

Conwy: What are the costs of setting up a privately rented home?

@CABConwy

Conwy is a rural seaside county located centrally on the North Welsh coast. There are 51,177 households in Conwy, with 7,729 of these being privately rented, a higher proportion than the Welsh average⁶¹. Annual median earnings in the County are £23,850, much lower than the Welsh average. This is coupled with relatively high unemployment levels, with 3.5% of the total workforce being out of work (compared to a UK average of 2.9%⁶²). Low paid seasonal employment is partially responsible for this below average income, along with a consistent increase in the elderly population (now at 24.6% of the overall population and 6.1% higher than the already high Welsh average) and the proportion of young people steadily decreasing by 2.4%⁶³ since the 2001 census. The Welsh Index of Multiple Deprivation also shows that some of the areas of Conwy's coast are ranked in the top 10% most deprived areas in Wales, and some rural areas in the top 31-50%, displaying a mixed picture of deprivation.

Despite high rates of deprivation and unemployment, house prices in Conwy have increased 2.6 times faster than the English and Welsh average, while wages have risen at a much slower pace (1.2 times slower than the increase in house prices)⁶⁴. There is a clear gap between cost and affordability of property in Conwy that does not match up to the image of deprivation shown by statistics. Clearly, a skewed housing market is an undeniable issue that Conwy must face. With house prices increasing faster than the average income increases, there is an overwhelming demand for privately rented homes

Figure 12: Llandudno, Conwy Borough County



⁶¹ 2011 census data –

http://www.conwy.gov.uk/upload/public/attachments/572/Local_Housing_Strategy_20132018a.pdf

⁶² Ibid

⁶³ Ibid

⁶⁴ Ibid

and social housing. Indeed, the waiting list for Cartrefi Conwy⁶⁵ has almost doubled in the past 3 years (see figure 13).

Chart 3: Applicants on the joint Conwy CBC / Cartrefi Conwy waiting list (monthly since Jan 2010) Source: CCBC / Cartrefi Conwy joint waiting list

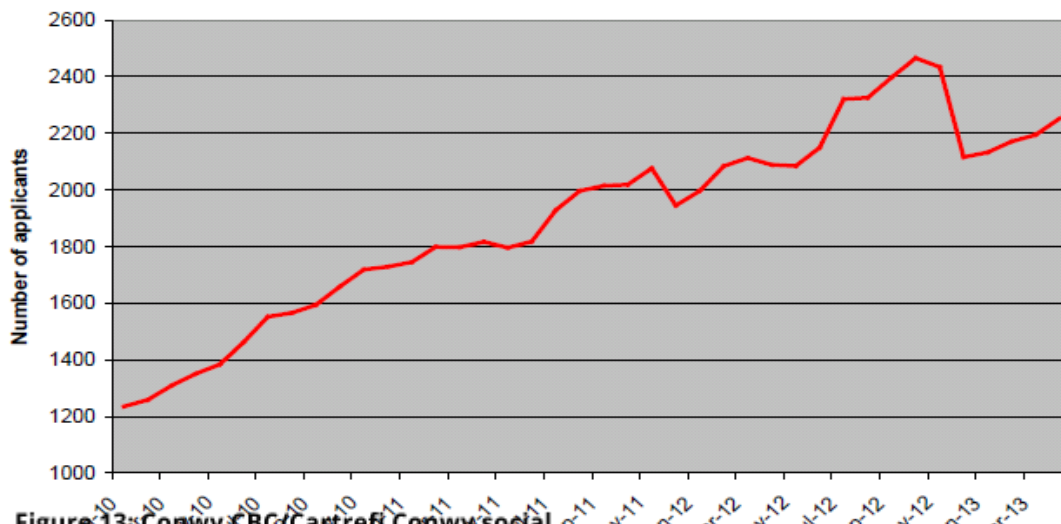


Figure 13: Conwy CBC / Cartrefi Conwy social housing waiting list

From these figures it is clear that the housing market in Conwy has become one that is inherently unaffordable. Many people cannot afford to buy and do not qualify for social housing, and therefore often their only option is to enter the private rented sector.

Our research question: What are the costs of setting up a privately rented home?

This chapter explores the growing crisis of affordability in Conwy’s private rented sector, in particular focusing on the financial barriers and emotional impacts faced by people trying to move home. We wanted to ascertain whether high deposit costs result in people being trapped in substandard accommodation, unable to move to housing better suited to their needs because they cannot afford the set-up costs. Set-up costs include the numerous fees that must be paid in order to secure, move into and settle into a privately rented home: for example the costs of looking for a property, agency fees, security deposits, rent in advance, moving costs, and purchasing furniture, etc.

We were particularly interested in determining the cost of moving home in the private rented sector beyond financial fees alone. Does it cost more than money to set up your private rented home? How does it affect those who suffer from conditions such as depression and anxiety?

