

# What might help housing associations decrease Universal Credit arrears?

## Analysis of data from five housing associations

September 2022

### Summary

The National Housing Federation (NHF) conducts regular surveys to monitor housing association income collection. We started collecting data due to concerns amongst housing associations that Universal Credit was leading to higher rent arrears and later increased the frequency of data collection to monitor the economic impact of the coronavirus pandemic on tenants and their landlords. By collecting data on tenants paying with Universal Credit compared to other means (self-payers or housing benefit recipients), we hoped to better understand how people were managing living costs and support members in campaigning for any improvements to the Universal Credit system.

Our intention from these surveys was to gather information from the same organisations to explore trends in the data. We recently conducted a review of repeat respondents' data around arrears as a percentage of rent due for households paying with Universal Credit. We focussed on Universal Credit as, with the process of managed migration ongoing, it feels important to understand its continuing impact on tenants' finances. Specifically, we wanted to understand which organisations had seen arrears reduce over the period June 2019 to March 2022 and ask them what they thought might have led to this change. This short report presents the findings of this rapid review.

For repeat responders who had seen a decrease, we asked for written feedback about the steps they had taken and the changes they had seen. By focussing on the housing associations who have seen a decrease in arrears we can explore the steps they have taken and can consider why these changes have worked. While these findings may have wider applicability in the sector, it must be noted that the findings are based on a small sample of housing associations. The five housing associations (out of 25 repeat respondents) saw arrears fall by a minimum of 17% and maximum

of 44% over June 2019 to March 2022. Housing associations attributed the decrease in arrears to different changes, which were:

- Greater use of supportive income collection approaches, introduced during the coronavirus pandemic.
- Landlord systems changes or improvements, including new technology for income collection or improved internal and tenant communication.
- Department for Work and Pensions (DWP) improvements to the Universal Credit system, with landlords making more use of alternative payment arrangements or third party payments.
- Tenants being more used to the Universal Credit system.
- Greater use of support funds.

## Background

In April 2020, at the start of the coronavirus pandemic, the NHF conducted monthly surveys to monitor:

- Whether the pandemic was impacting tenants' ability to pay their rent.
- How this differed depending on whether the tenant was in receipt of Universal Credit.

We wanted to understand how people were managing day-to-day living costs, how housing associations' income was being affected, and how the Universal Credit system coped during the coronavirus crisis. We have continued the survey in order to monitor any impacts from the end of the furlough scheme, the removal of the £20 uplift and other changes to Universal Credit.

The survey borrows questions from our previous quarterly survey to allow us to compare against previous years. One of the questions that has been asked consistently is level of arrears as a percentage of rent due.

This is a standard performance indicator for income collection in social housing and is calculated as follows:

$$\frac{\text{Total rent arrears for period 1 April 2021 – 31 March 2022}}{\text{Total annual rent due for period 1 April 2021 – 31 March 2022}} \times 100 = \text{Arrears as \% of annual rent due}$$

## Research methods

We examined repeat respondent data for our Universal Credit and income collection survey from June 2019 to March 2022. Across 25 housing associations who responded for most time points across this period, we found five organisations who showed decreasing arrears as a percentage of rent due for tenants paying with Universal Credit. Data was checked with respondents via email and they were asked for written feedback on what they thought were the reasons for the reduction, including changes in approach to income collection and any change in claimant type.

We emailed these five organisations asking them to check their data and provide feedback on:

1. Changes made to income collection processes (including ways of working, staff resource and any targets) over time.
2. Whether changes might be down to any change in claimant type.

## Limitations of the research

This is a very small-scale study due to limits on available data. Not every housing association completes our survey at each data collection point (month or quarter). Those that do complete it each time do not always have the data asked for due to different reporting arrangements or management information systems.

We focused on Universal Credit because, with managed migration, it feels important to understand what helps to manage these arrears. In addition, our previous research shows that, on average, tenants paying rent with Universal Credit are more likely to be in arrears and to have higher arrears than compared to tenants paying by other means (self-payers or those paying with Housing Benefit).<sup>1</sup> The focus of this research was not arrears as a percentage of rent due for tenants paying by other means than Universal Credit. The data on those paying by other means (which was not checked by respondents) show lower levels of arrears as a percentage of rent due when compared to tenants claiming Universal Credit, which is expected given our previous research.

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<sup>1</sup> [NHF \(2021\) Universal Credit in a time of crisis.](#)

Data for those paying rent by other means than Universal Credit shows a more varied picture in terms of changes to arrears as a percentage of rent due over time (stable, falling, rising and falling, rising). This might suggest that system changes to Universal Credit, and people getting more used to Universal Credit, account for differences. We cannot, however, be certain that this is the case as this comparison data is unchecked by housing associations, and we currently have no solid evidence of what drives higher arrears for tenants paying with Universal Credit.<sup>2</sup>

## Data

Table one shows arrears as a percentage of rent due for tenants claiming Universal Credit in five housing associations from June 2019 to March 2022. The data shows that all five organisations saw a drop in arrears over the course of the survey, with a maximum fall of 44% (organisation C) and a minimum of 17% (organisation E) from the first time point to the last.

