-bedroom homes in one in three areas in England. This made it very difficult for tenants to find an affordable home.

The benefit cap has a devastating effect on families struggling to pay rent

On top of this, 79,000 households were also affected by the benefit cap, that reduced their housing benefit support further. The benefit cap limits the maximum amount that an out of work household can receive, regardless of their needs, to £20,000 a year outside of London and £23,000 inside the capital (a total that is slightly less for single people). The benefit cap has a negligible impact on work outcomes²² and had a devastating impact on families affected.²³ Many affected

²² DWP 'Benefit Cap: Analysis of outcomes of capped claimants'
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/385970/benefit-cap-analysis-of-_outcomes-of-capped-claimants.pdf

²³ <https://www.supremecourt.uk/cases/docs/uksc-2018-0061-judgment.pdf>

households were left with housing benefit of just 50p, or no housing support at all.²⁴

As a result of these gaps, **70% of private tenants with no or low-income claiming housing benefit had a shortfall between their rent and housing benefit.** They had to find, on average, an additional £113.19 every month to cover the cost of their rent.²⁵

Struggling to make ends meet

Unsurprisingly, research with housing benefit claimants found that many experienced real and prolonged hardship. In 2019, a third, (36%) of LHA claimants said they had to cut back on food for themselves or their partner to keep up with rental payments.²⁶

And there is a solid and growing evidence base that this also directly contributed to a steep rise in homelessness. Since LHA cuts were first implemented in 2011, the number of households accepted as homeless increased by 28%²⁷, the number of households living in temporary accommodation (TA) increased by 62%²⁸ and the number of people rough sleeping in England increased by 165%²⁹. Several reviews, including by the Government and the National Audit Office, have linked this rise in homelessness directly to inadequate housing benefit.³⁰

As lockdown was introduced, it was clear that the benefit system was already failing to provide support and was going to be unable to meet the challenge of soaring claimant numbers. Changes were going to be needed.

²⁴ Shelter calculations of family entitlement using DWP 'Benefit cap statistics'.

²⁵ Pennington, J., Kleynhans, S., *LHA Impact Assessment: The effects of the reforms since 2011*, Shelter, 2020

²⁶ YouGov, survey of 828 private renters in receipt of housing benefit in England, online, August - September 2019 Survey results are from a YouGov survey of 3,995 private renters in England, online, weighted according to official statistics provided by Shelter, Aug-Sept 2019

²⁷ Growth between 2010/11 and 2017/18. MHCLG Acceptances and decisions live tables: January to March 2018 <https://www.gov.uk/government/statistical-data-sets/live-tables-on-homelessness>

²⁸ Ibid.

²⁹ Growth between Autumn 2010 and Autumn 2018

<https://www.gov.uk/government/statistics/rough-sleeping-inengland-autumn-2018>

³⁰ The National Audit Office (NAO) found that, 'changes to LHA [...] are an element of the increase in homelessness'. And the Government's own Housing White Paper acknowledged that 'high and increasing costs in the private rented sector can impact upon tenants who struggle to pay, and these households are more likely to be at risk of becoming homeless' (Department for Communities and Local Government, Fixing our broken housing market, DCLG, 2017). Further analysis of government homelessness data by government statisticians found that the rise in homelessness acceptances because of the end of an assured shorthold tenancy 'indicates that affordability is an increasingly significant issue, as more households facing the end of a private tenancy are unable to find an alternative without assistance' (DCLG, Statutory homelessness and prevention and relief, 2016, July to September 2016: England, <https://www.gov.uk/government/statistics/statutory-homelessness-andhomelessness-prevention-and-reliefengland-july-to-september-2016>)

Box 4: What welfare provision is available to support housing costs?

Housing Benefit

Housing benefit is a national scheme to assist those on low incomes to meet their rent payments. It is administered by local authorities and can be claimed by social security benefit claimants (such as those on income support, jobseeker's allowance, employment and support allowance, incapacity benefit or pension credit), low earners and others with a low income. Housing benefit can be used for social housing or private rents. LHA is specifically for those in private rents.

Housing benefit and LHA are gradually being replaced by the housing element of Universal Credit (see below) for the majority of people.

Housing Element of Universal Credit

Universal Credit is being rolled out across the country. It is intended to replace six working-age, means tested benefits – including housing benefit. It is administered by Jobcentres on behalf of Department for Work and Pensions.

