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Direct Payment Demonstration Projects: Rent underpayment

July 2014

Research Report No 877

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Summary

This report is one of a series of outputs from the independent evaluation of a programme of projects demonstrating the direct payment of Housing Benefit to social renting tenants in Great Britain. It highlights the key findings of a study into underpayment (that is, the partial payment of rent), which emerged as being a major issue in the first year of the programme.

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List of abbreviations and glossary of terms

CRESR	Centre for Regional Economic and Social Research at Sheffield Hallam University.
DD	Direct Debit.
DHP	Discretionary Housing Payment.
DP	Direct payment of Housing Benefit to tenants.
DPDP	Direct Payment Demonstration Project. The DPDPs, of which there were six, were concerned with demonstrating the payment of Housing Benefit directly to social rented sector tenants. The six projects were: Edinburgh; Oxford; Shropshire; Southwark; Torfaen; and Wakefield.
DWP	Department for Work and Pensions.
HB	Housing Benefit.
IM	Ipsos MORI.
In-scope	Tenants in the Project Areas who were eligible for DPDP i.e. those of working age and not in temporary accommodation and short-term supported accommodation.
JSA	Jobseeker's Allowance.
Landlord payment	The payment of Housing Benefit directly to landlords.
LSVT	Large Scale Voluntary Transfer.
OCHA	Oxford Citizens Housing Association.
Payments	This represents all debits – rent payments and third party payments, such as water bills – to rent accounts.
Project Area	Direct Payment Demonstration Project Area.
RAA	Rent Account Analysis.
Rent arrears	Rent arrears are accrued when rent payments over a given period are less than the rent owed.
Rent payment periods	Rent payment periods are a construct devised by the study team to facilitate its analysis. They comprise four week periods, or a month in the case of Edinburgh, over which landlords would expect tenant rent accounts to balance.

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RSRS	Removal of the Spare Room Subsidy.
Safeguarding	The process by which tenants who were assessed as not be suitable for direct payment were removed from the DPDP programme.
Second Stage Tenant Survey	This survey was undertaken towards the end of the first year of the programme and involved 1,827 tenants being interviewed by Ipsos MORI, 1,218 of whom had been interviewed just before the DPDP programme commenced.
Switchback	The transferal of a tenant who had fallen into arrears on direct payment back to landlord payment when a trigger period point had been 'hit'.
Switch-forward	The return to direct payment of a tenant who had been switched back.
Trigger period	The length of time that may elapse before tenants returned to landlord payment in demonstration projects. The trigger period varied across the six demonstration projects.
UC	Universal Credit.
Underpayment	This term is used to denote partial payment, i.e. paying some but not all of rent owed.

Executive summary

Context

This report, which was written in February 2014, is one of a series of outputs from the independent evaluation of the Direct Payment Demonstration Projects (DPDPs). It is concerned with the underpayment of rent, which emerged as being an issue in the first 12 months of the DPDP programme, which went 'live' in early summer 2012. It draws on three main research exercises:

- analysis of the **rent accounts** of all tenants who received direct payments.
- a **telephone survey** of tenants who had switched back under one of the two underpayment trigger periods for the English and Welsh Demonstration Projects¹: trigger periods 3 and 4. The survey was conducted in November 2013 by Ipsos MORI, who were supplied with the contact details of the 1,110 tenants identified by landlords as having switched back under trigger periods 3 and 4. In order to maximise the response rate, tenants were contacted on numerous occasions (and at different times of the day) and were invited by letter to take part in the survey. In all, 95 interviews were conducted. It is important to note that there is a relatively large statistical margin of error associated with a sample of 95 so its results should be seen as being indicative not authoritative;
- **in-depth interviews** with 20 tenants who had underpaid their rent while on direct payment.

The use of multiple research methods allows data to be corroborated and triangulated. And taken together, the data collected by three research exercises provides a valuable and robust insight into underpayment in the DPDPs.

Findings

Rent payment patterns in the Direct Payment Demonstration Project: an overview

- It was more common for tenants to underpay their rent (pay some but not all of the rent due) than it was for tenants to pay no rent (fail to pay all the rent due).
- Just over three-quarters of all tenants on direct payment underpaid their rent at least once. Of the remaining tenants, some paid fully every period and some failed to pay all the rent owed at least once, but never underpaid.
- Amongst those who failed to pay some or all the rent owed during their time on direct payment, more than half accrued these arrears through underpayment only, compared with 12 per cent who accrued their arrears through non-payment only.

¹ The Scottish case study did not employ these triggers and therefore the survey did not include any tenants from it.

Patterns of underpayment

Patterns of underpayment were explored by analysing the rent accounts of the 5,031 tenants who received at least seven direct payments of Housing Benefit (HB). Those tenants receiving fewer than seven direct payments were excluded from this analysis because patterns were more difficult to discern amongst tenants with limited experience of direct payment.

- There were four main types of underpayment: one-off underpayment; frequent erratic underpayment (i.e. where underpayments were made frequently² but not usually consecutively); frequent persistent underpayment (i.e. where underpayments were made often and consecutively); and infrequent underpayment.
- Many tenants who underpaid did so frequently. Nearly half of all underpayers could be classed as frequent underpayers in the sense that they underpaid more than three or four times (depending on how long they had been in receipt of direct payment).
- However, most underpayment was also erratic in the sense that tenants' payment behaviour one month was not a good predictor of their payment behaviour going forward. Payment behaviour fluctuated, with tenants underpaying by different amounts and moving between underpayment, non-payment and full payment over time.
- No underpayment group was associated with a particular amount of underpayment. In each underpayment group there were tenants who underpaid by a small amount and those who underpaid by a large amount. The amount by which an individual tenant underpaid also tended to vary period on period.
- Nineteen per cent of all tenants who received seven or more direct payments of HB could be classed as frequent persistent underpayers in the sense that they made regular and consecutive underpayment. However, the amount by which tenants underpaid varied period on period.
- Underpayers and non-payers were not distinct groups. Non-payment was a feature of underpayers payment patterns. In total, 25 per cent of tenants underpaid in at least one period and failed to pay any rent in at least one period.

The impact of underpayment

- Non-payers were far fewer in number than underpayers, but they accounted for nearly half the total value of arrears accrued in the first 12 months of the DPDP. Nevertheless, because of the relatively high number of tenants underpaying, underpayment did account for more than 50 per cent of arrears.
- Low-value underpayment (less than 15 per cent of rent owed underpaid) had a limited impact on the value of arrears, despite low value underpayers being the largest underpayment group in terms of numbers of tenants.
- Frequent underpayers made a greater contribution to the overall value of arrears than infrequent or one-off underpayers. Nearly half of the total value of arrears was accrued by persistent underpayers.

² 'Frequent' was defined as at least three underpayments for tenants who received 7 to 9 direct payments of HB, and at least four underpayments for tenants who received ten or more direct payments. A pattern was deemed 'erratic' if no more than two of these underpayments were consecutive.

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- Arrears arising from underpayment compounded tenants' debt problems – 44 per cent had existing debts – and put some tenants in arrears whose rent accounts had previously balanced.
- Tenants also reported an emotional impact of underpaying, frequently expressing feelings of guilt, shame and embarrassment.

Understanding underpayment

Analysis of data garnered from a telephone survey and in depth interviews with one key underpayer sub-group – tenants who switched back under the underpayment switchback trigger periods, 3 and 4 – and rent account analysis, provides an insight into how and why underpayment occurred and who underpaid. It appears that a bundle of factors contributed to underpayment. These included:

- **The characteristics and circumstances of tenants.** Rent Account Analysis (RAA) revealed that (compared to non-payers and full payers) underpayers were more likely to be younger in terms of their age profile and to be in work. Conversely, they were less likely to pay their rent by Direct Debit and be on full HB. In terms of the characteristics of the four underpayer types, in most respects, they differed very little. However, frequent underpayers, whether erratic or persistent, were much less likely than their counterparts to pay their rent by DD.
- **The challenging nature and complexity of tenants' lives.** Many participants in the telephone survey and in-depth interviewees led complex and precarious lives which made them susceptible (and exposed) to life 'events', such as family illness or the breakdown of a relationship. More than half – 51 per cent – of the 95 telephone survey participants reported that they had a disability and more than three-quarters reported that they were not working. And many in-depth interviewees had health problems. For example, Colin³, was bipolar; Ricky suffered from the illness COPD⁴; Angie suffered from depression and had panic attacks; Harry was a recovering alcoholic; while Pauline was agoraphobic.
- **Tenants' financial circumstances.** Perhaps not unexpectedly, many trigger 3 and 4 'underpayers' were struggling to 'get by' financially, with this appearing to be the biggest contributory factor behind their underpayment.
- **Poor money management.** Many trigger 3 and 4 underpayers reported that they had poor money management skills, with more than half (54 per cent) disagreeing with the statement: 'I am never late at paying my bills'. And only 15 per cent had 'never run out of money at the end of the week or month in the last 12 months'.
- **Tenants' attitudes to spending and saving.** Nearly a third of telephone survey respondents agreed with the statements: '*I am impulsive and tend to buy things even when I can't really afford them*' and '*I am more of a spender than a saver*'.
- **The prioritisation of other bills over rent.** A significant proportion – 44 per cent – of respondents to the telephone survey reported that they did not prioritise the payment of their rent.

³ In order to protect their identity, in-depth interviewees have been given pseudonyms.

⁴ Chronic obstructive pulmonary disease.

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- **Confusion about direct payment, HB monies and rent.** For some tenants, underpayment occurred because they did not appear to understand how direct payment, HB and/or their rent 'worked'.
- **Problems with the administration of HB and bank accounts**, which appeared to be an issue for a number of in-depth interviewees.
- **Difficulties adjusting to direct payment.** The inability of some tenants to adjust to direct payment appears to have contributed to underpayment. Four of the 43 respondents who gave a reason for their underpayment cited *'I was still getting/could not get used to paying the rent myself'*, while two cited: *'I will still getting/could not get used to managing my HB money.'*
- **Lack of support.** Another factor which appears to have contributed to telephone survey participants underpaying is a lack of support to help them manage on direct payment: relatively few – eight per cent (or eight tenants) – had received any.
- **The 'temptation' to spend HB.** A sizeable proportion of tenants in the telephone survey and in-depth interviewees were concerned that they would be tempted to 'mispend' their HB. Some did. However, in practice, most of those tenants who did so reported that they used their HB to pay for necessities and financial emergencies, and not frivolously, on 'luxuries'.
- **A strategic and intentional attempt to be removed from the DPDP programme?** When the DPDP programme was conceived there was concern that some tenants would underpay (or not pay) their rent as part of a conscious and deliberate strategy to be taken off direct payment and/or to secure, what one Department for Work and Pensions (DWP) stakeholder described, as an *'interest free loan'*. We found no evidence to support the latter assertion but some to support the former: for a small number of tenants (i.e. the five out of 43 telephone survey respondents who gave a reason for their underpayment), it appears that their desire to leave the DPDP programme was a contributory factor behind their underpayment, with their underpayment (in part) being strategic and intentional.
- **Accidental underpayment:** 15 of out of the 43 telephone survey respondents who were asked the question about why they underpaid reported that they had done so by 'mistake'. In terms of intent, it appears that underpayers can be categorised into the three groups: strategic, intentional underpayers; accidental underpayers; and trigger prompted underpayers, whose underpayment, while intentional, was caused by an immediate trigger, such as a bill to be paid, or a life event, such as illness, bereavement or a relationship breakdown.
- **'Triggers':** Although there were a number of underlying factors which appeared to contribute to underpayment, it was often triggered by a specific trigger(s). These fell into two categories: day-to-day triggers, such as the need to pay an outstanding gas or electric bill or 'running' out of food; and life events, such as breaking-up with a partner, family illness or bereavement.

Key learning

- Underpayment was an issue in the DPDP programme. More than three-quarters of all tenants underpaid (i.e. paid some but not all of their rent) while on direct payment, with underpayment accounting for more than half of the total value of arrears that accrued in the first 12 months of the programme.
- With the roll out of Universal Credit (UC) in mind, it is an issue that DWP, landlords and other stakeholders should pay particular attention to. However, it is not an issue that is easily 'solved'. This is because, in a number of respects, it is a messy and complex problem.
 - First, it is complex in terms of the patterns of underpayment, with underpayers falling into four groups: **one-off underpayers**; **frequent, erratic underpayers** (i.e. whose underpayments are made often but not usually consecutively); **frequent, persistent underpayers** (i.e. whose underpayments are made often and consecutively); and **infrequent underpayers**.
 - Second, underpayment is difficult to predict. This is because most underpayment is 'erratic' in the sense that tenants' payment behaviour one month was not a good predictor of their payment behaviour going forward. Payment behaviour fluctuated, with tenants underpaying by different amounts and moving between underpayment non-payment and full payment over time. And there was very much a sense that many tenants started anew with each payment period, with it being a new challenge and event.
 - Third, it is complex in terms of how tenants come to underpay with there being a bundle of interlinked factors that appear to be behind it. Notwithstanding this, the most important contributory factor appears to be the financial circumstances of tenants, many of whom reported that they were finding it very difficult to 'get by'.
 - Fourth, underpayment was often triggered by a particular life event, such as breaking-up with a partner, family illness or bereavement. Predicting such events is impossible. Many of the underpayers that comprised the telephone survey and in-depth interviewees led complex and precarious lives which made them more susceptible (and exposed) to such events.
- One of the rationales behind the decision to undertake bespoke research on underpayment was the notion that persistent underpayment was an issue in the DPDP programme. It was – just under one-quarter of underpayers (19 per cent of all tenants who received seven or more direct payments of HB) could be classed as persistent underpayers in the sense that they made regular and consecutive underpayment.
- Although not a panacea for the problem of underpayment, it appears that providing more support to tenants, particularly at the start of direct payment, may have a positive impact on payment patterns.
- It appears that there are no 'winners' in terms of underpayment. It had an adverse impact on landlords arrears. But it also adversely affected tenants, many of whom were finding it difficult to pay back the rent they owed and were embarrassed and ashamed about the situation they found themselves in. And there was little evidence to suggest that tenants had 'beaten' the system. However, it appears that a small number had underpaid their rent as part of a strategic, intentional attempt to revert to landlord payment: five of the 43 telephone respondents who gave a reason for their underpayment cited '*I wanted to be taken off the DP trial*'.

1 Introduction

1.1 Introduction

This report, which was written in February 2014, is one of a series of outputs from the independent evaluation of the Direct Payment Demonstration Projects (DPDPs). The six DPDPs, which were concerned with pioneering the direct payment of Housing Benefit (HB) to social renting tenants, were: Edinburgh; Oxford; Shropshire; Southwark; Torfaen; and Wakefield. The first direct payments of HB were made in the English and Welsh Project Areas in June 2012 and in the Scottish Project Area in August 2012.

The evaluation is being undertaken by a research consortium from the Centre for Regional Economic and Social Research (CRESR) at Sheffield Hallam University, the Institute of Social Policy at the University of Oxford, and Ipsos MORI (IM). The primary purpose of the evaluation is to learn lessons, providing feedback into demonstration project implementation and Universal Credit (UC) design.⁵

This report focuses on the issue of ‘underpayment’ of rent. In the first year of the DPDP, underpayment (as opposed to non-payment) emerged as being more widespread and more prevalent than had been envisaged when the programme was conceived. The research consortium were therefore asked to undertake some bespoke research into the issue. The report presents the key findings to emerge from this exercise, which comprised three principal elements: a survey of tenants who had underpaid; in depth interviews with 20 of these tenants; and analysis of the rent accounts of tenants on direct payment.

1.2 Direct Payment Demonstration Projects Programme

On 14 September 2011, Lord Freud, the Minister for Welfare Reform, announced that six DPDPs would be created to ‘*test some key elements of social sector housing support under Universal Credit while protecting social landlords’ financial position*’. This would involve two significant changes for (the up to 2,000) working-age⁶ claimants in each of the participating projects:

- receiving HB payments once every four weeks⁷ (broadly in-line with monthly payments under UC) as opposed to weekly or fortnightly; and
- paying rent to tenants themselves.

Social housing landlords were invited to take part in the programme, which was originally planned to run for a year, and DWP received over 70 expressions of interests from local authorities and registered housing providers. From these, DWP received 23 applications.

⁵ For further information about the DPDP programme, see: <http://research.dwp.gov.uk/asd/asd5/rports2013-2014/rrep839.pdf>

⁶ In addition to non-working-age tenants, it should also be noted that tenants in temporary and supported accommodation on a short-term basis are were also exempt from the programme.

⁷ In the Edinburgh project, HB was paid to tenants monthly.

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A range of criteria was used to select projects, including geography: the sample selected (ideally) had to include partnerships from London, the North of England, the South of England, Scotland and Wales. It also had to (ideally) include at least one Large Scale Voluntary Transfer (LSVT) housing association. Five successful partnerships in England and Wales were announced on 19 January 2012 and a sixth – in Scotland – joined the programme in May 2012. The six DPDPs were:

- Oxford – Oxford City Council and Oxford Citizens Housing Association (OCHA), trading as part of the GreenSquare Housing Group, Southern England;
- Shropshire – Shropshire Council, Bromford Group, Sanctuary Housing and The Wrekin Housing Trust, West Midlands;
- Southwark – London Borough of Southwark and Family Mosaic, London;
- Torfaen – Torfaen Borough Council, Bron Afon Community Housing and Charter Housing, South-east Wales;
- Wakefield – Wakefield Council and Wakefield and District Housing, Northern England;
- Edinburgh – City of Edinburgh Council and Dunedin Canmore Housing Association, Scotland.

The overall aim of the DPDPs was to highlight key lessons and learning points in terms of the direct payment of HB to feed into UC design ahead of its introduction from October 2013. More specifically, the projects were concerned with: exploring the effects of direct payment on landlords and tenants; examining the effectiveness of the different types of support provided to tenants to help them prepare for and manage direct payment; and testing direct payment safeguard mechanisms for landlords.

