

Submission

**Treasury Committee inquiry into the
government's COVID-19 financial package**

Summary

- We welcome the opportunity to submit evidence to this inquiry.
- Shelter is the UK's largest housing and homelessness charity. Last year we gave information, support and advice to millions of people experiencing housing problems and homelessness through our advice, support and legal services.
- As the COVID-19 pandemic has escalated in the UK, Shelter's telephone and web advisers are being contacted every day by terrified renters who have already been affected by the economic fallout of this developing public health crisis.
- This pandemic is unprecedented and the economic aftershock will have a far-reaching impact across society.
- As it stands, local authority 'housing options' teams have been struggling to provide meaningful help to prevent people from losing their homes or find a suitable alternative.
- The housing benefit and social security safety net is not fit for purpose, let alone with an influx of thousands of new claims.
- We welcome the government's speedy commitment to important measures to protect both mortgagors and renters and street homeless people throughout this period of public health emergency and financial instability.
- We welcome the funding announced for services to help rough sleepers find accommodation.
- However, despite committing to end evictions during this period so that people can stay in their homes, the government has simply extended the notice period to three months, meaning that tens of thousands of people who have already been served a notice could still be evicted through the courts over the next three months, and more will be evicted in June.
- We also warmly welcome the government's decision to restore Local Housing Allowance (LHA) rates, to the bottom 30% (30th percentile of market rents) in every area in line with government policy. After a four-year freeze, the rates only allowed access to the bottom 10% of the market in a third of areas (32%). However, this change does not cover average rents and there is a five week wait for help so many will quickly accrue huge debts and some will lose their homes as a result.
- And more is needed for those groups at the sharp end of the housing emergency, who are at risk from COVID-19. Homeless people, including people facing street homelessness and homeless families in one-room temporary accommodation (TA) are particularly vulnerable to the virus because their situation makes it difficult to follow public health advice or deal with being seriously ill.

Recommendations:

- The housing benefit safety net will need to support a much larger number of households than in normal circumstances, and it is **vital that it is properly funded in order to help people access safe accommodation and avoid rent arrears.**
- The LHA rates must **be lifted, as an emergency measure, to cover average rents (the 50th percentile) across every local market** to ensure people can access safe accommodation and cover their rents for this period.
- The **five-week wait within the Universal Credit system should be removed** by ensuring the advance payment is provided as **a grant rather than a loan.**
- The government must urgently **provide funding and support to protect homeless families living in one-room temporary accommodation**, and it must ensure all homeless individuals and families, including those not usually eligible for homelessness assistance and/or recourse to public funds, are protected.

To further protect renters, the government must also:

- **Suspend all evictions** - both new possession proceedings and current proceedings. To ensure people are protected and not made homeless during this time we must see an immediate suspension of all possession cases, including execution of warrants, not just the temporary increase of notice periods that has been introduced. The **government must also issue guidance to renters who have been served an eviction notice**, so that they know they do not need to leave their home.

The current situation for renters

Over the last few weeks, our online, telephone and in-person services have been contacted by an increasing number of people who are already suffering from the economic fallout of the COVID-19 crisis. From those who have lost work and can no longer afford the rent, to those who are worried about the suitability of their accommodation in which to safely self-isolate.

Our in-house analysts have now started tracking the number of online and telephone queries we have been receiving which directly and indirectly related to COVID-19 since Tuesday 17th March. Last week, calls related in some way to COVID-19 increased from 1 in 5 on Tuesday 17th March to around 1 in 2 in recent days.

Many renters are at threat of eviction, often from landlords with fears about contracting COVID-19. Below are two examples from our online services:

Webchat conversation: A renter who works at an NHS hospital, says their landlord wants to evict them and the other tenants in the property, some of whom also work at the hospital, because he's scared he will contract the virus from them. The landlord has threatened that unless a cure is found in the next few weeks, they've all got to go.

Webchat conversation: A renter has been unlawfully evicted while on holiday in Italy without notice. The landlord advised they were worried they would catch the virus, and this was the reason for the illegal eviction. The tenant offered to self-isolate for 14 days elsewhere before returning to the property, but the landlord still refused.

