



# How to...

adapt your approach to rent collection for universal credit

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# Introduction

Universal credit (UC) is being introduced gradually over a period of several years. However since April 2016 job centres in all parts of the country have been accepting at least some new claims on to UC. As a result all social landlords are now likely to have some experience of working with 'live' UC cases. However at this stage many are still dealing with relatively small caseloads and so in practice their approach to working with UC is still developing.

This guide is intended to provide an overview of emerging good practice, to help inform how you respond to UC in your organisation.

The transition to UC presents huge challenges and early evidence suggests that you will experience an increase in rent arrears. For example, [a survey of 20 landlords](#) with more than 3,000 live UC cases, carried out by ARCH and the NFA in October/November 2015, showed that 79 per cent of these were in arrears.

Thinking about how you respond when individual UC claimants fall behind with their rent, there are a number of relatively operational questions that you need to consider and these are covered in this document. However you will also need to think more strategically about your overall approach to rent collection and whether this needs to change in light of the roll-out. In an attempt to prevent arrears from occurring, many organisations are now seeking to give out a stronger 'rent first' message (whereby rent is seen as a higher priority among tenants who may be juggling many competing requests for payments). Many others are reviewing their arrears procedures and looking to involve staff from across the whole of their organisation in rent collection. This guide also covers these wider questions.

The focus here is on rent collection and arrears management, however in practice this will only be one element of your response to UC. For further guidance, see [our website](#).

## What is UC and how is it being rolled out?

UC is a new benefit which combines and replaces six existing benefits, including housing benefit (HB). This document is not intended as a technical guide to UC, however we have separately published explanations of the following areas of its design for CIH members:

- [eligibility](#)
- [calculation of awards](#)
- [payment methods](#)

According to [recent figures](#) (June 2016) around 275,000 households are currently receiving UC, although not all of these will be receiving help with their rent as part of their claim. At this stage in most parts of the country only the simplest cases (single people without children) are being processed under UC.

The roll-out of UC is currently intended to be completed by 2022 and we have also published a separate [briefing for CIH members](#) on this

# Enhancing your pre-tenancy work

Working with new tenants at, and before, sign up is becoming an increasingly important part of many organisations' response to UC and their attempt to create a 'rent first' culture.

For example most organisations already offer advice around things like budgeting, money management and eligibility for benefits to current tenants. However some are now looking to extend this by actively promoting these services to households from their housing register. The aim here is to help them to prepare for the cost of a move and to ensure that they will be in the best possible position to get their tenancy off to a good start.

In addition more and more organisations are combining this support with affordability checks, introduced as part of their sign up process in order to make sure that they are not 'setting people up to fail' from the outset.

Hopefully with the right support, the majority of applicants will be able to sustain a tenancy. However, perhaps as a result of other welfare cuts, it is possible that your assessments may identify prospective tenants who would be unlikely to be able to do so, even with help. If this is the case, it will pose some broader and more challenging questions for your organisation; are you prepared to let to someone knowing that they will be facing a substantial shortfall between their income and their rent? If you feel that you need to refuse a letting at this time, do you have (or do you need to develop) an alternative and more suitable housing offer? Or can you continue to work with applicants to help them change their circumstances, so that a tenancy might be more sustainable in the near future?

## Learning from others

**Wolverhampton Homes** runs pre-tenancy workshops as part of its application process. Anyone joining its housing register is required to attend a workshop before they can begin bidding for properties, unless they have recently been a council or housing association tenant. Workshops cover things like the cost of running a home – not just paying the rent, but all of the other associated bills as well – and include a budgeting exercise.

Contact: [Chris Pinson-Bradley, lettings manager](#)

## Learning from others

**Curo** runs a 'passport to housing' scheme which offers support and advice to help people prepare financially for a tenancy. It actively promotes the scheme to applicants on the local housing register and also receives referrals from other agencies.

Passport to housing provides a full 360° check to ensure that applicants are financially ready for a tenancy, that they understand the commitment that they will be making and that they have support in place if necessary. As part of this, the organisation looks at applicants' income and expenditure and any existing debt. Between October 2015 and March 2016 156 households had contact with the service, with 54 of these completing the process over that time. On average these households were £1,500 better off as a result.

