

**Decision of Cabinet Member for Homes & Safer Communities      18 September 2014**

Report of the Assistant Director – Housing & Community Safety

**Rental Exchange**

**Summary**

1. The Cabinet Member is asked to consider the introduction of the Rental Exchange and agree that officers should introduce the scheme and engage with council tenants on its introduction and their right to opt out.

**Background**

2. In 2010 'Big Issue Invest'<sup>1</sup> introduced the concept of using rental payment information to help social housing tenants improve their credit profile and qualify for more affordable credit and other services
3. Many organisations rely upon credit scoring to decide whether to give customers access to financial products such as a bank account, a loan at an affordable interest rate or a mobile phone contract,. Research indicates that many social housing tenants are excluded from affordable credit and services due to the lack of a credit history and this means they are more likely to be refused or pay more, putting extra pressure upon already challenging finances.
4. In the same way that mortgage information counts towards a credit profile, rental payment history can be used as proof of a tenant's financial standing and reliability. By sharing rental payment history it will help tenants to create an online proof of identity and a good credit history will make it easier for tenants to open a bank account, receive better gas and electricity rates, or obtain cheaper credit.
5. A proof of concept study was carried out with the support of Joseph Rowntrees Foundation, +Friends Provident Foundation, Esmée

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<sup>1</sup> <http://bigissueinvest.com/rentalexchange/>

Fairbairn Foundation, and engagement of social housing and banking sectors.

6. Big Issue Invest tendered the project to the three main Credit Reference Agencies and Experian won the tender to take the concept forward to live implementation.
7. As part of the process Experian has analysed City of York's tenants rent data to determine what benefits tenants would derive from the scheme. These are shared in the analysis of the options.

## **Consultation**

8. The idea of the scheme and the results from the review has been shared with the council's Financial Inclusion Strategy Group and the Federation of Resident and Tenants Association, both have welcomed the scheme and can see the benefits to tenants who need to access credit.
9. At the housing summit in November 2013 the scheme was the subject of a workshop and following this the scheme has been pursued and developed. It is part of the council's wider response to financial inclusion part of which is to tackle the problem of accessing finance at realistic cost, avoiding the need for people using pay day loan and loan sharks.
10. The council's financial inclusion strategy group has also endorsed the scheme.

## **Options**

11. **Option 1** – Agree to implement the scheme, including engaging with tenants across the City in preparation for moving to live implementation later in the year
12. **Option 2** - Decide not to take the concept any further.

## **Analysis**

13. Under a Data Processing Agreement 7,909 records were sent to Experian and they were able to successfully match and analyse 7,688 records.
14. To be eligible for mainstream credit the general authentication requirements is two online proofs of identity. Without the rent data 63% of tenants hold two or more electronic proofs, once Experian includes the rent data this increases to 98%. Improving electronic identification

rates will give tenants easier access to full banking services as well as a range of non-financial public and private services.

15. Incorporating rental data into a typical generic credit score will increase the credit score for tenants that do not have significant rent arrears (defined as anything over 2 months' of non-payment) by around 45-55 points.
16. 66% (5,081) of York's tenants would see an improvement in their credit scores as a result of incorporating rental data and 834 of these tenants would gain access to previously inaccessible main street credit and services.
17. 33% of York's tenants receive full housing benefit and would automatically be taken out of the process to avoid them being penalised by late payment or processing.
18. Only 1% (107) York's tenants have serious arrears on their rent so would see a reduction in their credit scores by something in the order of 90-140 points. Circa 20 of those tenants would move from the "accept" to "reject" category (around 85% of those tenants with rent arrears also have an existing credit default which already impairs their credit score). Experian would be able to share those addresses with the council so that we could target the support to those with the most significant debt problems.
19. Adoption of the scheme would see a number of benefits to the council's tenants. The Rental Exchange provides an opportunity for tenants to improve their credit rating without having to take on any further debt. The majority of tenants pay their rent on time, so this information will enhance their credit score.
20. The Rental Exchange enables tenants to build an online proof of identity, this can improve access to main stream tariffs for utility supplier, a mobile phone provider or when online shopping. Also if a tenant is experiencing difficulties in paying their rent to the point that it negatively influences their credit score it is unlikely they are suitable for a loan or other payment agreement, therefore the Rent Exchange supports responsible borrowing and lending and helps people avoid becoming over indebted.
21. Whilst not a driver for its introduction, the Rental Exchange could encourage tenants to pay their rent on time. It will help the council to identify those tenants who are financially vulnerable and enable us to

provide an appropriate support arrangements to help get them 'back on track'.

22. If it is decided not to take the concept further 66% of council tenant's who would see their credit rating improve, and over 800 tenants who would be able to access high street credit where previously they could not, would miss out on these benefits.

## **Council Plan**

23. The introduction of the Rental Exchange for the councils tenants clearly supports the **Protect Vulnerable People** priority as set out in the Council Plan. As a result of introducing the Rental Exchange the council will be enabling a significant minority of tenant's access to cheaper credit and services, ensuring that they can avoid the use of payday loan companies and loan sharks.

## **Implications**

24. The implications arising from this report are:

- **Financial** - None
- **Human Resources (HR)** - None
- **Equalities** - A community impact assessment has be completed
- **Legal** - Experian/BII have been in discussion with the Information Commissioner's Office (ICO) to ensure sharing of rental payments is fully compliant and fair to the tenant.

The unequivocal benefit to tenants is recognised by DPA 'legitimate interests' provisions (Data Protection Act 1998 Sch2 para 6) - the Rental Exchange is based on protecting tenants' data while at the same time enabling them to ensure organisations can use this data to support their application.

- **Crime and Disorder** - None
- **Information Technology (IT)** - None
- **Property** - None

## **Risk Management**

25. There is no risk associated with the introduction of this scheme.

## Recommendations

26. The Cabinet Member is asked to approve option 1, to implement the scheme, including engaging with tenants across the City in preparation for moving to live implementation later in the year.

## Reason

27. The scheme will support financial inclusion for some of the most financially excluded citizens in the city through improving access to high street credit for council tenants.

## Contact Details

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**Report  
Approved**

**Date** 15<sup>th</sup> September 14

**Wards Affected:** List wards or tick box to indicate all

**All**

**For further information please contact the author of the report**

## Annexes

Community impact assessment

Presentation of the rental exchange results