This was achieved by a support assessment process and, varying across the projects, the length of time (or switchback trigger period) for a return to landlord payment after tenants had fallen into arrears. Three of the projects had an eight-week (or equivalent) trigger period – Oxford, Torfaen and Wakefield – Edinburgh had a one-month trigger period, while Southwark and Shropshire had four-week and 12-week triggers respectively. In terms of the criteria to be used for determining when tenants were to be switched-back and how arrears was to be measured and defined, there was a programme-wide agreement that it would happen when:

- *‘Trigger 1 – the tenant’s rent arrears arising during the Demonstration Project period equal the amount of (a month/4/8/12 weeks’) rent for that tenant;*
- *Trigger 2 – the tenant has not paid any Rent for (a month/4/8/12 weeks) during the Demonstration Project Period;*
- *Trigger 3 – the tenant has underpaid her/his rent by 15 per cent or more in each of the periods of 4 weeks in the preceding 12 weeks, falling within the Demonstration Project period;*
- *Trigger 4 – the tenant has underpaid her/his rent by 15 per cent or more in the preceding period of 12 weeks, falling within the Demonstration Project period.¹⁸*

In practice, more than two-thirds of the 1,031 ‘switchbacks’ that had occurred by March 2013 had been under triggers 3 and 4. Reflecting this, DWP asked the research consortium to undertake bespoke research into this group when it decided to extend the DPDP programme and evaluation in May 2013. As noted earlier, this report presents the findings of this exercise.

⁸ Written submission provided by a DWP Relationship Manager.

Direct Payment Demonstration Projects: Rent underpayment

Working alongside the Department for Work and Pensions (DWP), the English, Welsh and Scottish projects began work preparing for direct payment in their areas in January 2012, with work beginning in Edinburgh in May 2012. The English and Welsh projects went 'live' in June and July of 2012 when the first phase of tenants were moved onto direct payment, with Edinburgh following suit in August 2012. Reflecting differences in the preparedness of tenants to move onto direct payment, it was decided to adopt a phased approach to moving tenants onto the programme, with those in the first phase assessed as being most prepared to go onto it. Although the number of phases varied by Project Area, all had undertaken their last one by the beginning of 2013. In all, by May 2013 7,426 of tenants had gone onto direct payment.⁹ As table 1.1 reveals, 'in-scope' numbers were fairly similar in five of the areas (Edinburgh, Shropshire, Southwark, Torfaen, and Wakefield) at around 1,000 tenants, with there being one 'outlier', Oxford, which put more than 1,700 tenants onto direct payment.

Table 1.1 Number of tenants transferred onto direct payment

Project Area	Number of tenants
Edinburgh	1,013
Oxford	1,742
Shropshire	1,060
Southwark	1,179
Torfaen	1,008
Wakefield	1,002
Total	7,004¹⁰

Source: DWP monitoring information, March 2013.

1.3 Evaluation objectives and overall approach to the research

The main aim of the research programme is to monitor and evaluate the preparation, delivery and effectiveness of the DPDPs, learning lessons about effective implementation to feed into relevant aspects of UC design and future housing policy and strategy. The evaluation is monitoring the effect of direct payment on tenants, landlords and other stakeholders such as support agencies, lenders, and local authorities.¹¹

In exploring these issues the evaluation is employing a **mixed-methods approach** which comprises the following activities: tenant surveys; in-depth qualitative interviews with tenants and stakeholders; and an analysis of participating landlord rent accounts and management costs, a process which is referred to as '**Rent Account Analysis**' (RAA). RAA is taking place at two points in time (12 months and 18 months) so as to assess the impact of direct payment over time.

⁹ See DWP Press Release of 16 May 2013, Direct Payment projects extended by 6 months, which is available at: <https://www.gov.uk/government/news/direct-payment-projects-extended-for-6-months>

¹⁰ This figure has been used as DWP's May 2013 press release does not present in-scope numbers at the area level.

¹¹ These objectives did not change with the extension of the evaluation. However, the study team have also been asked to explore if (and how) recent welfare reforms, such as the Removal of the Spare Room Subsidy (RSRS), have impacted on DPDP.

1.4 Approach to the research on underpayment

Although this report makes some reference to insights gathered from the wider evaluation, it is primarily concerned with presenting the findings of the bespoke research into underpayment, which comprised three principal elements¹²:

- a **telephone survey** of tenants who had switched back under one of the two underpayment triggers in England and Wales¹³: triggers 3 and 4;
- **in-depth interviews** with 20 tenants who had underpaid their rent while on direct payment; and
- analysis of the **rent accounts** of all tenants who received direct payment.

1.4.1 Telephone survey

The survey was conducted in November 2013 by Ipsos MORI, who were supplied with the contact details of the 1,110 tenants identified by landlords as having switched back under triggers 3 and 4. In order to maximise the response rate, all tenants were contacted on numerous occasions (and at different times of the day) and were invited by letter to take part in the survey. In all, 95 interviews¹⁴ were conducted.

When the survey was conceived it was anticipated that more interviews would be achieved. The lower than anticipated response rate appears to be a result of a number of factors:

- the reluctance of tenants to talk about their experience of being on direct payment – as will be explored in more detail in Chapter 5, many were ‘embarrassed’ and ‘ashamed’ that they had got into difficulties;
- inaccurate contact information for tenants in part caused by the relatively large numbers who appear to change mobile phone numbers on a regular basis; and,
- an apparent reluctance for some tenants to engage with ‘outsiders’, including the evaluation team.

The survey provides a valuable and detailed insight into the perceptions, attitudes, experiences of underpayers. However, it is important to note that there are some ‘health warnings’ associated with its findings:

- first, there is a relatively large statistical margin of error associated with a sample of 95 so its results should be seen as being **indicative not authoritative**;
- second, some of the participants in the survey may have been non-payers and not underpayers, as non-payers could also be switched back under Trigger 4 (instead of the main triggers of 1 and 2). Qualitative work undertaken by the study team revealed that some landlords had indeed adopted this practice;

¹² The report also makes some reference to an additional data source: interviews with members of the tenants panels that ran in each of the six demonstration projects over the course of the evaluation.

¹³ The Scottish case study did not employ these triggers and therefore the survey did not include any tenants from it.

¹⁴ Because of the difficulties encountered generating an interview sample, a non purposive approach was taken to sampling, with no quotas being applied.

- third, notwithstanding this point, it is also important to note that the underpayers surveyed represented only a small sub-set of the broader underpayer population – i.e. those switched back under triggers 3 and 4. As is noted in subsequent chapters, the underpayment population was relatively large and included many other types of underpayers;
- fourth, despite the careful wording of the questionnaire and detailed briefing by IM, there appeared to be some (understandable) confusion amongst participants in the survey about precisely what underpayment was. This resulted in a lower than expected number of respondents reporting that they underpaid in relation to one of the questions exploring the issue. However, the inclusion of multiple questions on the subject allowed the study team to establish the scale of underpayment within the sample, with the majority of tenants having underpaid (in the broadest sense) their rent. Thus, analysis is primarily focused on the sample as a whole, i.e. the 95 tenants who participated in the survey.

1.4.2 In-depth interviews with underpayers

In-depth interviews were conducted face-to-face with tenants who had underpaid between December 2013 and January 2014. For interviews conducted in English and Welsh Project Areas, the sample was derived from the telephone survey. For the Scottish area, the sample was derived by the evaluation team from the rent account data provided by Dunedin Canmore. Dunedin Canmore had employed neither of the underpayment triggers (triggers 3 and 4) and so, in contrast to respondents interviewed in the English and Welsh Project Areas, respondents interviewed in Scotland had not necessarily switched back although all had failed to pay some of their rent while on direct payment.¹⁵

1.4.3 Rent account analysis

This was (primarily) concerned with identifying: the scale of underpayment; types of underpayment; the characteristics of tenants who underpaid; and the value of underpayment. The mechanics of how the study team undertook rent account analysis is outlined in full in *Direct Payment Demonstration Projects: Key findings of the 12 months' Rent Account Analysis exercise*, DWP Research Report No. 879. This analysis was not restricted to tenants who had switched back under triggers 3 or 4, but included all tenants who had failed to pay some, but not all of their rent in at least one period while on direct payment across all six Project Areas.

The use of multiple research methods allows data to be triangulated¹⁶ and corroborated. And taken together, the data collected by three research exercises provides a valuable and robust insight into underpayment in the DPDPs.

¹⁵ In order to protect their identity, interviewees have been given pseudonyms.

¹⁶ Triangulation involves comparing data on a subject in order to validate (or not) the findings of individual data sources, thereby providing more robust (and nuanced) analysis.

1.5 Status and structure of this report

It is important to note that the study team are producing a number of written outputs. Two of these have already been published: the 'Baseline' Report¹⁷, which highlighted the findings to emerge from the baseline survey of tenants undertaken prior to the DPDP programme commencing; and the 'Six Months In Extended Learning Report'¹⁸, which highlighted the key learning to emerge from the first six months of the DPDP programme being live. The study team is publishing eight more outputs, which are described in Chapter 6. **This report should therefore be read alongside all these outputs.**

The report is divided into six chapters, including this one. Drawing on rent account data, Chapter 2 examines payment patterns in the DPDP programme, and while doing so highlighting the scale of underpayment. Chapter 3 uses rent account and telephone survey data to explore patterns of underpayment and generate a typology for it, while the same data sources are used in Chapter 4 to explore the impact of underpayment on landlords and tenants. Chapter 5 explores how and why underpayment arises, in doing so, shedding light on who underpays. It does so with particular reference to data garnered from the telephone survey and underpayer in-depth interviews. It identifies a bundle of factors that appear to contribute to underpayment. The final chapter is primarily concerned with highlighting the key learning to emerge from the study, particularly with the roll out of UC in mind. The Appendix presents additional analysis from the telephone survey.

¹⁷ Kemp, P., Hickman, P., Reeve, K., Collins, B., Finlay, S. and Robinson, D. (2012). *Direct Payments Demonstration Projects: Findings from a baseline survey of tenants in five Project Areas in England and Wales*. DWP Research Report No. 822. London: Department for Work and Pensions. A copy of the report can be downloaded at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/193327/rrep822.pdf

¹⁸ Hickman, P. and Reeve, K. (2013). *Direct Payments Demonstration Projects: Learning the lessons, six months in*. DWP Research Report No. 839. London: Department for Work and Pensions.. A copy of the report can be downloaded at: <http://www.shu.ac.uk/research/cresr/sites/shu.ac.uk/files/direct-payments-learning-lessons.pdf>

2 Rent payment patterns in the Direct Payment Demonstration Project: an overview

2.1 Introduction

In the first 12 months of the Direct Payment Demonstration Project (DPDP) participating tenants paid 94.3 per cent of the rent owed.¹⁹ Arrears therefore represented 5.7 per cent of rent owed²⁰, amounting to £1.6m.²¹

Whether overall arrears accrued because a few tenants paid no rent or because lots of tenants failed to pay some rent is a key question for landlords. There are implications for collection and recovery costs: the higher the number of non-/underpayers (regardless of the amount they owe) the more actions are required to recoup that debt. In addition, the drivers of non-payment are likely to be very different to the drivers of, for example, low value underpayment and this will influence the interventions and support landlords develop going forward into Universal Credit (UC). This chapter explores the prevalence of underpayment.

2.2 Prevalence of underpayment

Analysis of the payment patterns of all those direct payment tenants who failed to pay some or all of their rent – and whose arrears comprised £1.6m outstanding at the end of the first 12 months – reveals that **underpayment of rent was more common than non-payment**. Tenants paying no rent formed a relatively small proportion of all those who accrued arrears – between 27 per cent in the second ‘rent payment period’²² and a low of 13 per cent in the 11th rent payment period (see Figure 2.1). In total, 76 per cent of tenants underpaid (paid some but not all of their rent) while on direct payment.

¹⁹ Some tenants went onto direct payment in June 2012, some in July 2012, some in August 2012 and so on. For the purposes of this analysis tenants were only included once they started to receive direct payment and not before. The number of rent payments due during the first year of DPDP therefore varied depending on when a tenant was first put onto direct payment.

²⁰ ‘In this report the term ‘rent’ or ‘rent owed’ is used to refer to the debit put on a tenants rent account and in some cases will include charges other than rent such as service charges.

²¹ *Direct Payment Demonstration Projects: Key findings of the 12 months’ Rent Account Analysis exercise*, DWP Research Report No. 879.

²² Rent payment periods are a construct devised by the study team to facilitate analysis. A rent payment period is a four week period, or a month in the case of Edinburgh, over which landlords would expect tenant rent accounts to balance.

Direct Payment Demonstration Projects: Rent underpayment

Figure 2.1 Distribution of underpayers by amount of underpayment

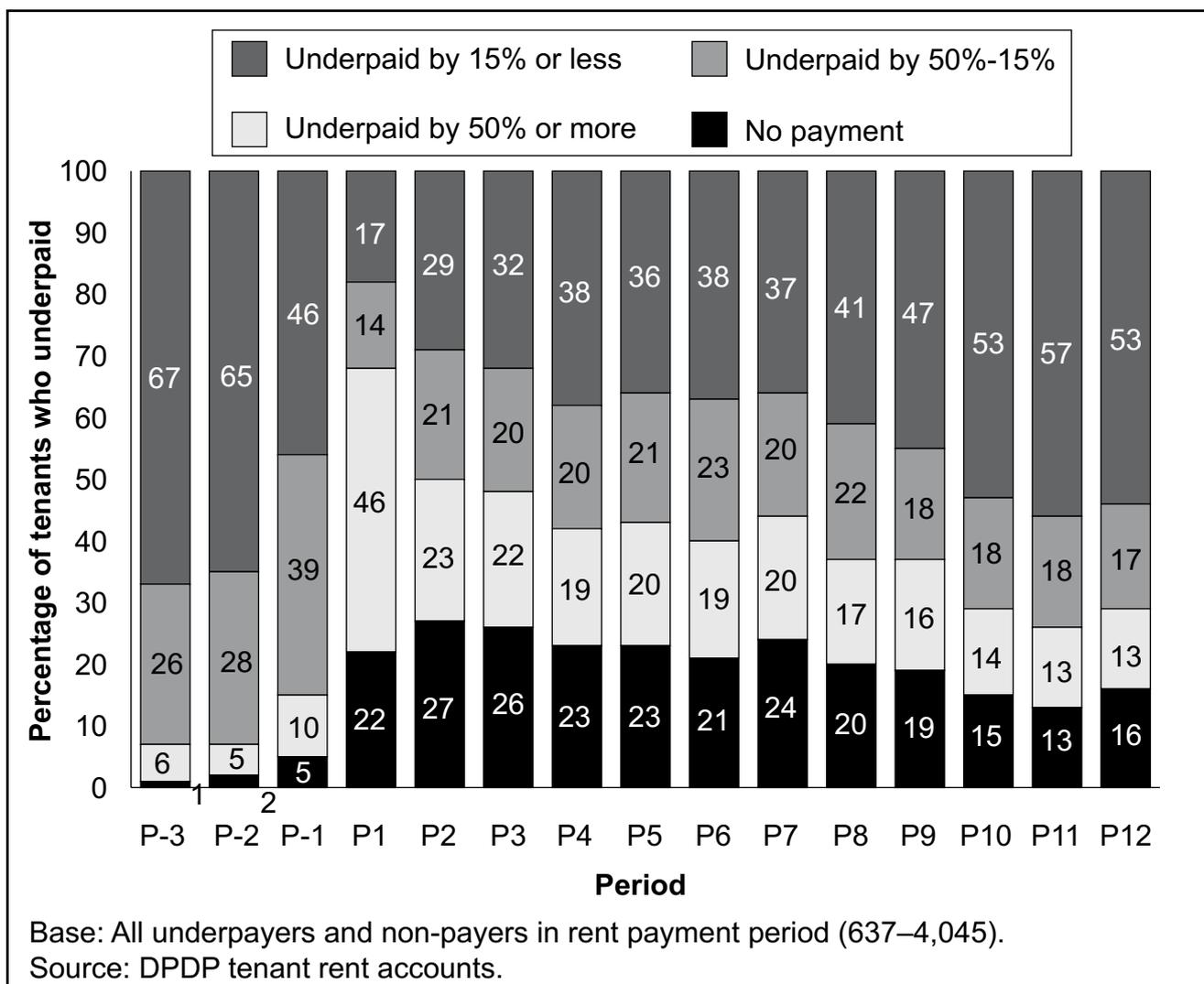


Figure 2.1 presents the distribution of underpayment in each payment period, with the blue section of each column representing the tenants who paid no rent, and the red, green and purple section of each column representing different categories of underpayment (50 to 99.9 per cent; 15 to 50 per cent and 0.1 to 15 per cent respectively). In every rent payment period, non-payers were far fewer in number than underpayers and, with the exception of payment period 1, non-payers were fewer in number than low value underpayers (i.e. those who underpaid by 15 per cent or less of their rent).²³

2.3 Summary

- Underpayment of rent was more common than non-payment of rent.
- Just over three-quarters of all tenants underpaid their rent at least once while on direct payment.
- Amongst those tenants who failed to pay all the rent owed during their time on direct payment, more than half accrued these arrears through **underpayment only**, compared with 12 per cent who accrued their arrears through **non-payment** only.

²³ See Chapter 4 for discussion of the value of underpayment and non-payment respectively.

3 Patterns of underpayment

3.1 Introduction

The previous chapter has shown that underpayment of rent was more common amongst Direct Payment Demonstration Project (DPDP) tenants than non-payment of rent (although see Chapter 4 for discussion of the relative impact of non-payment and underpayment on the total value of arrears). However, the distinction between ‘underpayers’ and ‘non-payers’ (and, indeed, ‘full payers’) is not absolute. Some tenants underpay in one period, pay fully for a while and then fail to pay any rent. Overpayment is also a feature of some tenants’ payment history.

Analysis of the rent accounts of the 5,031 tenants who received seven or more direct payments of Housing Benefit (HB)²⁴ revealed that:

- 10 per cent paid all their rent (always paid, never underpaying or failing to pay);
- 55 per cent underpaid their rent in at least one period but never failed to pay all their rent (only underpaid);
- 11 per cent failed to pay any rent in at least one period but never underpaid (only not paid);
- 25 per cent underpaid in at least one period and failed to pay all their rent in at least one period (underpaid and not-paid).

