

Working with the LHA: A summary of landlord and agents' early experiences of the LHA in the nine Pathfinder areas

Introduction

The aim of the interim survey was to examine early landlord and letting agent responses to the introduction of the Local Housing Allowance (LHA). At the time of the interview, all nine Pathfinder areas had operated the new regulations for at least six months, and the majority of their private rented sector caseload was in receipt of LHA.

A total number of 1,082 interviews took place in the Pathfinder areas with landlords and letting agents from the baseline survey who had agreed to be contacted again. The survey was completed between February and April 2005.

The composition of landlord types in the interim survey was almost identical to that of the baseline survey, and included 55 per cent individual/couple landlords, 16 per cent corporate landlords, and 29 per cent letting agents.

Key Findings

- Since the baseline survey, fewer corporate and individual/couple landlords were letting to LHA tenants, lettings had reduced by 24 per cent and fourteen per cent respectively. However, portfolio sizes had not changed substantially.
- The majority of respondents (88 per cent) had not changed the way in which they set the rent; in the small minority of cases where change had taken place, the rent had been increased. Similarly, the majority of landlords and letting agents (73 per cent) had not changed the *frequency* with which they collected the rent. However, where a change had taken place more collections were now taking place more frequently.
- With regard to tenants on LHA, rent collection methods varied widely by landlord type. Corporate landlords and letting agents made much higher use of standing orders and direct debits: 63 per cent of corporate LHA lettings and 59 per cent of letting agent lettings made use of these methods. For individuals/couples landlords, a higher proportion of LHA tenants paid their rent in person, or by cash or cheque into their landlord's bank account.
- Overall, fewest problems with rent collection were reported when payments were made from the local authority to the landlord or letting agent. It was notable that even where standing orders or direct debits were set up through bank accounts, landlords and agents reported difficulties, particularly with the timing of payments.

- Seventy-two per cent of all respondents reported some experience of rent arrears over the last three years and of these, 68 per cent of landlords and letting agents deemed tenants in receipt of Housing Benefit (HB) more likely to fall into arrears than non-HB tenants.
- One third of landlords said that their management and maintenance costs had increased since the introduction of LHA. Rent collection was mentioned by 59 per cent as one cause, but 46 per cent also noted maintenance and repair costs, and the need to upgrade the standard of accommodation. However, 99 per cent of letting agents had not increased their fees for managing LHA tenancies.
- Twenty-two per cent of landlords and letting agents said that, because of the LHA, they had not renewed existing LHA tenancies, and 28 per cent had not let any new tenancies to LHA tenants. Fifty-five per cent said that in the future, because of LHA, they were much less likely to let to tenants in receipt of HB. The principal reasons given in all cases were experience of rent arrears and the cessation of payments of benefit to the landlord or letting agent.

Awareness and experience of Local Housing Allowance

Overall, 85 per cent of respondents had heard of the LHA. Awareness was highest amongst corporate landlords and letting agents, at 89 per cent and 90 per cent respectively. Landlords who were individuals or couples had a slightly lower awareness: 80 per cent of these knew about the LHA.

Of landlords and letting agents aware of LHA, 77 per cent were currently letting to someone claiming the benefit. Eighty-seven per cent of the *same* respondents at the baseline stage were letting to someone in receipt of HB (Table 1). The number of corporate landlords letting to benefit recipients had reduced by 24 per cent, and for individual/couple landlords the proportion had gone down by 14 per cent. By contrast, the proportion of letting agents who were letting to tenants in receipt of HB under the LHA had remained unchanged compared with the baseline stage.

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Table 1: Whether currently letting to any HB tenants at baseline, or currently letting to any tenants claiming LHA at Interim stage

Whether currently letting to HB/LHA tenants	Individual/couples (%)		Corporate landlords (%)		Letting agents (%)		All (%)	
	Baseline	Interim	Baseline	Interim	Baseline	Interim	Baseline	Interim
Yes	86	74	95	72	85	85	87	77
Weighted N.	475	466	151	151	263	273	891	893

Base: All respondents who had heard of LHA, and the same respondents at the baseline.

Rent setting and collection

Where a respondent was letting, or had previously let, to a tenant on the LHA, 88 per cent reported that they had not altered the way in which they set the rent for tenants claiming the benefit. There was no significant difference between respondent types in this respect.