**Table 1: Universal Credit – arrears as a percentage of rent due from June 2019 to March 2022**

Housing association	Jun-19 %	Apr-20 %	May-20 %	Jun-20 %	Jul-20 %	Aug-20 %	Sep-20 %	Oct-20 %	Nov-20 %	Sep-21 %	Oct-21 %	Nov-21 %	Mar-22 %
<b>A</b>	6.6	6.3	6.5	6.7	5.4	-	-	4.8	-	-	4.4	-	-
<b>B</b>	-	5.7	6.5	6.0	6.1	5.5	4.9	4.5	3.9	3.8	3.9	3.9	3.5
<b>C</b>	4.4	2.2	4.4	4.3	4.3	3.2	3.1	2.9	2.8	2.2	2.3	2.4	2.5
<b>D</b>	7.1	-	6.5	6.5	-	6.1	6.0	5.7	5.8	4.9	4.6	4.9	4.9
<b>E</b>	7.4	5.3	-	8.3	8.0	-	7.4	8.2	6.7	6.0	6.2	6.3	6.1

## Reasons for change

The responses from all five housing associations indicate the changes are related to:

- Greater use of supportive income collection approaches, introduced during the coronavirus pandemic.
- Landlord systems changes or improvements, including new technology for income collection or improved internal and tenant communication.

<sup>2</sup> We called for DWP research into drivers in our 2021 research, but see discussion in National Audit Office 2020 report '[Getting to first payment](#)', Demos' report [The Bottom Line](#) and new study [Holding onto Home](#).

- Department for Work and Pensions (DWP) improvements to the Universal Credit system, with landlords making more use of alternative payment arrangements or third party payments.
- Tenants being more used to the Universal Credit system.
- Greater use of support funds.

## Greater use of supportive income collection approaches

Supportive income collection approaches focus on how arrears have developed and what support is needed by the tenant. Many housing associations made greater use of supportive approaches during the coronavirus pandemic. Organisation B described how this worked for them: “we now have more detailed conversations, supported by crib sheets and ask good questions to help us fully understand people’s circumstances.”

Supportive approaches were explored in our 2021 research [Universal Credit in a time of crisis](#), as well as research commissioned by Placeshapers, whg and NHF.<sup>3</sup>

## Landlord systems changes or improvements

This included new processes, new technology and investing in staff resource. Organisation E reported that they had introduced a new proactive arrears monitoring module on their housing management system. This prompted staff to look at cases in real-time. Alongside this, they had new technology to contact tenants who had missed a payment, moved onto Universal Credit or had direct debit failure. This ensured that customers were contacted quickly and proactively, along with automatic text messages sent to the tenant that include a link to payment.

Organisation D invested in their income recovery and Money Matters (benefit and budgeting advice) teams to provide more staff time, while Organisation C had introduced a Welfare Reform Officer post. This helped support tenants with their claim, part of a package of support available to tenants.

As housing associations got more used to Universal Credit, they had become more skilled and experienced at dealing with the system and claims. They had improved and strengthened procedures, including communication with the tenant and between staff members. Better communication ensured the correct level of support was

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<sup>3</sup> [Placeshapers, whg and NHF \(2022\) Going freestyle: what happens when the rulebook is taken away.](#)

provided for a tenant during their claim. The support offered varied depending on what was required, for example, helping a tenant through the waiting period for payment or helping them access different funding to help with arrears.

Organisation C had increased communication with tenants as support during the pandemic, and beyond, became more necessary. They also expanded on their tenant involved group to take on board “the needs expressed in our communities”

## **DWP improvements to the Universal Credit system**

Alternative payment arrangements are used when, perhaps for issues of vulnerability or a history of rent arrears, Universal Credit is paid directly to the landlord rather than the claimant. In 2020, DWP changed the alternative payment arrangement (APA) system so that the payment cycle aligned with that of the claimant’s payment cycle. This meant that APAs were received in the same month they were due, rather than being delayed. We know from our previous research that this made a “significant” difference to arrears, with a housing association interviewed for that research saying “almost instantly it considerably reduced the amount of arrears that we had due to the way in which Universal Credit was previously paid”.<sup>4</sup> Organisation A felt reductions in their figures were linked to this change.

Organisation D said that they used alternative payment arrangements (APAs) more frequently compared to when Universal Credit was first rolled out, due to system improvements by DWP, while Organisation B said they were more effective and successful in their applications for APAs and third party deductions (TPDs).<sup>5</sup>

## **Tenants being more used to the Universal Credit system**

One respondent felt that tenants might be more used to the system now, which differs from previous benefits they might have claimed, such as Housing Benefit.

This could also reflect the different type of people claiming during the coronavirus pandemic,<sup>6</sup> and that they might have found it easier to claim. We asked this question of the five housing associations, but they couldn’t accurately comment based on

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<sup>4</sup> [NHF \(2021\) Universal Credit in a time of crisis.](#)

<sup>5</sup> These are used to recover significant rent arrears by making deductions from a tenant’s monthly Universal Credit payment which is then paid directly to the landlord. This helps to slowly bring down levels of arrears. It can only be applied in certain circumstances.

<sup>6</sup> [Welfare at a \(Social\) Distance project \(2020\) Who are the new COVID-19 cohort of benefit claimants?](#)

available data. One noted that people claiming due to the economic fallout of the health crisis may “have already had the tools in place to better bring their [arrears] balances down”.

## **Greater use of support funds**

Finally, additional support during the coronavirus pandemic, including the £20 uplift to Universal Credit, was believed to have helped maintain people’s income and increased their ability to pay and so limited or reduced arrears.

## **Conclusion**

This note has set out desk research from the NHF on how many housing associations who regularly responded to our survey on income collection had seen a fall in arrears as a percentage of rent due for Universal Credit claimants. Five of the 25 housing associations who responded had seen a decrease between June 2019 to March 2022, from a maximum drop of 44% to a minimum of 17%.

For the five housing associations who showed a decrease, we asked them for more information on any reasons for this change and whether it could be linked to changes in the type of tenant claiming Universal Credit. Housing associations felt reductions in arrears as a percentage of rent for their tenants paying with Universal Credit was due to a mix of system changes and improvements, including the introduction of more supportive income collection approaches, and system improvements by DWP.

While they couldn’t give more information on whether the type of claimant had made a difference, they did feel that both they as landlords and tenants who were claiming had got more used to the Universal Credit system.