In total the service has:

- got £55,000 worth of debt written off
- increased applicants' income by £3,750 and reduced their expenditure by £1,250
- secured grants and charity payments totalling £14,000 and warm home discount payments totalling £2,500
- secured £5,000 in lump sums by maximising benefit take up

As part of its lettings process, Curo also carries out an income and expenditure check on all applicants who have not already been through the scheme. It does not let properties where checks show that a tenancy would be unsustainable, however by maximising applicants' income and addressing any existing debt before the point of allocation it aims to minimise refusals.

Whenever a property is found to be unaffordable, it will also refer the applicant to passport to housing for further support. The emphasis is therefore on helping applicants to reach a position where they will ultimately be able to sustain a tenancy.

Contact: [Sarah Seegar, head of customer accounts](#)

# Beginning to collect rent in advance

In theory many organisations' tenancy agreements already require rent to be paid in advance, but in practice few have enforced this in the past. However many are now requiring new tenants to make some sort of initial payment at sign up, and then encouraging them to continue to make subsequent payments at the start of each collection cycle.

The amount required at sign up varies, with some organisations requiring at least a week of rent and others asking for a full month's (or four weeks') worth, where possible. If you are intending to ask for a month of rent at sign up, it is likely that some sort of flexibility will be needed to accommodate those who cannot afford to pay the full amount. However taking some sort of payment at sign up, even if it sometimes a smaller amount, still sends a very clear message about the importance of future payments.

Collecting rent at sign up can be a contentious issue and some staff may instinctively feel concerned about this approach. Overcoming this initial resistance may be a challenge, but feedback from organisations who have already begun collecting rent in this way suggests that it can be effective.

Moving existing tenants, who may already be accustomed to paying in arrears, over to payment in advance is perhaps more difficult. However it is possible, by encouraging tenants to make a small regular overpayment for a period of time, to make this transition gradually

## Learning from others

**Wolverhampton Homes** asks applicants receiving UC to pay a month's rent at sign up. It uses its literature and pre-tenancy workshops to make this expectation clear to applicants when they first join the housing register, so that there are no surprises when they are offered a property and so that they have time to save if necessary. Although there is some scope for discretion, it finds that around 70 per cent of new tenants are able to make this payment.

Initially payments at sign up were generally taken in cash but the organisation has now issued frontline staff with tablets, which enable them to take payments via a credit or debit card. Beyond this, the organisation promotes direct debits as the default payment method for all those who are able to pay in this way.

Contact: [Chris Pinson-Bradley, lettings manager](#)

## Learning from others

**Spire Homes** asks new tenants to pay a month's rent in advance at sign-up. It finds that a majority of tenants are able to pay this in full but will sometimes accept a lower amount where necessary, and will consider this on a case-by-case basis.

Around half of its existing tenants pay their rent by direct debit and most of these are already routinely paying rent in advance, as the organisation has been collecting its direct debits in this way for around three years. It is now encouraging other tenants who have previously paid their rent in arrears to begin making small overpayments in order to move their accounts into credit. This is a significant cultural change as the organisation had not always treated these households as being 'in arrears' in the past.

Contact: [Pat Groom, income recovery court officer](#)

## Providing a range of payment options

It is a good idea to also review the range of payment methods that you offer. Overall you will still need to offer a range of different options, however in response to UC some organisations are now seeking to encourage more tenants to make use of direct debits.

A major advantage of direct debits is that they send out a very strong message about the importance of making regular payments. For example, they are used very effectively as the default payment method by, for example, many broadband, TV and mobile phone providers.

However as individual UC claimants will receive their payments at different points in the month, you may need to review the number of different direct debit collection dates that you offer. Adding additional collection dates increases costs but it also helps ensure that rent is the first bill to be paid after a tenant receives their monthly UC payment. With this in mind, some larger landlords are now beginning to offer any day direct debits. While that may be prohibitively expensive for some, offering tenants as many options as possible will help to minimise the risk of payments being missed.

You should also bear in mind that some tenants are likely to be uncomfortable paying their rent by direct debit, even if they may already pay for some other services in that way. For most households rent is the single largest outgoing and, combined with concerns about the reliability and timeliness of UC payments, this means that some will want to retain control of how much and when they pay, in order to avoid unwanted bank charges. This does not mean that direct debits will not be a good option for many tenants or that it is not possible to increase the take up of them, but it is likely that you will still need to offer them alongside alternative payment options.

There are also opportunities to expand the range of options on offer. For example, some organisations are now seeking to make greater use of mobile and online payment options.