The remainder of this report examines the second and last of these groups in more detail – the relatively large cohort of tenants who received seven or more direct payment of HB and who underpaid their rent in at least one period – in an effort to understand patterns of underpayment, the reasons for underpayment, and the characteristics associated with underpayment. **In the remainder of this report the term ‘underpayer’ is used to denote any tenant who underpaid their rent in at least one payment period.** However, it is important to remember that they may also have not paid and fully paid during their time on direct payment.

This chapter focuses on patterns of underpayment amongst the 79 per cent of tenants who received seven or more direct payments of HB who underpaid their rent in at least one payment period.

3.2 Frequency of underpayment

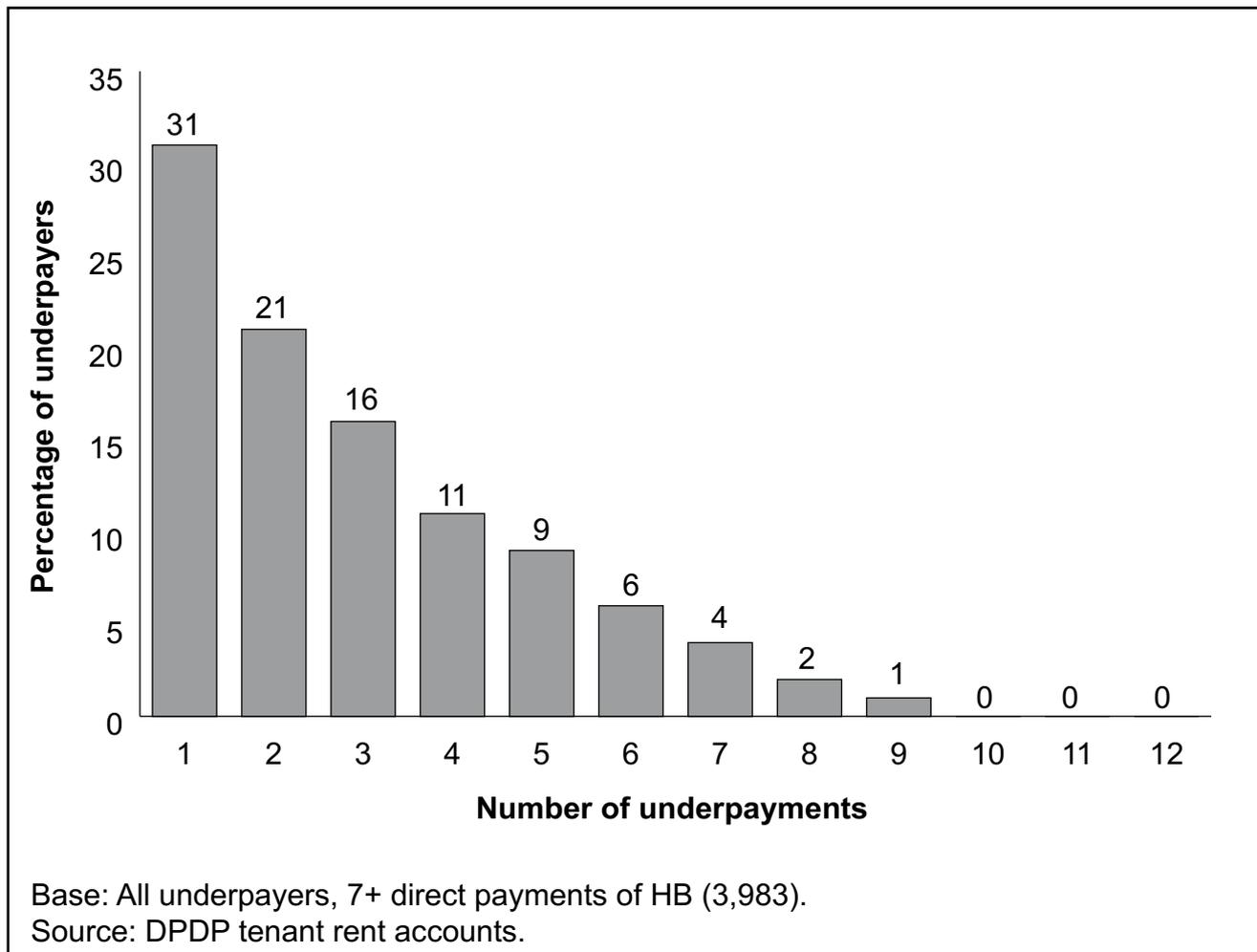
Analysis of rent account data shows that, most commonly, tenants who received at least seven direct payments underpaid just once or twice, although a sizeable proportion underpaid more often (see Figure 3.1). There is an inverse relation between the number of underpayments made and the number of tenants underpaying. Figure 3.1. shows, for

²⁴ This analysis was restricted to the 5,031 tenants who had received at least seven direct payments of HB because patterns are more difficult to discern over a shorter time frame. In addition, by proxy it excludes tenants who were quickly switched back to landlord payment because vulnerabilities came to light or they failed to manage and who would be unlikely to go onto direct payment under the revised UC criteria. These tenants may have skewed the analysis were they in the sample.

Direct Payment Demonstration Projects: Rent underpayment

example, that 51 per cent of underpayers (41 per cent of all tenants receiving at least seven direct payments) underpaid once or twice while 33 per cent of underpayers (26 per cent of all tenants receiving at least seven direct payments) underpaid four times or more.²⁵ This suggests that, although most tenants underpaid at some point, only some did so habitually.

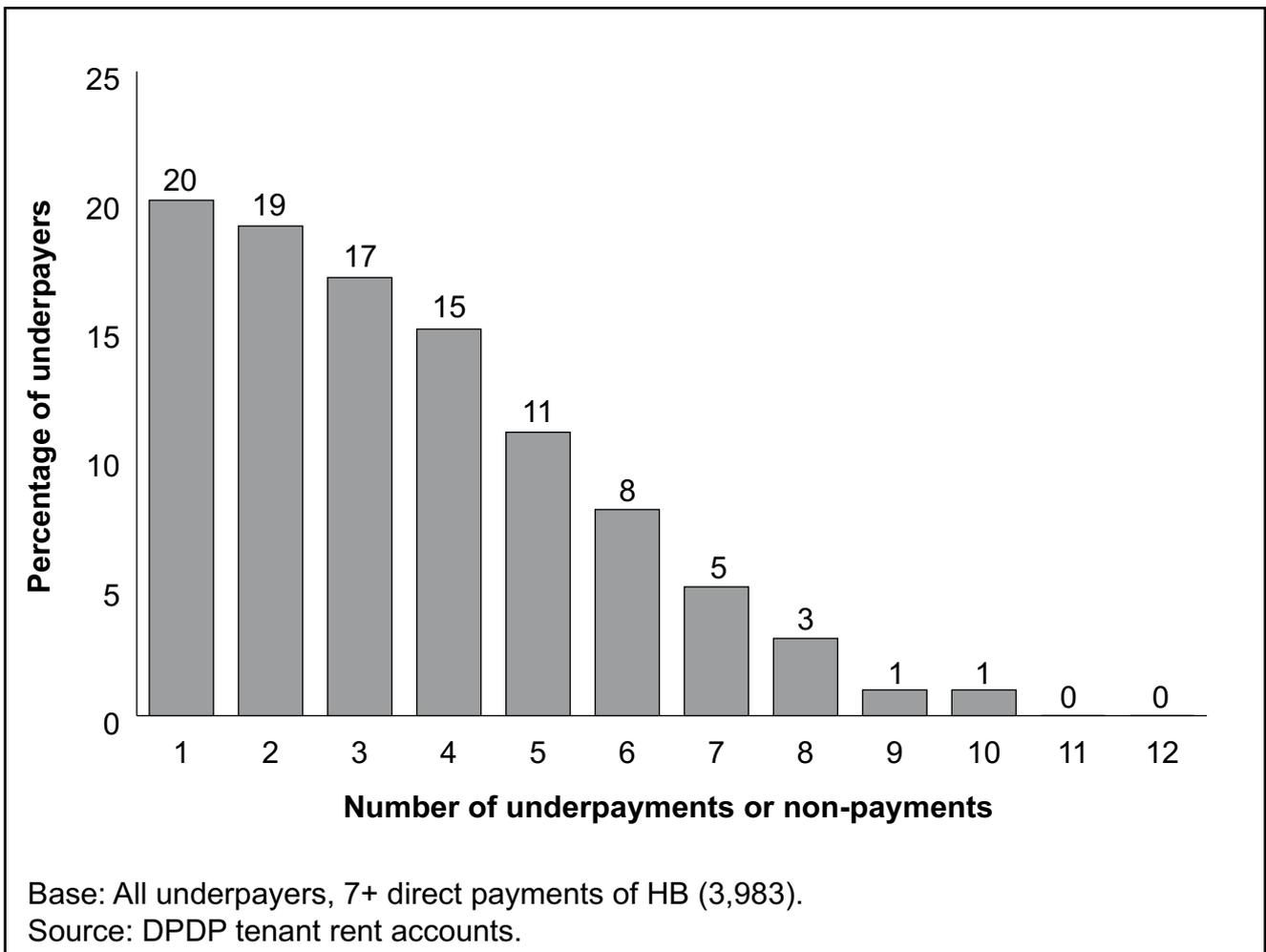
Figure 3.1 Number of underpayments made by underpayers



However, these figures only account for the periods in which tenants underpaid and not for the fact that some also failed to pay any rent. Once non-payment is factored into underpayers' rent payment patterns, the frequency with which they failed to make a full rent payment increases so that a sizeable proportion failed to pay some or all of their rent on a regular basis. Figure 3.2. shows that 40 per cent of underpayers (32 per cent of all tenants) underpaid or failed to pay one or twice, while 43 per cent (34 per cent of all tenants) underpaid or failed to pay four times or more.

²⁵ Some tenants in the sample only received a total of seven direct payments and so did not have the opportunity to underpay more than seven times.

Figure 3.2 Number of underpayments and non-payments made by underpayers



3.3 Persistent underpayment

The previous section showed that, although it was most common for tenants to underpay once or twice, many did so more often. This could suggest that underpayment is driven by long-term, persistent issues.

However, exploring underpayment patterns in more detail²⁶ shows that **tenants were more likely to underpay erratically than persistently** (i.e. in consecutive periods). Nearly half (49 per cent) of all underpayers made no consecutive underpayments and 27 per cent (21 per cent of all tenants) underpaid in just two consecutive periods (see Figures 3.3 and 3.4). Those who underpaid in three or more consecutive periods comprised 24 per cent of underpayers (19 per cent of all tenants) and, of these:

- 14 per cent underpaid in three consecutive periods (11 per cent of all tenants);
- five per cent underpaid in four consecutive periods (four per cent of all tenants);
- five per cent underpaid in five or more consecutive periods (four per cent of all tenants).

²⁶ As with the previous sections this analysis uses the sample of tenants who received at least seven direct payments of HB.

Direct Payment Demonstration Projects: Rent underpayment

Thus, if persistence is determined by having underpaid in at least three consecutive periods this applies to nearly one-quarter of underpayers (and 19 per cent of all tenants) suggesting that, while persistent underpayment was certainly a feature of tenants' payment patterns, it was not widespread. The prevalence or otherwise of persistent underpayment will be easier to confirm once data are available over a longer time frame (18 months of DPDP rent data are currently being gathered and analysed). At present some uncertainties remain. These are:

- 28 per cent of the persistent underpayers (i.e. of the 19 per cent of tenants who underpaid in three or more consecutive periods) underpaid in the last three payment periods for which data were available. This raises the possibility that they will continue underpaying, thus increasing the small proportion of persistent underpayers who underpay over a longer period;
- an additional 303 tenants (six per cent of all tenants) underpaid consecutively in the final two payment periods for which data were available. If some of these continued to underpay, the proportion of persistent underpayers will increase.

Figure 3.3 Highest number of consecutive underpayments

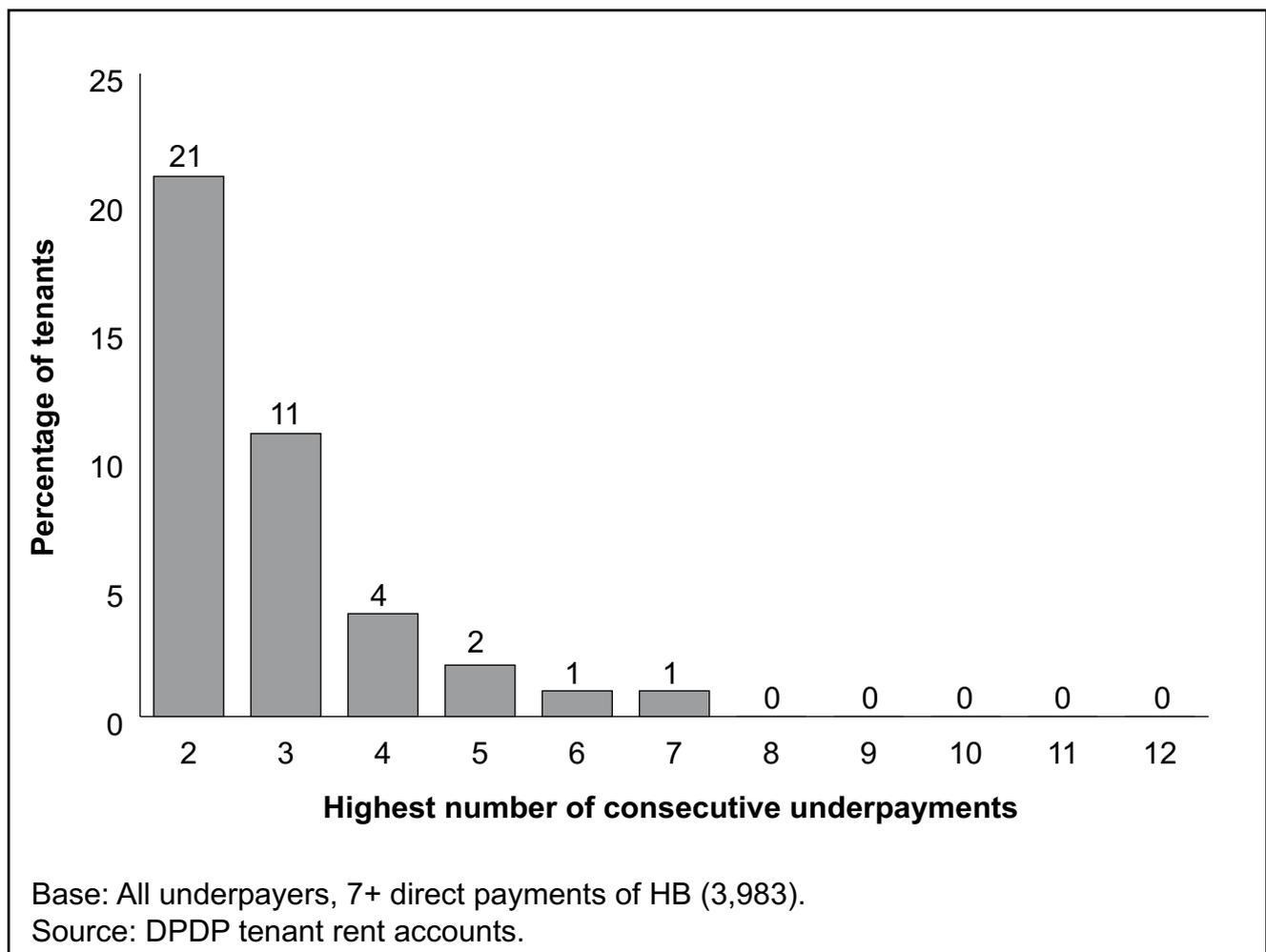
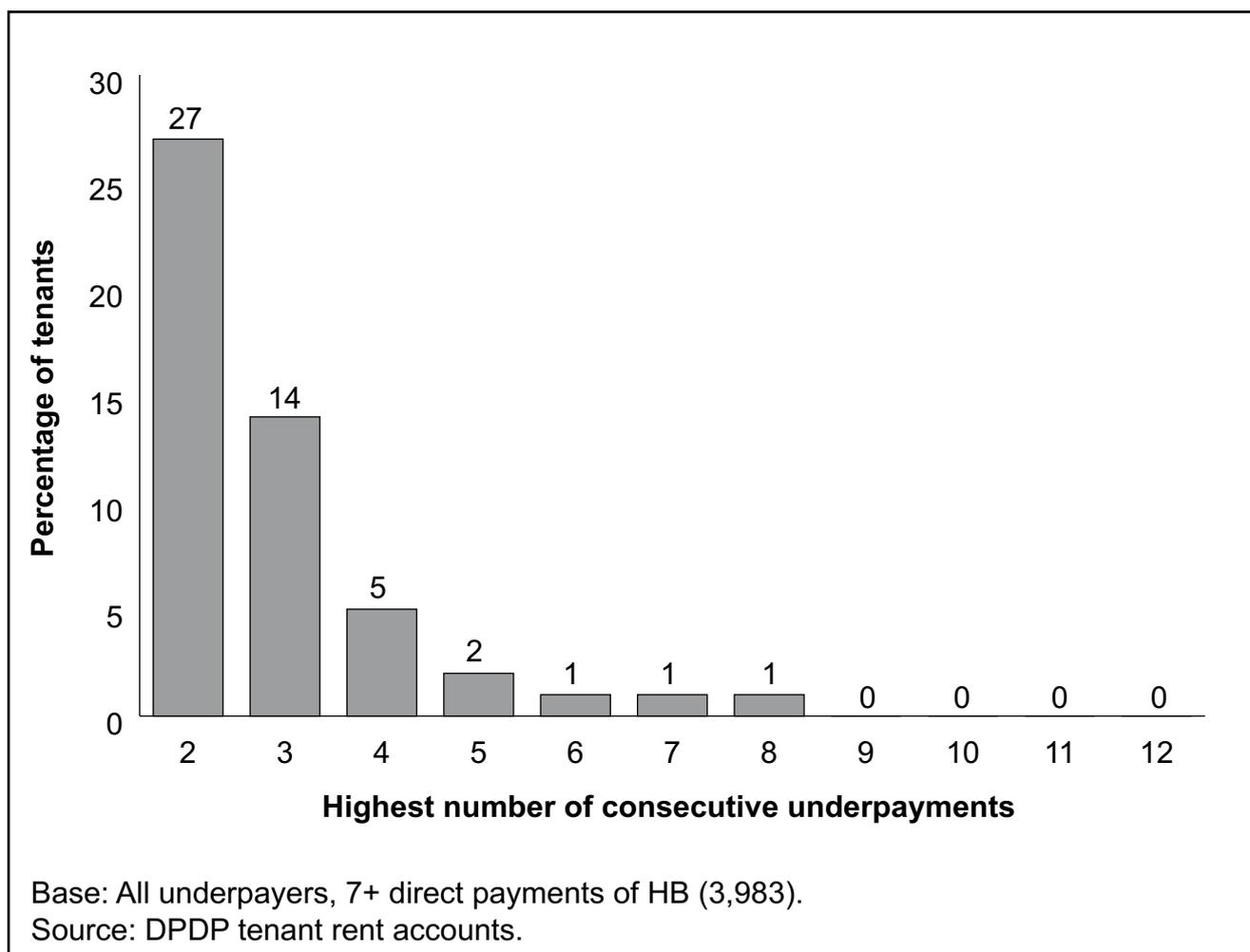


Figure 3.4 Highest number of consecutive underpayments; proportion of underpayers



Persistent underpayment was particularly common early in a tenant's direct payment career, which could suggest 'teething' problems during a 'settling in' period. For example:

- nine per cent of all tenants (approximately half of all persistent underpayers) made the first of several consecutive underpayments in one of their first three payment periods;
- six per cent of all tenants (approximately one-third of all persistent underpayers) had a run of at least three consecutive underpayments starting in the first payment periods.

