

4 The early impacts of the LHA reforms on the experiences and perceptions of LHA claimants

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Summary of main findings

- The interviews with claimants, undertaken in early 2012, found that the majority of respondents had little or no idea about how their LHA was calculated or about the recent reforms to the system.
- Several respondents had heard about the changes to the Shared Accommodation Rate (SAR) for people aged 25 to 34, and some knew about the caps on the amount of LHA they could receive, but they were in a minority of those interviewed.
- Many claimants thought they would be able to absorb the possible reduction in their LHA entitlement by cutting back their spending on other things; claimants' ability to cope with any reduction was likely to depend on the size of the shortfall and their overall financial resilience.
- Unemployed claimants expressed a strong desire to find a job and some said they would 'try even harder' to get work if their LHA was reduced; but they were not optimistic about the prospects of finding a job, especially if they were unskilled or semi-skilled workers or those with child care responsibilities.
- Few claimants had negotiated with landlords over their rent: some felt their rent was reasonable, others did not want to jeopardise their relationship with the landlord, and others felt there was no point, given the high demand for private rented sector (PRS) property.
- Many respondents facing a shortfall said they were hanging on to their current tenancy for as long as possible because of a lack of affordable alternatives locally, the desire to retain local social and family networks and, especially, the need to keep children at the same school.

4.1 Introduction

This report is one of a series of interim outputs from the independent evaluation of the recent changes to the LHA arrangements which apply to people claiming Housing Benefit (HB) in the PRS in the United Kingdom. The measures include the change in the basis of setting LHA rates, the caps to weekly LHA rates to a maximum of four bedrooms, the removal of the £15 per week excess; the new method for uprating HB rates, an enhanced government contribution to the Discretionary Housing Payment (DHP) budgets allocated to local authorities to ease the process of transition to the new regime and the temporary arrangement to grant broader discretion to local authorities to make direct HB payments to landlords in certain circumstances. Subsequent measures include extending the age threshold which the SAR applies from 25 to 35, and the overall cap on household benefits, to be introduced in two stages in 2013. (Further information on these measures is given in [Section 1](#) of these interim reports).

This research was commissioned by the Government in 2011. 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 for Fiscal Studies (IFS), the Blavatnik School of Government at the University of Oxford and Ipsos MORI. The overall research programme involves both quantitative and qualitative methods. The quantitative methods comprise spatial analysis and econometric analysis based on nationwide data on HB claimants, and surveys of claimants and landlords in 19 case study areas across Britain⁴³. The qualitative methods comprise interviews with claimants, landlords and housing advisers in the case study areas. This broad-based approach to the research is designed to monitor some of the impacts of the LHA measures in the short to medium term, while being sensitive to different local housing market contexts, and to assess the extent to which LHA reforms are starting to induce attitudinal and behavioural changes among landlords and tenants in the PRS.

The research programme runs from April 2011 until December 2013. The first report from the research team examined the findings of the wave 1 large-scale face-to-face surveys of claimants and a postal survey of landlords in the 19 case study areas (DWP, 2012). These surveys were undertaken in autumn 2011; several months after most of the measures had been introduced for new LHA claimants but before they had an impact on the rents and housing circumstances of existing (pre-April 2011) LHA claimants. (For further details of the overall research programme see DWP, 2012.) The interim outputs published now draw on the initial analysis provided by the other strands of the evaluation, including the wave 1 qualitative interviews with landlords and claimants that were undertaken shortly after the large scale surveys.

This section of the interim research outputs, therefore, draws on 207 qualitative interviews with LHA claimants across the 19 case study areas in Great Britain. Participants were selected from among the claimants who had been interviewed in the LHA quantitative survey (DWP, 2012). Participants in the qualitative research were selected to ensure that a range of different client groups were included in the sample. These groups were families with children, people who were disabled or long-term sick, working and non-working claimants, people

⁴³ Barking and Dagenham, Blackburn with Darwen, Bradford, Brent, Cardiff, Denbighshire, Edinburgh, Exeter, Fenland, Hackney, Newcastle, North Lanarkshire, Perth and Kinross, Portsmouth, Rhondda Cynon Taf, Tendring, Thanet, Walsall, Westminster.

from minority ethnic groups and single claimants aged from 25 to 34. In addition, the sample was selected to ensure a mix of 'new' and 'existing' claimants.⁴⁴

The qualitative interviews were conducted by Ipsos MORI in early 2012, a few months after the quantitative survey was undertaken. Interviewers used a topic guide containing a standard list of issues to be covered. Interviews were conducted in the participants' own homes and recorded with their consent. The topic guide is reproduced in Appendix C.

As with the quantitative claimants' survey, the majority of participants had not yet experienced the changes to their LHA when they were interviewed for the Stage 1 qualitative component of the study. This meant that participants had relatively little, if anything, to say about how they had responded to the LHA changes. However, the qualitative interviews in wave 2 of the study, being conducted in 2013 – when all claimants will be receiving the LHA under the new rules – will explore in depth the impact of the changes on participants.

4.2 Awareness and understanding of LHA

4.2.1 Knowledge of the overall LHA system

The baseline survey of LHA claimants revealed a very low level of awareness of how the LHA scheme worked. For instance, three-quarters of participants reported that they knew either 'Not very much' or 'Nothing at all' about how people qualify for LHA and what they are paid (DWP, 2012). Not surprisingly, the qualitative interviews also found that the majority of participants had little or no idea about how their LHA was calculated or the rules that governed the scheme. Nor was it something that many of them had thought much about. As one Bradford participant reported:

'I don't really understand it. I just see it as a thing that pays the rent for you, for people who don't work. I've never really wondered in depth what it is all about.'