We are very concerned that evictions are still going ahead during this period, when people should be

staying in their homes. The emergency legislation does not ban all evictions, as the government originally suggested, instead it simply extends the notice period to three months. We estimate that this means around 20,000¹ evictions already in progress through the courts will still go through over the next three months, leaving people without a home during the COVID-19 outbreak, and many more will take place in June.

It will also mean further evictions from mid-June with no scope to suspend or delay these if we are still trying to prevent the spread of the virus. It may even mean some of the 1.5million people being shielded over the next 12 weeks are served eviction notices for mid-June.

The temporary ban on evictions should suspend all evictions - both new possession proceedings and current proceedings. To ensure people are protected and not made homeless during this time we must see an immediate suspension of all possession cases, including execution of warrants. The government must also issue guidance to renters who have been served an eviction notice, so that they know they do not need to leave their home.

Our online and telephone advisers have also been contacted by many renters facing financial uncertainty:

Webchat conversation: A renter who is unable to afford their share of the rent in a two-bedroom flat, after losing their job. Their housemate's working hours were also recently reduced as a result of COVID-19, meaning between them they can no longer afford to pay rent this month.

Webchat conversation: A renter who is struggling to pay rent due to employment issues relating to COVID-19. The estate agent is not allowing them to leave unless the rent is paid in full, or a replacement is found – which is also not a feasible option under current government guidance.

Telephone advice line conversation: A renter with chronic obstructive pulmonary disease recently had to self-isolate due to being in a high-risk category. As they are on a zero-hour contract, this has had an immediate impact on their income, and they have now fallen into rent arrears.

Telephone advice line conversation: A renter who usually relies on a friend to help pay her rent, which she cannot afford alone. The friend has now lost their job as a result of COVID-19, meaning they cannot contribute to her rent this month.

Telephone advice line conversation: A renter who is self-employed as a private tutor and event planner. They have lost employment as a result of the crisis, as students have stopped attending and events have been cancelled. This has left them unable to meet their next rent payment.

The majority (63%)² of renters have no savings whatsoever and many will be unable to pay their rent or afford essential living costs without more support from the government.

We believe that **the most efficient and simple way to support those most in need is to use the mechanisms already in place.** We are therefore supportive of the government's decision to increase the current welfare safety net, but we believe they will need to go further.

The current situation for homeless families in temporary accommodation

There are currently 87,410 homeless households living in temporary accommodation across England, 71% (62,280) of whom are families with dependent children.³ The majority (71%) of homeless families

¹ 20,334 households faced eviction through court orders in April-June 2019. Shelter has assumed that a similar caseload will be seen in Q2 of 2020 as the average claim takes 12 weeks to reach the order stage. Shelter has assumed that a similar number of claims will have been submitted in Q1 of 2020 and will be processed through to order stage in Q2. Some additional households would also have been evicted through warrants, and repossessions through county court bailiffs. Ministry of Justice: Mortgage and Landlord Possession Statistics – Quarter 4: October to December 2019.

² MHCLG, English Housing Survey 2017 to 2018: private rented sector: Chapter 2, Annex Table 2.8

are accommodated by London boroughs⁴ which have so far been the worst affected areas for instances of COVID-19 in the UK.

While some temporary accommodation is of a suitable size for families, other accommodation is not. Families living in one-room temporary accommodation, and/or sharing facilities with other households, are at particular risk of contracting, spreading and being compromised in their recovery from the disease.

Last week's government statistics show 5,400 homeless families in England are currently living in emergency hostels, refuges and homeless B&Bs.⁵ Of these, 54% (2,940) are accommodated by London boroughs.⁶ In this type of emergency accommodation, not only do families usually have to sleep, eat, and live in one room, but they must often share toilets, bathrooms, and/or kitchens with other residents.

The risks of this set up are clear. Sharing facilities means the virus could run rampant between families, and it makes household social distancing extremely difficult. It means that if one person in the hostel has symptoms, all the families living there will have to self-isolate.

Such accommodation rarely has WiFi, so there's no scope for online work, study, shopping, or entertainment without using expensive mobile data. Families who cannot afford this have to venture out in search of WiFi.

In some cases (e.g. budget hotels), there are no food storage or cooking facilities at all, and families will struggle to store and prepare healthy food for children or be able to even keep milk chilled in the room. This makes it more necessary to rely on take-away food.