This mirrors the results from analysis of payment rates across all tenants in the DPDP (i.e. including those who received less than seven direct payments)²⁷ which showed a significant drop in payment rates in the early stages of the programme. This pattern raises the possibility that the prevalence of persistent underpayment early in DPDP tenants' direct payment careers could reflect the infancy of direct payment implementation, rather than (or in addition to) inherent problems faced transitioning to a new system. If so, levels of persistent underpayment should decrease going forward. Analysis of rent data after 18 months will shed further light on this.

²⁷ *Direct Payment Demonstration Projects: Key findings of the 12 months' Rent Account Analysis exercise*, DWP Research Report No. 879.

3.4 A typology of underpayment

Examining rent payment patterns of tenants who received at least seven direct payments in detail reveals three broad types of underpayment²⁸: one-off underpayment; frequent underpayment; and infrequent underpayment. Breaking these groups down further to capture the extent to which payment is erratic or persistent gives the following typology of underpayment:

- 1 one-off underpayment:** only one underpayment made during the period on direct payment;
- 2 frequent, persistent underpayment:** at least three underpayments, made consecutively, during the period on direct payment;
- 3 frequent, erratic underpayment:** at least three underpayments for tenants who received 7 to 9 direct payments and at least four underpayments for those who received ten or more direct payments, with no more than two underpayments made consecutively;
- 4 infrequent underpayment:** two or fewer underpayments for tenants who received 7 to 9 direct payments, and three or fewer underpayments for those who received ten or more direct payments, with no more than two made consecutively.

It is important to remember that these groups, whose key attributes are highlighted in Chapter 5, do not capture all tenants who accrued arrears while on direct payment. Figure 3.5, which summarises tenants' payment patterns, shows that some (11 per cent) paid no rent in at least one payment period. Figures 3.5 and 3.6 also show that:

- as noted above, 79 per cent of all tenants underpaid in at least one payment period. Of the remainder, ten per cent paid their rent in full and 11 per cent paid no rent in at least one period but never underpaid.
- 39 per cent of tenants underpaid frequently (49 per cent of underpayers), just under half of whom underpaid persistently.
- 60 per cent of all tenants (76 per cent of underpayers) could be characterised as having erratic underpayment patterns. This includes:
 - a one-off underpayment (16 per cent of all tenants, or 21 per cent of underpayers);
 - infrequent underpayment (24 per cent of all tenants, or 30 per cent of underpayers);
 - frequent non-persistent underpayment (20 per cent of all tenants or 25 per cent of underpayers).

The implications of the relatively high proportion of erratic underpayers are discussed in the next section.

²⁸ Like the analysis in the preceding sections, this analysis drew on rent data from the sample of 5,031 tenants who had received at least seven direct payment of HB.

Figure 3.5 Underpayer types

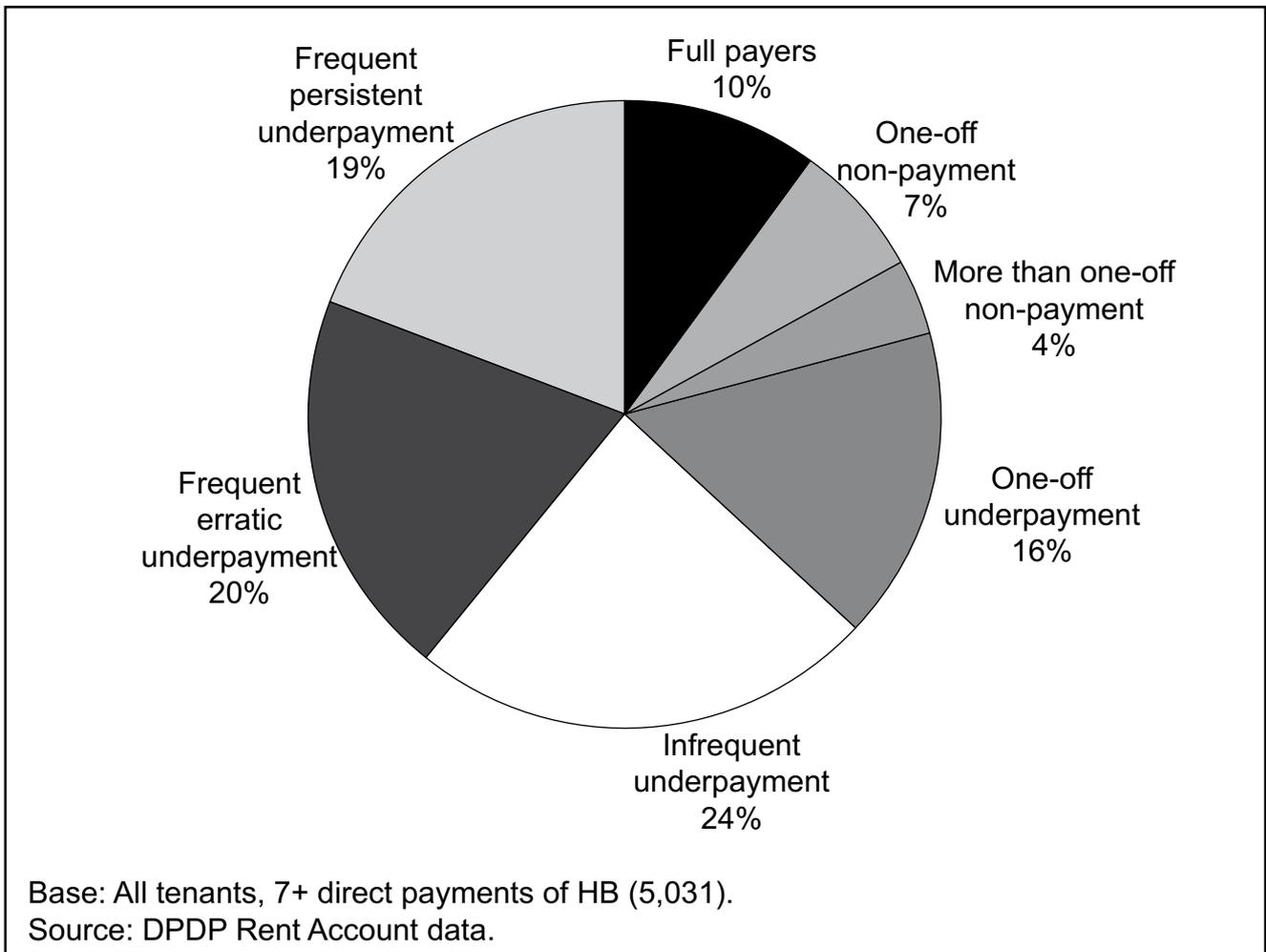
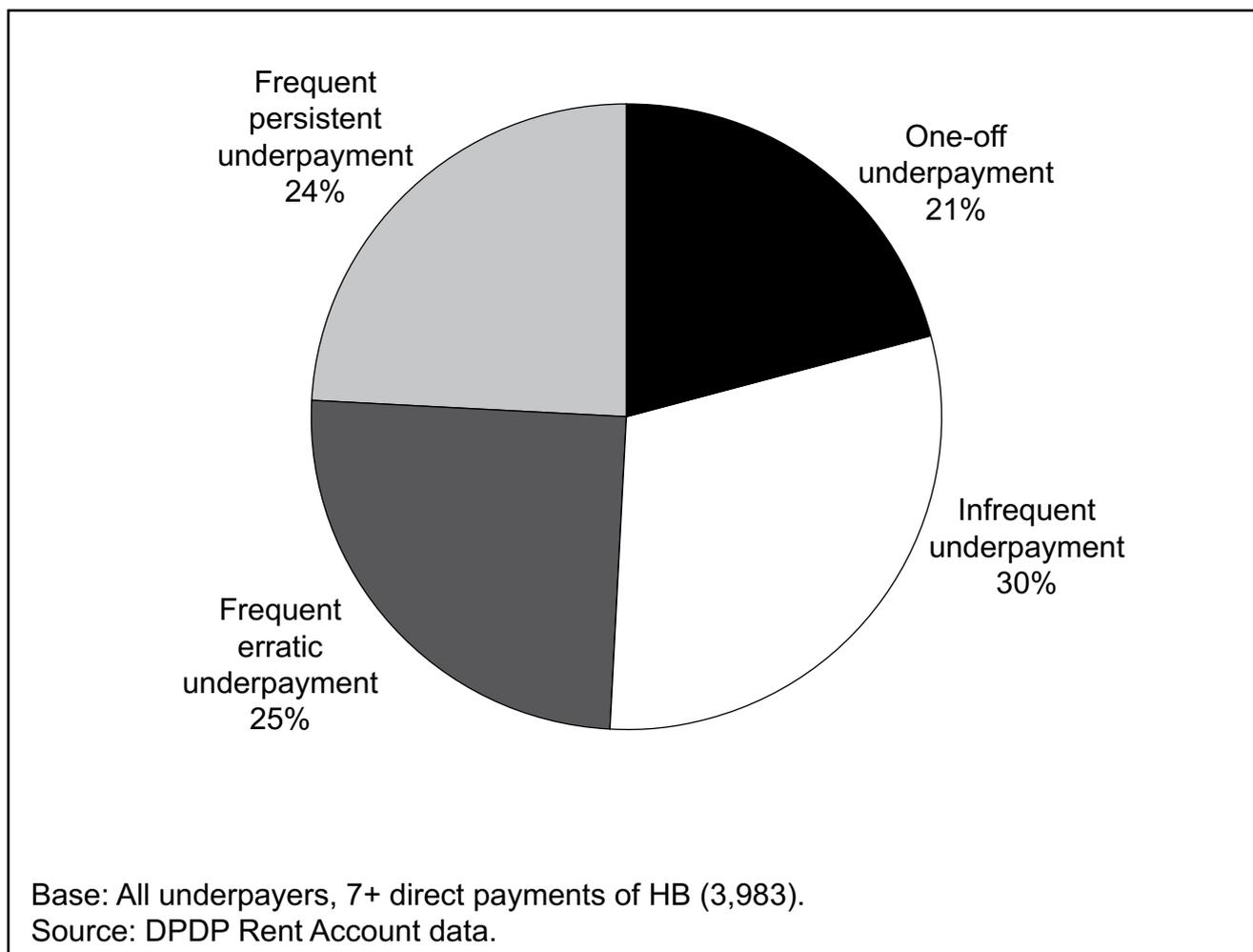


Figure 3.6 Underpayer types



3.5 Erratic payment patterns

The prevalence of erratic underpayment raises challenges. If tenants are underpaying, whether frequently or infrequently, but in an apparently random fashion, it is difficult to accurately forecast who will manage going forward and assess where intervention is required. A tenant's future payment pattern becomes difficult to predict.

We noted in Chapter 3 that tenants do not fit neatly into a 'payment' category. Over a period of time a tenant can pay their rent fully, underpay, and not pay any rent. It is as if some tenants started anew with each payment period, suggesting that the drivers of their payment patterns were shifting and changing.

Fozia's payment history illustrates this point well. She is a single parent with a teenage son. She explained that when her first direct payment was paid into her bank account she did not realise it was her HB. Fozia was adamant about receiving no notification that her HB would be paid into her account at that time, although Project Areas did have a process in place for doing so. Rather than questioning the additional funds she spent the money:

'It paid for my son's birthday. I bought him presents. We had a bit of a party. Not a big party. We had a little party and the rest went on bills.'

Direct Payment Demonstration Projects: Rent underpayment

She was subsequently sent a rent card by her landlord and used this to make her second rent payment in full through the Post Office. Fozia's third direct payment of HB coincided with the last few days before her next Jobseeker's Allowance (JSA) payment was due, and she had no money to put in her gas and electricity meters. She used £20 of her HB for gas and electricity with the intention of repaying this as soon as her JSA arrived a few days later. Paying a small amount of her rent late would not, she thought, have serious consequences. Fozia did not repay the £20 shortfall that month. She explained why:

'When I got my giro I ended up with more bills than I had the previous month so I didn't end up paying that £20 back. I did eventually pay the £20 back, it wasn't instant, though.'

Just as Fozia moved from non-payment to full payment to underpayment, others moved from underpayment to overpayment. For example, of the 90 tenants surveyed who had been switched back to landlord payment under one of the two underpayment triggers, 17 per cent reported having both overpaid and underpaid.

A relationship between under and overpayment is no surprise. Tenants who underpay in one period may seek to overpay in another to balance their rent account. Others will have reached agreement with their landlord for a monthly repayment plan. Had Fozia managed to repay the £20 she 'borrowed' from her HB she would have been an underpayer one period and an overpayer the next. However, the survey results suggest that tenants overpaid for a variety of reasons, not just to repay arrears. Table 3.1 shows that, of the 33 telephone survey respondents who overpaid their rent²⁹, only four said they did so to pay back arrears. Others overpaid by mistake, or to generate some 'savings', or as a precaution against future arrears.³⁰

Table 3.1 Why did tenants overpay the rent?

	Number
To pay back rent arrears	4
As a precaution – in case I get into rent arrears	7
As a precaution – in case I fall behind on payday loans	3
As a precaution – in case I fall behind on other bills or payments	4
To save up by creating 'rent-free' periods (e.g. for Xmas, birthdays, holidays)	5
I overpaid the rent by mistake	8
Other reasons	8
Don't know	2
<i>Base: tenants who had overpaid rent</i>	33

Note: tenants could give more than one reason.

Source: Telephone Survey of tenants switched back under triggers 3 and 4.

²⁹ As noted earlier, it is important to note that the findings from the telephone survey should be seen as indicative, not authoritative, owing to the small sample sizes.

³⁰ Overpayment was not specific to direct payment. Nearly half of those reporting having overpaid said they did so before being on direct payment.

Direct Payment Demonstration Projects: Rent underpayment

The number of one-off underpayments (and one-off non-payments – see Figure 3.3 in the previous section) similarly indicates a degree of unpredictability in tenants' payment rates over time, suggesting that tenants who manage well most of the time can underpay (or not pay) unexpectedly one month. One of the reasons for this was a life event, such as illness, relationship breakdown, and bereavement. This was certainly the case for Harriet and Minnie, amongst other in-depth interviewees.

Minnie, whose story is told in full in at the end of Chapter 4, had paid all her rent on time for seven months. In December 2013 her mother had a stroke and her daughter was taken critically ill, and over a few months she underpaid her rent by approximately £500. Her mother and daughter were both in hospital and subsequently in wheelchairs. Minnie explained how she spent her HB during this period:

[I spent my HB on] Petrol back and forth to the hospital all day, food and that, you know, in places like the canteen but I had to eat, well when I felt like eating. Petrol mostly, it was back and forth, back and forth, you know, visiting and then like taking my daughter, when she got home then, taking her to appointments back and forth because she had that operation.'

Harriet, a single person, also paid her rent in full and on time by Direct Debit (DD) for ten months. She was affected by the removal of the Spare Room Subsidy (RSRS) but successfully applied for a Discretionary Housing Payment (DHP) to cover the shortfall while she sought a transfer. She wrongly assumed that adjustments to her payment arrangements would automatically be made and were the responsibility of her landlord. She therefore made no arrangement for her DHP to be paid to her landlord. During this time, Harriet was taken very ill and had to spend some time in hospital. Unable to check her bank account regularly, but assuming that any funds in her account were surplus to rent and bill money, she spent her DHP leaving her without sufficient funds to cover her rent.

The amount by which tenants underpaid also fluctuated over time, once again suggesting that tenants' payment behaviour one month may not be a good predictor of their payment behaviour going forward. In each underpayment group, underpayment was by a random, varying amount. Comparing the highest and lowest underpayment rate (the payment range) amongst tenants in each underpayment group demonstrates this point:

- the average range in underpayment rate for **infrequent underpayers** was 53 percentage points (in other words, on average, there was a 50 per cent difference between a tenants' highest and lowest underpayment); only six per cent underpaid by the same amount each time they underpaid, and 23 per cent underpaid within a ten percentage point range;
- the average range in underpayment rate for **frequent erratic underpayers** was 34 percentage points; only one per cent underpaid by the same amount each time they underpaid and only seven per cent underpaid within a ten percentage point range;
- the average range in underpayment rate for **frequent persistent underpayers** was 37 percentage points; only two per cent underpaid by the same amount each time they underpaid and only 13 per cent underpaid within a ten percentage point range;
- the average range in underpayment rate was 42 percentage points across these three underpayment types; only three per cent underpaid by the same amount each time they underpaid and only 15 per cent underpaid within a ten percentage point range.