The housing element, for those in private rentals, is intended to ensure a household can cover the full cost of their rent by using LHA rates. However, in recent years it often does not do this. This means the tenant needs to make up a shortfall.

Limitation: the Benefit Cap

The benefit cap limits the amount of benefit that many working age people can claim. It can make it difficult for tenants to pay rent or meet other living costs. The cap cuts a claimant's Universal Credit or housing benefit until the overall benefit entitlement is within the cap limit. It is set at different levels depending if you live in London or not.

There are some exemptions (e.g. in some circumstances claimants can benefit from a 9-month 'grace period' before their benefits are reduced if they have been in consistent work and earning £604.59 or over monthly for the whole year prior).

In *some* circumstances, claimants affected by the benefit cap can apply to their council for a discretionary housing payment – if the cap is preventing them from paying their rent.

Limitation: Local Housing Allowance Rates

LHA rates limit the maximum amount of housing benefit a tenant can claim and is set so that it covers the bottom 30% of rents in a local area. This means that only three in every ten homes in any area will be affordable to a claimant. A means test is applied to assess whether a household needs full LHA, or a smaller amount to 'top up' their income. However, households in and out of work experience identical shortfalls between rent and LHA rates.

An extraordinary increase in demand for the housing safety net

We now have clear data on the increase in households claiming housing support (HB or UC housing element) during the lockdown.

The results are quite stunning: As of May 2020, a staggering **39% (or four in ten) private renting households in GB now claim housing benefits** (including as part of UC) to pay their rent. This is up from 3 in 10 in February. This means there are now 2,012,534 private renting households receiving housing support in GB, 29% higher than February 2020.³¹

The proportion will be even higher in localities with a high concentration of 'lockdown jobs', or with existing high unemployment or high housing costs. An indicative analysis suggests how places have been affected across the country. In Peterborough approximately 34% of renters claimed housing benefit at the start of the year – by May this was almost half of renters (48%). In Waltham forest, the proportion of renters in receipt of housing benefits soared from 26% to 43%. Areas with continuing local lockdowns are also vulnerable. In Bolton, almost half (49%) of private renters were claiming LHA back in May.³²

It's not clear whether this is a temporary spike, or a growing trend. But this figure won't include many people who have lost work through recently announced redundancies, or people who have lost their jobs as the JRS winds down. Further economic tightening, the effect of local, or future national lockdowns may increase this proportion further. It illustrates the strain the system has been placed under and may be under for some time.

In lockdown, housing benefit levels haven't met the housing costs of many 'Covid claimants'

For a safety net to function, it must truly bridge the cost of challenging periods in peoples' lives rather than leave them with crippling debts, or worse, homeless. And in a time of significant crisis, housing benefit must cover the cost of households' rents.

³¹ This includes 771,931 private renters claiming HB and 1,240,603 private renters claiming UC with the housing element. There were 1,563,381 claimants of housing support in February 2020 (814,773 claiming HB and 748,608 claiming the UC housing element – a 66% increase. Latest statistics show that there are 5,130,196 private rented households in Great Britain. DWP statxplore: <https://stat-xplore.dwp.gov.uk/webapi/jsf/dataCatalogueExplorer.xhtml>; English private rented households: 4,552,000 Annex Table 1.1: Trends in tenure, 1980 to 2018-19 <https://www.gov.uk/government/statistics/english-housing-survey-2018-to-2019-headline-report> (2018/19); Scottish private rented households: 370,500 Housing statistics 2019: key trends summary: <https://www.gov.scot/publications/housing-statistics-scotland-2019-key-trends-summary/pages/5/> (March 2019); Welsh private rented households: 207,696 Dwelling stock estimates by year and tenure <https://stats.wales.gov.wales/Catalogue/Housing/Dwelling-Stock-Estimates/dwellingstockestimates-by-year-tenure> (March 2019)

³² DWP statxplore: <https://stat-xplore.dwp.gov.uk/webapi/jsf/dataCatalogueExplorer.xhtml> compared to local population estimates produced using the 2011 census updated to reflect sector population change measured by the English housing survey.

At the end of March 2020, housing benefit for private renters was restored so that it covered 30% of local rents. This is where it was initially set in 2011, and the reason given by the government for this was that, back then, this was the point in the market that people on low incomes should be 'expected' to find a home. It is welcome to see a restoration to 'normal' levels, which has undoubtedly lessened the pressure on many families struggling before the pandemic.