The statistics mask much higher levels of homeless families in one-room accommodation. There are currently 17,000 families accommodated by unregulated private companies, who charge desperate councils nightly rates for accommodation.⁷ Of these, 86% (14,570) are accommodated by London boroughs.⁸ While listed as 'self-contained', this accommodation can consist of just one room with a basic kitchenette and a tiny en-suite.

A growing number of news reports, including a recent BBC Panorama and Radio 4 podcast, illustrate the cramped conditions in such accommodation, which is increasingly in former office blocks which the government allows to be converted without planning permission, such as Terminus House in Harlow and Connect House in Morden.

There are also homeless families, including NHS workers, who are accommodated in shipping containers – as exposed last summer by the Children's Commissioner for England.

Homeless families often have members in the high-risk groups more vulnerable to the effects of COVID-19: pregnant women, severely asthmatic children, and parents or children under-going chemotherapy. With families crammed into one room and children often having to share beds with parents or siblings, the risk of the entire family becoming infected is very high.

It's just not going to be possible, for these families to follow government guidance on self-isolating where vulnerable people are advised to 'keep 2 metres (3 steps) away' and 'use a separate bathroom from the rest of the household'.

³ MHCLG, Live tables on homelessness, [Statutory homelessness live tables](#), Households in temporary accommodation, Table TA1

⁴ MHCLG, Live tables on homelessness, [Statutory homelessness live tables](#), Detailed local authority level tables, Households in temporary accommodation, Table TA1

⁵ MHCLG, Live tables on homelessness, [Statutory homelessness live tables](#), Households in temporary accommodation, Table TA1

⁶ MHCLG, Live tables on homelessness, [Statutory homelessness live tables](#), Detailed local authority level tables, Households in temporary accommodation, Table TA1

⁷ MHCLG, Live tables on homelessness, [Statutory homelessness live tables](#), Households in temporary accommodation, Table TA1

⁸ MHCLG, Live tables on homelessness, [Statutory homelessness live tables](#), Detailed local authority level tables, Households in temporary accommodation, Table TA1

In one case, we visited a family of two parents, two primary school children, two teenagers, and a baby, all who'd been accommodated in a 12x7 foot room with two double beds. In good weather, their 18-year-old son had resorted to sleeping on a nearby flat roof to give his family more space.

It will also be difficult for families in this situation to nurse and isolate a symptomatic family member, who may become very ill but unable to transfer to hospital when the number of cases reach a peak.

Our advisers are being contacted by homeless individuals, either sofa-surfing with friends or living in temporary accommodation, with fears about the impact of COVID-19 on their health, living situation or ability to safely self-isolate. We are also hearing from people still being made homeless, because evictions are still going ahead, and adding to the numbers being put at risk in these ways. Below are some examples of the queries our telephone advisers have had since the beginning of March:

Telephone advice line conversation: A caller who was due to be made homeless that evening, and had nowhere safe to stay that night. He could not stay with his elderly mother, due to his worries he would put her at risk of contracting COVID-19. His income was also in jeopardy, as his job had been impacted by COVID-19 – significantly increasing his chances of becoming street homeless.

Telephone advice line conversation: A woman with an auto-immune disease, and therefore in the high-risk category for the virus, contacted us as she was concerned she would be placed in accommodation with other people, making it difficult for her to self-isolate safely.

Local authorities need adequate funding and guidance to support homeless families, and others who may find themselves homeless and in need of council support throughout this crisis.

Recommendations

1) Lifting Local Housing Allowance (LHA) to the 50th percentile

Local Housing Allowance (LHA), introduced in 2008, is the way in which housing benefit for private renters is calculated, including the housing element for those on UC who rent privately. The rates are localised to reflect different housing costs in different areas, based on 152 Broad Rental Market Areas (BRMAs) in England.⁹

Originally, LHA rates were set at a rate to cover the lowest half, or the 50th percentile, of local rents and have different maximum rates for different sized property (e.g. one-bedroom home, two-bedroom home etc) up to a five-bedroom home. To maintain the rates at the 50th percentile, they were regularly updated to reflect fluctuating rents.