⁶⁵ Cartrefi Conwy is the largest social landlord in Conwy, with over 3,700 properties across the county

This research could not be timelier. In autumn 2015, devolved Welsh housing policy will come into being that will not apply to anywhere else in the UK. This gives our research a useful and unique opportunity to create a picture in tandem with the introduction of the Housing (Wales) Act 2014. We hope to follow up this research project in the future in order to evaluate the impact of these legislative changes.

Methodology

The methods used to conduct this research were twofold. Firstly, we asked participants to complete a brief survey. We then conducted semi-structured interviews with a smaller sample. In doing so, our primary research used elements of quantitative and qualitative data. Using two methods enabled us to gain both a broad understanding of the barriers to setting up a privately rented home, and provided an insight into the everyday experiences of those struggling to afford to move house.

Survey

A brief survey was designed to be used with all previous clients who had visited Conwy Citizens Advice in 2014/15 in relation to an issue with their privately rented home. The survey gathered information and opinions on the costs of setting up a privately rented home, as well as the quality and appropriateness of private rented sector accommodation, and helped to identify suitable participants for in-depth interviews. The survey was issued to participants using three methods; through telephone calls to Citizens Advice clients in Conwy who had previously come to us with a problem relating to the private rented sector; in the reception of drop-in sessions of all Conwy Citizens Advice offices; and through postal distribution. In total, 36 participants completed the survey.

In-depth interviews

To complement our findings from the survey and develop a more detailed understanding of the everyday lived experiences of set-up costs in a privately rented home, we conducted five in-depth interviews with participants identified through the initial survey.

For our interviews, we followed a semi-structured method, whereby we used a topic guide to frame the interviews, whilst allowing for people to raise the issues they felt were most relevant to their lives. Using semi-structured interviews enabled comparison between participant stories and helped us identify trends and differences in experiences.

Findings

'Held Hostage': Deposits, fees and the affordability trap

Issues around the cost of setting up a home in the private rented sector were linked to multiple problems faced by participants, including negative landlord experiences and properties in disrepair. Respondents talked emotively of homes which were completely uninhabitable, absent landlords they had never met, and the stark choice between either living in a home in complete disrepair or homelessness. As one participant, Ella, commented;

"I was physically sick for weeks when I found that I would be trapped in this home, the thought of homelessness makes me numb and I'm getting beyond worried that it's inevitable".

Due to the need to pay security deposits, administration fees and several months of rent in advance, participants often felt they had become trapped in their sub-standard homes, as they simply could not afford to repeat the costs of setting up another home.

As a result of this, many participants spoke of the impact this had on their mental and physical well-being, and almost half of our survey respondents did not consider themselves settled in their home.

Case Study: Clara

Clara is 44 years old, single and living in Llandudno (a coastal town). She works part-time and earns around £495 a month. Yet she pays £620 a month in rent, leaving her in ever-increasing debt and struggling to live. Her asthma and depression are both exacerbated by her stone-built home which is very damp and she cannot afford the energy needed to heat it. She told us how desperate she is to move to a home where she can afford both the rent and heating but she cannot even afford to look for a new home as this involves paying for internet access and buying local newspapers.

Unable to buy essentials like food and clothes, she told us that she has to *"take left over food from work"*, referring to such coping strategies as *"just what you have to do to survive"*.

To move into her current home, she paid a £700 security deposit and 6 months' rent in advance plus lettings agency fees. The total upfront cost of her new home was over £4,000 before she moved in. She could only afford this through selling her previous home after a divorce; she remarked that without the money from the house-sale she would likely have become homeless.

To move into another rented home, Clara would need to give a month's notice, pay another security deposit and rent in advance, plus lettings agency fees and any additional costs. This essentially means paying for two homes simultaneously which she says make it impossible to move, even if she can find a more suitable home. She says she feels as though she is *"being held hostage"* in a home that is adversely affecting her physical and mental wellbeing.

The debate around people who are struggling with difficult choices when it comes to coping with balancing housing costs and other essentials is familiar. Clara's story reminds us that for many others this choice has moved on; it is no longer a choice between 'heating' and 'eating', she cannot afford either.

Clara also exemplifies a growing concern about the upfront costs of moving. 13 of the 36 survey respondents regarded the deposit they paid to move into a home as unreasonable, with half having to pay a number of months' rent in advance on top of this. Of particular concern was the fact that over half of participants stated that they did not know whether their deposit was protected, despite the fact that they are legally required to be protected.

Nearly **50%** of private renters interviewed by Conwy Citizens Advice are living in fuel poverty

Debt appears to be an issue that goes hand in hand with the lack of affordability in the private rented sector, in part due to set-up costs. Fuel poverty and falling into arrears were commonly reported in survey responses:

- 15 claimed to have suffered fuel poverty in their privately rented home;
- 11 said they were unable to afford essentials such as food and fuel;
- 25 claimed that the costs of setting up their private rented homes has limited the sustainability of their situation
- 15 reported that moving into a PRS home resulted in falling into debt or arrears.