But we are in extraordinary times, so reversing 'austerity' policies back to 'ordinary' levels is still leaving big gaps. The new cohort of Covid-claimants are finding that the safety net doesn't cover their rent.

No relationship between housing benefit levels and 'expected rents'

The massive increase in claimants means that there are many households in need who are now unable to afford their rent having lost work or income – people who may previously have been relatively comfortable. There is emerging evidence that these new 'Covid-claimants' had higher earnings than existing claimants and may not have expected to need benefits. Given they are new claimants, they are unlikely to have been aware of or considered housing benefit rates when choosing a property but found one they could afford with their salary.

Because, by definition, the LHA rate doesn't cover 70% of the rental market, many of these new Covid-claimants will have had a shortfall between what they can claim and their rent.

This isn't just an issue for claimants living in extravagant homes. There are big gaps between housing benefit and a rent around the market average. In over half of England, a family in an average two-bed home would have to make up a shortfall in their rent of more than £50 every month. In one in six areas, they would have to make up a shortfall of more than £100 every month.

This shortfall is as high as £400 a month outside of London, and up to £1,227 in the capital. For larger (four bedroom) homes, this shortfall is as high as £1,130 a month outside of London, and up to £4,744 in the capital.³³

This was a common theme in the stories shared with us by struggling renters. Many people shared the experience of finding that housing benefits covered nowhere near what they needed to keep paying their rent.

"It's terrible, it barely cover's a 1/3 of my rent and with a large debt it means even if i do find work I'll be repaying debt rather than spending money to help boost the economy"

³³ A household renting an average four bed home would experience a shortfall in the money needed to pay their rent of more than £100 a month in 67% of local authorities. The shortfall would be £4744.01 in Kensington and Chelsea and £1,130.01 in Elmbridge, Surrey

“The amount does not cover all I am asked for regarding rent. I applied as I have been a single parent after leaving my husband due to domestic abuse. I have met excellent staff who run the benefit program, but it is a very difficult system”

The cumulative effect of having to find this extra money, month after month, can be devastating.

Initial research with new claimants finds that households are struggling. A recent survey of 250 new UC claimants found that 34 per cent are having trouble keeping up with bill payments.³⁴

Why can't they move somewhere cheaper?

During lockdown, it was simply not safe or even possible for most to move home to find somewhere cheaper. The private lettings market was not functioning, and across the country everyone was being told to stay in their homes. Hundreds of thousands have lost income and built up rent arrears that put their homes and futures at risk simply because they were following government guidance.

Now that lockdown is easing, there may be more opportunities for households to try and adjust their housing costs down by moving to a more affordable home. However, when a large proportion of households are receiving housing support, it is not even theoretically possible for all households to find a home within the LHA rates, never mind in practice.

As we have seen, four in ten (39%) of private rented households in the UK now claim housing support. If the numbers of people claiming benefits stays this high or get worse, clearly a system that covers the rent of just three in ten homes in each area is inadequate and is already pushing people into rent arrears. In areas particularly hit by lockdown restrictions (for example an area with a high concentration of hospitality work) and a higher share of low-income renters, these will cause even further difficulties. In these areas, it will be impossible for them all to find a home under, or near LHA rates. Renters also face many additional barriers to moving including 'No DSS' discrimination, prohibitive costs, and accessibility needs. Unless they can increase their income swiftly, many will quickly find themselves struggling and at risk of homelessness.

³⁴ Brewer, M., Handscomb, K., [This time is different – Universal Credit's first recession](#), Resolution Foundation, May 2020

The benefit cap is cutting holes in the safety net

Beyond housing benefit levels, the benefit cap creates further problems for renters in need of support to bridge them through a period of unemployment.

The household benefit cap prevents working-age claimants from receiving more than £23,000 per year in London and more than £20,000 outside of London, if they are working less than 16 hours a week or equivalent. The cap for single people is lower.

Many are already finding that the safety net they thought was there to support them when they lost work, provides limited support. Tens of thousands have found themselves unable to access the increase in Universal Credit or LHA rates, because of the cap. These vital responses to the COVID-19 outbreak are redundant to many without the government also lifting the benefit cap.

The cap and the pandemic

The benefit cap was initially introduced to encourage people to move into employment or a cheaper home. Therefore, the two main ways that a household could escape the effects of the cap are for families to work more hours to become exempt or move to a cheaper area.