Direct Payment Demonstration Projects: Rent underpayment

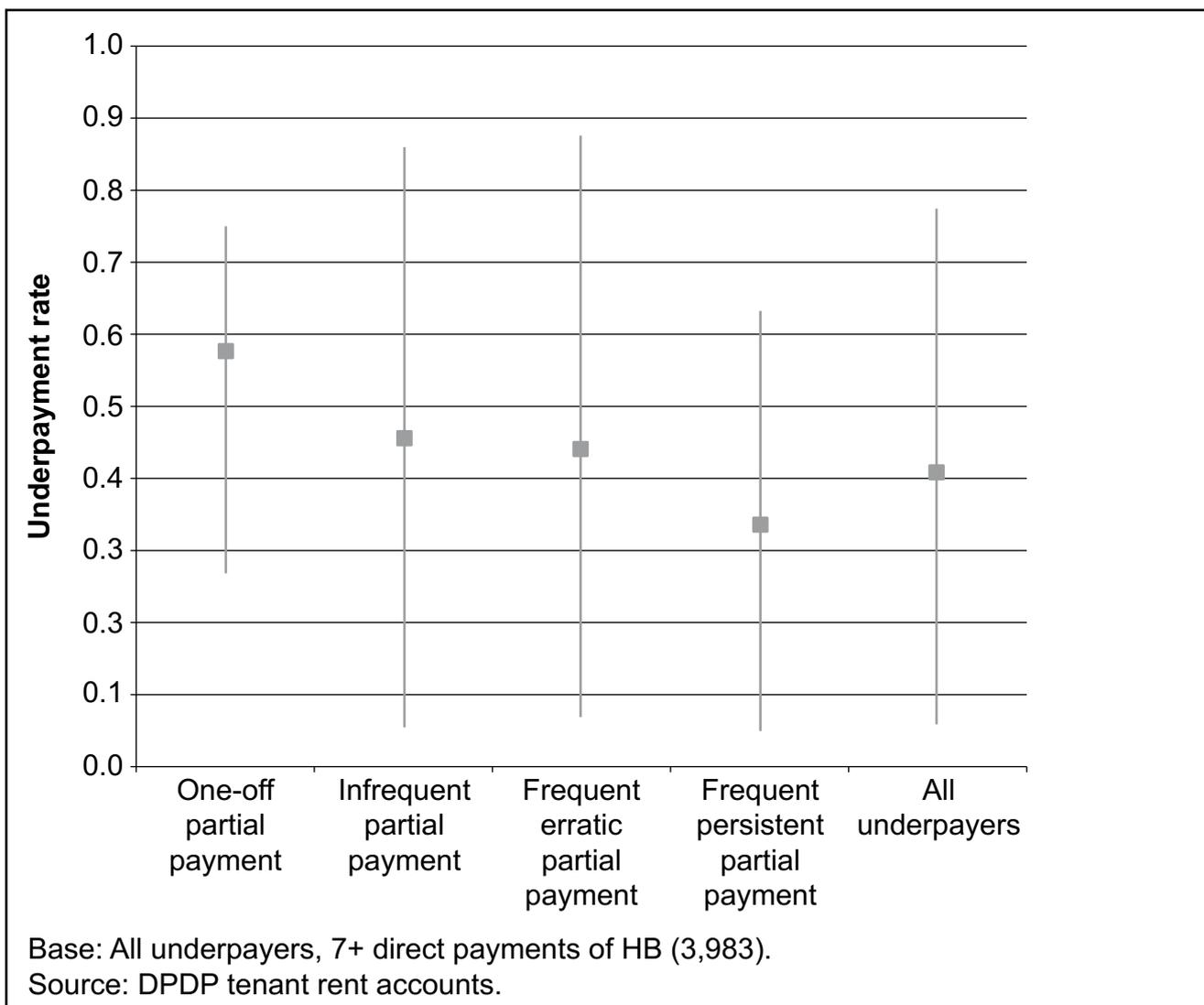
In the main, different types of underpayment were not by consistently small or large amounts. In other words, no underpayment **group** was associated with a particular **value** of underpayment. In each underpayment group there were tenants who underpaid by a small amount and those who underpaid by a large amount. Amongst persistent underpayers, for example, 29 per cent underpaid by less than ten per cent in each of at least three consecutive periods, and 25 per cent underpaid by more than 75 per cent in each of at least three consecutive periods. The value of individual tenants' underpayments were not generally consistent either, with each tenant underpaying by varying amounts over time.

Figure 3.7 shows the distribution of all underpayments made by tenants in the four underpayment groups. The line indicates the range between the 25th and 75th per centile and the square is the average underpayment rate. It shows some variations between the different underpayment groups but no marked differences. It shows that:

- one-off underpayers had the highest average underpayment rate: 58 per cent;
- frequent persistent underpayers had the lowest average underpayment rate: 34 per cent;
- average underpayment across the four groups was 41 per cent;
- underpayment rates within each of the four groups varied dramatically;
- however, one-off underpayments and persistent underpayments were made within a smaller range than the other underpayment groups.

Direct Payment Demonstration Projects: Rent underpayment

Figure 3.7 Distribution of underpayment rates by underpayment group



The large proportion of tenants underpaying in the demonstration project had raised questions within the Department for Work and Pensions (DWP) about whether some tenants were ‘strategically’ and ‘intentionally’:

- withholding a small amount of rent each month on the basis that this would go unnoticed by their landlord or would, at least, not trigger serious action against them but would provide additional funds for their household; or
- withholding just enough rent each month to be switched back to landlord payment but not enough to accrue arrears that would prove difficult to repay.

These results suggest that few tenants had done so and that ‘strategic’, ‘intentional’ underpayment was not commonplace. This issue is explored in more detail in Chapter 5.

3.6 Summary

- There were four main types of underpayment: one-off underpayment; frequent, erratic underpayment (i.e. where underpayments were made often but not usually consecutively); frequent, persistent underpayment (i.e. where underpayments were made often and consecutively); and infrequent underpayment.
- Many tenants who underpaid did so on a regular basis. Nearly half of all underpayers could be classed as 'regular' underpayers in the sense that they underpaid more than three or four times (depending on how long they had been in receipt of direct payment).
- Underpayment is difficult to predict. This is because most underpayment was 'erratic' – 76 per cent of all underpayers fell into this category – in the sense that tenants' payment behaviour one month was not a good predictor of their payment behaviour going forward. Payment behaviour fluctuated, with tenants underpaying by different amounts and moving between underpayment non-payment and full-payment over time. And there was very much a sense that many tenants started anew with each payment period, with it being a new challenge and event.
- No underpayment group was associated with a particular amount of underpayment. In each underpayment group there were tenants who underpaid by a small amount and those who underpaid by a large amount.
- Just under one-quarter of underpayers (19 per cent of all tenants who received seven or more direct payments of HB) could be classed as persistent underpayers in the sense that they made regular and consecutive underpayment. However, the amount by which tenants underpaid varied period on period.
- Underpayers and non-payers were not distinct groups. Non-payment and full payment were features of underpayers' payment patterns.

4 The impact of underpayment

4.1 Introduction

This chapter considers the impact of underpayment of rent on landlords and tenants. It focuses, in particular, on financial impact in terms of the value of arrears that accrued through underpayment and considers the types of underpayment that have the most significant impact on the total value of arrears.

4.2 The financial impact on landlords of underpayment

Drawing on the rent account data for **all** tenants who received direct payments in the first 12 months of the Direct Payment Demonstration Project (DPDP) (and not just those who received at least seven direct payments)³¹, Figure 4.1 presents the distribution of underpayment by value. It presents the proportion of the £1.6m total arrears attributable to non-payment, represented by the blue columns, and the proportion attributable to different levels of underpayment, represented by the red, green and purple columns.

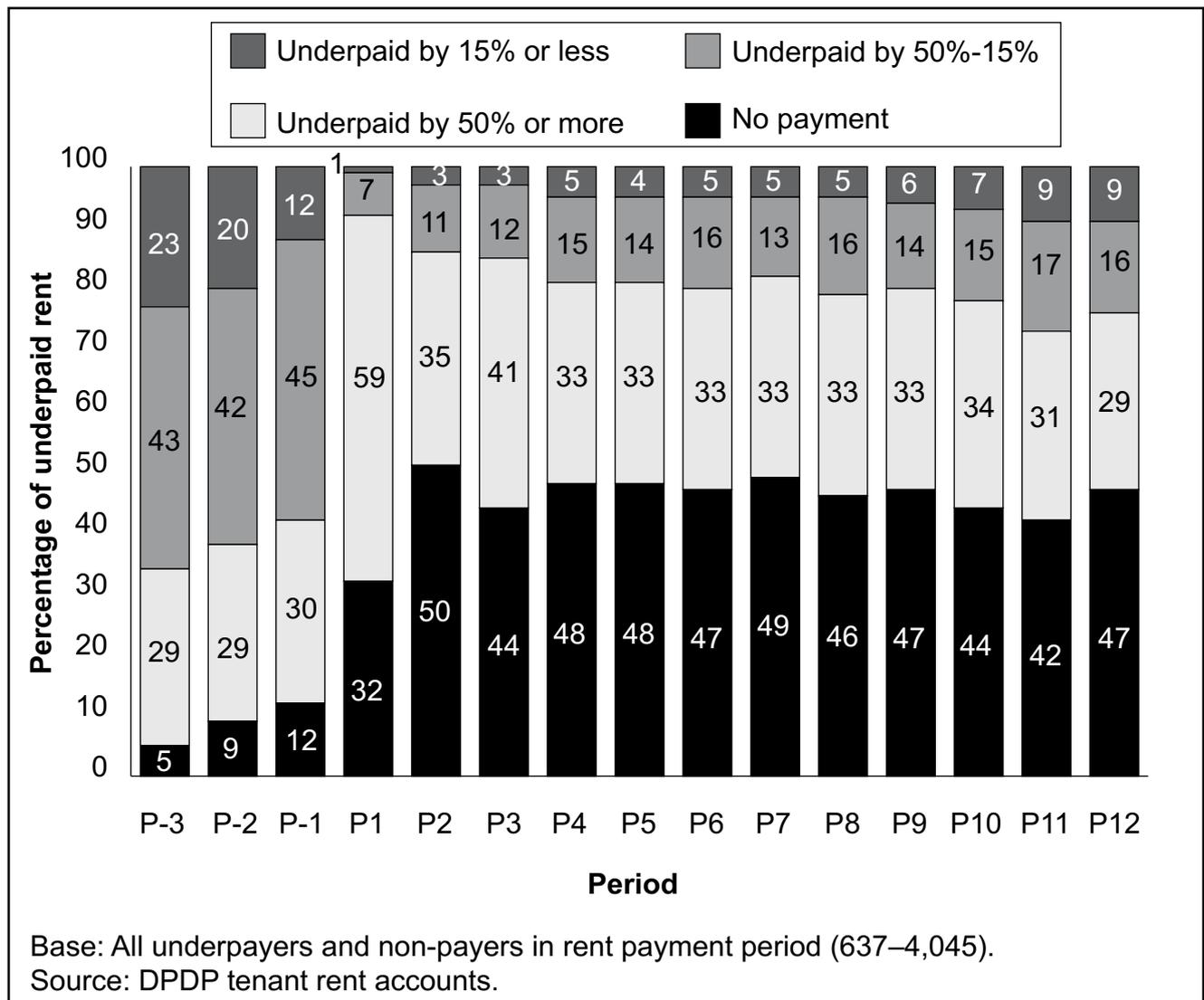
The figure shows that although non-payers were far fewer in number than underpayers (approximately one-quarter of those who accrued arrears – see Figure 2.1) they accounted for nearly half the total value of arrears accrued in the first 12 months of the DPDP. Nevertheless, because of the relatively high number of tenants underpaying, underpayment did account for between 50 per cent (in payment period 2) and 68 per cent (in payment period 1) of arrears.

Figure 4.1 also shows that low value underpayment, i.e. underpayment of 15 per cent or less, had a limited impact on the value of arrears in each payment period (although this did increase incrementally over the course of the DPDP) despite low-value underpayers being the largest underpayment group (see Figure 2.1). The value of the underpayment was, therefore, a more significant factor than the number of people underpaying in terms of the impact on overall arrears. Not surprisingly, perhaps, the higher the value of underpayment, the more significant the impact on the total value of arrears.

³¹ As this analysis is not looking for patterns over time, the full sample of tenants who received direct payment can be used.

Direct Payment Demonstration Projects: Rent underpayment

Figure 4.1 Distribution of total underpayment value by proportion of underpayment



Thinking about the typology of underpayment presented in Chapter 3, frequent underpayers (persistent and erratic) made a greater contribution to overall arrears than infrequent or one off underpayers. And persistent underpayers made the greatest contribution of all underpayment groups. Table 4.1 shows that of the £840,000 underpaid by the four underpayment groups (one-off, infrequent, frequent erratic, and frequent persistent) nearly half was accrued by persistent underpayers, almost double that accrued by frequent erratic underpayers and four times that accrued through one-off underpayers.

Direct Payment Demonstration Projects: Rent underpayment

Table 4.1 Rent paid by payment type

	Rent charged	Rent paid	Percentage paid	Value of under/non-payment
Full payers	1,974,000	2,004,000	102	-30,000
One-off non-payment	1,355,000	1,325,000	98	30,000
More than one non-payment	910,000	859,000	94	52,000
One-off underpayment	3,655,000	3,555,000	97	99,000
Infrequent underpayment	5,272,000	5,153,000	98	118,000
Frequent erratic underpayment	4,315,000	4,104,000	95	211,000
Persistent underpayment	4,204,000	3,792,000	90	412,000
All	21,684,000	20,792,000	96	892,000

Source: DPDP tenant rent accounts.

Base: All tenants, 7+ direct payments of HB (5,031).

4.3 The impact on tenants of underpayment

Underpayment of rent did not always result in arrears. We reported in Chapter 3 that some tenants overpaid their rent to accrue credit on their account, so they could underpay in the future without falling into debt. However, underpayment usually did equate to arrears. No in-depth interviewees were underpaid without accruing arrears, whether in the short or long term, and 52 per cent of telephone survey respondents (or 49 out of 95) were in arrears (or still in arrears) at the time of their interview, as the table below illustrates.

Table 4.2 Are tenants currently up to date with the rent or in arrears?

Column percentages	%
Up to date	48
In arrears	52
<i>Base: all tenants</i>	95

Source: Telephone survey of tenants switched back under triggers 3 and 4.

In terms of the value of tenants' arrears, three-quarters of telephone survey respondents owed more than £149; 58 per cent owed over £250; and 29 per cent owed more than £500 (see Table 4.3). Some of these arrears had accrued before the DPDP, but 71 per cent of respondents (or 22 tenants) who were in arrears when surveyed, reported not having been in arrears prior to direct payment, as Table A.1 illustrates. Of the 14 respondents who were in arrears when they went onto direct payment nine reported an increase in their arrears; one reported a decrease; and four reported no change in their arrears (see Table A.2). This chimes with the wider findings from analysis of the rent accounts of all direct payment tenants, which show that the introduction of direct payment represented a step-change in the overall account balances of many tenants.³²

³² *Direct Payment Demonstration Projects: Key findings of the 12 months' Rent Account Analysis exercise*, DWP Research Report No. 879.

Table 4.3 By how much were tenants behind with the rent?

	%
Up to £149	25
£150 to £249	17
£250 to £499	29
£500 to £749	17
£750 to £999	6
£1,000 or more	6
<i>Base: tenants in arrears</i>	48

Source: Telephone survey of tenants switched back under triggers 3 and 4.

There was evidence of high levels of indebtedness amongst tenants in the Project Areas.³³ A baseline survey of 1,639 tenants carried out by the evaluation team prior to the start of the DPDP found that 40 per cent of respondents had at least one kind of debt, excluding rent arrears, and 44 per cent had rent arrears and/or other debts. As will be explored in more depth in Chapter 5, many of the 95 tenants that comprised the telephone survey of Trigger 3 and 4 underpayers were in debt.

Arrears resulting from underpayment of rent served to compound tenants' debts. In addition, with already low incomes frequently eroded repaying existing debts, tenants interviewed in-depth reported struggling to repay the rent arrears they had accrued. This was the case for Colin, whose story is told at the end of Chapter 5. After falling into arrears on direct payment, he agreed a repayment plan with his landlord but struggled to keep to it. He explained:

'I'm struggling to pay it [my arrears] back ... me social worker set up a payment plan just before Christmas but I've been struggling to find it, and then they're trying to get me out, or that's the impression I get, so I've had to do without to pay it.'

'Doing without', in order to repay arrears was a common theme amongst the underpayers interviewed. Pauline described '*cutting back on gas, I only buy electric now so I don't have the central heating on*' and Fozia explained that she was not left with enough money '*that I can eat every day*'. Some tenants were repaying at a relatively high rate; £40 and £50 per fortnight or month.

Qualitative interviews and the telephone survey of tenants reveal that tenant underpayment had an emotional, as well as a financial impact on some tenants. The majority of tenants expressed concern about falling into arrears and were of the view that rent payments, in theory at least, were high priority. For example, 89 per cent of survey respondents who had switched back under triggers 3 and 4, reported that falling behind with their rent concerned them a 'great deal' or a 'fair amount', as Table 4.4 illustrates.

³³ Debt was defined as being behind with a payment, whether for bills, childcare, loan repayments, other forms of credit, rent, or arrears repayment arrangements. Someone who has taken out a loan but is up to date with the repayments would not be classed as being in debt.

Direct Payment Demonstration Projects: Rent underpayment

Table 4.4 To what extent does falling behind with the rent concern tenants?

Column percentages	%
A great deal	79
A fair amount	10
Not very much	3
Not at all	7
<i>Base: all tenants</i>	95

Excludes one tenant who did not know.

Source: Telephone survey of tenants switched back under triggers 3 and 4.

In-depth interviewees expressed feelings of shame, embarrassment and guilt about having spent their Housing Benefit (HB) on something other than rent. This was particularly true of those who had done so knowingly and willingly (rather than, for example, those who made an error and ‘accidentally’ underpaid). Minnie described her feelings in the following terms:

‘I felt ashamed. I felt like I was robbing somebody, but I spent it and I shouldn’t have At the time I thought I’d be in trouble, really big trouble. I thought I’d end up losing my house. I was embarrassed, I was ashamed, you know? But at the time it was in my bank and it was ... I needed it.’