A minority of participants felt that they had at least some understanding of how the scheme worked. One single unemployed man in Hackney, for example, reported that: 'I know roughly how it is worked out in terms of, you know, assessing your income, means testing and all that sort of thing.'

But many other people in the 'aware' category knew rather less or had only a vague understanding of how LHA was calculated. For example, a single woman in part-time work knew that there were caps and special rules for people in the 25-34 age group. A woman living with her partner and children knew it was based on income and number of bedrooms and another participant in the same circumstances knew there was a cap of some sort. Meanwhile, a single woman in part-time work thought that HB fluctuated with wages.

The widespread lack of knowledge about the rules governing LHA meant that most participants, in effect, were passive recipients of the benefit. Very commonly, for example, they accepted the amount of benefit that they were awarded and did not consider questioning whether or not it was correct. In some cases, participants whose LHA payment had changed did not understand why it had changed, but nonetheless accepted it as correct.

⁴⁴ 'New' claimants were defined as those whose claim had commenced on or after 1 April 2011 and whose claim was, therefore, calculated under the new LHA rules. 'Existing' claimants were those whose claim had commenced before 1 April 2011; many, but not all, of whom were likely to have been receiving benefit under the old LHA rules.

Monitoring the impact of changes to the Local Housing Allowance system of Housing Benefit: Interim report

Very often, the letters that participants had received from the local council's HB office appeared to shed little light on how the scheme worked. Many participants had difficulty understanding the letters about the LHA from the council. These letters were reported by many participants to be incomprehensible and contain jargon and words that they simply did not understand. In some cases, however, participants reported that they did not read the letters that they had been sent by the council.

One source of claimant knowledge about the LHA was their family or friends. This may have been why, in addition to lack of knowledge, there was also much misunderstanding about the scheme. Some participants, for example, did not realise that LHA entitlement was affected by the number of bedrooms. Instead, they thought it might be calculated according to value bands, the condition of the property or, in one case, the energy efficiency rating of their home.

4.2.2 Awareness of the LHA changes

The baseline quantitative claimants' survey also found that the majority of claimants knew even less about the changes to the LHA than they did about the scheme more generally. For instance, 85 per cent reported that they knew either 'Not very much' or 'Nothing at all' about the LHA reforms (DWP, 2012).

These survey findings were clearly echoed in the qualitative interviews – the majority of participants knew little or nothing about the changes to the LHA. The relatively poor understanding of how the LHA is calculated and the limited knowledge of the LHA changes were common across all client groups interviewed in the qualitative component of the research. Moreover, even those who did have some awareness of the fact that reforms were being made, often conflated the LHA changes with the other 'cuts' that were being made to social security benefits.

Participants who had heard about the LHA reforms had only a vague or confused understanding of what the changes actually were. For example, when asked if he knew about the LHA changes, one single man living in Westminster struggled to recall what he thought had changed:

'Yes, they put a cap on some ... I don't remember all of it ... It was a year ago now ... yes ... I think they lowered the rates of the house ... the capital of the house ... they get all that ... I know I don't know really much about it ... just the ones that affect me really.'

Meanwhile, a lone parent in Exeter said that:

'I heard, I don't know where I got my knowledge from or where I've heard it, but I thought that they were going to deduct like, I don't know, a certain amount for my Housing Benefit and expect you to then compensate with that through your other living expenses.'

However, several people had heard about the change to the SAR for people aged 25 to 34. For example, when asked if she had heard about the changes to the LHA, a single woman living in Brent said:

'Yeah, well then there was something to do with the shared up to 25 they'd only give you certain amount 'cause they thought you should be in a shared accommodation and then yeah, they've increased that to 35 now. That's not much, that's all I know about it.'

Meanwhile, some participants knew about caps to the amount of LHA they could receive. But that was more or less all that most of the 'aware' participants knew about the various changes that were being made to the scheme.

Monitoring the impact of changes to the Local Housing Allowance system of Housing Benefit: Interim report

A small minority of participants, having heard about the LHA cuts on the news, had researched them on the internet in order to find out if they would be affected by the changes. One such participant had even followed the parliamentary debate on the reform and had lobbied both his local MP and Lord Freud (the Minister for Welfare Reform) about exempting pensioners from the cutbacks in the LHA. But these participants were very much the exception.

Moreover, searching news websites did not necessarily save participants from misunderstandings about the changes that were being made to the scheme. For example, despite having researched the changes, one participant in Newcastle had misunderstood the information and was under the impression that LHA caps were being set at the mean rent for each household size.

The baseline survey of LHA claimants found that there was a higher level of awareness of the changes to the scheme in London than in other parts of the country (DWP, 2012). This may have been because the political debate and the media interest in the reform were particularly focused on London, and especially central London, where reductions in benefit entitlement were likely to be much higher than elsewhere. The qualitative interviews found that the higher level of claimant awareness of the LHA changes was largely among those living in Westminster and, to a lesser extent, participants in Hackney.

All of the 11 people interviewed for the qualitative component of the study in Westminster reported that they had been informed that their LHA was going to change, either by letter or by contact with someone from the council. While Hackney was also quite successful in this respect, very few participants in Brent or in Barking and Dagenham recalled receiving a letter about the changes from their local council.