Under the circumstances of the COVID-19 outbreak, the temporary national lockdown, and now rising unemployment levels, both of these avenues were and remain severely restricted. For months moving home was not possible or safe, and many sectors have severely restricted work available. It is counterproductive, therefore, that the benefit cap remains in place. It restricts people accessing what the government has announced they need during this emergency and there are incredibly limited means to escape it as a result of the pandemic.

How many people are affected?

Before Covid-19 took hold in the UK, the benefit cap already affected tens of thousands of families. As of February 2020, there were 79,000 households affected by the benefit cap in Great Britain.³⁵

The number of households that had their benefits capped almost doubled between February and May this year, meaning more than 150,000 households are currently experiencing further cuts to their housing support, and are missed out by the government's emergency COVID measures.³⁶

The benefit cap pushes families into destitution levels of poverty, creates a financial penalty for people leaving abusive partners and disproportionately affects people

³⁵ <https://www.gov.uk/government/collections/benefit-cap-statistics>

³⁶ <https://www.gov.uk/government/publications/benefit-cap-number-of-households-capped-to-may-2020/benefit-cap-number-of-households-capped-to-may-2020#main-stories>

who have recognisable barriers to work (such as homeless people and single parents with below school age children).

Now we know there are twice as many households affected by the benefit cap as a result of the lockdown, we also know there are very few options for these families to escape the cap by moving to more affordable accommodation. Even now that moving home is a possibility, families of all sizes are at risk across the country. **Even smaller families living in modest homes.** A couple with two children in a modest two-bed private rented home would have their benefits limited by the cap in more than eight in ten (82%) areas of England. This includes areas not normally considered 'expensive' such as Luton, Northampton or Leeds.

Protection for people affected by the economic effects of Covid?

The Government argued that there will only be small numbers of additional households who will be hit by the cap as a result of the coronavirus pandemic because many will be exempt because of their employment history. If a person has been in continuous employment and earning at least £604.59 per month for 12 months, or working for 50 of the previous 52 weeks (if claiming housing benefit), then they will benefit from a nine month grace period whereby they are exempt from the benefit cap.

But the exponential rise of newly capped households as a result of Covid-19 suggests this has not been the safeguard the Government expected.

The Work and Pensions select committee recently conducted a review of the Government's handling of the pandemic. They heard from many people who are being affected by the cap as a result of the pandemic – showing how families can go from stable employment to destitution, overnight. Shelter have also heard from many impacted.

Anyone who took even a short gap in employment in the last year (for example people who took a break in January as retail, construction or hospitality work slowed or parents who take breaks in employment over school holidays) is at risk. One woman shared with us how she was hit by the cap after her latest fixed term contract ended and she was unable to start a new one due just before lockdown:

"I had just finished a fixed term contract and was interviewing for a new role just as lockdown happened. I have worked full time all of my life. I am now 50 and unemployed for the first time. It took 4 weeks to get a response from my application for Universal Credit. The system was relatively easy to work through but the benefit cap means I am significantly short on covering my rent and bills. I have two children and I can only manage because I have help from family."

Other people who were employed on **precarious contracts** (where there is no guarantee they will work enough hours consistently), or in **seasonal work** prior to the pandemic, will not qualify for this grace period. For example, in 2019, over a

third (35%) of people on zero-hours contracts had been with their current employer for less than a year. That is an estimated 341,000 people – not small numbers.³⁷

The economic shutdown seems to have hit this group hard. Resolution Foundation estimated **that 45% of workers in “shutdown sectors” are on zero-hours contracts**.³⁸ Some employers may have been able to make use of the government’s Job Retention Scheme. However, there will be many more who will have had their employment terminated or will when the furlough period ends in October. These people are at risk of finding there is very little support for them to claim, as a result of the cap.

“It’s been horrible, my husband got made redundant... I am a stay at home mum as we have 5 children ranging from 15 down to 3. Our Universal Credit got cut due to the benefit cap. We have used food banks every week and relied on family members to get food for us. Myself and my husband have been applying for jobs left right and centre but due to the current situation no one is hiring. We are behind on rent, and all our bills as we just don’t have the money to pay for it. It has affected our mental health drastically which then has an impact on our children. I’m really really at my wits end as there’s no one to help us.”