Minnie’s story

Minnie is 45 and has lived in a four bed property for the past 14 years. She lives with her son, aged 14, and her mother who has health problems. Her four other children have left home. Although Minnie has worked in the past, she is currently unemployed. She suffers with depression and spends a lot of time caring for her mum.

Minnie’s rent is £108 per week. In addition to HB, she also receives Income Support (£45), Carers’ Allowance (£59), Child Benefit (£20) and Child Tax Credits (£53). Prior to going onto direct payment, Minnie had never been in arrears and she reported that paying her rent was a priority for her: *‘Yes, I prioritise rent. The rent and council tax.’* She reported finding it difficult to get-by and making sacrifices in order to do so: *‘And then I just manage on what I’ve got left to pay for anything else. Yes. Whatever I’ve got left depends on what we’re having for Sunday dinner. Whether it’s a cheap chicken or a nice bit of lamb. You know, we’re just, the weeks I get my Income Support, I tend to be okay and then the following week – then it’s no strawberries ... Even with the gas and electric [off], you know, being cold, once my mum’s in bed and my son’s in bed, turning off [the gas]. And then I’ll get a, you know, I’ve got them in the corner over there, my blankets.’*

Minnie went onto direct payment in April 2013, arranging to pay her rent by Direct Debit (DD). She was concerned initially that she may be tempted to misspend her HB. *‘Well, at first I didn’t see, I thought, “Oh it’s going to be a pain now”, because I’m going to have to ring xx [her landlord] because I used to, the day it went in my bank I would ring so it would get out my bank because if I’m broke I could think, “Oh hang on, I’ll borrow that”, and then, you know, I’d get in a mess.’* However, for the first six months her concerns proved unfounded and she paid her rent in full and on time.

Continued

But in December 2013 a series of events caused her to fall into arrears. First, there was a problem with the administration of her HB, which did not arrive in time. Consequently, a DD payment was refused due to 'insufficient funds' and she was charged £6 by her bank. Second, her mother had a stroke and was hospitalised for several weeks. Third, Minnie's daughter had an operation which resulted in an extended stay in hospital.

In December and January Minnie dipped into her HB to pay for trips back and forth to the hospital and for other household expenses, and then could not afford to pay the rent in full. She underpaid in both months, accruing arrears of around £500: Minnie felt ashamed and embarrassed by her actions. She contacted her landlord and they arranged for her Housing Benefit to be paid directly to them. They also worked out an arrears repayment plan of £30 per month.

Minnie has also been affected by Removal of the Spare Room Subsidy (RSRS). Since October 2013, she has been receiving a Discretionary Housing Payment (DHP) to help her cover the RSRS. She said that she received £7 per week in DHP which covered approximately half of the RSRS. Her DHP was due to run out in March 2014 and she was concerned that this would make it very difficult for her to pay back her arrears.

4.4 Summary

- Non-payers were far fewer in number than underpayers but they accounted for nearly half the total value of arrears accrued in the first 12 months of the DPDP. Nevertheless, because of the relatively high number of tenants underpaying, underpayment did account for more than 50 per cent of arrears.
- Low-value underpayment (less than 15 per cent of rent owed underpaid) had a limited impact on arrears, despite low value underpayers being the largest underpayment group in terms of percentage of rent underpaid.
- Frequent underpayers made a greater contribution to the overall value of arrears than infrequent or one-off underpayers. Nearly half of the total value of arrears was accrued by persistent underpayers.
- Arrears arising from underpayment compounded tenants' debts – 44 per cent had existing debts or rent arrears – and put some tenants in arrears whose rent accounts had previously balanced.
- Tenants also reported an emotional impact of underpaying, frequently expressing feelings of guilt, shame and embarrassment.

5 Understanding underpayment

5.1 Introduction

Drawing primarily on analysis of rent account data, the previous chapters have profiled underpayment, in doing so highlighting types and patterns of underpayment, and its impact on landlords and tenants. This chapter seeks to build on this analysis by providing an insight into how and why underpayment arises, and in doing so, shedding light on who underpays. It does so with specific reference to one underpayer group – those tenants who were switched back under the underpayment triggers periods, 3 and 4.³⁴ The analysis draws on three data sources: a **‘telephone survey’** of tenants who has switched back under the two underpayment trigger periods; in-depth interviews with 20 tenants who had underpaid, most of whom took part in this survey, and **rent account data**.

Analysis of the data suggests that there are a bundle of factors that contribute to underpayment and that the picture is somewhat ‘messy’. This is perfectly illustrated by the response of the 43³⁵ tenants to the telephone survey who reported that they had underpaid to the question: *‘why did you underpay?’*. As Table 5.1 illustrates, they gave a myriad of reasons:

Table 5.1 Why did tenants underpay the rent?

	No.
I could not (always) afford to pay all of the rent	15
I wanted to be taken off the DP trial	5
I fell behind/to avoid falling behind on pay-day loans	1
I fell behind/to avoid falling behind on other bills or repayments	6
Underpaid by mistake – unsure about how much rent I had to pay	4
Underpaid by mistake – other reasons	11
I was still getting/could not get used to paying the rent myself	4
I was still getting/could not get used to managing my HB money	2
I had problems with my HB claim	6
I had problems with my bank account/direct payments	1
I have/had mental health problems	4
Other reasons	7
<i>Base: tenants who had underpaid rent</i>	43

Note: tenants could give more than one reason.

Source: Telephone survey of tenants switched back under triggers 3 and 4.

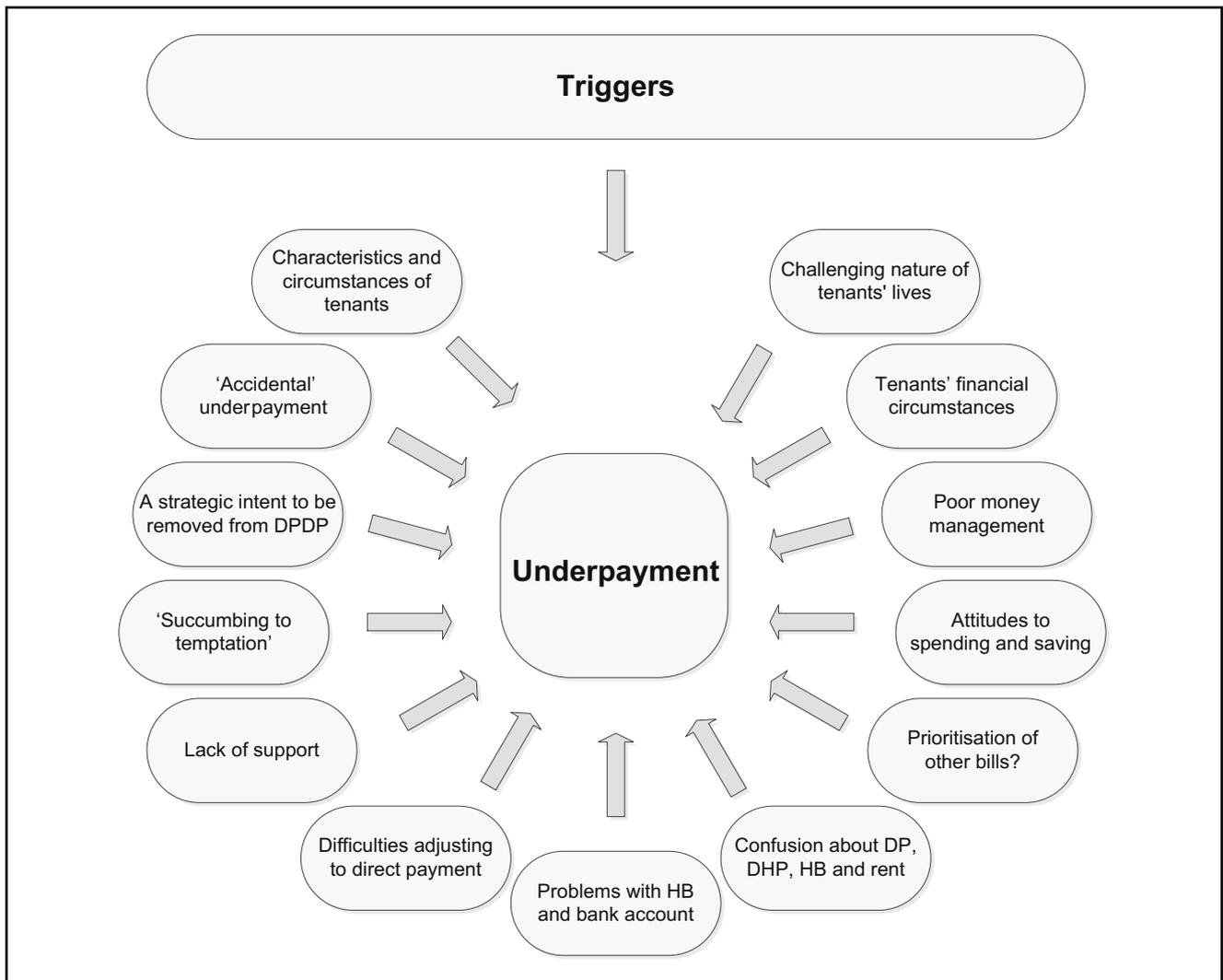
³⁴ As noted earlier, a tenant was switched back under the trigger period 3 if they underpaid their rent by 15 per cent or more in each of the periods of 4 weeks in the preceding 12 weeks, falling within the Demonstration Project period. A tenant was switched back under trigger period 4 if he/she had under-paid her/his Rent by 15 per cent or more in the preceding period of 12 weeks, falling within the Demonstration Project period.

³⁵ As noted earlier, the findings from the telephone survey should be seen as indicative not authoritative owing to the small sample sizes.

Direct Payment Demonstration Projects: Rent underpayment

As is highlighted in Figure 5.1, a number of factors, many of which **overlap** and are **inter-connected**, appear to contribute to underpayment. For most tenants it was not one factor that contributed to underpayment, but a bundle. In Colin's case, whose story is presented at the end of this chapter, these were: his financial circumstances (he was finding it very hard to make ends meet); problems with his bank account; his health (he is bi-polar); lack of support; and his (poor) management skills. These factors, and the other factors contributing to underpayment, are explored in the remainder of the chapter.

Figure 5.1 Factors contributing to underpayment



5.2 Characteristics and circumstances of tenants

Analysis of rent account data suggests that underpayment is related to the characteristics of tenants. Underpayers appeared to differ to their (non-payer and full payer) counterparts in a number of respects. Specifically, as Table 5.2 illustrates, they were more likely to³⁶:

- be younger – a higher proportion of underpayers fell into the age categories, 16 to 24 and 25 to 34;
- be ‘one parent’ and ‘other multi person’ households;
- be living with a partner;
- be in work – 23 per cent of underpayers were compared to 16 and 13 per cent, respectively, of non and full payers; and
- live in three bedroomed units.

Conversely, they were less likely to:

- be on full Housing Benefit (HB) – 70 per cent were, compared to 86 and 84 per cent, respectively, of non and full payers;
- be in ‘single person’³⁷ households;
- live in one bedroomed units; and
- report that they had ever paid their rent by Direct Debit (DD), with 37 per cent of underpayers responding in this way. This compares to 51 per cent of non-payers and 74 per cent of full payers who did the same.

³⁶ Statistically significant differences, at a 0.05 level, have been highlighted with *. Statistical difference testing is used to assess the accuracy of the findings of analysis undertaken on sample surveys when the results are an estimate for the population. However, it can also be used as a proxy for ‘confidence’ and/or ‘meaningful’ difference with administrative data if it does not contain the full population, as is the case here.

³⁷ These are those households with more one than one member who did not define themselves as being a ‘couple’ or ‘couple with dependents’. These could include households comprising a couple and their adult offspring or a parent and their adult children.

Direct Payment Demonstration Projects: Rent underpayment

Table 5.2 Comparison of payer types on key characteristics

	Underpayers	Non-payers	Full payers
Rent account balance relative to rent			
More than one period worth of arrears	8	4*	6
Between one period worth of arrears and credit	88	92*	91
More than one period worth of credit	4	4	3
Full or partial Housing Benefit			
Full	70	86*	84*
Partial	30	14*	16*
Duration of current HB claim			
0 – 1 years	22	24	23
2 – 4 years	30	28	28
5 – 9 years	37	46*	47*
10 years and over	11	2*	2*
Age of lead claimant			
16 – 24	6	4*	3*
25 – 34	21	17*	17*
35 – 44	27	25	27
45 – 54	31	32	35
Over 55	15	23*	17
Household composition			
Couple	5	6	5
Couple with 'dependents'	14	8*	11
Single person	32	50*	54*
Lone parent	33	24*	23*
Other multi	16	11*	7*
Partner present			
No	76	83*	82*
Yes	24	17*	18*
Bedrooms			
0 or 1	19	32*	40*
2	37	35	33
3	39	27*	23*
4 or more	5	6	4
Claimant hours of work per week			
None	77	84*	87*
Less than 16	3	2*	1*
16 – 30	16	10*	10*
30 or more	4	3	1*
Partner hours of work per week			
None/no partner	96	97*	97*
Less than 16	0	0	0
16 – 30	2	2	2
30 or more	2	1*	1*
Ever paid by Direct Debit			
No	63	49*	26*
Yes	37	51*	74*
<i>Unweighted base</i>	3,983	558	490

* Indicates statistically significant difference compared with underpayers at 0.05 level.

Base: All tenants, 7+ direct payments of Housing Benefit (5,031).

Source: DPDP tenant rent accounts.

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It is important, here, to reflect also on the characteristics of the four underpayment groups identified earlier. As Table 5.3 reveals, in most respects, they differed little. However, there were some noticeable differences between the groups:

- frequent underpayers, whether erratic or persistent, were much less likely than their counterparts to report that they had paid their rent by DD: 31 and 23 per cent respectively did, compared to 57 and 51 per cent of one-off and infrequent underpayers who did the same;
- one-off underpayers were more likely of the four groups to be on full HB – 83 per cent were, compared to 71, 65 and 63 per cent, respectively, of infrequent, frequent (erratic) and frequent (persistent) tenants;
- frequent, persistent underpayers were most likely to be on partial HB – 37 per cent were;
- frequent, persistent underpayers were slightly younger than their counterparts;
- of all the four groups, one-off underpayers were least likely to be working – only 15 per cent were.

Direct Payment Demonstration Projects: Rent underpayment

Table 5.3 Comparison of partial payer types on key characteristics (12 months' Rent Account Analysis)

	One-off	Infrequent	Frequent erratic	Frequent persistent
Rent account balance relative to rent				
More than one period worth of arrears	5	6	10	10
Between one period worth of arrears and credit	92	90	88	85
More than one period worth of credit	3	4	3	5
Full or partial Housing Benefit				
Full	83	71	65	63
Partial	17	29	35	37
Duration of current HB claim				
0 – 1 years	19	23	23	22
2 – 4 years	30	30	32	30
5 – 9 years	36	35	36	40
10 years and over	15	12	9	8
Age of lead claimant				
16 – 24	5	6	6	6
25 – 34	18	20	22	26
35 – 44	28	25	29	25
45 – 54	33	32	32	28
Over 55	15	18	11	14
Household composition				
Couple	5	7	5	4
Couple with 'dependents'	14	13	14	15
Single person	31	33	32	31
Lone parent	35	32	33	32
Other multi	15	15	17	18
Partner present				
No	76	76	77	76
Yes	24	24	23	24
Bedrooms				
0 or 1	22	19	17	19
2	39	35	39	36
3	34	41	39	39
4 or more	5	5	5	7
Claimant hours of work per week				
None	85	79	73	73
Less than 16	1	3	3	3
16 – 30	11	15	20	18
30 or more	3	3	4	5
Partner hours of work per week				
None/no partner	97	96	95	94
Less than 16	1	0	0	1
16 – 30	2	2	2	2
30 or more	1	2	3	3
Ever paid by Direct Debit				
No	43	49	69	77
Yes	57	51	31	23
<i>Unweighted base</i>	<i>815</i>	<i>1,198</i>	<i>1,012</i>	<i>958</i>

Base: All underpayers, 7+ direct payment of HB (3,983).

Source: DPDP tenant rent accounts.

5.3 The challenging nature and complexity of tenants' lives

Many participants in the telephone survey and in-depth interviewees led complex and precarious lives which made them susceptible (and exposed) to life 'events', such as family illness or the breakdown of a relationship. This vulnerability encompassed a number of aspects:

- as Table 5.4 illustrates, more than half – 51 per cent – of telephone survey participants reported that they had a disability;
- more than three-quarters of telephone survey respondents were not working, as Table 5.4 shows;
- many in-depth interviewees had health problems. For example, Colin, whose story is presented at the end of this chapter, was bipolar; Ricky suffered from the illness COPD³⁸; Angie suffered from depression and had panic attacks; Harry was a recovering alcoholic; while Pauline was agoraphobic. And as highlighted in Table 5.1, four tenants (out of 43) cited '*mental health*' problems as being a reason for underpaying their rent;
- as will be explored in the next section, many tenants were experiencing financial hardship;
- tenants often had multiple problems. This was the case for a number of our in-depth interviewees, including Colin and Pauline.

³⁸ Chronic obstructive pulmonary disease.

Table 5.4 Characteristics and circumstances of telephone survey respondents

Column percentages	%
Gender of respondent	
Male	29
Female	71
Age of respondent	
16 to 24	9
25 to 34	30
35 to 44	22
45 to 54	26
55+	13
Ethnicity of respondent	
White	83
Black or other ethnic minority	17
Household type	
Single person	33
Lone parent	25
Couple with children	1
Couple	0
Multi-person household	41
Disability status of respondent	
No	49
Yes	51
Work status of respondent	
Working	24
Not working	76
<i>Base: all tenants</i>	95

Source: Telephone survey of tenants switched back under triggers 3 and 4.

