

# Out of Reach: The impact of changes in Rent Supplement

## Summary of Research Findings and Recommendations



The findings of this study demonstrate that the intention of the Department of Social Protection's rent review 'to ensure that maximum rent limits are placed at appropriate price points to create further downward pressure on the market'<sup>1</sup> is unlikely to have been achieved. The prevalence of rent 'top-up' payments by tenants means that rent levels disclosed in Rent Supplement applications most likely understated market rent levels.

This paper summarises the key findings and recommendations of Focus Ireland's report *Out of Reach: The impact of changes in Rent Supplement*. This study examines whether changes in Rent Supplement have:

- increased the risk of people living in private rented accommodation and dependent on social welfare becoming homeless, and
- impacted on the likelihood of success for people seeking to exit homelessness into the private rented sector.

The research also considers whether specific changes in Rent Supplement policy could make a greater contribution to preventing and ending homelessness in Ireland.

### Changes in the Rent Supplement system

With the decline in building of social housing in Ireland, the private rented sector is playing an increasing role in housing tenure for many people on low incomes, and is increasingly seen as a key route out of homelessness. The Rent Supplement Scheme, administered by the Department of Social Protection (DoSP), is an essential social-housing mechanism, operating as a means through which low-income households can meet their accommodation needs within the private rented sector. There have been a number of changes to Rent Supplement since 2009.<sup>2</sup>

The methodology used by the DoSP in establishing rent limits is not robust, and it is not clear how the Department has drawn its conclusions on rent limits based on the Rent Limits Review. The application of rent limits across broad geographic areas does not take into account variations within broad county areas. The DoSP has argued that downward adjustments in the rent limits will not impact on the tenant, as the reduced rent subsidy is to be paid in relation to a reduced rent.

The Minister for Social Protection has asserted this year that 'there will be no incidence of homelessness due to the Rent Supplement changes'.<sup>3</sup> However, **there is evidence that these changes have contributed to a number of individuals becoming homeless, and have made it more difficult for people moving out of homelessness to secure appropriate accommodation in the private rented sector.**

### The experience of homeless households and tenants

Ten people were interviewed in Dublin and Galway city as part of this study – four were homeless at the time of interview and six were staying in private rented accommodation.

## Key changes in the Rent Supplement system 2009–2012

### Maximum rent threshold

- Reduced by 6–10%, and payments to existing recipients reduced by 8% – effective in June 2009
- Entitlement restrictions to those who are existing tenants for at least 6 months, or who are on the local authority housing list following a full assessment – effective in May 2009
- Reduced on average by 11% – effective in June 2010
- Reduced on average by 13%, and reduced by 15–16% for single person households – effective in January 2012<sup>3</sup>

### Minimum\* tenant contribution (single household)

- Increased from €13 to €18 – effective in January 2009
- Increased from €18 to €24 – effective in May 2009
- Increased from €24 to €30 – effective in 2012<sup>3</sup>

### Application process

- Central Rent Units have been established to process applications in some areas

<sup>1</sup> SWA Circular No. 21/11, *Rent Supplement – Maximum Rent Levels*.

<sup>2</sup> Statutory Instrument No. 729 of 2011 provides for the most recent changes in Rent Supplement by the DoSP.

<sup>3</sup> According to the DoSP (Rent Limits Review Report, 2011).

<sup>4</sup> Rent Supplement is a means-tested payment.

<sup>5</sup> Couples with one income currently contribute a minimum weekly payment of €35.

<sup>6</sup> Topical Issue Debate – Rent Supplement Scheme, Thursday 28 June 2012 (Minister John Perry, TD on behalf of Minister Joan Burton, TD), Dáil Éireann Debate, Vol. 770 No. 3.

<sup>7</sup> A payment in addition to their minimum weekly contribution. The top-up is paid to meet the amount of rent which exceeds the rent limits set by the DoSP.

<sup>8</sup> Minister Joan Burton TD, Response to Parliamentary Question (no. 387), Tuesday 1 May 2012.