Other people have been **working consistently** but no longer have enough hours to ‘count’ as a worker under benefit cap rules. As one man told the Work and Pensions select committee:

I have been laid off one of my jobs due to COVID-19, I am still working as health and social care worker but because I have three children and my rent is so expensive, I am benefit capped because I don’t earn enough to avoid the cap.³⁹

The impact of a **decrease in hours** (a common occurrence as employers deal with the current situation) can be devastating. As one person shared with the committee, not only has he lost work due to the pandemic, but as a result of losing hours, he has also become liable for the cap, which has removed hundreds of pounds in benefits. Their experiences illustrate how, perversely, the benefit cap is removing support at the point that families need it the most.

I usually earn enough to remove the benefit cap but because my work has shut down, my earnings have gone down and now I have been hit with the cap. I have now lost out on nearly £800 of money that would have covered all my bills and food shopping.⁴⁰

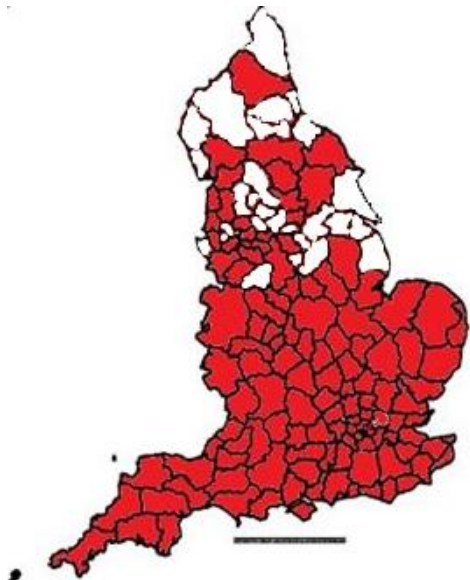
These households have few options

Not only are there twice as many households affected by the benefit cap as a result of the lockdown, and work opportunities much more limited, there are very few options for these families to escape the cap by moving to more affordable accommodation. Families of all sizes are at risk across the country. **Even smaller families living in modest homes.** A couple with two children in a modest two-bed private rented home would have their benefits limited by the cap in more than eight in ten (82%) areas of England. This includes areas not normally considered 'expensive' such as Luton, Northampton or Leeds.

Table One: Proportion of areas where each family would be impacted by benefit cap (if not exempt)⁴¹

Single person	Couple	Single parent with one child	Single parent with two children	Single parent with three children	Single parent with four children (three bed)	Couple with one child	Couple with two children	Couple with three children	Couple with four children (3 bed)
18%	0%	12%	47%	76%	89%	32%	82%	100%	100%

Map One: Areas in England where a couple with two children would be impacted by benefit cap (if not exempt)



⁴¹ Assuming family rents a home at the 30th percentile of local rents. Analysis carried out at BRMA level.

Box 5: What are the effects of the cap?

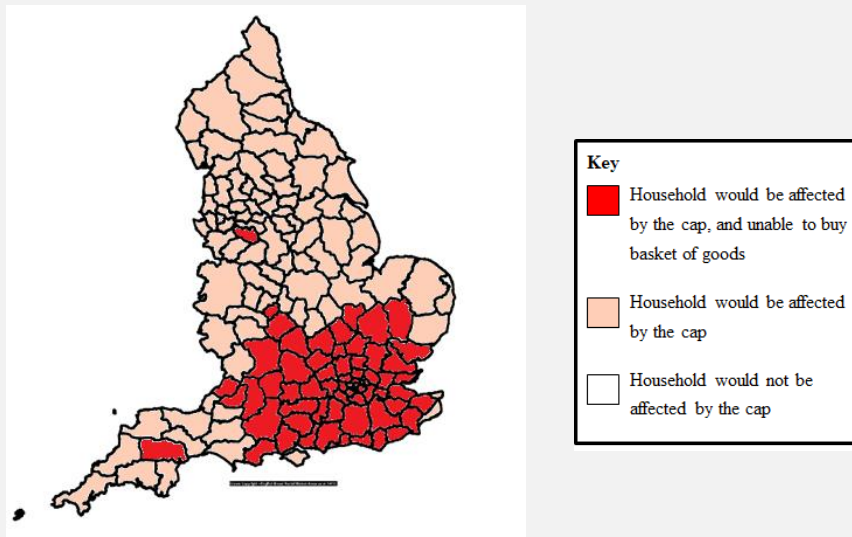
Households affected by the benefit cap are losing an average of £59 a week (£256 a month), on top of any shortfalls between housing benefit rates and their rent. Some families are losing more: 1,781 households are losing over £250 a week (more than one thousand pounds a month).