5.4 Tenants' financial circumstances

Perhaps not unexpectedly, many trigger 3 and 4 'underpayers' were struggling to 'get by' financially, with this appearing to be the biggest contributory factor behind underpayment for this group. Data garnered from the telephone survey revealed that:

- 15 of the 43 respondents who were asked the question, why did you underpay?, cited: '*I could not (always) afford to pay all of the rent*', with this being the most common response given by participants, as Table 5.1 reveals;
- 49 per cent of respondents (or 47 out of 95) reported that they found it difficult to pay their rent, as Table 5.5 reveals;

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- 54 per cent (or 51 out of 95) reported they were behind with a 'household bill', such as Council Tax, electricity and gas, as Table A.3 illustrates³⁹;
- 38 per cent (or 36 out of 95) were behind on a 'loan or repayment', such as a credit card or bank loan, as Table A.4 illustrates⁴⁰;
- 33 per cent (or 31 out of 95) had automatic deductions from their earnings or benefits to pay back any arrears or other debts, as Table A.5 reveals;
- as noted in Chapter 4, many tenants who reported that they were currently in arrears also reported that they were in arrears when the DPDP programme started, as Table A.1 highlights.

Table 5.5 How easy or difficult is it for tenants to afford their rent?

Column percentages	%
Fairly or very easy	40
Neither	12
Fairly or very difficult	49
<i>Base: all tenants</i>	91

Excludes five tenants who did not know how easy or difficult it was to afford the rent.

Source: Telephone survey of tenants switched back under triggers 3 and 4.

Furthermore, when underpayers are considered in their entirety, rent account data found that they were more likely to have been in arrears than non-payers and full payers when the Direct Payment Demonstration Project (DPDP) programme began, as Table 5.1 reveals.

Most in-depth interviewees were struggling to 'get by' and had high levels of indebtedness. This was certainly the case for Ibrahim, who reported that he was behind on a number of bills:

'Everything I was behind in the bills. All my bills in the same account and some of them the council was taking the rent on the 3rd, electricity, gas all of this comes on the 14th so the gap is not very big. So before this one comes the other come. So you are just stretching them there.'

And relatively few of them had a financial 'buffer' – i.e. savings – which would 'insulate' them from a financial emergency.

³⁹ Other bills included in this category are: water rates; Other fuel bills like coal or oil; telephone bill (including mobiles); childcare bill; Internet bill; Sky/cable TV; and another bill.

⁴⁰ The other 'loans or repayments' falling under this category were: hire purchase agreements; Credit Union loans; Money lender loans; payday loans; Social Fund loans; Loans from friends or relatives; catalogues paid by instalment; and something else.

5.5 Poor money management

Another factor appearing to contribute to underpayment is the poor money management skills of some tenants. The telephone survey found that:

- nearly a third (31 per cent) of respondents disagreed with the statement: *'I am very organised when it comes to managing my money day-to-day'*, as Table A.6 illustrates;
- more than half (54 per cent) disagreed with statement: *'I am never late at paying my bills'*, as Table A.7 shows;
- as Table A.8 reveals, only 15 per cent had never *'run out of money at the end of the week or month in the last 12 months'*

Many in-depth interviewees appeared to be poor money managers, an attribute which many acknowledged. For example, Alison noted that: *'I am terrible with money. I am terrible'*, while Eric noted:

'I'm not too good [at money management] ... I'm usually down to my last £2 or £3 by the time I get to my JSA.'

5.6 Tenants' attitudes to spending and saving

Closely linked to the above factor, another contributor to underpayment appears to be the attitude of some tenants to saving and spending:

- nearly a third (31 per cent) of telephone survey respondents agreed with the statement, *'I am impulsive and tend to buy things even when I can't really afford them'*, as Table A.9 reveals;
- nearly a third (32 per cent) agreed with the statement, *'I am more of a spender than a saver'*, as Table A.10 reveals.

5.7 The prioritisation of other bills over rent?

More than half of respondents to the telephone survey reported that they prioritised the payment of their rent over all other bills, as Table 5.6 illustrates. However, crucially, a significant proportion – 44 per cent – did not. And, as highlighted in Table 5.1, six (of the 43 respondents) to the question, *why did you underpay your rent?*, cited *'I fell behind to avoid falling behind on other bills or repayments'*, with one doing the same to avoid falling behind on pay-day loan repayments. This behaviour was also evident amongst in-depth interviewees, many of whom reported that they prioritised gas and electric bills overpaying their rent:

'I make sure I've got plenty of gas and electric and stuff. Yes, I pay that every week.'

(Alison)

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Table 5.6 If tenants could afford to pay only one household bill, which would it be?

Column percentages	%
Rent	56
Electricity	19
Gas or other fuel like coal or oil	16
Water	6
Childcare	2
Council Tax	1
Telephone (Including mobile phone)	1
None of these	1
<i>Base: all tenants</i>	93

Excludes two tenants who did not know.

Source: Telephone survey of tenants switched back under triggers 3 and 4.

There were a multitude of reasons why some tenants prioritised the payment of other bills over the payment of their rent. However, perhaps surprisingly, given that, as noted earlier, most tenants were concerned about being in arrears, the relative security of tenure that tenants appeared to feel in terms of their home appears to be a contributory factor. Only 15 per cent (or seven out) of 46 respondents with arrears believed that their landlord would evict them, as Table 5.7 reveals. And a commonly held view amongst in-depth interviewees was that they would not be evicted:

'No, no [I won't be evicted], I think probably, because I think what's happened now, because the council when you're owing them rent if they know you're on benefits they don't put too much pressure on you. But if it's a private landlord I'm pretty sure they will put pressure on you to for eviction at, you know, one month, two months but the council they have not been. Before they used to do that but I think it's costing the council more money taking you to court and so on, that's the reason why.'

Table 5.7 Did tenants think it likely or unlikely that their landlord would evict them due to their rent arrears?

Column percentages	%
Fairly or very likely	15
Fairly or very unlikely	85
<i>Base: tenants in arrears</i>	46

Excludes two tenants who did not know and one who said it was neither likely nor unlikely.

Source: Telephone survey of tenants switched back under triggers 3 and 4.

5.8 Confusion about the mechanics of direct payment, Housing Benefit, DHP and rent

For some tenants, it appeared that underpayment occurred because they did not understand how direct payment ‘worked’. For example, Fozia, whose experiences were explored in Chapter 3, reported that she did not realise that the monies paid into her bank account was her Housing Benefit payment:

‘And yet I made the mistake by spending it. I just thought I got that much extra but I didn’t know where it come from. So yes, I spent it. So no, I’m not on it anymore because obviously I did that, but it wasn’t my fault. If I’d have known my money was going in there beforehand I wouldn’t have spent it In the first month I just noticed I had extra money in my account. That was it. So yes, I started using it until I got a letter about four weeks after it went into my account telling me that the money’s going into my account. That’s when I realised I made the mistake.’

And, as noted in Chapter 3, the principal contributory factor behind Harriet’s underpayment was her failure to understand how Discretionary Housing Payment (DHP) worked – she erroneously believed that that her landlord would deal with this and adjust her payment arrangements, accordingly.

Confusion about what was ‘HB’ money and ‘her’ money appeared to be a contributory factor behind Angie’s underpayment:

‘It [my problem with direct payment] was just knowing what money was mine and what money was theirs, cos it was paid into the same account as my dad’s.’

Data from the telephone survey also highlights the difficulties some tenants had in understanding direct payment, HB and how much rent they had to pay: four out of 43 respondents reported that they underpaid by mistake because they were unsure about how much rent they had to pay.

5.9 Problems with the administration of Housing Benefit and bank accounts

Another factor which appeared to contribute to underpayment was problems relating to the administration of HB payments – six (out of the 43 respondents) to the question, Why did you not pay?, cited *‘I had problems with my HB claim’*, as Table 5.1 reveals. Another respondent cited: *‘I had problems with my bank account/direct payments’* and a number of in-depth interviewees reported that they had had problems with their bank and bank account, including Colin. Colin, whose story is told at the end of this chapter, reported that the principal reason for his underpayment was the actions of his bank, which had ‘taken’ his Housing Benefit to pay for an unauthorised overdraft on his current account and made a number of charges to his account.

5.10 Difficulties adjusting to direct payment

It appears that difficulties adjusting to moving onto direct payment may have contributed to some tenants underpaying. As highlighted in Table 5.1, six out of the 43 respondents who reported that they had underpaid gave as a reason for underpayment: *'I was still getting/could not get used to paying the rent myself'*, while two cited: *'I was still getting/could not get used to managing my HB money.'* A number of in-depth interviewees also reported that they had encountered difficulties adjusting to direct payment. For example, Eric noted:

'I think I found it hard at the beginning more than towards the end cos by that time I was used to it.'

However, like Eric, a number of in-depth interviewees reported that they did, albeit to varying degrees, eventually 'adjust' to direct payment. Harry was frustrated that he had been switched back to landlord payment as he felt that the experience he had accumulated under direct payment meant that he was now much better placed to manage on it. And he was frustrated that he did not have the opportunity to 'prove' himself:

'I would have liked to have continued [on direct payment] because I know now ... I would have been able to do it.'

5.11 Lack of support

A factor which appears to have contributed to telephone survey participants underpaying is a lack of support to help them manage on direct payment: relatively few – eight per cent (or eight tenants) – had received any, as Table 5.8 illustrates.

Table 5.8 Did tenants receive any advice or support to help them manage direct payments?

Column percentages	%
Yes	8
No	92
Base: all tenants	95

Source: Telephone survey of tenants switched back under triggers 3 and 4.

There are two dimensions to this apparent support 'deficit'. For some tenants, like Colin and Pauline, it was the lack of support when transitioning onto direct payment that was the issue. However, for others such, as Harry, it was the absence of the support when on direct payment that appeared to undermine their capacity to manage on it, and therefore contributed to their underpayment.

Whether more support would have resulted in less underpayment is, of course, debatable and it is not a panacea for underpayment. However, a couple of in-depth interviewees felt that it would have been beneficial for them and made a 'difference':

'If I'd have had a bit of support I would have been okay and I don't think – well I'm not saying I wouldn't have took that out. I don't know.'

(Harry)

'Oh, yes [support would have helped me manage on DP]. If they [landlord] had that support I'd love to go you know, support came after we stopped so.'

(Christopher)

Furthermore, as Table 5.9 illustrates, nearly a third of all respondents to the telephone survey felt that receiving support would have allowed them to stay on direct payment.

Table 5.9 If tenants had been given advice or support, would it have enabled them to remain in the direct payment trial?

Column percentages	%
Yes	32
No	59
Can't remember	2
Don't know	8
<i>Base: tenants who had not been given advice</i>	87

Source: Telephone survey of tenants switched back under triggers 3 and 4.

5.12 Succumbing to 'temptation'

A sizeable proportion of tenants in the telephone survey and in-depth interviewees were concerned that they would be tempted to 'mispend' their HB on other 'items' apart from their rent. Nearly a quarter of the 73 respondents who were asked the question, *'Why did you want to leave the DP trial?'*, cited the reason 'to avoid the temptation to spend the HB on essential items if money is tight', as Table 5.10 illustrates. And 12 per cent cited: *'to avoid the temptation to spend the HB on non-essentials'*.

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Table 5.10 Why did tenants want to leave the direct payment trial?

Column percentages	%
Less hassle if HB is paid to the landlord	41
Didn't want the responsibility	32
Ensures the rent is paid	27
Easier to budget money if the HB is paid to the landlord	31
I didn't want to deal with any problems with my HB claim	9
Avoids the temptation to spend the HB on essential items if money is tight	24
Avoids the temptation to spend the HB on non-essentials	12
It was too stressful	34
It's the landlord's money	13
The landlord prefers it	5
Other reasons	18
<i>Base: tenants who wanted to leave the direct payment trial</i>	73

Note: tenants could give more than one reason.

Source: Telephone survey of tenants switched back under triggers 3 and 4.

In a similar vein, a number of in-depth interviewees, including Angie and Harry, reported that they did not want to go onto direct payment because they were concerned that they would 'mispend' their HB:

'I thought it was absolutely stupid. If you know that money's there and you don't get paid till next week you're going to spend it, especially if you've got no food in the house. I didn't want it. The first thing I said to my son and daughter about it was "how many people are going to think, I don't get paid till I'm going to spend it". I thought it was a stupid way of doing it.'

(Angie)

'They sent me a letter saying they were going to try it out with a few people and what would I think about going on to it. And I told them then, because I was just coming off the drink, if the money went into my account I would just spend it ... Oh no, I told them that I was recovering at the time and I told them I was a recovering alcoholic and if the money went into my account I would take it out and spend it. I wrote on the form.'

(Harry)

Perhaps not unexpectedly, given that many tenants were struggling to 'get-by' and leading very precarious lives, a number of in-depth interviewees, including Angie, reported that they had succumbed to temptation and 'misspent' some of their benefit. However, in practice, most of those tenants who had done so had used their HB to pay for, what were commonly described, as (financial) 'emergencies'. For example, Angie reported that she had used some of her HB to pay for food and electricity and the cost of her mother's funeral:

[I used my HB to pay for] food, electric. I did give to my sister some money towards the flowers for my mum cos we bought flowers and everything, money towards the pedigree [funeral] and towards the food, that was it.'

In a similar vein, Minnie, whose story was presented in Chapter 4, reported that she had used some of the money to cover the transport costs of visiting her sick mother in hospital; Harry used it to cover the cost of visiting his ill mother in Belfast; while Eric reported that some of it had been used to pay for a train fare.

And more broadly, in most cases where in-depth interviewees had 'misspent' their HB, they had been used it to pay for necessities and there was little sense of it being used frivolously, to pay for 'luxuries'. As one member noted:

'Like I said, not intentionally [did I underpay]. But I know that if I didn't have no gas or electric for example one night he didn't have food. There is no way I would let him [be without] food. In that instant, yes. I might be tempted to use a little bit of it. But like I said I'm not going out and partying on the money or anything else. If I was doing that then yes, I know I'd be out of order. But it's not. It's been for like bills and stuff that I've had.'

(Fozia)

Interestingly, most tenants who reported that they had been tempted and 'misspent' some of their HB were frustrated that this had happened and were annoyed with themselves – relatively few sought to blame their landlord (or the Government):

'I was annoyed because of what I'd done and when I sat and thought about it I shouldn't have done that. But it got beyond my control. I was annoyed about it. That's what I told them whenever I came back that it was wrong, and to pay it back.'

(Harry)

5.13 A 'strategic' and 'intentional' attempt to be removed from the DPDP programme?

When the DPDP programme was conceived there was a concern that some tenants would underpay (or not pay) their rent as part of a conscious and deliberate strategy to be taken off direct payment and/or to secure, what one Department for Work and Pensions (DWP) stakeholder described, as an 'interest free loan'. We found no evidence to support the latter assertion but some to support the former.

Before exploring this evidence, it is important to make three contextual points. First, the preference for landlord payment was the norm for most (trigger 3 and 4) 'underpayers' – most participants in the telephone survey reported that they wanted to leave the programme, as Table 5.11 illustrates.

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Table 5.11 Did tenants want to remain on or leave the direct payment trial?

Column percentages	%
Wanted to stay	5
Wanted to leave	77
Did not mind either way	18
Don't know	1
<i>Base: all tenants</i>	95

Source: Telephone survey of tenants switched back under triggers 3 and 4.

And in-depth interviewees were of like mind and reported that they would prefer not to be on the DPDP programme and did not want to go onto it. For example, as highlighted in the previous section, both Angie and Harry did not want to go onto the programme because they thought they would be 'tempted' (for a variety of reasons) to spend their HB.

Second, as for most tenants' underpayment appears to be a result of a number of factors, it is very difficult to get a handle on the relative salience and importance of individual contributory factors, such as 'strategic, intentional' underpayment.

Third, defining intentional is problematic. For example, a number of tenants including Eric, Minnie, Angie, and Fozia, whose experiences were explored in Chapter 3, reported that they underpaid because they were merely 'borrowing' money from their landlord with the intention of paying it back immediately. How should these tenants be treated? Are these tenants intentional underpayers? Clearly, this is a fuzzy area and one could make convincing arguments for and against their inclusion in this category.

'It's getting better now, it was difficult cos if I knew that money was there I'd spend it and think "I'll put that back Thursday" but I never did Whenever that money went in it always seemed to be the week before I got paid then I think "I get paid a week on Thursday I'll put it back in cos the rent doesn't go out till Friday" but I forget to put it back in and then they try to take their amount out and that amount wasn't in there and I think to myself "I forgot to put it back in".'

(Angie)

And there were a number of in-depth interviewees who reported that they intentionally drew on their HB, even though their intent was not in any way strategic and not motivated by a desire to revert to landlord payment. For these tenants, their Housing Benefit and rent account appeared to act as a surrogate bank account, which, as well as acting as a savings account (see Section 3.5 and Table 3.3), could be used to pay for financial emergencies.

'Yes, I got myself into a mess. I borrow from it [HB] cos with only having a basic amount of money you have to keep lending one to pay another. I missed my TV payment and got myself in a complete mess with my TV licence and I could not afford a fine for the TV licence, that's all I've got is a TV. So I borrowed to pay that and then I borrowed to pay a bit of the water rates, then I tried to pay back a bit more and it ended up a mess.'

(Pauline)

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However, notwithstanding these caveats, for a small number of tenants, it appears that their desire to leave the DPDP programme was a contributory factor behind their underpayment – as Table 5.1 illustrates, it was one of the reasons given for underpayment, being cited by five out of 43 respondents. But for most tenants it appears that the desire to be taken off direct payment was not a contributory factor behind their underpayment, an assertion which is supported by rent account data and data from both the telephone survey and in-depth interviews with underpayers):

- rent account analysis presented in Chapter 3 revealed that most underpayment was not persistent (one might expect strategic, underpayment to fall into this category);
- the only evidence to support the notion of ‘strategic’, ‘intentional’ underpayment in the in-depth interviews can be found in the one conducted with Alison. She was very unhappy about being put onto direct payment and noted at the start of her interview that:

‘I told them I didn’t want to do it. I told them straight. But they still done it I spoke to them on the phone that I don’t really want to do it. [They said]: “like well you have to do it”.’

She then noted towards the end of her interview when explaining why she underpaid that:

*‘No. I did tell them straight from the start I didn’t want to do it though. But they wouldn’t listen so I thought b***er it.’*

However, Alison’s story highlights the difficulty of unpicking intention and, indeed, highlighting attribution in terms of underpayment – she used her HB to pay for necessities: food for her son and herself:

‘It was for me and my son, food and stuff.’;

- linked to this point, for most tenants underpayment was not a choice and a number of in-depth interviewees reported that they had no option but to underpay. For example, Harry noted:

‘I was annoyed because of what I’d done and when I sat and thought about it I shouldn’t have done that. But it got beyond my control.’