<sup>9</sup> The number of properties to rent in the second quarter of 2012 was 12 percent lower than the previous year. 2012 is the third year where a reduced supply of rental accommodation has occurred (Source: Daff.ie).

<sup>10</sup> Minister Joan Burton TD, Response to Parliamentary Question (no. 637), Tuesday 18 September 2012.

<sup>11</sup> Minister Joan Burton TD, Response to Parliamentary Question (no. 638), Tuesday 18 September 2012.

One interviewee had been served a notice to quit from her landlord (and subsequently lost her accommodation). The remaining five households living in private rented accommodation had all previously experienced homelessness (four in 2012) and had sought private rented sector accommodation since the changes in Rent Supplement were introduced in 2012.

### Payment of 'top-ups'

Of the eight interviewees who had experience of the private rented sector, five had unofficially paid a 'top-up' to their landlord<sup>7</sup> while declaring a lower rental figure on their Rent Supplement form (the lower figure corresponding to the maximum rent figure for their area).

The interviewees felt that there was no alternative but to pay a top-up. This was due to difficulties in securing private rented accommodation, the unwillingness of landlords to reduce the rent, and poor quality accommodation.

***You know you have no choice – it's either that [pay a top-up] or go into a hell-hole and you can't live like that either. UNA***

The prevalence of top-up payments suggests that it is the tenant in many cases who appears to be meeting the gap between rent rates and rent limits under Rent Supplement. As a result, indebtedness, arrears and ultimately loss of accommodation is likely to arise.

### Renegotiating rent with landlords

Only one couple interviewed managed to successfully negotiate the rent level on their accommodation in Dublin with their landlord. But they were clear that if they had not been successful in doing so, they would have met the difference in rent by paying a top-up to their landlord.

SWA Circular No. 21/11 provides for exceptional circumstances where the maximum rent limit can be exceeded, where there are special housing needs (including those who are homeless). However only one interviewee, a lone parent with two children who previously lived in B&B accommodation, received this exemption. Initially her Rent Supplement application was refused because the accommodation she found exceeded the rent limit by €75 per month. It was only after an intervention from an advocacy and support organisation that she was granted an exemption.

When questioned in the Dáil, the Minister for Social Protection was unable to provide details on the number of cases where Rent Supplement was paid in excess of the maximum rent limits, despite section 6.4 of SWA Circular No. 21/11 requiring that this information is provided to the SWA section by the Department's officials administering Rent Supplement<sup>8</sup>.

The requirement for tenants to renegotiate new rent levels with their landlord is unrealistic, as the bargaining power of an individual tenant is weak for obvious reasons: the risk of losing their accommodation, the poor quality of alternative accommodation, difficulties in accessing accommodation that accepts

Rent Supplement, and a reduction in supply of private rented sector accommodation.<sup>9</sup>

### Centralised Rent Supplement application

The centralised application process for Rent Supplement, which is in operation in a number of areas, has resulted in reported difficulties for Rent Supplement applicants. Reported delays in processing applications (compared with a local application process) have contributed to tenants losing out on securing accommodation. Other reported difficulties include the lack of support and liaison from Central Rent Units, which further add to the difficulties for those in moving from homeless accommodation to the private rented sector.

***Anytime you call them [Central Rent Unit] you have to wait on the phone like one hour ...then [as a result of being on hold] €20 [phone credit] is gone...it is free-phone from a landline. We don't have a landline, if you have a mobile it's terrible and we were once waiting 45 minutes on the line. ...You need to talk to somebody... If you send letters, nobody answers.***

NIAL AND JOSEPHINE

The Minister for Social Protection confirmed in September 2012 that the free-phone number for the Central Rent Unit in Dublin 15 has been replaced with a Lo-call number.<sup>10</sup>

### The impact of changes in Rent Supplement – views of landlords

Interviewees spoke of their difficulties in accessing private rented accommodation, and that many landlords are reluctant to accept Rent Supplement.