Unsurprisingly therefore, the benefit cap can leave families with very very little to live on once their rent is paid. Those affected can be unable to afford even the kinds of essential goods that a family cannot go without (such as housing, bills, food and personal care items).

To put the benefit cap into context we compared household incomes with the costs of basic goods. We assembled a basket of goods that a family would be unable to live without. We found costs for these from rent data collected by the Valuation Office Agency, and household spending data from the Living Costs and Food survey managed by the Office for National Statistics.

We assumed households rented one of the cheapest homes in their area with the minimum number of bedrooms needed by each family.⁴² We assumed that households would bring their costs right down to the amount spent by households on the lowest incomes.⁴³

Map Two: Areas in England where a one-parent family with four children would be unable to afford absolute essentials



⁴² We chose rents at the 30th percentile because this is where LHA rates are currently set at, and where Welfare Minister in 2011 described as being the point in the market where a low income household could be expected to live. Given the recession and large scale unemployment that is predicted as a result of the Covid19 pandemic, it is likely that many households affected will be in more expensive accommodation. Therefore, this may be a conservative estimate of where claimant families would be expected to live, and what their rent costs would be.

⁴³ More information on the methodology of this analysis, is available in the appendix

Even with these conservative assumptions, we found that a **lone-parent family of three children would be unable to cover essential costs in a third of the country**. A couple with three children would not have enough to cover essentials in close to half (43%) of the country.

Families in many areas of the country would not even have enough money to cover rent, bills and food. A couple with three children would not have enough in more than one in eight areas (13%), with four children in more than one in six (18%) of areas and with five children in almost half (45%) of areas.

It would be almost impossible for these families to avoid falling into rent arrears. The impact on children of having to go without food, heating, clothing or personal care items would be devastating.

Table Two: Proportion of England where the cap would leave a lone-parent family without enough to cover their rent and essential family costs⁴⁴

Family composition	Lone parent family	Couple
2 children	7%	14%
3 children	32%	43%
4 children	43%	63%
5 children	85%	100%

The magnified effect of the benefit cap on struggling families

Homeless households in temporary accommodation are disproportionately affected by the cap, including women fleeing domestic abuse. Households in temporary accommodation are four times as likely to be capped than other households. At a time when a family needs all the support they can get to move on from the shock of losing their home, the benefit cap holds them back.

The benefit cap can act as a financial barrier to leaving an abusive relationship. We know that during lockdown incidents of domestic abuse have risen exponentially so this is particularly concerning. Refuge have reported that their national Helpline has seen a weekly average increase of 66% and visits to their website (where women can request a safe time to be contacted) have seen a phenomenal 950% rise compared to before Covid-19.⁴⁵

There is evidence that some of the people most affected by the economic effects of Covid-19 are some of the most at risk of having their benefits capped. Lone parent families with young children have always been disproportionately affected by the cap: lone parent families with a child under five are 19 times more likely to

⁴⁴ Assuming family rents a home at the 30th percentile of local rents. Analysis carried out at BRMA level.

⁴⁵ <https://www.refuge.org.uk/refuge-reports-further-increase-in-demand-for-its-national-domestic-abuse-helpline-services-during-lockdown/>

be affected by the cap and lone parent families with a child under two are 21 times more likely to be affected.⁴⁶

Resolution Foundation found that coupled parents are able to work from home in larger proportions, whereas lone parents are concentrated in the more severely impacted groups, including the “shutdown” sectors. This is particularly the case for lone parents with children under the age of five.⁴⁷ They estimate that one third of those in the “shutdown” sectors are lone parents. Lone parents are also particularly affected by the closure of many childcare settings, and limitations of using potentially ‘at risk’ family members to provide childcare.

The benefit cap is causing huge amounts of hardship and must be scrapped. It is already pushing tens of thousands into rent arrears during the coronavirus crisis, and it will continue to stop people getting the support they need to pay their rent if it is not removed.

⁴⁶ Shelter, [Submission to Work and Pensions Select Committee Inquiry into Benefit Cap](#), Shelter, 2018

⁴⁷ Gustafsson, M., McCurdy, C., [Risky Businesses: Economic impacts of the coronavirus crisis on different groups of workers](#), Resolution Foundation, April 2020

4. OUR RECOMMENDATIONS: GETTING RENTERS THROUGH

The government recognised quickly that we need a strong safety net to get us through this crisis and acted swiftly. This has reduced the risk of a homelessness crisis significantly. However, the response has not met the challenge of either lockdown, where many built up arrears by following government guidance to stay in their homes, or the resulting economic crisis. And things may get worse before they get better. This leaves hundreds of thousands of families in a very precarious position, and at risk of losing their homes.