In 2011, the LHA rates were lowered from covering the bottom half (50th percentile) of rents in a local area down to cover the bottom 30% (30th percentile) of local rents. One of the main reasons LHA rates were lowered was to ensure 'that people on benefit cannot choose to live in properties that would be out of the reach of most people in work'.¹⁰ Steve Webb MP, Minister responsible for housing benefit at the time, told the House that the 30th percentile was chosen because it was thought to match 'the typical rent for a low-income working household'.¹¹

At the time, then Secretary of State for Work and Pensions, Iain Duncan-Smith MP, regularly referred to the need for fairness and, on one occasion, gave the example of "a small number of people" who could

⁹ Valuation Office Agency (VOA), [Understanding Local Housing Allowance and broad rental market areas](#), VOA, 1 June 2013

¹⁰ Department for Work and Pensions, [Housing Benefit: Changes to the Local Housing Allowance Arrangements](#), DWP, November 2010

¹¹ Webb, S., [Housing Benefit \(West Ham\) Debate in House of Commons](#), 22 November 2010

theoretically “get more than £100,000 a year” if they were living “in a five-bedroom house in an expensive area such as Westminster”.¹² In the same debate, told the House:

*Changes to housing benefit will assist people into the right level of home. At the moment, through local housing allowance, we are paying vast sums of money to people who would not be able to get the same money if they were in employment*¹³

There were a number of other cuts to LHA since 2011, including limiting the maximum property size from a five-bedroom to a four bedroom and raising the age entitlement for a one-bedroom property from 25 to 35 years old.

The rates were then uncoupled with local rent rises and subject to a cuts and freezes, culminating in the most recent four-year benefit freeze (2016-2020), leaving the LHA rates trailing far behind the actual cost of renting even in the bottom third of the market across the country.

As a result of the LHA rate freeze, and previous reforms, Shelter research found that there is a shortfall between LHA rates and rents at the 30th percentile in 97% of areas in England.¹⁴ In fact, the rates have fallen so far below rents across England that in a third of areas (32%), they did not even cover the cheapest 10% of the rental market for a two-bedroom home, severely limiting options for people in need of a home.

Shelter has regularly highlighted the problems caused by the LHA rates falling so far below the 30th percentile. Most recently in two substantial reports:

[**LHA Impact Assessment: The effects of the reforms since 2011**](#) and

[**From the Frontline: Universal Credit and the broken housing safety net.**](#)

We have shown how hundreds of thousands of families are having to make up huge shortfalls between their rent and their LHA rate and how this is leaving them with no option but to cut back on essentials such as food, heating or school uniforms as well as having to borrow money, use credit cards or sell possessions just to cover the cost of their rent.¹⁵ And we have highlighted how homelessness from the private sector has risen sharply since the reforms to LHA started.

As a result of the COVID-19 outbreak, the government announced on Friday 20 March that the LHA rates would be restored to the original 30th percentile once again. **This is an incredibly welcome announcement that will help millions of people in need of a suitable home or worrying about how they will continue to pay their rent during this period.**

Bringing the rates back up to cover at least the bottom 30% of each local rental market was a necessary step – with or without the pandemic. It was necessary to ensure millions of people already struggling were able to stay in their homes and afford their rent, and to ensure many more are not pushed into homelessness due to rent arrears during or soon after the outbreak.

However, with the current unprecedented nature of the COVID-19 pandemic, there will be huge numbers of people needing to claim LHA for the first time in order to cover their rent. There will be people living in homes they can quite comfortably afford in normal circumstances who will be made redundant or be unable to continue working, or see a reduction in pay, and many will be unable to take advantage of the government’s new HMRC grant scheme to cover salaries. For example, we are already seeing people being laid off and having their pay reduced, and we expect this to continue. The HMRC grant scheme

¹² Duncan-Smith, I., [Capital Gains Tax \(Rates\) Debate in House of Commons](#), 28 June 2010

¹³ Duncan-Smith, I., [Capital Gains Tax \(Rates\) Debate in House of Commons](#), 28 June 2010

¹⁴ Shelter analysis of Local Housing Allowance rates applicable from April 2019 to March 2020

¹⁵ 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

also does nothing for the five million self-employed. This means that there are likely to be many more people unable to afford to pay their rent in these incredibly unusual circumstances.