## Weekly or month charging cycles?

The roll-out of UC, and for many organisations the shift towards payment in advance and increasingly by direct debit, also poses a question about whether you should continue to charge rent in weekly cycles. Moving to monthly charging is a substantial undertaking, as it means changing all of your existing tenants' agreements, and to date few organisations have already made this change.

However if in practice more and more tenants are likely to be making monthly payments in the future, it is possible that more may eventually look to bring their charging cycles into line with this.

### Learning from others

As an LSVT founded in 1990, **BPHA** has tenants on a number of different historic tenancy agreements and would like to replace these with a new, single agreement. Under the new tenancy agreement it will be charging rent in advance on a calendar monthly basis. It expects to begin letting properties using this new tenancy before the end of 2016 and will also encourage existing tenants to migrate over from 1 May 2017.

Tenants who agree to switch to the new terms will need to sign a new tenancy agreement. In practice BPHA anticipates that this will take place over a period of time and has set a target of having 20 per cent of its tenants on the new tenancy agreement within the first two years of its introduction. It hopes to achieve this through a combination of natural tenancy turnover (i.e. voids and transfers) and by running an ongoing campaign to encourage existing tenants to switch over voluntarily.

Introducing monthly charging, alongside its existing weekly system, is a substantial undertaking and BPHA are currently working on adapting its IT systems and amending its processes (for example, its arrears procedure) to ensure that they can be applied equally to those with both weekly and monthly tenancies.

Contact: [George Parkinson, head of housing management](#)

## Adopting a 'whole organisation' approach to rent collection

A lot of emphasis is often put on organisational structures and the relative merits of using specialist or generic officers. In practice most organisations still employ some specialist officers to manage arrears cases, although how they use these often differs. In some organisations specialist officers deal with all arrears cases, while in others they focus only on the most serious cases while lower level arrears are handled by a team of housing officers with more general duties.

Arguably, though, organisational culture is just as important as these decisions about structure. A really effective response to UC is likely to require the involvement of staff from across a number of different teams - for example enhancing your approach to pre-tenancy work will mean that officers who are involved in the lettings process will have vital role to play in preventing arrears. Other frontline staff, who may not traditionally have concerned themselves with rent collection, can also support your approach if they have at least a basic understanding of UC and of the kinds of support that are available for tenants who are having difficulty.

Many organisations are therefore seeking to make rent collection an organisational priority; something for which all staff are expected to take some responsibility, rather than something which is solely the responsibility of specialist officers. Moving towards this 'whole organisation' approach to rent collection is largely about culture and internal communication, so it is worth investing some time in working with staff from across the whole organisation. This might mean creating project teams with staff drawn from different teams or using staff briefings, internal training programmes and 'tool box talks' to promote the message that rent collection is an organisational priority.

## Reviewing your arrears procedures

You may also wish to review the way in which you respond to tenants falling into arrears. It is essential that you have a clear and robust set of escalation procedures in place. Some organisations are now reviewing these in order to escalate cases a bit more quickly than they would have done in past, although clearly this must be balanced with the offer of support to those who need it.

It is very likely that the roll-out of UC will increase the amount of contact that you need to have with your tenants in order to successfully manage arrears, and you should think about the most effective and efficient means of delivering this. Some organisations are placing greater emphasis on face-to-face conversations as a resource-intensive but effective approach. Alternatively, there is also considerable potential to use technology to automate the early stages of your arrears processes, freeing up officer time to focus on more complex cases. For example text messages are often a very effective means of prompting tenants to take action following a missed payment.

### Learning from others

**South Liverpool Homes** revised its escalation processes in 2012 in response to the introduction of the bedroom tax and other welfare reforms. It placed a real emphasis on increasing home visits and face-to-face contact.

Its process has three broad stages and these are colour coded as:

- **Green** - early intervention, for cases where arrears are less than £200
- **Amber** – for cases of between £200 and £500. A notice seeking possession is usually served as part of this stage
- **Red** – the final part of the escalation process, including court proceedings.

## Managing arrears cases under UC

Home visits are incorporated into every stage of the process, with the organisation carrying out around 175 visits to customers in arrears in a typical week. These are spread across a team of six neighbourhood management officers and four senior income enforcement officers (SEOs). The SEOs focus on cases where arrears exceed £400 and one is responsible for former tenant arrears and attending court hearings.