Without appropriate levels of funding, people who are losing work, coming to end of furlough and unable to find new employment will find that Universal Credit does not allow them to even maintain the roof over their heads. Without help to pay off rent arrears built up during the pandemic, it is difficult to see how families will be able to get back on their feet once this pandemic, and ensuing economic crisis, is over. There is a very real risk that this causes a homeless crisis, and the scarring effects of the pandemic, economically, socially and health-wise, are multiplied.

Recommendation 1: Create a Coronavirus Renters Relief Fund to help private renters pay off 'Covid rent arrears'.

Shelter has joined with six leading organisations, including the National Residential Landlords Association, Citizens Advice and Generation Rent to call for an emergency fund that would be limited to helping tenants pay off any unexpected rent arrears built up since the start of the pandemic in March. This would help tenants keep their homes and support landlords that rely on rental income for their livelihoods.

We are calling for a short-term package of emergency grants and loans worth £270 million to help renters who have lost out on income or been furloughed as a result of the pandemic. This would take the form of:

- Ring-fenced grants for renters already in receipt of government benefits or those who would otherwise be eligible for benefits but have no recourse to public funds - to be distributed by local councils.
- Government backed interest free loans for other tenants who can afford to pay them back, such as those who have been furloughed or are struggling to pay their rent now but will be able to in the future.

Recommendation 2: Lift the benefit cap to protect renters now and prevent a rising tide of homelessness.

This paper has shown the devastating impact that the benefit cap had on families before lockdown and the sudden impact that it has had on unsuspecting cohort of

new Covid-claimants. It is quite clear that we need to take swift action to protect renters now and allow them to receive the support they need. Lifting the benefit cap would be a huge step towards this.

Recommendation 3: Make sure that the LHA remains, at the very least, aligned with the 30th percentile of local market rents and review to make sure that LHA is enough to cover the rents of all those who need it.

Nearly 40% of renters now claim some form of housing benefit, yet the LHA continues to cover only 30% of the rents in a local area. LHA rates already make it impossible for some to find a home, they must be kept at at least the current level and the levels reviewed to ensure that people can pay their rent and avoid homelessness.

Recommendation 4: Build much more social housing to create much needed jobs and provide the genuinely affordable, secure homes we so desperately need.

The only way to provide people the stability to ride out hard times is to ensure that they have a safe, secure and affordable home to retreat to when they lose income. And the best way to do that is to build social housing, so that there is somewhere to go.

And it's clear that direct Government investment in building social housing right now would provide a targeted boost for the economy and protect jobs in a sector badly hit by the pandemic and resultant economic crisis. Building social housing now is the best way to protect jobs and get us the genuinely affordable homes we need.

APPENDIX: RESEARCH AND METHODOLOGY

Research Methodology

Much of the content of this paper has been based on original research conducted by Shelter into the impact of welfare changes on peoples' lives. To explore the impact of these changes we analysed a range of administrative sources. We calculated the full Universal Credit claim of different families. To do this we took information on standard allowances, including the extra amounts given for children and the extra amounts given temporarily during the pandemic published by the Department for Work and Pensions (DWP). We added this to LHA rates for each area to LHA levels are published for Broad Rental market Areas (BRMAs). We then compared these figures to the maximum entitlement of households affected by the benefit cap. We looked at whether this would enable people to stay safely housed, by comparing families' entitlement to the cost of renting an average home across the country. We used the most recent available data on the average cost of renting home published by the Office for National Statistics (ONS), and matched local authorities to BRMAs according to best fit.⁴⁸ We looked at whether families could afford all essentials (beyond rent) using figures collected and published by the ONS Food and Living Costs Survey.⁴⁹

⁴⁸ This data is from the Office for National Statistics (ONS) Private Rental Market Statistics, 13 December 2019 The data is collected over the twelve months from the 1 October 2018 to 30 September 2019. Data is published by the number of bedrooms and administrative area in England. The latest data is available here:

<https://www.ons.gov.uk/releases/privaterentalmarketsummarystatisticsoctober2018toseptember2019>

