

Under-occupation penalty¹

November 2014



Since April 2013, social housing tenants of working age have been subject to deductions from Housing Benefit (HB) if their home is judged to be too large for their family circumstances. HB is reduced by 14% for one additional bedroom, and by 25% for two or more additional bedrooms. Families need to make up the shortfall, for example by cutting back on other expenditure or by increasing their income through finding work or increasing their hours; alternatively residents can consider moving to a smaller property in the social or private sector where they will be eligible for full HB.

Why has this policy been introduced?

The Government's stated policy aim is to prevent HB 'subsidising' people to live in social housing with more bedrooms than they are deemed to need, based on their household size and make-up. There is a shortage of social housing across the UK, and the Government views this measure as a means of making best use of a limited resource. By 'freeing-up' accommodation, the change is intended to help families who live in overcrowded accommodation find a new home, and to reduce the number of people on waiting lists. People who rent from private landlords already receive HB in this way, so the Government asserts that this measure makes it fairer for everyone.

The Government estimates that the measure will deliver savings of £525 million in 2014/15 and £560 million in 2015/16.

How the policy affects Peabody and its residents (figures up to June 2014)

- 916 Peabody households are currently affected by the under-occupation penalty.
- Of these households, 34% are in arrears of over £500, although the arrears may not have been accumulated solely as a result of the under-occupation penalty. The equivalent figure for households not liable for paying the under-occupation penalty is 20%.
- The total amount of rent arrears (including historic arrears) accumulated by households affected by the under-occupation penalty is almost £500,000.
- Since April 2013, 21 households have moved to a smaller property (either through mutual exchange, internal transfer or management transfer); 38 households are currently registered to downsize their home.

Our experience is that families need sustained support over a period of several months to adjust to the changes, and that many are struggling to manage the squeeze on their finances. We are concerned that many families are unable to downsize because of the shortage of smaller properties in the local area. In these circumstances, they have no option but to pay the shortfall or fall into arrears.

What Peabody is doing to support residents

Peabody is supporting affected residents to manage the change in incomes and to take appropriate steps to change their circumstances in response. In partnership with local authorities, Peabody is working hard to identify and support families affected by the under-occupation deduction. Our welfare benefits team have attempted to visit all affected residents to see what assistance we can offer. Peabody also provides budgeting training, help with appropriate financial products and services, and bespoke employment training and support. During 2013/14 our employment and training services helped over 415 people in Peabody communities find a job, and since April 2014 we have directly referred new residents not in employment to the service.

¹ This measure is also referred to as the 'Removal of the Spare Room Subsidy', the 'Bedroom Tax', or the 'Social Sector Size Criteria.'

Discretionary Housing Payments (DHPs)

Residents may be eligible for a DHP from the local authority to top-up HB if they are facing hardship, including if they have been affected by the under-occupation penalty. DHPs are not a long-term solution (awards are typically made for three or six months), but have proved helpful in the short-term. Each local authority sets their own criteria for awards, and applications can take eight weeks or more to process. Where Peabody has made the application on behalf of the tenant, around 50% have resulted in an award. The arrangements have been a valuable device to mitigate the worst impacts of the under-occupation penalty, however, they are transitional and therefore temporary, and we are concerned at the reduction and ultimate ending of these arrangements that has been signalled by the government.

When people cannot pay their rent

Eviction is the last resort for Peabody. Where people are making a genuine effort to pay their rent and any arrears, they will not be evicted from their home. Peabody is supporting people to move to a smaller property by waiving the normal rule that rent must be up to date before a transfer is approved. However, as a responsible landlord, Peabody has a duty to ensure that rents are collected and we will take court action in cases where there is no other option.

How the policy can be improved

We believe that the government should consider changes so that the policy better reflects the real lives of our residents, and to give people more time to adapt their circumstances. For example:

- A transition period of at least six months when a family is first affected by the policy.
- Strengthened guidance for local authorities to standardise award criteria and to end the 'postcode lottery' of DHP awards.
- Guidance to be revised to encourage longer DHP awards where appropriate. We welcome the moves in this direction announced in the 2013 Autumn Statement.
- Exemptions for disabled people, who face greater barriers in making changes to their circumstances.
- Measures to improve incentives to work, for example exemptions for people working more than 16 hours per week and/or changes to the way the deduction is calculated so that the shortfall is reduced if a person increases their hours of work.
- Consideration for exemptions for individuals looking to downsize, but who are unable to move due to lack of suitable accommodation.

About Peabody

Founded in 1862, Peabody is one of London's oldest and largest charitable housing associations, providing around 27,000 homes for around 80,000 people across the capital.

Peabody also provides a wide range of community services, including employment and training programmes; health and well-being initiatives; activities for younger and older people; welfare benefits advice; and financial inclusion and family support programmes.

Peabody's mission is to make London a city of opportunity for all by ensuring as many people as possible have a good home, a real sense of purpose and strong feeling of belonging.