In general, whether in London or elsewhere, those participants who did recall receiving a letter or other communication from their local council could at most only say by how much and when their benefit was being cut. The interviews with housing advisers (Section Six) indicate that most of the local authorities had taken steps to inform tenants, but this information was not necessarily remembered by tenants.⁴⁵ Very rarely could they articulate what it was about the scheme that was changing; all they knew was that their LHA entitlement was going to be adjusted, but not what the actual changes were to the scheme.

Some participants were able to produce the letter that their local council had sent them about the reform. Although the details varied according to the area, the letters often contained relatively little information about the changes. Many simply stated what the new (lower) amount of LHA would be and the date from which the change would be made. Yet other letters were considered to be far too complicated, with the result that the participants found it difficult to make sense of them. As one participant in Blackburn put it:

'It wasn't very clear, they were using funny language that I don't know about.'

Or, as a participant in Fenland said:

'You'd need to be an accountant to understand them.'

In several cases, participants had found out about the reduction in their LHA when they visited their local council office. This tended to occur when claimants were reporting changes of circumstances. However, the information provided at that time was often quite general rather than specific to the participant's own circumstances.

⁴⁵ For more details on the measures taken by local authorities to inform claimants of changes to HB, see Wave 23 of the Local Authority Insight Survey.

Monitoring the impact of changes to the Local Housing Allowance system of Housing Benefit: Interim report

Some of the participants who were unaware of the LHA changes were shocked to find out about them from the interviewer and/or annoyed that their local council had apparently not informed them about the changes. While some participants expressed concern about how they might be affected by the reductions, others appeared to be resigned to their fate or said there was little point in worrying until they knew how the changes might affect them. Several simply assumed that they would not be affected by the changes and that the reductions would apply to other people rather than to themselves.

4.3 Responding to the LHA changes

4.3.1 Awareness of the new measures

The extent to which the interviewees had responded, if at all, to the LHA changes depended on an array of factors. Clearly, those people who were unaware of the changes had not knowingly taken any action to cope with them. Some thought that, if they were among those affected by the changes, they would have heard about them by now. They felt that, until they heard differently, they had no reason to be concerned about the reforms.

This 'unaware' group included some participants whose claim had commenced after April 2011 and who were, therefore, affected by the new rules from the outset. Although their LHA was less than it would have been if the scheme had not been changed, they had not explicitly experienced a reduction in benefit. Meanwhile, participants in the 'unaware' group who were still on the old rules – some of whom appeared likely to experience a substantial reduction in their LHA – were not able to plan ahead simply because they did not know about the reforms.

Most of the participants who fell into the 'slightly aware' group knew that changes were being made but not exactly what they were or how they would be affected. Some had responded in one way or another, for example, by trying to get more information to see how they personally might be affected, if at all. This strategy did not always clarify matters, as in some cases the advice they were given by the council was too general to be of much help.

More often than not, however, participants in the 'slightly aware' group had not yet taken any action. For some, this was because they did not know whether or how the changes might impact upon them. But for others it reflected a reluctance to engage with the fact that their benefit entitlement was going to be reduced. One participant reported having a 'head in the sand' mentality about it, but for many it was more a question of crossing bridges when they came to them. Others were simply resigned to what appeared to be their fate. As one Tendring participant put it:

'Have no idea what I'd do and I can't tell you until it happens, but I'm probably going to be made homeless like the rest of them. I've struggled for as long as I can, really.'

In some cases, 'existing' (that is, pre-April 2011) claimants had experienced a reduction in their LHA, but it was not clear – either to them or to the interviewer – whether this was because a change of circumstances had meant they were now subject to the new rules or because of some other reason. That aside, relatively few 'existing' claimants appeared to have been affected by the new LHA rules at the time of the qualitative interviews (early 2012). That fact, combined with their often very limited knowledge about how, if at all, they would be affected by the changes, meant that these claimants had not yet responded to the reductions. As a consequence, the interviews had to focus on how claimants might respond

to reductions – the size of which they did not know – rather than how they had responded to actual reductions in their LHA. This caveat needs to be kept in mind when interpreting the findings reported below.

4.3.2 Coping with reductions

Some claimants thought they might be able to cope with a reduction in their LHA by cutting back their spending on other things. Their ability to implement this strategy seemed likely to depend on the size of any reduction in their LHA, their financial circumstances and especially whether they already had debts or were struggling financially, and the extent to which their budget included items that were deemed to be ‘non-essential’.

Not surprisingly, perhaps, claimants who thought they could absorb the (increased) shortfall⁴⁶ between their LHA and the rent thought they would try to be more careful with money or cut back on non-essentials. The kinds of expenditures often mentioned in this respect were subscriptions to Sky TV, cigarettes, occasional luxuries (such as a meal out) and small treats or daytrips for the children.

However, some claimants did not know how they would be able to make economies in order to accommodate a reduction in their LHA. As a lone parent living in Barking put it:

‘I don’t really know what I feel, the only thing I can see is that things for me personally are getting a lot worse than they used to be, I mean there is days when we go without food, I can’t put the heating on ‘cause my money is just gone right down. And you know, I know they say people are scroungers but I’ve been working all my life until I had children and then I went back to work again, and it’s only ‘cause of my health that I am not working now.’