The idea that the 30th percentile provides enough to match ‘the typical rent for a low-income working household’¹⁶, as the government initially assessed, does not go far enough under these extraordinary circumstances. Many median income households and above will be impacted severely by this crisis and they too will need help to see them through the financial shock of the pandemic. If they are unable to cover their rent, their circumstances may require them to move home in order to afford a rent, something which they should not be forced to do during the current outbreak, and something which many will be completely unable to do.

As well as ensuring those who are currently struggling are able to maintain their homes, this is a time the government needs to go above and beyond for a much wider proportion of our population.

The emergency measure in these testing times needs to be an uplift of LHA to cover the bottom half of rents within each market. The LHA rates need to be restored to cover at least the bottom 50th percentile.

2) Removing the five-week wait for Universal Credit payments

Universal Credit (UC) was introduced in 2013 to gradually replace the previous (legacy) benefit scheme in helping working-age people with their living costs, including rent.

Those who will be making new claims for benefits during this period, including those claiming LHA to help cover their private rents, will therefore be claiming UC. UC aims to streamline and simplify the UK’s welfare system by bringing together six benefits into one. The six benefits that are becoming part of one UC system are means-tested and for people of working age on a low-income. They are:

- Income Support
- Income-based Jobseekers’ Allowance
- Income-related Employment and Support Allowance
- Housing Benefit including Local Housing Allowance
- Child Tax Credit and
- Working Tax Credit

One way in which UC has changed compared to the old (legacy) benefit system is that UC amalgamates these benefits into one monthly payment. There is a month long assessment period from the commencement of an application. Because payments are in arrears, this leaves an applicant without a payment for the first income assessment period.

An applicant can take out an advance payment and receive money for this period up-front; however, this is a loan which incurs later high deductions from future monthly payments. Currently, the advance payment is deducted by clawing back 30% of the standard allowance. In the most recent Budget on the 11 March, the government announced this deduction rate would be lowered to 25% instead of 30%. A step in the right direction but still far too high.

During this time of national crisis, it is expected more people than ever may have to rely on the UC system and may find themselves in trouble with their rent payments. We already know people regularly get into difficulty with paying their rent and bills because of the five-week wait, and we documented these issues in our [From the Frontline](#) report.

¹⁶ Webb, S., [Housing Benefit \(West Ham\) Debate in House of Commons](#), 22 November 2010

During 2018, our services saw over 2,180 cases where the main presenting problem was related to UC.¹⁷ We analysed this data for our [From the Frontline](#) report and it reveals the initial five-week wait for payment from making a claim is already causing extreme hardship, as people are left with no money to survive, pay rent or bills.

This is supported by reports by other agencies that the five-week wait leads to severe hardship. The Trussell Trust have found worrying increases of foodbank use in areas where UC has been rolled out. On average, 12 months after rollout, foodbanks see a 52% increase in demand, compared to a national increase of 13% across the country. This increase exists even after accounting for seasonal and other variations. Their analysis found that one of the key reasons people are seeking help there is because of the initial wait for a UC payment.¹⁸

Ministers have justified the five-week wait on the basis that claimants moving onto UC could have money saved to support themselves through the five-week period. However, in our experience, low incomes mean it is rarely possible for people to save anything at all. The 2017-18 English Housing Survey showed that a significant proportion of renters have very little by way of cash savings. Almost two-thirds (63%) of privately renting households have no savings.¹⁹ These proportions are likely to be higher amongst recipient households, particularly given the current shortfall between LHA rates and rents.

Case examples

Even if people do have savings or receive their final pay during the five-week wait, this can often work against them:

- A woman we spoke to had recently lost her job and had received her final pay during the five-week wait. This period was a struggle, but it was made worse when her first payment after the five-week wait was only £74 for the whole month. Because she had received her final pay packet during the five-week assessment, this had been included in the assessment of income. This essentially resulted in a second month with inadequate income. The direct result of the five-week wait, followed by the reduced first UC payment, was that she accumulated over £3,000 of rent arrears.
- A man we worked with told us he had lost his job, so applied for UC, to support his wife and two children. Once he had endured the five-week assessment period, he received a first payment of just over £90. This was also because his assessment included his final pay from his job.

This type of problem is likely to become more common as a result of the COVID-19 pandemic.