There were a small number of cases where landlords and letting agents reported setting the rent differently. The most common change was to increase the rent; some respondents specified that they had increased the rent in line with the LHA levels.

Table 2: Methods of rent collection used for LHA claimants

Method of rent collection	Private landlords			Letting agents (%)	All respondents (%)
	Individuals/Couples (%)	Corporate landlords (%)	All landlords (%)		
Tenant pays by direct debit or standing order	32	63	57	59	58
Landlord or agent is paid the rent directly from the LA	26	31	30	13	23
Tenant pays the rent in person	23	3	7	15	10
Tenant pays rent by cheque or cash into a bank account	12	2	4	10	7
Other method	7	1	2	3	2
Total	100	100	100		100
Weighted N. (lettings to LHA claimants)	1,792	7,200	8,999	7,134	16,134

Base: lettings of the respondents who were able to say to how many LHA claimants they were letting.

Table 2 indicates that there was wide variation in landlord and letting agent practice with regard to the collection of rent from LHA tenants. Individuals/couples landlords were much more likely to have arrangements whereby the tenant paid the rent in person, and much less likely to have recourse to the use of direct debit or standing order. Indeed, 32 per cent of the LHA lettings of individuals/couples had this method of payment, compared with 63 per cent of the corporate landlords' and 59 per cent of letting agents' LHA lettings.

Overall, 60 per cent of respondents who currently let to LHA tenants and had let to HB tenants in the past reported that

they had made no changes to the way they collected the rent. However, differences were evident according to landlord type. A smaller proportion of corporate landlords (44 per cent) reported no changes compared with individual/couples (56 per cent) and letting agents (72 per cent). Similarly, there was variation in the type of changes that were introduced. For example, the introduction of standing order/direct debits was made by a much higher proportion of corporate landlords than individual/couples landlords or letting agents; individuals/couples landlords were much more likely than corporate landlords or letting agents to set up a system of personal rent collection; and letting agents were more likely than landlords to arrange tenants coming to pay the rent.

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Respondents were asked if they had changed the frequency with which they collected rent under the LHA. Seventy-three per cent of respondents had made no change. Of the 27 per cent of respondents who had changed their rent-collection frequency, 82 per cent now collected their rent either weekly or two-weekly. Prior to the introduction of the LHA, this figure had been 19 per cent.

Landlords with current LHA tenants were asked if they had experienced a problem with rent payment, and if so what problems they had had with different kinds of payment

arrangements. The question was open, and multiple responses could be given. Forty-two per cent of landlords and letting agents reported that they had no problems at all with rent collection or payment. Table 3 indicates the three key difficulties that were mentioned by respondents who had had problems: the tenant not paying the rent; problems getting hold of the tenant; and problems relating to LHA administration including the timing of payments, late payments, processing errors and a lack of information from the local authority about the claim.

Table 3: Main problems encountered with the three principal payment methods for LHA tenants

Reported problems (open question)	Payment method		
	Rent paid in person, through collection or delivery (%)	Rent paid via standing order or direct debit (%)	LHA paid direct to landlord or letting agent by local authority (%)
No problems reported	55	49	65
Tenant(s) not paying the rent, or spending LHA on other things	49	13	0
Problems getting hold of tenants	12	0	0
Problems with the administration of LHA	4	25	46
Weighted N.	258	405	460

Base: all respondents with tenants currently on LHA.

Note: Respondents were able to give multiple responses.

Principal findings from Table 3 are that non-payment of rent and getting hold of tenants were not a problem when rents were paid directly to the landlord or letting agent; that administration of LHA was problematic for landlords receiving LHA directly from the local authority; and that reliance on standing orders or direct debit did not eliminate problems relating to tenants spending the LHA on other things.

All landlords and letting agents were asked about their experience of rent arrears. Overall, 72 per cent of respondents had in the last three years let to tenants who had fallen into arrears. The landlords and letting agents were asked, from their general experience, whether HB tenants were more or less likely to fall into rental arrears than someone who is not on HB. Sixty-eight per cent thought that HB tenants were more likely to fall into arrears; seven per cent considered the non-HB group more likely to be in arrears; and 26 per cent of respondents said there was no difference between the two groups.