For some claimants who already had shortfalls under the old LHA rules, the prospect of cutting back even further was daunting. They felt they had already done what they could to be more careful with their spending and to reduce expenditure on non-essentials. As one Bradford participant with a family explained:

‘We used it for taking kids out now and again ... like days out ... If you’re on benefits, you can’t afford things like that. Your benefit is for your food and stuff like that. And everything is going up ... We take them [the children] out to parks and things, but we don’t take them out to places like the seaside, or places where we have to pay to travel, like York. We just stay around Bradford.’

In some of these cases, participants had adopted a payment hierarchy, which typically prioritised the rent, followed by household bills (such as gas, electricity and water) and then spending whatever was left largely on food.

The ability of claimants to absorb the (increased) shortfall appeared to be affected by how financially resilient they were. Some participants had resources that they could draw upon to help them out in times of financial difficulty. For example, a few recent LHA claimants

⁴⁶ ‘Shortfalls’ are defined here as the difference between claimants’ rent and their LHA payment. However, it is important to note that there are many reasons besides the LHA changes as to why the LHA is less than a claimant’s rent. For example, they may have non-dependents living with them or be in work and have an assessable income that is in excess of the relevant applicable amount, or they did not/were not able to rent a property at the LHA rate.

Monitoring the impact of changes to the Local Housing Allowance system of Housing Benefit: Interim report

had savings that they could draw upon, at least for a while, to cope with the reduction in their LHA. Another resource that some participants were able to draw upon was family and friends. In London, for example, several single people said their family would be able to help them out. Similarly, a migrant thought she would be able to draw on her close network of friends. Such help might amount to the occasional ‘20 quid’, temporary loans, or more regular help with specific bills (e.g. Sky TV subscriptions).

Households in work appeared to have more financial resilience than those on out-of-work benefits such as Jobseeker’s Allowance (JSA) or Employment and Support Allowance (ESA). Perhaps for that reason they were also not as worried about dealing with (increased) shortfalls. Moreover, the LHA very often accounted for a smaller proportion of their rent than it did for claimants on out-of-work benefits.

Long-standing working age claimants typically had relatively little financial resilience. They invariably had little or no savings and often had debts of one kind or another. The latter included rent arrears, debts on other household bills and credit card arrears. Some were struggling with repayments of Social Fund crisis loans or with paying back overpayments of LHA. Such households often tried to juggle their various bills and other financial commitments in order to keep their heads above water financially.

Many non-working families with children who were already struggling financially, were the most anxious about reductions in their LHA, and the least likely to be able to cope with a reduction in their benefit. In London, many families seemed to be financially vulnerable and hence, the prospect of even a relatively small reduction in their LHA was enough to make them feel anxious about how they would cope.

Several participants had cut back on food or sold possessions (such as DVDs) in order to generate income. These participants believed that having to cover (an increased) shortfall would prove to be very difficult. As one female participant living in Barking and Dagenham put it: ‘We are only just coping. I don’t know what we’d do if I had to pay £20 more a month. I just don’t know where it would come from.’

Several participants who previously had been receiving ESA, but had been moved onto JSA following a work assessment, had consequently experienced a reduction in their benefit income. Meanwhile, a number of participants were relying on Disability Living Allowance (DLA) to cope with shortfalls between their LHA and the rent. For example, one parent reported that she used her DLA payment to help cover the shortfall every month – this practice was also noted in the interviews with housing advisers (see Section Six). She believed that the fact she received the DLA was the main reason why the letting agent allowed her to move into her current home. In effect, DLA guaranteed that she could afford the rent, given that the LHA by itself was not sufficient.

In the context of shortfalls, therefore, it appears that there was an interaction between participants’ ability to cope with them and the amounts and types of other benefits that they received. This also highlights the point that the pending changes in other benefits (like the replacement of DLA or the total benefit cap) could make it more difficult for claimants to cope with reductions in their LHA.

4.3.3 Increasing working hours or finding work

The LHA claimant survey asked participants what actions they would take to make up the (increased) shortfall if their LHA were to be cut. A third of participants said they would look for a job and one in ten said they would try to increase their hours of work (DWP, 2012). However, the qualitative interviews suggested that participants thought these actions were unlikely to be very successful.

Unemployed claimants expressed a strong desire to find a job and in many cases were expending considerable effort to do so. Some said they would 'try even harder' to get work if their LHA were to be reduced. But, in general, they were not optimistic about their prospects of getting a job. For some, this was because of the fact that unemployment was high. For example, one London participant, who had been made redundant in 2009, had applied for over 200 jobs, but had been invited to only three interviews.

For participants living in areas of industrial decline, such as South Wales and parts of the Midlands, where unemployment and economic inactivity were especially high, there was the additional problem that the jobs for which they had skills had disappeared. More generally, a common concern was that there were few unskilled or low-skilled jobs available of the kind that participants felt were realistic for them.

Moreover, many participants felt that they faced barriers in seeking to get a job from the few vacancies that were available. For some claimants, lack of skills was combined with literacy or language barriers that made it especially difficult for them to find work in the very competitive jobs market. Another barrier was ageism: middle-aged and older claimants felt that employers preferred to recruit younger people. As one middle-aged participant living in Walsall put it:

'At my age (I'm 47), and if a 20 year old can't get a job, what hope have I got?'

For older people, it was perhaps even harder. Therefore, in Exeter one claimant reported:

'As soon as you tell them you are 63 and a half you can't even get a job in McDonalds.'

