

ELHA Assistance Scheme

October 2020

Background

ELHA first developed its “Assistance Scheme” in response to the introduction of the Underoccupancy Charge or “Bedroom Tax”. The Assistance Scheme allows rent to be written off in specific circumstances where tenants would otherwise potentially suffer hardship, and where the tenant’s circumstances make it unlikely that ELHA would in any case ever recover the rent due. In the end, the scheme was little used as ELHA’s approach was used to help persuade the Scottish Government to extend the Discretionary Housing Payment fund to meet the cost of “Bedroom Tax” for all tenants in Scotland, a situation that still prevails today.

The Assistance Scheme was also used to write off rent during the initial one week standstill period in Universal Credit claims, until that aspect of Universal credit was revoked. Again, this meant that only a small amount of rent was written off under this aspect of the Assistance Scheme as the DWP accepted that this aspect of Universal Credit administration should change.

Coronavirus and the “Five Week Wait”

Whilst the Association has long been a proactive supporter of many aspects of Welfare Reform and the introduction of Universal Credit, the “five week wait” has always been an exception to this.

Under this aspect of Universal Credit administration, it is assumed that a new claimant has just lost a job, and therefore has a final (assumed monthly) salary payment, on which they can rely until their first Universal Credit payment is made. Universal Credit is paid in arrears, and is based on income in the previous month. So, if a new claim is made on say the 15th of the month, income from that day to the 14th of the following month is assessed on the 15th of the following month, and this is then used to calculate the payment due, which is made seven days later, in this case the 22nd. So technically, this is a one month and seven days wait for the first payment, but it is more commonly referred to as the “five week wait”.

This principle is sound if there is a final salary payment on which the claimant can survive, but when this does not happen – either because the claimant has had a sudden loss of income (for example if their employer is insolvent), they are weekly paid, or they have simply waited too long to claim (using their final salary payment to live on and assuming they will get a new job before their money runs out). It is in these circumstances that the instances of severe hardship often arise.

The Association has continued to lobby for reform of the “five week wait”, and for the introduction of some forms of means tested initial payment to those who genuinely have no income to survive during this period (the Universal Credit system will make advance payments in these circumstances, but these are then taken from future payments and often compound the situation into the medium term).

The Association has also proactively introduced the “My New Home” service with its one month introductory rent discount, which ensures no new tenant should start their tenancy with a rental liability that they cannot meet.

However, the Coronavirus has already resulted in some cases of hardship, as tenants lose their income overnight, and then have no way of making their rent payments during the “five week wait” period. This is likely to happen again as the Furlough scheme is withdrawn and the true economic impacts become clear.

The Association has also lobbied hard during the pandemic to ask for the Discretionary Housing Benefit scheme to be extended to allow for payments to tenants who suddenly lose income, and to cover the initial month’s rent while they claim Universal Credit. Although the Scottish Government announced additional Discretionary Housing Payment funding as an early response to Coronavirus, the additional funding cannot currently be used in this way. The Association will continue to press for this change, but it seems unlikely that this will be forthcoming now. In any case, if this change is made, whilst it would help future tenants who find themselves in this situation, it is very unlikely to help those already facing hardship.

Proposed Extension of the Assistance Scheme

The Management Committee have agreed that the Assistance Scheme be extended to offer assistance to any tenants that have had a sudden loss of income and face a rent shortfall due to the “five week wait”. The Association’s rental collection figures have remained robust during the pandemic, and the number of tenants affected is relatively low.

In circumstances where tenants have lost all income, it is agreed that a full month’s rent be written off. However, this will be subject to the tenant already having a Key Tenant Scheme upgrade or agreeing to upgrade to at least Gold Key Tenant status as part of the agreement. If a tenant has only a partial final salary payment, then a pro-rata write off of the rent is proposed, again as long as the tenant already has a Key Tenant Scheme upgrade, or upgrades to at least Gold Key Tenant status as part of the agreement.

In each case, the actual write off will be formally approved by the Management Committee, as is required with the existing scheme, but tenants who qualify can be immediately assured of the intention to write off that rent.