There will be many more people applying for UC as a result of a job loss, and as we set out above for many their UC payments will be well below their costs, making any delay even harder to bear. Many may receive a final pay packet during the five-week wait. This final pay packet may not necessarily be enough to see them through the whole five-week period with no money (for example, they may be paid weekly or fortnightly or have been gradually working less hours until their hours were stopped completely). However, it can often be enough to mean their first monthly payment of UC is severely reduced leaving them with a second month with very little income to cover outgoings, putting them at risk of hardship and/or debt, including rent arrears.

Our analysis of service data shows us that the five-week wait for UC is already pushing people into high levels of arrears. These cases were all from before the COVID-19 pandemic. We are seeing this up and down the country and it can cause knock-on complications for claimants' housing situation:

¹⁷ We most likely helped a greater number of clients with aspects of their UC claim than are recorded here, but these cases are where UC is the primary problem for seeking help.

¹⁸ The Trussell Trust, [The next stage of universal credit: Moving onto the new benefit system and foodbank use](#), The Trussell Trust, 2018

¹⁹ MHCLG, English Housing Survey 2017 to 2018: private rented sector: Chapter 2, Annex Table 2.8

For example:

- A service user in the North of England was self-employed but had to stop working due to ill health, and so made an application to UC. She had historic rent arrears due to other periods of ill-health through her working life. However, she was making regular court-agreed payments to reduce the arrears and she had not been at risk of eviction for some time. Upon making a UC application, her housing benefit automatically stopped, and she did not receive a payment for five weeks. Because of this, her arrears reached over £1000 in this time and her landlord applied for an eviction warrant.²⁰

Living without income for five-weeks is understandably pushing people towards claiming an advance payment. However, this often causes debt and hardship at a later date. The advance payment is paid back through at the steep rate of up to 30% of the standard allowance currently²¹.

If a claimant has other debts which can be clawed back via deduction at source from UC, then their advance payment deductions may be lower but the total level of deduction from their UC income will still be up to 30% overall. In some limited cases, deductions for benefit fraud and some “last resort” payments that are judged to be in a claimant’s best interest can sometimes even push a deduction level above the 30%.

These deduction levels do not take into account whether a claimant is repaying additional debts, on top of their UC deductions, such as debts to family and friends, low cost credit or pay day loan debts on top of their UC deductions. This means that a claimant will then have to use further amounts from the remaining 75% of their standard allowance to pay these other debts. If they are also having to make up a shortfall between their rent and their LHA rate out of their standard allowance, the amount families have to live on can be incredibly small. It is not unusual to see service users with as little as £100 per month to live on after paying their rent, all the deductions and any shortfall they have.

However, people can sometimes feel that taking out an advance payment will be so detrimental to their future finances, that they would rather struggle through the five-weeks with no income:

Case example

- A mother of two was already in receipt of LHA and tax credits but had recently separated from her partner and moved house with her children, triggering a new claim for UC. As a result, her tax credits had been automatically stopped but she refused an advance payment because of the high deduction rates she knew would hit her future UC payments. However, she then faced a dire situation and had to rely on food vouchers and fuel assistance for five weeks.²²

People are already struggling with the five-week wait. It was already pushing people towards hardship, rent arrears and destitution. Now, as the pandemic worsens and increasing numbers of people will have to claim UC, pay high costs, and be unable to move to reduce their costs, this will create a huge problem for many.

The government needs to end the five-week wait as a matter of urgency. They can do this quickly by making the advance payment a grant instead of a loan. This will mean everyone is able to access their money from day one without having to make a choice between going into debt or being without money for five-weeks.

3) Increased funding for local authorities to support families in temporary accommodation

²⁰ Some details have been changed for anonymity

²¹ This will soon be lowered to 25% as announced in the Budget on the 11 March 2020

²² Some details have been changed for anonymity

The government has responded swiftly to protect homeless people during the pandemic with [a dedicated £3.2m fund](#) to help councils pay for extra accommodation in which rough sleepers could 'successfully self-isolate'. And they published fresh [guidance on how to protect this vulnerable group](#) and those supporting them. We welcome this swift action.

But now we need government to go further to help at-risk homeless families in one-room and/or shared accommodation, especially those who have members vulnerable to the virus. The government must provide urgent funding and guidance to councils to support them