People with long-term health problems or disabilities on out-of-work benefits generally felt that they were not fit to work. Several participants who had been moved from ESA to JSA after a work assessment also reported that they were not well enough to work. Consequently, getting a job was not felt to be a realistic way in which they could respond to a reduction in their LHA.

A common barrier mentioned by participants with young dependent children was lack of available, affordable or suitable childcare. This was a problem even for couples with children. As a mother living with her husband in Exeter put it:

'I would like to go to work but I am just thinking about all this money I will spend for her to be looked after.'

However, it was especially problematic for lone parents. It was not just that childcare was very expensive, but also that it was very difficult to find a job that made them better off once the cost of childcare was taken into account. Another problem was the difficulty of finding a job that fitted in with school hours.

Monitoring the impact of changes to the Local Housing Allowance system of Housing Benefit: Interim report

Some parents with young children under school age were reluctant to work because they felt their priority should be looking after them rather than getting a job. In several instances, they also did not want to leave their children in the care of other people. For example, a lone parent in Walsall reported:

‘When I went down to the job centre, they turned around and said, “Well, we’ll pay someone to look after your daughter” and I said “Well, what’s the bloody point in that? Pay me to look after my own daughter. I’m not having some stranger with my daughter, I’m sorry.”’

Many participants who were already employed did not feel that increasing their hours of work was a viable option. In some cases this was because no more hours were available to them at their place of work; while in others it was because their company was actually reducing the hours that were available because of the recession. And for some lone parents working part-time, taking on more hours was seen as unrealistic because they were already working as many hours as they felt able to do, given their childcare responsibilities and the need to fit their work around their children’s schooling.

Overall, participants said that their attempts at looking for work or increasing hours of work was unlikely to be very successful. Unemployed participants wanted to work but were not optimistic because unemployment was high. There were some regional differences in the emphasis given for difficulties in finding work or increasing hours of work; specifically, people in areas of industrial decline reported that there was little demand for the skills they had. Many participants said they faced barriers to getting a job: those chronic health problems/disabilities on out of work benefits generally felt they were not fit for work and the expense and availability of childcare was a difficulty for many participants with young children. Some mothers interviewed felt that they should be at home looking after their children, not at work and outsourcing their childcare. Many participants felt that increasing their hours of work was not a realistic proposition in the current economic climate, due to the economic climate or because it was difficult to fit extra hours around childcare responsibilities.

4.4 Negotiating for a lower rent

An important aim behind recent reforms of HB for private tenants has been to give claimants an incentive to ‘shop around’ when looking for accommodation and to negotiate the rent with prospective landlords (Kemp, 2000). The payment of HB direct to the tenant in many cases, introduced in the 2008 reforms, was also designed to encourage more negotiation over rents. In the most recent reforms, landlords could request payment of HB directly to themselves if they negotiated a lower rent with their tenants. The LHA claimant survey found that almost a quarter of participants had in fact attempted to negotiate with the landlord over the rent when they moved to their current accommodation; and about two-fifths of them had been successful in persuading the landlord to lower the rent (DWP, 2012).

The LHA survey also found that just over a quarter of claimants said they would speak to their landlord about lowering the rent if they could no longer afford the accommodation (DWP, 2012). For its part, the Coalition Government has expressed the hope that landlords will agree to lower the rent in response to the LHA reductions, thereby mitigating to some extent the impact on claimant shortfalls. The extent to which landlords have reduced their rents so far is explored in Section Three and Section Five of these interim research outputs.

Monitoring the impact of changes to the Local Housing Allowance system of Housing Benefit: Interim report

It is important to note that, except where the tenancy was coming up for renewal, asking the landlord to lower the rent meant seeking to reduce the rent that the tenant had agreed to pay when they took on the tenancy and to which they were contractually bound for the duration of the lease. Therefore, asking for the rent to be lowered implied re-negotiating the contractual rent that they were legally bound to pay.

The qualitative interviews were able to shed light on claimants' attitudes to negotiating with the landlord over the rent charged for their accommodation. In fact, the majority of claimants had not considered asking their landlord to lower the rent they had agreed to pay for the property – or they were reluctant to do so. There were four main reasons for this disinclination.

The first was that some claimants thought their rent was reasonable and that they were getting a good deal from their landlord. In some instances, this perception appeared to reflect a lack of awareness about the level of rents prevailing in the local market, which was often due to having had to move in a rush and consequently not having researched rent levels. In some cases, the rent was low because the property was in very poor condition and in need of refurbishment. In several cases, the rent was low on property in very poor condition because the claimant had undertaken or supervised some refurbishment or decorations, thereby saving the landlord from having to do so.

A second reason why claimants were reluctant to ask the landlord to lower the rent was that they felt they had little or no bargaining power. It was not clear what they would be bargaining with, if they were to try negotiating a lower rent with landlord. In general, tenants believed that the balance of power lay more with their landlord than with them. More generally, it was because the participant believed from previous experience that many private landlords would not consider letting to LHA tenants and hence felt lucky that they had found a landlord who would take them. Participants did not mention the temporary safeguard provision⁴⁷ as a factor in negotiating a lower rent.