⁴⁹ The essential goods included in this analysis is: Rent; Utilities: electricity and other fuels; water and other service charges; Food and non-alcoholic drinks; Personal care items and medical products including toilet paper, soap, toiletries, medicines; Cleaning and maintenance products; Clothes and footwear; Transport and communications, including phone, post and access online . To see whether capped families' residual income was high enough to theoretically meet these costs we carried out the following calculation. We started with the total amount each household would receive under the cap (£20,000 outside of London and £23,000 inside of London). We then subtracted rent costs for each area. . Rent amounts were taken from the VOA – we assumed households lived in a modest private rented home (at the 30th percentile of the market). Other costs were taken from the Office for National Statistics Living Costs and Food Survey (LCF) (2017/18). 'Table 3.1E Detailed household expenditure by equivalised disposable income decile group1 (OECD-modified scale)'. Expenditure was taken from the following lines food (1); clothing (3) utilities (4.3 & 4.4) Repairs and cleaning materials (4.2 & 5.6.1) medical products and personal care (6.1 & 12.1) Transport (7) Communication (8). From this we were able to identify whether there is anywhere in the country where families wouldn't even have enough income to cover these costs. The LCF collects information on spending patterns and the cost of living that reflects actual household budgets across the country. We used a very low measure of how much a family would need to have to spend on the other items: the amount spent on them by the 10% of households with the lowest income in the UK The figures used reflect *actual* spending of very low-income households and factor in trade-offs and budgeting practices made by low-income households (such as missing meals, choosing to not heat homes or not replacing worn out clothes). They are not reflective of an adequate budget for a hypothetical family, just what is spent. These figures therefore show the real bottom line of household spend, rather than the cost of meeting needs. It is

We also set up an online reporting tool to allow people to contact Shelter about housing issues they had experienced as a result of the pandemic. This was publicised through our social media channels, through emails to supporters and via our website. Over 1,900 people submitted their experience through the tool. This allowed us to pick up on under-reported issues, as well as hear some of the ways that the pandemic was affecting people. The questions did not guide people to select a particular issue with the benefits system, or policy change needed, but allowed them to openly share their experiences, and raise any issues they felt relevant. More information about this tool is available on request.

Tables

Table One: Shortfalls between average (median) rents and maximum amounts of housing benefit/ housing element of Universal Credit) (monthly)

	Room in a shared house	1 Bed	2 Bed	3 Bed	4 Bed
Proportion of local authorities with shortfall of over £50 a month between average rents and maximum amounts of housing benefits	62%	42%	47%	62%	83%
Proportion of local authorities with shortfall of over £100 a month between average rents and maximum amounts of housing benefits	25%	12%	16%	28%	67%
Highest shortfall	£316.98	£666.03	£1,226.99	£2,276.01	£4,744.01
Highest shortfall outside London	£316.98	£219.98	£399.98	£400.00	£1,130.01

Table Two: Proportion of local authorities where different families would lose the whole £86.67 a month increase in standard allowance due to the inadequacy of LHA

	Room	1 Bed	2 Bed	3 Bed	4 Bed
Proportion of local authorities	31%	16%	24%	37%	74%

an amount required for the most basic existence. Note that this does not account for important spending to promote children's welfare and well-being, such as money for school trips, recreational outings and after school clubs. The analysis also assumes that annual expenditure can be smoothed across the year with expenditure on different items being a consistent amount each week. In reality, a family may have to pay the cost of a supermarket shop for two weeks of food, pay a utility bill for a three-month period all at once, or buy expensive items such as new shoes all at once. Critically, it gives no room to afford emergencies, such as paying for childcare or travel costs when taking a sick child to the doctors. It is a floor measure.

Table Three: Proportion of areas where each family would be impacted by benefit cap (if not exempt)⁵⁰

		Single parent with one child	Single parent with two children	Single parent with three children	Single parent with four children (three bed)	Couple with one child	Couple with two children	Couple with three children	Couple with four children (3 bed)
Single person	Couple								
18%	0%	12%	47%	76%	89%	32%	82%	100%	100%

Table Four: Proportion of England where the cap would leave a lone-parent family without enough to cover their rent, and essential family costs⁵¹

Family composition	Lone parent family	Couple
2 children	7%	14%
3 children	32%	43%
4 children	43%	63%
5 children	85%	100%

⁵⁰ Assuming family rents a home at 30th percentile of local rents. Analysis carried out at BRMA level.

⁵¹ As above.

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