

Landlords and Agents in the nine LHA Pathfinders : summary report

Introduction

The aim of the baseline survey was to collect 'benchmark' information on the characteristics and attitudes of private landlords and letting agents operating within the nine Local Housing Allowance (LHA) Pathfinder areas. The baseline survey interviewed a total number of 1,417 landlords and letting agents within the nine Pathfinder areas. Most of these have agreed to be re-interviewed at a later date in the evaluation, when a second survey will be conducted to gauge the impact of the LHA on those involved in the supply of privately rented accommodation. The two surveys will be complemented with qualitative, in-depth interviews and focus groups with a cross-section of landlords and letting agents within each area.

Key Findings

- Although most landlords and letting agents were letting to housing benefit tenants, simply by virtue of how they were selected, more than half of them preferred not to let to people receiving housing benefit.
- In the majority of cases, the reasons for this preference were related to problems that were perceived or had been experienced with the existing housing benefit system prior to the LHA, and included delays in the claims process, housing benefit shortfalls, and what was seen as unreliable administration of the benefit.
- It is clear from the survey that willingness to let to housing benefit claimants could be increased if the processing of housing benefit claims were to be speeded up.
- A particular concern regarding the implementation of LHA is the matter of housing benefit being paid direct to tenants. More than eight in ten of the survey respondents said that they preferred housing benefit to be paid directly to themselves rather than to their tenants, and amongst the small minority of landlords who preferred to let to housing benefit tenants this was most commonly because they could receive the benefit directly.
- Almost one half of respondents who had let to housing benefit tenants within the past two years had in fact made payment of the benefit directly to themselves a condition of a tenancy.
- Not surprisingly, therefore, almost two thirds of landlords and agents thought that they would be less likely to want to let to housing benefit tenants if they were no longer able to receive payments of housing benefit directly.

The landlords and letting agents

Two thirds of the interviews (66 per cent) in the LHA Pathfinder areas were with private landlords. Just under one quarter of interviews (23 per cent) were with letting agents, and a further one in ten of the interviewees (11 per cent) were both a private landlord and a letting agent. Other recent research on a representative sample of privately rented addresses in England included a lower proportion of landlords (54 per cent¹) suggesting that the use of letting agents may be less widespread in the housing benefit subsector than across the private rented sector (PRS) as a whole.

Table 1 : Private landlords in the baseline survey

Type of landlord	Proportion (%)
Private individuals	46
Couples	34
Partnerships	6
Private companies	10
Public companies	2
Charitable organisations	2
Total	100
N.	1,027

Base: All private landlords in the LHA Pathfinder areas (which comprises the 73 per cent of respondents who were private landlords plus those who were both a private landlord and an agent for whom the latter did not form the greater part of their livelihood, and who were therefore interviewed as a private landlord).

Reflecting the diversity to be found within the PRS, Table 1 shows the range of private landlords included in the baseline survey within the LHA Pathfinder areas. Private individuals and couples comprised eight tenths of all the landlords that were interviewed. Although the prevalence of these types of landlord has increased in recent years in England, this proportion is substantially higher than is to be found within the sector as a whole, which is in the order of two thirds².

The private landlords within the baseline survey were representative of all landlords in terms of their portfolio size, therefore reflecting the small-scale, 'cottage industry' nature of private landlordism. The average (median) portfolio size for all types of private landlord together was four, which is the same as across the sector within England as a whole³.

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Likewise, 28 per cent of the Pathfinder landlords had only one letting, compared with 30 per cent nationally, and 69 per cent had portfolios of fewer than ten lettings compared with 66 per cent across the whole PRS.

There is little recent information on the scales of operation of residential letting agents. The evidence that is available, however, suggests that the agents included in the baseline survey within the Pathfinders were broadly reflective of accredited (ARLA) letting agents in terms of the number of lettings on their management books, the mean number of which was 240 lettings⁴.

Letting preferences regarding housing benefit tenants

Table 2 shows that only about one in twenty of the respondents from the LHA Pathfinder areas (all of whom were private landlords) had a preference for letting to housing benefit tenants. Other research has found a similarly low level of preference for letting to housing benefit tenants within the PRS in general⁵. A small majority of respondents stated that they preferred letting to tenants who were not in receipt of housing benefit, and around one third of them had no preference either way.

A high proportion of respondents who had a preference for letting to housing benefit tenants (96 per cent) said that they were currently letting to one or more tenants in receipt of the benefit. A similar proportion of those with no preference either way (92 per cent) said they currently had one or more housing benefit tenants, and a lower, but still majority, proportion of respondents who preferred not to let to housing benefit tenants (72 per cent) also said that they currently were doing so.