Respondents with experience of letting to someone claiming LHA and HB under the previous system were asked to say

whether they thought that LHA tenants were more or less likely than HB tenants to fall into rental arrears, or if they thought there was no difference between the two systems. Overall, 59 per cent of respondents said that rent arrears were more likely under LHA but this view was most common amongst corporate landlords, 75 per cent of whom thought it to be the case. A large minority of individuals/couples landlords and letting agents considered that the change in regulations made no difference (42 per cent and 40 per cent respectively).

The impact of LHA

The majority of respondents (68 per cent) had *neither* increased nor decreased their portfolio sizes since the baseline survey and the proportion of landlords and letting agents who had *either* increased or decreased their lettings was similar at 16 per cent and 17 per cent respectively. The most marked trend was for letting agents to have increased the lettings on their management books.

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Where lettings had been increased, the most common reason was that the respondent wanted to increase their income or take advantage of an investment opportunity. Decreases in portfolio size were most commonly explained by the sale of properties for unspecified reasons.

For the two types of landlord, sixty-eight per cent noted that the total management and maintenance costs of their lettings to LHA tenants had remained the same since the introduction of the new regulations. There was no significant difference between individual/couples and corporate landlords on this issue. Thirty-three per cent of the landlords indicated that costs had increased, and fifty-nine per cent of these respondents mentioned increases in the cost of rent collection. Time and cost in setting up HB tenancies were also mentioned, as was the need to chase the rent payments. In addition, 45 per cent of respondents noted increases in the cost of maintenance and repair, and the need to upgrade the standard of accommodation.

Ninety-nine per cent of letting agents reported that they had not changed the fee that they charged to landlords for managing tenancies supported by LHA.

With regard to letting practice, 22 per cent of respondents who currently let to LHA claimants said that they had decided not to renew any existing tenancies for LHA tenants as a result of the introduction of the new regulations. The reason cited by most respondents for this change in letting practice was because of the level of rent arrears they had experienced under the scheme. Other common reasons included the *fear* of tenants falling into arrears, and the fact that tenants now received their rent payment from the local authority. There was no significant difference between the landlord types on this issue.

There was further evidence of a withdrawal from the LHA market in responses to questions relating to letting activity and preference (Table 4).

Table 4: Decision to renew or let new tenancies to LHA tenants, and willingness to let to LHA tenants, because of LHA

Landlord type	Decided not to renew existing HB tenancies because of LHA (%)	Declined to let to any new HB tenants because of LHA (%)	Since LHA, less likely to let to HB tenants (%)
Individual/couple	27	25	53
Corporate	23	32	64
Letting agent	23	32	56
All	23	28	56
Weighted N.	844	902	902

Base: All respondents with LHA tenants.

Note: Respondents were able to give multiple responses.

Twenty-eight per cent of all respondents said that they had declined to let any new tenancies to LHA recipients because of the new regulations. Although more individual/couples landlords were likely to give new tenancies to LHA claimants, they had fewer tenancies becoming available in the period since the last survey. As with tenancy renewals, the unwillingness to let new tenancies to LHA tenants rested largely on the experience of or fears relating to rent arrears.

Overall, 39 per cent of all respondents noted that the LHA had made no difference to their willingness to let to tenants in receipt of LHA. Corporate landlords were markedly less likely to let to this group since the introduction of the new regulations, with 64 per cent stating this to be the case. By contrast, 53 per cent of individual/couple landlords indicated that the regulations had decreased their willingness to let to LHA claimants. Overall, 70 per cent of respondents who were unwilling to let to LHA tenants mentioned tenants falling into arrears, and 51 per cent noted the end of payments to landlords as being a factor.

About the survey

The survey of private landlords and letting agents was completed by the National Centre for Social Research. A structured interview questionnaire was conducted over the telephone, and the interviews were completed in February to April 2005. The respondents were all drawn from the initial baseline sample of landlords and letting agents. The Local Housing Allowance Evaluation Report 4, *Landlords and Agents in the Private Rented Sector* reported detailed findings from the baseline survey. As with the baseline survey, the interview data has been weighted to allow for respondent's differing scales of operation, and to reflect the different sizes of the landlord and agent population within each area.

Further copies of this summary, along with other publications in the Local Housing Allowance Evaluation series are available via the Department's website: www.dwp.gov.uk/housingbenefit/lha/evaluation/index.asp