In a similar vein, Fozia noted:

‘Like I said if I haven’t got money for food and that there’s no way I can get money from anywhere else.’;

- most tenants reported that they did not realise that they would be taken off direct payment if they underpaid or did not pay their rent. As Table 5.12 reveals, only 12 of the 48 respondents who were asked whether they were aware that if they missed rent payments or paid only part of the rent they would be taken off the direct payment trial, replied in the affirmative;
- as highlighted in the previous chapter, there were many negative consequences for tenants associated with underpayment, including (additional) financial hardship brought about by paying back arrears and the ‘shame’ of failing under direct payment.

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Table 5.12 Were tenants who missed rent payments or paid only part of the rent aware that they would be take off the direct payment trial if they did so?

Aware?	Number of tenants
Yes, did know	12
No, did not know	35
Don't know	1
Base:	48

Source: Telephone survey of tenants switched back under triggers 3 and 4.

5.14 'Accidental' underpayment

Strategic, intentional underpayment did not then appear to be a major contributory factor behind the underpayment of most (trigger period 3 and 4) tenants. However, underpaying by 'accident' did – as Table 5.1. reveals, 15 of the 43 telephone survey participants who were asked the question about why they had underpaid, reported that they had done so by 'mistake'. These included a number of in-depth interviewees including Ibrahim who reported that this his problems with direct payment began when he erroneously paid his rent twice:

'On the 3rd of the month so the second month I was just playing with my computer. I put £485 for the month rent and then I press again. I saw it wasn't showing on the system that the rent is gone. The first payment not Direct Debit just pay Yes, so I did it twice Two lots out at the same time which then come letter to me from the bank. I exceed my overdraft limit what they charge me for That's the point, that the whole problem started from. So I start paying that way. No, what he said was "don't pay us next month because you paid for the two months in advance". I went to the bank – I ask I want to keep my date. At the same time I've got this problem. They said put the same date, just £1. So the council so the account continues. Which put until now the £1 is there. So I put £1 for a month and then when they pay me again I went out of the limit again. So that's where the problem starts from.'

5.15 'Triggers'

Underpayment was often triggered by a specific trigger(s). Some of these related to day-to-day activities such as the need to pay an outstanding gas or electric bill or 'running' out of food. However, for some in-depth interviewees, like Angie, Minnie, Harry and Harriet, the trigger that 'pushed' them into underpayment was a life event, such as breaking-up with a partner, family illness or bereavement. These triggers impacted on them in two ways – emotionally, making it more difficult to manage their lives, including direct payment; and financially, by putting a strain on their budgets. Given that many of the tenants surveyed appeared to lead very precarious and challenging lives, which involved them living life on a day-to-day to basis and without financial buffers to cope with life 'shocks', the susceptibility of tenants to triggers is perhaps not unexpected.

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Thinking, then, about how tenants came to underpay, and specifically the intent behind it, it appears that they can be categorised into three groups:

- strategic, intentional underpayers, which, as noted above, is a relatively small group;
- accidental underpayers, which is a relatively large group, including Colin and Ibrahim;
- ‘trigger’ prompted underpayers. Members of this group were aware that they were underpaying, so in that sense their underpayment was intentional. However, and crucially, they did not do so as part of a strategic and conscious plan to leave the DPDP programme. Instead, their underpayment was prompted by a ‘trigger’, which gave them no option but to ‘dip’ into their HB monies, or made it inevitable that they would underpay. This is the largest of the three groups, with its members including Minnie and Angie.

Colin’s story

Colin is 48, single, and has spent the past four years living in a one-bed flat. As he has bipolar disorder, he is unable to work and receives out-of-work welfare benefits and HB. Prior to going onto direct payment, Colin reported that he had never been in arrears and had very little contact with his landlord.

When he was first contacted about going onto direct payment at the beginning of the DPDP programme, he informed his landlord that he did not want to do so:

‘They wrote me a letter. They mithered me for months cos I didn’t want to go onto it. It would probably be over two years ago when they first started mithering me. ... They kept writing to me asking for my bank details and I wouldn’t give them [to] them cos I didn’t want to go onto it. In the end they said if I didn’t give them my bank details they’d stop me money, stop paying me Housing Benefit.’

Colin reported that he had received no advice and support from his landlord prior to going onto direct payment, although he did note that they had encouraged him to set up a DD, advice which he refused because he was concerned that it would result in him incurring bank charges.

In March 2013, Colin moved onto direct payment. He underpaid his rent in the first two months of being on the programme and paid no rent in the third month. This resulted in him accruing rent arrears of about £600. He was then switched back to landlord payment. In terms of why Colin underpaid, he largely attributed this to his Housing Benefit being ‘taken’ by his bank to pay for an unauthorised overdraft on his current account and bank charges: *‘The vast majority of it went on bank charges and things like that. You’ve only got to miss one Direct Debit and you get a £30 payment of unauthorised overdraft charges, then you get something else comes out and takes up that £30 and that won’t go out and so that’s another £30, it soon adds up.’* Colin reported that he had not ‘strategically’ and ‘intentionally’ underpaid his rent. Instead, his underpayment was a result of his inability to ring-fence his rent and he felt that he had fallen into arrears ‘accidentally’, with his underpayment being outside of his control.

Continued

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Repaying his arrears was proving difficult for Colin. His social worker helped him to set up a repayment plan (£20 per fortnight). He had so far paid off about £200 of the arrears, but was now struggling to meet the payment every week. Colin's perception was that his landlord had been unsupportive and now wanted to evict him:

'All I get off them [my landlord] is xxx [expletive] letters, basically ... [the contact from my landlord] is not to help me, more to give me grief. I've got one bloke, this is why my social worker dealt with it, he rung me and really spoke down to me like a naughty child, so I went through a stage where I wouldn't answer the phone to them.'

5.16 Summary

Analysis of data garnered from a telephone survey and in depth interviews with one key underpayer sub-group – tenants who switched back under trigger periods 3 and 4 – and rent account analysis, provides an insight into how and why underpayment occurs and who underpays. It appears that several factors contributed to underpayment. These include:

- **the characteristics and circumstances of tenants.** Rent account analysis (RAA) revealed that (compared to non-payers and full payers) underpayers were more likely to be younger and be in work. Conversely, they were less likely to pay their rent by DD and be on full HB. In terms of the characteristics of the four underpayer types, in most respects, they differed very little. However, frequent underpayers, whether erratic or persistent, were much less likely than their counterparts to pay their rent by DD;
- **the challenging nature and complexity of tenants' lives.** Many participants in the telephone survey and in-depth interviewees led complex and precarious lives which made them susceptible (and exposed) to life 'events' such as family illness or the breakdown of a relationship;
- **tenants' financial circumstances.** Perhaps not unexpectedly, many trigger period 3 and 4 'underpayers' struggled to get by financially, with this appearing to be the biggest contributory factor behind their underpayment;
- **poor money management.** Trigger period 3 and 4 underpayers appeared to have relatively poor money management skills, which appeared to undermine their ability to manage on direct payment and pay their rent;
- **tenants' attitudes to spending and saving.** Nearly a third of telephone survey respondents agreed with the statements: *'I am impulsive and tend to buy things even when I can't really afford them'* and *'I am more of a spender than a saver'*;
- **the prioritisation of other bills over rent.** A significant proportion – 44 per cent – of respondents to the telephone survey reported that they did not prioritise the payment of their rent;
- **confusion about direct payment, HB monies and rent.** For some tenants, underpayment occurred because they did not appear to understand how direct payment, HB and/or their rent 'worked';
- **problems with the administration of HB and bank accounts,** which appeared to be an issue for a number of in-depth interviewees;

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- **difficulties adjusting to direct payment.** The inability of some tenants to adjust to direct payment appears to have contributed to their underpayment;
- **lack of support.** Another factor which appears to have contributed to telephone survey participants underpaying is a lack of support to help them manage on direct payment: relatively few – eight per cent (or eight tenants) – had received any;
- **the temptation to spend HB.** A significant proportion of tenants in the telephone survey and in-depth interviewees were concerned that they would be tempted to ‘misspend’ their HB. Some did. However, in practice, most of those tenants who did so reported that they used their HB to pay for necessities and financial emergencies, and not frivolously, on ‘luxuries’;
- **a ‘strategic’ and ‘intentional’ attempt to be removed from the direct payment programme?** When the DPDP programme was conceived there was a concern that some tenants would underpay (or not pay) their rent as part of a conscious and deliberate strategy to be taken off direct payment and/or to secure, what one DWP stakeholder described, as an *‘interest free loan’*. We found no evidence to support the latter assertion but some to support the former: for a small number of tenants, it appears that their desire to leave the DPDP programme was a contributory factor behind their underpayment, with their underpayment (in part) being strategic and intentional;
- **‘accidental’ underpayment:** 15 of out of the 43 telephone survey respondents who were asked the question about why they underpaid, reported that they had done so by ‘mistake’;
- **‘triggers’.** Although there were a number of underlying factors which appeared to contribute to underpayment, it was often triggered by a specific trigger(s). These fell into two categories: day-to-day triggers, such as the need to pay an outstanding gas or electric bill or ‘running’ out of food; and life events, such as breaking-up with a partner, family illness or bereavement.

In terms of intent, then, it appears that underpayers can be categorised into the three groups: **strategic, intentional underpayers; accidental underpayers; and trigger prompted underpayers.**

6 Conclusion

6.1 Introduction

This short chapter is concerned with highlighting the key learning to emerge from this study of underpayment, particularly with the roll-out of Universal Credit (UC) in mind, and highlighting future research outputs.

6.2 Key learning

- Underpayment was a major problem in the Direct Payment Demonstration Project (DPDP) programme. More than three-quarters of all tenants underpaid (i.e. paid some but not all of their rent) while on direct payment, with underpayment accounting for more than half of the total value of arrears accrued in the first 12 months of the programme. Persistent underpayment accounted for nearly half of all arrears accrued by underpayers during the DPDP.
- With the roll out of UC in mind, it is an issue that the Department for Work and Pensions (DWP), landlords and other stakeholders should pay particular attention to. However, it is not an issue that is easily 'solved'. This is because, in a number of respects, it is a messy and complex problem.
- First, it is complex in terms of the patterns of underpayment, with underpayers falling into four groups: one-off underpayers; frequent, erratic underpayers (i.e. whose underpayments are made often, but not usually consecutively); frequent, persistent underpayers (i.e. whose underpayments are made often and consecutively); and infrequent underpayers.
- Second, underpayment (or, payment patterns generally) is difficult to predict. This is because most underpayment is 'erratic' in the sense that tenants' payment behaviour one month was not a good predictor of their payment behaviour going forward. Payment behaviour fluctuated, with tenants underpaying by different amounts and moving between underpayment, non-payment and full payment over time. And there was very much a sense that many tenants started anew with each payment period, with it being a new challenge and event.
- Third, it is complex in terms of how tenants come to underpay with there being a bundle of interlinked factors that appear to be behind it. Notwithstanding this, the most important contributory factor appears to be the financial circumstances of tenants, many of whom reported that they were finding it very difficult to 'get by'.
- Fourth, underpayment was often triggered by a particular life event, such as breaking-up with a partner, family illness or bereavement. Predicting such events is impossible. Many of the underpayers that comprised the telephone survey and in-depth interviewees led complex and challenging lives which made them susceptible (and exposed) to such events.

- One of the rationales behind the decision to undertake bespoke research on underpayment was the notion that persistent underpayment was an issue in the DPDP programme. It was – just under one-quarter of underpayers (19 per cent of all tenants who received seven or more direct payments of Housing Benefit (HB)) could be classed as persistent underpayers in the sense that they made regular and consecutive underpayments.
- Underpayers and non-payers are not distinct groups. Non-payment is a feature of underpayers' payment patterns, just as full payment can also be a feature of the payment patterns of tenants who underpay and/or fail to pay at some point.
- Although not a panacea for the problem of underpayment, it appears that providing more support to tenants, particularly at the start of direct payment, may have a positive impact on payment patterns.
- It appears that there are no 'winners' in terms of underpayment. As noted in Chapter 4, it had an adverse impact on landlords' arrears. But it also adversely affected tenants, many of whom were finding it difficult to pay back the rent they owed and were 'embarrassed' and 'ashamed' about the situation they found themselves in. And there was little evidence to suggest that tenants had 'beaten' the system. However, it appears that a small number had underpaid their rent as part of a strategic, intentional attempt to revert to landlord payment.
- Thinking more broadly about the classification of tenants in terms of intent to underpay, in addition to strategic, underpayers, they fell into two other groups:
 - trigger prompted underpayers. Members of this group were aware that they were underpaying, so in that sense their underpayment was intentional. However, and crucially, they did not do so as part of a strategic and conscious plan to leave the DPDP programme. Instead, their underpayment was prompted by a 'trigger', which gave them no option but to 'dip' into their HB monies, or made it inevitable that they would underpay;
 - accidental underpayers, who appeared to underpay their rent unintentionally, by 'mistake'.

6.3 Other outputs from the evaluation

Three reports have been published alongside this report:

- **a report highlighting the key issues to emerge from the 12 months' RAA exercise:** This report analyses rent account data generated for the first 12 months of the DPDP programme being 'live'. See *Direct Payment Demonstration Projects: Key findings of the 12 months' Rent Account Analysis exercise*, DWP Research Report No. 879;
- **an extended learning report** which highlights the key learning to emerge from the first 12 months of the programme being 'live', i.e. from June 2012 to June 2013. It draws on both quantitative and qualitative data to do so. See *Direct Payment Demonstration Projects: 12 months in extended learning report*, DWP Research Report No. 876;
- **a short report highlighting the key findings of the second stage tenant survey.** See *Direct Payment Demonstration Projects: Report from the stage 2 survey of tenants*, DWP Research Report No. 878.

Direct Payment Demonstration Projects: Rent underpayment

Later in the year, the following reports will be published:

- **a report highlighting the key issues to emerge from the 18 months' RAA exercise.** This will analyse data for the programme for its entire duration and will seek to identify any impact of welfare reforms, such as Removal of the Spare Room Subsidy (RSRS), on payment and arrears levels in the DPDP programme;
- **a report highlighting the key findings of the third stage tenant survey.** In doing so, data gleaned from this survey will be compared with that derived from the 'Baseline' and Second Stage surveys; and
- **an overarching final report.** This will pull together all the analysis undertaken by the study team to highlight the evaluation's key findings.

Appendix

Additional tables from the telephone survey of trigger 3 and 4 switchback tenants

Table A.1 Were tenants in rent arrears before they went onto the direct payment trial?

Column percentages	%
Yes – in arrears	29
No – not in arrears	71
<i>Base: tenants in arrears</i>	47

Excludes one tenant who did not know and 1 who could not remember.

Source: Telephone survey of tenants switched back under triggers 3 and 4.

Table A.2 Have the arrears of tenants who were behind with the rent before they went onto the direct payment trial increased or decreased?

Column percentages	No.
Increased	9
Decreased	1
Remained the same	4
<i>Base: tenants who were in arrears before the direct payment trial</i>	14

Source: Telephone survey of tenants switched back under triggers 3 and 4.

Direct Payment Demonstration Projects: Rent underpayment

Table A.3 On what other household bills are tenants behind?

Column percentages	%
Council Tax	17
Water rates	21
Electricity bill	8
Gas bill	12
Other fuel bills like coal or oil	0
Telephone bill (including mobiles)	5
Childcare bill	0
Internet bill	1
Sky/cable TV	5
Another bill	7
None of these	46
<i>Base: all tenants</i>	95

Source: Telephone survey of tenants switched back under triggers 3 and 4.

Table A.4 On what loans and repayments are tenants behind?

Column percentages	%
Credit or store cards	13
Hire purchase agreements	2
Bank or finance company loans	7
Credit Union loans	1
Money lender loans	16
Payday loans	1
Social Fund loans	14
Loans from friends or relatives	5
Catalogues paid by installment	10
Something else	6
None of these	62
<i>Base: all tenants</i>	9

Source: Telephone survey of tenants switched back under triggers 3 and 4.

Table A.5 Do tenants have automatic deductions from their earnings or benefits to pay back any arrears or other debts?

Column percentages	%
Yes – one	21
Yes – two	11
No	66
Don't know	2
<i>Base: all tenants</i>	95

Source: Telephone survey of tenants switched back under triggers 3 and 4.

Table A.6 To what extent do tenants agree or disagree with the statement that 'I am very organised when it comes to managing my money day to day'?

Column percentages	%
Strongly agree or tend to agree	50
Neither	19
Strongly agree or tend to disagree	31
<i>Base: all tenants</i>	93

Excludes two tenants who did not know.

Source: Telephone survey of tenants switched back under triggers 3 and 4.

Table A.7 To what extent do tenants agree or disagree with the statement that 'I am never late at paying my bills'?

Column percentages	%
Strongly agree or tend to agree	41
Neither	6
Strongly agree or tend to disagree	54
<i>Base: all tenants</i>	94

Excludes one tenant who did not know.

Source: Telephone survey of tenants switched back under triggers 3 and 4.

Direct Payment Demonstration Projects: Rent underpayment

Table A.8 How often, if at all, did tenants run out of money at the end of the week or month in the last 12 months?

Column percentages	%
Very often	34
Fairly often	25
Hardly ever	26
Never	15
<i>Base: all tenants</i>	94

Excludes one tenant who did not know.

Source: Telephone survey of tenants switched back under triggers 3 and 4.

Table A.9 To what extent do tenants agree or disagree with the statement that '*I am impulsive and tend to buy things even when I can't really afford them*'?

Column percentages	%
Strongly agree or tend to agree	31
Neither	7
Strongly agree or tend to disagree	62
<i>Base: all tenants</i>	94

Excludes one tenant who did not know.

Source: Telephone survey of tenants switched back under triggers 3 and 4.

Table A.10 To what extent do tenants agree or disagree with the statement that '*I am more of a saver than a spender*'?

Column percentages	%
Strongly agree or tend to agree	32
Neither	13
Strongly agree or tend to disagree	55
<i>Base: all tenants</i>	92

Excludes three tenants who did not know.

Source: Telephone survey of tenants switched back under triggers 3 and 4.