Third, some participants were conscious that they faced competition from other tenants. In other words, low bargaining power also reflected the highly competitive state of the rental housing market in some localities, and especially in Westminster and Hackney. In the latter two areas, participants generally believed that, due to the high demand for properties, their landlord would not lower the rent. However, some thought there would be no harm in asking, as it was always possible that their landlord might reduce the rent a bit, even if they certainly would not lower it to the level of the new LHA caps. By contrast, some participants in the other London case study areas, Brent and Barking and Dagenham, where the demand for rental properties was not so high, were more confident that their landlord might reduce the rent to the new levels.

A fourth reason why some claimants were reluctant to ask for the rent to be reduced was that they had a good relationship with their landlord that they did not wish to jeopardise. Some claimants were grateful that the landlord had been willing to take them on as tenants, especially where other prospective landlords had been less accommodating, for example, in relation to pets. As one participant said:

'He lets me have the dog and everything and I have chickens and he says that's okay.'

⁴⁷ This involves paying the landlord directly if a reduction in rent can be negotiated to a level that the claimant can afford.

Monitoring the impact of changes to the Local Housing Allowance system of Housing Benefit: Interim report

This tenant had also kept an eye on works that the landlord (who lived abroad) had arranged to be done on the property, and as a result had a 'really cheap' rent. Others were grateful that the landlord had allowed them to stay on in the property despite problems that had occurred, for example with delays in paying the rent or problems with their LHA claim.

Participants who had a personal relationship with their landlord tended to be more confident of being able to renegotiate the rent. For at least some tenants in this position, the goodwill between them meant that their landlord might well reduce the rent, even though they could doubtless find other tenants who were willing to pay the higher rent. This is also borne out by the comments of several landlords in the qualitative interviews in Section Five. For example, a Moroccan tenant living in Brent who had been renting his home from a landlord who was also Moroccan, felt that he had been a good, reliable tenant over the previous six years. Because of this, he felt there was a possibility that the landlord might consider lowering the rent, even though identical flats in the building were being let at much higher rents on the open market. Another claimant was renting her flat from her sister, whom she thought would probably reduce the rent as long as it still covered the repayments on the mortgage.

Few participants said they would feel comfortable about asking for a rent reduction; and some of those who were contemplating the idea reported that it was the landlord's intention to increase the rent that had triggered this, rather than the (increased) shortfall. Those participants who had already spoken to their landlord about reducing the rent had been met with mixed success, as was also the case in the LHA claimant survey (DWP, 2012). In Newcastle, a rent reduction was successfully negotiated by an advice service acting on a claimant's behalf. One participant in Bradford was able to negotiate a reduction with the landlord, who was a friend of a friend. However, another Bradford participant met with an outright refusal by her landlord, who could not afford to reduce the rent because she had a mortgage to pay on the property:

'she was quite upset, and just said that I would need to pay it myself'.

4.5 Moving home and moving area

Much of the debate on the likely impact of the LHA changes has focused on the possibility that some claimants, especially in central London, might have to move home or area in order to find somewhere that they could afford. The LHA claimant survey found that, if they could no longer afford their current accommodation, about a third of participants would look at lower rent properties but only in their local area; and a fifth would look at lower rent properties including those in other areas. Participants who reported that they would only look locally for cheaper properties were asked why that was. It was clear from the responses to the latter question that these tenants had a strong attachment to their local area as a place to live (DWP, 2012).

The qualitative interviews likewise found that most participants were very reluctant to consider moving home to find somewhere cheaper, and especially so if it meant moving to another area. Overall, participants made it clear that they would exhaust other possibilities – such as cutting back on their spending on other items – before considering moving. This appeared to be especially true of families with dependent children.

In some cases, the reluctance to move reflected a belief that they would not be affected by the LHA changes; or if they were, that any shortfalls were likely to be small or otherwise

Monitoring the impact of changes to the Local Housing Allowance system of Housing Benefit: Interim report

manageable. It was pointed out that, while moving to another area might make it possible to obtain somewhere with a lower rent, this saving might well be cancelled out by an increase in other expenses, such as commuting costs. Therefore, as one Exeter participant pointed out, moving further out of the city might prove to be a 'false economy'.

Some participants pointed out that moving home could itself be a costly process. They would probably have to pay for a deposit, along with rent in advance, on any new home.⁴⁸ This could prove to be beyond the financial circumstances of the household and especially so for those that were already in debt or otherwise struggling financially. For example, a participant living with a partner and children in Blackburn reported that he would like to find cheaper accommodation, but moving home was prohibitively expensive given their income:

'... we have been looking around. But the thing is, most of the places are estate agents and you have to pay admin fee as well as a bond as well as first month's rent and we ain't got that kind of money.'

Although most participants had a strong attachment to their local area, this was particularly true of lone parents, couples with children and people with disabilities. Families with school age children were especially concerned about the possibility of having to move to another area. In London, for example, nearly all of the participants in this position reported that one of the most important things about living in their area was their child's school. They worried that a change of school would be very detrimental to their child's education and personal development. Some of these families had previously had to move in recent years and found that their children had struggled to adjust to the change of school and the need to make new friends. As a result, they did not want their children to have to go through that damaging process again.

Other reasons for not wanting to move area included a desire to stay close to their wider family and other support networks. One lone parent living in Westminster spelled out the consequences of having to move to away from her local community:

'So that means you've got to uproot your children from school, you've got to move away from a house that is like close to your family structure, and let's be honest when you've got children, or even when you haven't got children, you need family support and you need your community. You need all your networks for your child, your child needs their social networks, you need your social networks, you need your family, you need friends – it takes a community to raise a family, it does.'