***If you find ten houses, you will find two that will accept rent allowance and eight that won't...but even more now, because nearly all of them won't accept rent allowance.*** NIAL AND JOSEPHINE

A survey of 27 landlords and letting agents, conducted as part of the *Out of Reach* study, found that they would be more likely to accept tenants on Rent Supplement if:

- Rent limits were increased (59% of all respondents)
- There were guaranteed supports for tenants from support organisations to maintain tenancies (52%)
- The Department of Social Protection paid Rent Supplement directly to landlords (48%)
- Rent was available 'up front' and not in arrears (44%)

The DoSP has confirmed that 52 exceptional needs payments were issued for the purpose of paying rent in advance (up to September 2012). The annual figure for 2011 was 52, which was almost one-third the number of exceptional needs payments for this purpose made in 2008.<sup>11</sup>

***Property owners do not trust Government on the payment of Rent Supplement benefits and in many cases will not take Rent Supplement tenants.***  
IRISH PROPERTY OWNERS ASSOCIATION



# Recommendations

- 1 Rent limits should be set in a more transparent manner, through an independent process, and should better reflect both actual market rents and urban and rural variations. The Department of Social Protection's primary aim is to meet the welfare needs of its clients, and any attempt to influence the level of market rents should be balanced against this objective.
- 2 There should be no further reductions in Rent Supplement rent limits pending this system being implemented.
- 3 Given reports of increases in rents since the start of 2012, the rent limits review to be undertaken by the Department of Social Protection should take place sooner than the next review in June 2013.
- 4 Consideration should be given to greater delineation of county areas for the purpose of setting rent limits, to better account for fluctuations in average rents in city and county areas. In areas where there are significant fluctuations, this could result in savings to the State.
- 5 An alternative to tenants negotiating for rent reductions directly with their landlords should be found. Tenants should not be required to break the terms of their lease and renegotiate a new rent limit, until the annual rent review in their tenancy agreement arises. Where it is clear that every effort to secure accommodation has been undertaken by the Rent Supplement recipient, a local review of appropriate accommodation available should be undertaken by the Community Welfare Service and the recipient should be provided Rent Supplement at a level that will secure private rented accommodation.
- 6 Until the Rent Supplement system switches to local authorities, there should be a re-introduction of the free-phone number for all callers to Central Rent Units. Case officers should be allocated to specific geographic areas, to enable applicants to have a consistent point of contact to discuss their applications.
- 7 Data should be recorded on the time taken to approve Rent Supplement applications, whether in a local office or in a Central Rent Unit in order to enable comparisons.
- 8 As is currently required, but not implemented, all cases where Community Welfare Officers use the discretion available to them to approve Rent Supplement applications at rents exceeding the rent limits should be recorded to contribute to the evidence base for effective policy. This data on the Rent Supplement Scheme should be published in a readily accessible format on a regular basis. Homeless organisations should record the number of households who have been allocated and refused an exemption to the rent limits.
- 9 New protocols should be devised in relation to the implementation of SWA Circular No. 21/11. For people who are currently homeless for at least six months, local authorities should administer a new system of subsidising housing costs in the private rented sector. This should be designed to enable people who are currently homeless to access accommodation at a higher rent threshold than applies for Rent Supplement, and should incorporate a system to help people pay the initial deposit. This is in line with the Government's current Housing Policy Statement, which endorses a "Housing First" approach to homelessness, and would formalise the discretionary exceptions available under the Rent Supplement system.
- 10 Payments of rental deposits and rents in advance should be provided for under the Rent Supplement Scheme, where applicants have been assessed as in need of social housing.
- 11 In order to maintain the integrity of the contract between the tenant and landlord, Rent Supplement payments should be paid directly by the Department of Social Protection to landlords, unless the tenant specifically requests to pay this directly to their landlord.

The full *Out of Reach: The impact of changes in Rent Supplement* report can be downloaded at [www.focusireland.ie](http://www.focusireland.ie)

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In order to protect the identity and privacy of research participants, names in this document have been changed and the photographs are of volunteers.

Registered charity CHY 7220

