

The Financial & Social Cost of Evictions



The Marie Celeste of UK Social Housing

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Recent reports show the number of pre-eviction notices soaring by 26% across UK social housing. With our estimate of the total cost of eviction and subsequent homelessness provision now at £23k, it's time for a way to deliver better financial and social returns than the traditional eviction process.

Legal Confetti

The NSP, NISP or NOSP. For those on the outside or on the margins of the social housing sector, it means Notice of Intention to Seek Possession. For tenants, it is meant to be a serious warning that their home may be repossessed if they don't pay their rent or arrears. Work we've recently undertaken for a landlord identified the effectiveness of an NSP (judged on whether arrears were paid after service) at less than 25%. That's a 75% failure rate. Rather high isn't it?

But that's not surprising. One in six people in the UK struggle with literacy. This means their literacy is below the level expected of an eleven year old. Would an eleven year old understand a legal document? Add into the mix the estimated £700 per year loss for each working age adult across the UK through welfare reform, plus the bedroom tax, food and fuel inflation, wage stagnation etc. People are struggling. There's a limit to how much Peter can be robbed to pay Paul.

May as well shred 75% of the NSP's and recycle them as confetti. Or do something different.

Eviction as a last resort?

All social landlords say that. Yet approximately 18,000ⁱ tenants are evicted each year from a social housing property in the UK. That's less than 0.5% of all social housing tenancies, but is the equivalent of the whole population of Stamford (the market town in Lincolnshire named as one of the best places in the country to live) being forced out of their homes each year. Pause while you imagine that. It's a big last resort.

Where do they all go? The simple answer is we don't know. There's no reliable overarching data to tell us. It's like the Marie Celeste - only happening each year. We know from DCLG data that 3% of English households were reported as being accepted as homeless last year due to rent arrears in their last tenancy, but let's get real. People play the system. Reported reasons aren't necessarily the real reasons. The 30% whose relatives couldn't put them up any longer, the 26% whose assured shorthold tenancy ended or the 5% whose relationship broke down will include a high proportion of those previously evicted from social housing.

The Basic Cost of Eviction

We know how much evictions used to cost. Shelter did some research a couple of years ago highlighting the average overall cost at £7k.

Based on our work with quite a few landlords over recent years (some very good performers, some not so) we estimate the average closing debt (including court costs etc) by the time a tenant is evicted now to be in the region of £6.5k. Add in repairs to re-let the property and void loss while it's empty, and you soon have a basic total of £8k.

Here's our *simple* revised estimate of the average cost to the landlord

Closing Arrears Balance	£6,500	
Re-let works to Property	£1,200	<i>Sector Average</i>
Void Loss	£350	<i>4 weeks: Ave of £82 p/w</i>
Sub Total	£8,150	

And there's more...

The cost doesn't stop there. Most of these households will pop along to the council to present themselves as homeless – either immediately or some time down the line after they've stayed with relatives/friends, or got a short term private tenancy. Some of them will be found intentionally homeless. Others will be accepted. Like the Marie Celeste crew's whereabouts, we don't know exactly how many.

We do know from DCLG data that last year, 53,000 households were accepted by English councils as being statutorily homeless - i.e. who they had a duty to rehouse. And of those accepted, roughly 2/3rds (35,000) were placed in B&B or temporary accommodation. And those 35,000 are costing local councils £2m a week: £547m this year.

Dividing that £547m by 35,000 gives us an average cost for each accepted homeless household of £15,637 to keep them in B&B/Temporary accommodation each year or before they're rehoused

Assuming most, if not all, of the 18,000 households evicted from social housing end up in the homelessness revolving door at some point, our estimated overall total cost per eviction now looks like this:

Direct Cost to Landlord	£8,150	
Direct Cost to Taxpayer	£15,628	<i>Either Immediately, or in future</i>
Total	£23,778	

That £23k total cost is the equivalent of over 5 years worth of an average social housing rent of £82, and doesn't include all the indirect costs like the time spent by housing staff on arrears processes and evictions, or on advice, assistance, and tenancy deposits etc which go into homelessness services.

Imagine..

A commercial joint venture shelling out or losing 5 years worth of income to get vacant possession of an asset which it would then charge out at the same level of 'rent' to a similar client. If it was to be sold and those costs would be recouped on sale, it might be reasonable. But that's not the usual scenario in social housing.

Mortgage companies offer a range of options to help people keep their homes - conversions to interest only payments for a while and payment holidays. Then there are mortgage rescue schemes.

Not social housing. In the UK it offers financial, benefits and employment advice, but serves NSP's like confetti and offers no flexibility on rents to take into account circumstances and sustain tenancies. Existing rent plus £xx per week or else we possess your home! It's OK to charge a higher rent for

those with incomes over £60k but not a lower rent based on a lower than average income or for those going through hard times.

Principles?

Yes, there's a principle to be adhered to. Rent must be paid to cover the landlord's outgoings and help them deliver more homes. Tenants have a responsibility to pay rent. There have to be sanctions for not paying the rent. But does it have to be repossession every time? There are alternatives.

Win-Win

The current end result is a lose-lose situation for everyone; landlords, existing tenants, neighbourhoods, potential future tenants and the taxpayer. Surely it's time for a more intelligent, flexible and win-win approach to generate a better financial and social return. Oh, and some research into where the equivalent population of Stamford disappears to each year.

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About the author

Peter Hall ([@PHHSI](#)) is managing Director of PHHS, and part of the Working Together™ projects delivered by CIH Consultancy.

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ⁱ See <http://www.statistics.gov.uk/hub/people-places/housing-and-households/housing-stock> . 9014 Evictions by English PRP's based on HCA Statistical dataset Return 2013. 6014 evictions by English LA's in 2011-12 based on DCLG local authority housing statistics: 2011-12. 1,822 Evictions by Social landlords in Scotland based on Shelter Research report '[Evictions by social landlords in Scotland 2010-11](#)'. 804 Evictions by Social Landlords in Wales based on Welsh Government '[Social Landlords Possessions and Evictions in Wales, 2010-11](#)'. Northern Ireland data unavailable.