People with disabilities were reluctant to move for reasons that included wanting to stay nearby their family, GP surgery and the need for access to local transport. A woman with disabilities was reluctant to move, among other reasons, because the packing would be difficult for her. One carer whose child had autism was concerned about the distress that changing schools would cause his son and the disruption to his son's health and support network that it would create. These concerns were based on their experience of having recently moved from East Ham to the London Borough of Barking and Dagenham in search for a cheaper place to live. It was an experience he was very anxious not to repeat:

'My son has a disability and needs the continuity. I remember when we moved from East Ham, it took about 4-5 months to get him back on track again after the move. We moved and it put all the support on hold.'

⁴⁸ Other costs associated with moving include paying for credit checks and letting agency fees as well as for hiring a van or firm to move household and personal effects.

Monitoring the impact of changes to the Local Housing Allowance system of Housing Benefit: Interim report

Some participants were reluctant to move area due their ethnicity. Because of spatial clustering, many participants from minority ethnic groups were very keen to stay living in their local communities. English literacy was also a problem for some recent immigrants, which may possibly have an impact on their awareness and understanding of the LHA changes and their ability to respond to them.

Other participants were reluctant to move for reasons related to their religious beliefs. For instance, in Bradford, some Asian participants reported that they did not wish to move area because they wanted to remain living near to their place of worship. Several large families living in the Stamford Hill area of London reported that they could not contemplate living elsewhere because it was integral to their way of life with its synagogue and the support of other orthodox Jews. They would prefer to downsize to a smaller house, even if it meant being overcrowded, in preference to moving out of the area in which their community was based.

In general, as one might expect, moving accommodation appeared to be less of a problem for single people aged 25 to 34 (who are, or would be, affected by the new age cut-off for the SAR). By definition, they did not have dependent children with schooling to worry about; they largely rented furnished rather than unfurnished accommodation, which made removals easier and cheaper; and in some cases they had parental or family support to help them. However, a minority of people in this client group was vulnerable to a certain extent: for example, by having mental health problems. Two participants (a participant with mental ill-health and another who was an ex-offender) thought that for this reason they would be exempt from the SAR.

Most, but by no means all, of the participants in the single and 25 to 34 age group were already living in shared accommodation. In London, for example, six of the seven participants were sharing, with rents that tended to be below the new caps. The one participant living in a self-contained flat was facing a shortfall of £125 per week and was planning to move beyond inner London to live in a cheaper area with a friend. However, one participant in Exeter suggested that finding accommodation below the cap might be difficult, owing to competition from the large number of students in the city living in shared housing – a point made very strongly as well by housing advisers working in the district (see Section Six).

Several participants reported that they were unable to move because of the time left on their tenancy. For example, a lone parent had a two-year contract and could not, therefore, move home. Meanwhile, a single male, who was in the 25 to 34 age group and living on his own, had only recently renewed his one-year lease. He said he would be prepared to move into shared accommodation and look in other areas for cheaper accommodation, but was bound to stay in his current place for the duration of his lease. In Cardiff and Rhondda Cynon Taf, a particular difficulty was the relative shortage of two-bedroom properties – a factor emphasised as well by local housing advisers (Section Six). As a result, some families were forced to rent three-bedroom houses and hence were unlikely to be able to find somewhere that had a rent below the two-bedroom LHA rate if they were to look for another place to live.

Some claimants knew straight away that they would have difficulty absorbing the reduction in benefit and would probably have to move home. A participant in Walsall, for example, recalled being told by a man from the local council about the large shortfall that she and her partner would face:

'I said to him, "I don't know if we can afford it." Because it upset me when he told me because I thought "God! How we going to afford it?" And he said, "Well it's either that or you find yourselves somewhere else." He was quite blunt, you know ...'

Monitoring the impact of changes to the Local Housing Allowance system of Housing Benefit: Interim report

They did not want to move to a cheaper area because their grown-up children were living in the locality and hence, wanted to be near to them.

A lone parent living in Scotland knew that she would probably have to move eventually:

'I am quite concerned about it. I know that it will probably get to the stage where I can't actually afford to keep the house and that I'll have to move in with my mum. I know that it is probably, that is going to be the case.'

Some participants, particularly those in Westminster, were aware that they had little option but to move home sooner rather than later, even though they did not want to do so. A couple of the families with children in the borough had been proactive and searched internet websites such as Rightmove and Gumtree in order to see what rents were being charged for accommodation in the private rental market elsewhere. They believed that, provided they were not too selective, they might be able to find somewhere with a rent under the LHA cap. However, they had also noticed that such properties were often already let by the time they found them on the websites.

Participants in Westminster who were in work and facing large shortfalls were worried about how far they might have to move. They were concerned both about whether they'd still be able to get to their work and about the extra cost of commuting to work from a more outlying area.

Outside London, there was evidence that some households living in highly urbanised areas with good transport networks felt more able to move than those in more rural localities. For example, in Walsall in the West Midlands, some households would be prepared to move within the area if they needed to, as their family, children's schools and social networks would still be accessible. In contrast, participants living in Harwich or Wisbech in the East of England were more concerned about moving area, as it would take them away from their family and other support networks – a factor raised as well by local housing advisers (Section Six).