Table 2 : Letting preferences regarding housing benefit tenants

Preference	Landlords (%)	Letting Agents (%)	All respondents (%)
Prefers HB tenants	8	0	6
Prefers non-HB tenants	51	60	54
No preference	35	24	32
Other	6	15	8
Total	100	100	100
N.	1015	387	1,402

Base: All respondents in the LHA Pathfinder areas.

Compared with the landlords in the survey, letting agents as a whole had a lower preference for letting to housing benefit tenants. None of them said that they preferred to let to housing benefit tenants, and they were more likely to say that they preferred not to let to housing benefit tenants. They were also the least likely to express no preference either way. Of the 'other' responses given by 15 per cent of letting agents, the most common was that the agent followed the landlord's preference. Amongst the landlords, the most common other response - and which was in effect 'no preference' - was that it depended on each individual tenant.

There was some variation in the preferences of the survey respondents from the different Pathfinders, although the overall pattern was broadly the same within each area. The highest level of preference for letting to housing benefit tenants (12 per cent), was to be found within North East Lincolnshire. This area also had one of the highest levels of preference for non-housing benefit tenants (58 per cent), which makes it one of the most polarised areas in this respect, with only about one quarter of its respondents (26 per cent) having no preference either way. Respondents from Brighton & Hove showed the lowest preference for letting to housing benefit tenants (three per cent), although a relatively high proportion of respondents from this area had no preference either way (36 per cent), whilst just over one half (51 per cent) preferred not to let to housing benefit tenants. Leeds was the Pathfinder with the highest level of preference for not letting to housing benefit tenants (67 per cent), whereas Blackpool and Coventry had the highest levels of respondents expressing no preference either way (both 41 per cent).

The respondents were asked why they held their preference, and were allowed to mention more than one reason. Three main reasons were given by the eight per cent of landlords who preferred letting to housing benefit tenants: that housing benefit could be paid directly to themselves (given by 35 per cent of these landlords), that they knew how much housing benefit will be paid for the accommodation (given by 19 per cent), and that housing benefit 'guarantees' that the rent will be paid (given by 37 per cent).

Three quarters of those who preferred not to let to housing benefit tenants mentioned problems with the existing housing benefit system prior to the introduction of the LHA. Amongst these respondents, 33 per cent mentioned delays in the claims process, 18 per cent were unhappy with housing benefit shortfalls, and 16 per cent saw the administration of housing benefit as being simply unreliable. Other reasons included that housing benefit tenants were viewed as undesirable (given by 33 per cent of these respondents), that the accommodation they let is unsuitable for housing benefit tenants (given by five per cent), and that housing benefit tenants cannot afford to pay a deposit (given by four per cent).

One fifth of the respondents (21 per cent) who preferred not to let to housing benefit tenants gave as a reason their concern about the possible impact of the forthcoming LHA. Comments made by these respondents were often vague, and simply mentioned the impending introduction of the LHA, whilst others were more specific: *'Local authority changing it so they start paying it to the tenant...'*, and: *'Paying housing benefit to tenant puts paying the rent in jeopardy...'*, are reflective of a common concern.

Preference for how housing benefit is paid

Under the existing arrangements prior to the introduction of the LHA, housing benefit can be paid directly to the landlord or agent provided that the local authority is so notified by the claimant. Table 3 shows that the vast majority of all respondents said that when they let to housing benefit tenants they preferred the benefit to be paid directly to themselves. Around one in twelve preferred the benefit to be paid to the tenant, and about one in fourteen had no preference either way. Landlords were the most likely to prefer housing benefit to be paid directly to themselves, whereas the letting agents were more than twice as likely as the landlords to prefer housing benefit to be paid to tenants.

Although the majority of respondents within each Pathfinder had a preference for housing benefit to be paid directly to themselves rather than to the tenant, it was a particularly common preference within North East Lincolnshire (98 per cent) and Blackpool (96 per cent). In contrast, this preference was considerably less frequent within Coventry (63 per cent) and Teignbridge (66 per cent). The landlords and letting agents most commonly preferred housing benefit to be paid to the tenant within the Pathfinders of Teignbridge (17 per cent), Brighton & Hove (16 per cent), and Coventry (12 per cent).

Table 3 : Preferred method of housing benefit payment

Preference	Landlords (%)	Letting agents (%)	All respondents (%)
Prefers HB direct to landlord/agent	86	79	84
Prefers HB paid to tenant	6	16	8
No preference	8	4	7
The landlord decides (by agents)	-	1	*
Total	100	100	100
N.	830	309	1,139

Base: All landlords and agents in the LHA Pathfinder areas with lettings to HB tenants. * = 0.5% or less.

