



**HOLDING ON TO HOME**

## Drivers of Rent Arrears in Social Housing: an Evidence Review – Summary

This document highlights the key findings of an evidence review which analyses the key drivers of rent arrears within the UK Social Rented Sector. The review is the first part of a two-year research study into tenancy sustainment: *[Holding on to home: tenancy sustainment in social housing](#)*, which is being funded by the Nuffield Foundation. There has been extensive research conducted about rent arrears in social housing, dating back at least 40 years. However, a number of developments have created a new urgency surrounding rent arrears in the sector. The key difficulties include:

- Pressures on landlords to maximise rental income in an environment of reduced government support and greater need to utilise internal resources
- A ‘cost of living crisis’, marked by reductions in real income, accompanied by severe increases in fuel costs and food prices
- Welfare reforms which have made extensive use of sanctions and reductions in eligibility
- The impact of the Covid-19 pandemic.

### Approach to the review

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The literature considered included analysis of: academic articles, research reports and ‘grey’ literature concerning rent arrears and landlord responses to improve rent collection. In all, 132 sources were reviewed. The ‘COM-B model’ (Michie et. al., 2014<sup>i</sup>), which considers how behaviour is a result of the interaction between ‘capability’, ‘opportunity’ and ‘motivation’, is used as a loose framework for the analysis, with extensive reference also made to theory from social policy.

### Key Findings

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There has been a wealth of research on the causes of rent arrears, but much of this is dated. Landlords have adopted a range of strategies to tackle the issue of rent arrears – involving a combination of incentives and sanction-based approaches. The key drivers of rent arrears have been consistent in highlighting the structural determinants that cause housing debt: low income households, poverty and social deprivation.



A number of studies also mention unexpected events; lack of financial skills; poor budgeting; and prioritising other expenses. The research findings have been divided into three main categories:

- ‘Capability’ - encompassing people’s ‘*physical*’ and ‘*psychological*’ attributes and their capacity to impact on behaviour. Factors explored and highlighted include: financial literacy; vulnerability; mental health; and, the ability to exercise self-control.
- ‘Opportunity’ - refers to the impact of external factors, which provide the most common explanations of rent arrears. These opportunities can be ‘*physical*’ (associated with the environment and available resources, including financial resources) or ‘*social*’ (referring to the social influences on behaviour). Factors explored and highlighted include: financial resources; housing poverty and debt; rent levels; family and social networks (the ‘neighbourhood effect’); stereotyping and labelling; welfare reform and the impact of the pandemic.
- ‘Motivation’ - refers to both ‘*automatic*’ (habitual) and ‘*reflective*’ (choice-based) processes. Factors explored and highlighted include: attitudinal factors; the impact of stigma; and trust and reciprocity (between landlord and tenant).

Low income households are, unsurprisingly, the most at risk of arrears; beyond this category the key groups identified as liable to accumulate arrears have been identified as:

- Young people (particularly single men under 25)
- Unemployed groups
- Families with young children
- Those with a history of rough sleeping
- Groups previously in institutional accommodation
- Recently arrived refugees.

As noted above, the pressure on rent arrears has been exacerbated owing to:

- The financialisation of housing, with organisations increasingly governed by economic considerations, following grant reductions (specifically since 2010) and shifts towards providing ‘affordable’ rather than ‘social’ housing as well as low cost home ownership products
- Welfare reform and benefit cuts particularly since the 2012 Welfare Reform Act
- The impact of the Covid-19 pandemic and a ban on evictions
- The ‘cost of living crisis’, caused by rising energy and food costs.

The evidence suggests that the more recent pressures are affecting a much wider set of groups, suggesting that many more tenants are likely to be at risk of rent arrears and potential tenancy failure. Landlord responses need to understand how contemporary developments have affected a range of tenants and how to implement more effective processes to predict, manage, monitor and evaluate their interventions to facilitate effective tenancy sustainment.

### **Strategies for tenancy sustainment: The response of social landlords**

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A number of studies have indicated concerns that landlords are adopting a tougher stance towards arrears, based on greater use of sanctions and threats of eviction. There is some evidence that some landlords are adopting a ‘risk averse’ strategy which involves limiting access to vulnerable (financially

risky households). Other landlords are instituting more systematic approaches to tenancy support, sometimes referred to as 'Housing Plus' models. These strategies suggest that the idea of housing

management incorporates a much wider set of approaches than merely rent collection and property maintenance. Much of the research identifies the issue of landlord tenant communications as central - with a move from enforcement to support, offering flexibility and building trust.

These models will often incorporate the following approaches:

- Debt prevention support - including measures to tackle fuel poverty and to offer access to credit
- Benefits advice
- Employment and training advice
- 'Floating support' to assist people in living independently - not necessarily linked to tenancy
- Incentivisation strategies - to reward prompt payment
- Opportunities for flexible rent payment - to allow overpayment and non-payment in times of difficulty
- More effective use of digital strategies, including predictive software systems to monitor payments, to identify potential problems at an early stage and to take effective, preventative action before arrears can accumulate.

### **Need for further research**

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Whilst the underlying drivers of rent arrears appear to be consistent, more recent developments, including increases in the cost of living, a global pandemic and welfare reforms, demonstrate that further research is needed to understand the specific nature of contemporary housing poverty, debt and rent underpayment. Landlord strategies should be informed by insight into the causes and effects of rent arrears. More specifically these strategies of tenancy support can benefit from a wider discussion informed by insights from psychological theories of behaviour. The review highlights the need for further research into:

- The impact of welfare reform (on rent payment)
- Rent payment and budgeting strategies adopted by tenants
- The impact of the 'cost of living' crisis
- Access to credit for low-income households
- The effectiveness of digital approaches
- The costs and benefits of flexible rent arrangements
- The efficacy of supportive as against punitive mechanisms
- The impact of landlord tenant communications on rent arrears
- The impact of the Covid-19 pandemic on rent arrears.

### **Conclusions**

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Research has been consistent in identifying the key drivers of rent arrears to be a result of a complex range of processes. At the heart of the issue is the question of (physical) 'opportunity' – with social landlords housing an increasingly high proportion of low income and economically inactive households. The problem of rent arrears has been accentuated by an environment where opportunities are further constrained by welfare reform, austerity and economic challenges. The drivers of rent arrears are complicated by 'motivational' factors (where an individual's motivation to meet rental obligations are

compromised by other priorities such as council tax, heating and food bills). Individual ‘capabilities’ (including financial literacy, budgeting skills and health factors) will also play a role, but the evidence shows that in large part tenants are keen to meet their tenancy obligations.

Given the significance of contemporary developments mentioned above, the need for further research which can inform tenants’ ability to sustain their tenancies is, therefore, vital. The remainder of the ‘holding to home’ study is concerned with addressing this need, employing a range of quantitative (a tenant survey, rent account analysis; secondary data analysis) and qualitative (in-depth interviews with tenants and stakeholders; a tenant solicited diary keeping exercise; analysis of landlord/ tenant communications; documentary data analysis) research methods to identify the drivers of rent arrears in social housing. Critically, the study will provide guidance and evidence which, it is hoped, will improve landlords’ tenancy sustainment policies and practices, making it easier for tenants to pay their rent and fewer tenancies failing.

**A copy of the report ‘*Drivers of Rent Arrears in Social Housing: an Evidence Review*’, which has been written by Tony Manzi and Emma Bimpson, can be downloaded at: [Publications - Holding on to home](#)**

### **Acknowledgements**

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<sup>i</sup> Michie S., Atkins L. & West R. (2014) *The Behaviour Change Wheel: A Guide to Designing Interventions*, 1st edn. London: Silverback