For similar reasons, participants living close to the centre of Cardiff felt more able to move than those on the outskirts of the city, or those in Denbighshire or the Rhondda Cynon Taf. In Rhondda Cynon Taf, for example, participants reported that they had a strong connection to their locality within the area because of having been born and raised there, and hence, were very reluctant to move away.

A minority of participants reported that they were not concerned about the prospect of having to move if they could no longer afford to pay the rent on their current place. As a single man living in Hackney reported:

'I've grown very fond of the area, it's always been a very friendly area, I've never had any problems in it, anything like that. So I have got quite attached to it, but I've always been the same kind of person, if I needed to get up and move somewhere I can move on and deal with it. And just make the best of it as I can.'

More typically, participants who were happy to move tended not to like their current home or area. This group included, for example, an ex-offender, and a family who had been evicted from their previous council home for anti-social behaviour, and they had been placed in their current property. Both participants hoped that the LHA changes would provide the opportunity for them to move back to the areas they considered their home. In addition, one family was looking to move in order to maximise the amount of rent that was covered by the LHA. Meanwhile, a lone parent with children had agreed to take another place with fewer bedrooms, but would have to share a bedroom with one of her children.

4.6 Discretionary Housing Payments

In the LHA claimant survey, when asked what actions they would take if they could no longer afford their current accommodation, about a fifth of participants said they would ‘apply for a discretionary or extra HB payment’.⁴⁹ This action was one of six housing-related actions⁵⁰ listed on a card that was shown to them by the interviewer.

Very few participants at the time of the qualitative interviews were receiving DHPs. In one case, a single woman aged 19, who was on the SAR and been using her JSA to cover the shortfall, had been awarded a DHP and but was told to find a cheaper property or a house share. Another recipient was a lone parent living with her son in a three-bedroom property, who had been awarded a DHP, but was told she would only continue to receive it if she could demonstrate that she was looking for a cheaper property.

However, the great majority of participants were unaware that the scheme even existed – which, of course, may be one of the reasons why so few were receiving a DHP. The few participants who did know about DHPs tended to have heard about the scheme from advice centres, such as the local Citizens’ Advice Bureau or the council’s own housing service. However, one participant could recall having read about it from a leaflet that had accompanied the letter they had received telling them about the LHA changes.

A few participants had actually contacted their local council to enquire about the LHA reductions and had asked about whether any help was available. However, they did not recall being told about DHPs. One Tendring participant, who had in fact received a DHP, observed that:

‘It seems like it’s a big secret, that nobody knows about ... They won’t tell you in the housing place, you have to go to citizen’s advice and then go through all their spiel ... why do they make it so difficult for people, it’s like they want people to fail.’

4.7 Conclusions

The qualitative interviews with LHA claimants have been largely consistent with the evidence from the quantitative survey, and the observations of both landlords and housing advisers. Most obviously, they confirmed that awareness of the LHA, and of the changes to the scheme, was relatively poor. However, the qualitative interviews revealed that, when probed, even participants who felt they had some understanding of the scheme appeared to have incomplete or inaccurate knowledge and struggled to articulate what changes were being made to the LHA. Moreover, although the survey had indicated that a substantial minority of claimants might look for work, or try to increase their hours of work in response to the changes, in practice very few believed these efforts would be successful.

As with the claimant survey, a substantial minority of participants were ‘new’ claimants who were already on the new rules. They seemed generally to be unaware that the scheme had recently changed. The qualitative interviews found most ‘existing’ claimants had not yet been affected by the LHA changes and nor had they taken any action in advance to deal with them. Furthermore, this passivity reflected the fact that many participants did not yet know

⁴⁹ This phrase was used in case some participants did not know that the scheme was officially known as Discretionary Housing Payments (DHPs).

⁵⁰ Excluding ‘Other’, ‘Don’t know’ and ‘None of these’.

Monitoring the impact of changes to the Local Housing Allowance system of Housing Benefit: Interim report

whether, or to what extent, the changes would affect them financially. Meanwhile, most of the participants who did know by how much their LHA was likely to be reduced had also not yet taken any action to deal with the pending reduction. Often this was because they thought or hoped they would be able to absorb the loss; for example, by cutting back on spending in other areas.

In general, participants were hanging on to their current accommodation for as long as possible because they did not want to move, even if they would probably have to do so eventually. Some had not moved because doing so would prove to be costly (given the outlays on deposits, rent in advance, credit checks, agency fees and removal costs); or because they were early in their lease; or because of the difficulty of finding somewhere below the caps or a landlord that would take LHA claimants. However, a minority of participants had begun to look for new accommodation and several had moved already.

Participants' ability to cope with the reduction in their LHA appeared likely to depend on the size of the shortfall and their financial resilience. People in work were less worried than those who had been on benefits for some time. Some participants were already struggling with shortfalls and felt they would find it very difficult to cope with a reduction in their LHA. And others would have to move home because the size of the likely cut in their benefit was sufficiently large that no amount of economising on non-essentials would cover the loss. Parents with school-age children were especially worried about the impact that moving area would have on their children's education and wellbeing.

However, it is important to recall that when the interviews took place most of the participants had not yet experienced a reduction in their LHA as they were still under the transitional protection for 'existing' claimants (those whose LHA claim had begun before April 2011). Hence, the interviews with these participants necessarily focused on how they might respond to a reduction that had not yet been implemented, the size of which (in many cases) they did not yet know. In wave 2 of the qualitative research, the interviews will be able to explore how participants had responded to the actual reduction in their LHA entitlement.