Amongst the respondents with a preference for housing benefit to be paid directly to themselves, over three quarters (77 per cent) stated that one of the reasons was because it meant that they could be sure that the rent would be paid. Another common reason, given by 51 per cent of them, was that the rent was either paid regularly or that it was paid on time. Around one fifth (22 per cent) also said that housing benefit direct was more convenient as it meant that they did not have to arrange to collect the rent from their tenants. Reflecting the frequent preference for housing benefit to be paid directly to themselves, nearing one half of respondents who had let to a housing benefit tenant within the past two years (46 per cent) had made it a requirement of a tenancy. Letting agents (49 per cent) were slightly more likely than the landlords (45 per cent) to have imposed this condition upon a housing benefit tenant.

Regarding those who preferred housing benefit to be paid to the tenant, the main reasons included that there were no problems due to overpayments (14 per cent of respondents), that the rent and the housing benefit shortfall could be paid in one amount (15 per cent), that paying the rent was seen as being the tenant's responsibility (28 per cent), and that the landlord would not have to repay HB that had been fraudulently claimed (40 per cent).

Views on changes to the housing benefit system

All landlords and letting agents were asked to say whether they thought that certain specific changes to the housing benefit system might have an impact on their likelihood of letting to housing benefit tenants (Table 4).

Given the overwhelming preference for housing benefit to be paid directly to the landlord or agent, it is not surprising that almost two thirds of respondents within the LHA areas thought that they would be less likely to let to housing benefit tenants if they were no longer able to receive payments of the benefit directly. However, almost three in ten thought that this change would make no difference to their likelihood of letting to housing benefit tenants.

The majority of landlords and agents (62 per cent) thought it would make no difference to their likelihood of letting to housing benefit tenants if the tenant knew how much housing benefit they would receive irrespective of how much rent they had to pay. Similarly, the majority also thought that it would make no difference if they themselves knew how much housing benefit a tenant would receive irrespective of how much rent they had to pay.

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Table 4 : Whether changes to the housing benefit system would affect the likelihood of letting to housing benefit tenants

	More likely (%)	Less likely (%)	No difference (%)	Agent decides (by landlords) (%)	Landlord decides (by agents) (%)	D/K (%)	Total (%)	N.
If HB direct stopped	2	64	28	*	3	3	100	1,400
If tenants knew the amount of HB in advance	14	18	62	*	1	5	100	1,398
If landlords and agents knew the amount of HB in advance	20	14	60	*	2	4	100	1,397
If HB processing times were reduced	47	7	41	*	1	3	100	1,397

Base: All landlords and agents in the LHA Pathfinder areas. * = 0.5% or less.

One intention of the LHA is to reduce the processing times of housing benefit claims. From the responses to the survey it would appear that speeding up the claims process is something that could in fact have a substantial impact on the attitudes of the landlords and letting agents towards letting to housing benefit tenants. Almost one half of respondents (47 per cent) thought that reducing the processing time for housing benefit claims would make them more likely to let to housing benefit tenants, although about two fifths said that speeding up the claims process would make no difference.

About the survey

The survey of private landlords and letting agents was completed by the National Centre for Social Research. It involved a structured interview questionnaire that was conducted over the telephone. The interviews were completed between January and June 2004. A repeat survey will be completed toward the end of the two year evaluation period to ascertain views on and impacts of the LHA. Most landlords and agents (98 per cent) have agreed to be re-interviewed at this time.

The landlords and letting agents were sampled from three sources within each area: 1. from their contact details collected during the claimant survey; 2. a random sample of housing benefit records of the landlords and agents who were being paid housing benefit directly; 3. a random sample of landlords and letting agents who might not, at least routinely, let to housing benefit tenants was drawn from advertisements in the local press and directories. The completed interviews with landlords and agents from these sources were respectively 38 per cent, 41 per cent, and 21 per cent. The three samples have been compared on a range of key characteristics to ascertain their suitability for combination, and found not to significantly differ in many respects.

The full report of the survey will, however, disaggregate between the three samples where relevant and appropriate.

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 populations within each area.

The full report of the baseline landlord and letting agent survey will include analyses by type of respondent, area of operation, and sample origin. Topics will include respondent details, such as portfolio size and type of accommodation being let; letting strategies; experiences of the local market; views on and experiences of letting to housing benefit tenants; rent setting policies; and their future intentions at the current time.

Notes

^{1,2,3} Office of the Deputy Prime Minister (2003) *English House Condition Survey 2001: Private landlords survey*, Wetherby: ODPM.

⁴ Rhodes, D. (1993) 'The state of the private rented sector', Housing Research *Findings* No. 90, Joseph Rowntree Foundation.

⁵ Crook, A.D.H. and Kemp, P.A. (1996) *Private Landlords in England*, London: HMSO.

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/index.asp