Contact: [Chris Halliday, senior income enforcement officer](#)

### Learning from others

**Midland Heart** estimated that the introduction of universal credit, along with other welfare reforms, would require a 300 per cent increase in the amount of customer contact needed for rent collection. To meet this need it has invested in IT systems which allows it to pro-actively and efficiently contact tenants as soon as they fall into arrears.

It now uses an automated dialler system, to make calls to customers in arrears. The system dials out with a pre-recorded message advising the customer that it is a free call and asking them to press 1 to speak to a member of the income team about their rent account. From this, the customer is asked to make a payment or come to an arrangement to bring their rent account back up to date. On average out of every 100 records loaded up to the dialler, 65 will result in a conversation with an officer. This compares with around 10 – 15 per cent from traditional phone calls. In total 27 per cent of all cash payments collected by the organisation now come in through this route, but this only utilises 12 per cent of staff time.

It also makes use of text messaging, including sending monthly balance updates to tenants on UC.

Contact: [Gary Hardy, director of housing operations](#)

As well as reviewing your approach to arrears management in general, there are also some issues which you should consider that relate specifically to how you handle arrears among your UC caseload. These relate to your use of alternative payment arrangements (APAs) and third party deductions.

Although UC is generally paid directly to the claimant, in some cases the department for work and pensions (DWP) introduces APAs for specific claimants who are having particular difficulty managing their money. Most commonly this involves paying the housing costs element of UC directly to their landlord.

Where a tenant is subject to an APA, you may also ask for an additional amount to be deducted from the remainder of their claim and paid directly to you as a means of paying down any arrears that have already been accrued. This is equivalent to third party deductions being taken from jobseeker's allowance or other benefits under the previous HB system.

However under HB these deductions were set at a flat rate of £3.70 per week. Under UC these are much larger, typically 20 per cent of the tenant's standard UC allowance, leading to concerns that this could leave them experiencing real hardship.

You will therefore also need to consider your approach to third party deductions and how routinely you intend to apply for them. Given the danger that tenants will be left with too little money to live on, you may wish to try negotiating for a smaller, more affordable, payment to be made on a voluntary basis first and to apply for an automatic deduction only where this approach fails.

At present the APA process is also entirely reactive. You must apply for each individual APA, providing evidence of why it is needed (most commonly because the tenant has accrued eight weeks' worth of rent arrears). However government is currently piloting 'trusted partner status', a system which is likely to afford you much more freedom to pro-actively manage the use of APAs among your tenants in the future.

## Further information

Once trusted partner status is rolled out to all social landlords, you will be allowed to exercise your own judgement as to whether a particular tenant meets the qualification criteria for an APA. You will not need to provide evidence to the DWP in each individual case. This will both speed up the process of arranging APAs and grant you more control over it, providing an opportunity to use these more effectively to prevent tenants from accruing large volumes of arrears.

You should bear in mind though that trusted partner status is not intended to enable you to secure APAs for much larger numbers of your tenants than usual. DWP will expect you to work within a set of qualification criteria and could review the decision to award you trusted partner status if they have reason to believe you are not doing this.

There are also limitations to APAs. For example, where UC is not intended to cover a claimants' rent in full (perhaps because they have another income or because they are affected by the 'bedroom tax'), you will still need to collect the remainder of the rent from the tenant. APAs are also intended to be temporary and it is possible that, as part of the roll-out of trusted partner status, you may be expected to create processes for reviewing them periodically, with the aim of moving tenants back on to a standard payment arrangement when possible.

At this stage much of the detail of how trusted partner status will work, and the timetable for introducing it, is therefore still unclear. However when more information becomes available you will need to consider your approach to managing APAs. Despite their limitations, they are likely to be a valuable tool which will help you to minimise arrears and will be an essential part of your response to UC.

This briefing is part of a range of resources intended to help you to respond to the introduction of UC in your area. To find other relevant CIH resources, visit [www.cih.org/universalcredit](http://www.cih.org/universalcredit)

CIH also has an income management charter, which sets out the outcomes that a good quality service can deliver and provides a framework for you to assess your current performance against. For more information visit [www.cih.org/incomemanagementcharter](http://www.cih.org/incomemanagementcharter)

CIH consultancy provides a range of tailored services to support housing organisations, including in relation to income collection. For more information visit [www.cih.org/consultancy](http://www.cih.org/consultancy)





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