Like Clara, two other participants could not have afforded to move into their

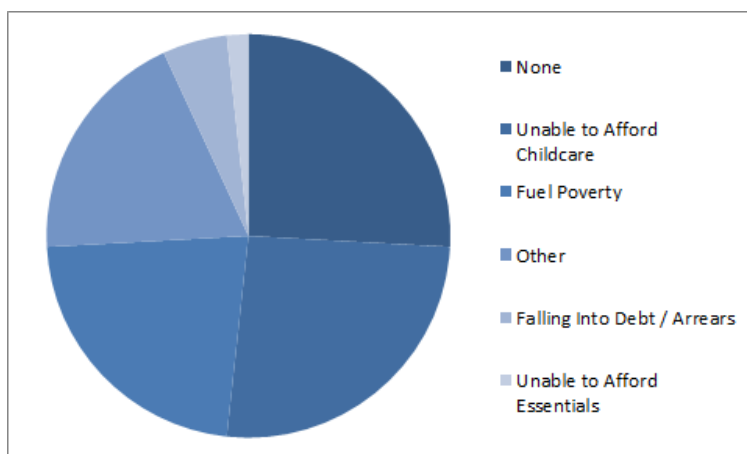


Figure 14: Main problems encountered after setting up a privately rented home

homes had they not have had some sort of financial support, either from a family member or the sale of a home. Abbie was going through a separation and relied heavily on support from her ex-partner to pay the setting up costs of her home, whilst another participant Charlie received help from his father. Without this support, both participants stated that they would likely be homeless.

Abbie explained how she felt let down and caught in an impossible situation: *"I thought after owning my own home renting would be less stressful, but it is the opposite."*

Clara, Abbie and Charlie all expressed feelings of being trapped in their homes as a result of the costs of moving. They all wanted to move either due to their landlord, issues of fuel poverty, debt and arrears, or the poor state of repair of the housing in which they were living. 14 out of 36 survey respondents rated the state of repair of their privately rented homes as below average, with 8 describing their home as 'terrible'. Half said their home is unsuitable for children. As one participant, Lisa, told us;

"The house nearly killed me ... the home was like hell ... somehow I still owed the landlord money".

Charlie explained his emotional exhaustion after constant struggles with his landlord in order to try and get the heating fixed, and the effect this has had on him and his partner; *"I literally feel stressed every day...we argue over him [the landlord]. We just want to go ... but we can't without our deposit back which we don't even think is protected"*. Charlie's experiences are an example of how the costs of moving are not just financial, but mental and emotional. So many find it too difficult to cope with the costs of setting up another home and fall into depression and other difficult situations as a result.

Exclusion, debt and the threat of homelessness

Darren had not been lucky enough to have the support of family or friends, and became homeless because he could not afford to put a deposit down on another home after being evicted; *"I had a mental breakdown when I had to 'sofa surf' and was diagnosed [with] clinical depression ... I couldn't afford to even begin looking at other homes because I had to pay to even look at other houses properly."* This again shows the costs of setting up a home are not always obvious or totally visible. In the same way that Clara had to pay to search for homes using the internet and newspapers, Darren had to pay to actually go and view the homes he found. When asked to explain how he felt about these unexpected costs, he described them as *"exploitation"*.

Darren also highlighted that due to claiming benefits, few landlords were willing to accept him as a tenant, reducing his chances of accessing a home even further. Landlords discriminating against 'DSS'⁶⁶ tenants has been a prevalent issue for years, and can make finding a home even more difficult for people who claim

⁶⁶ The term "No DSS" is a commonplace term used to express an unwillingness to take tenants receiving state benefits – especially Local Housing Allowance. It is not surprising that some people are not even sure what DSS means given that the former Department of Social Security was replaced by the Department for Work and Pensions in 2001. Unsurprisingly those affected by such discrimination are left in no doubt what the term means for them even if they are too young to remember the DSS itself. An outdated term for old-fashioned discrimination that should no longer be allowed.

welfare benefits. Darren currently receives benefits including Employment and Support Allowance and fears that he will not be able to find another home due to landlord discrimination towards tenants in receipt of benefits; *"It could definitely put me back on that road again [referring to a previous mental breakdown], I feel like I'm trapped in a catch 22 situation. Landlords are brushing everyone together; I am never given a chance simply because I'm on benefits. Which makes no sense because if anything that makes me more stable"*.

The problems Darren faces are by no means an isolated issue. Conwy experienced a rise in homelessness between 2002 and 2006 with a peak of 675 cases presented to the Council in this period, although this started to decline until 2010. However, homelessness is on the rise once again in Conwy, with 495 cases presented in 2012 and a continued increase to the present year. This increasing rate of homelessness is consistent throughout Wales.

Often, those trying to access the private rented sector are left with stark choices that can leave them facing either homelessness or mounting debt as a consequence of arrears. Amy told us how having to move several times from one privately rented home to another has sent her spiralling into debt; *"I'm £900 overdrawn, I know I can't pay it back ... it's just unavoidable"*. With 41.8% of survey participants stating that they fell into debt due to the setting up costs of their privately rented home, it is clear that for many the double bind of having to choose between debt or homelessness is the reality of the private rented sector.

Conclusion

Throughout our research it was clear that the set-up costs of a privately rented home are a very significant financial barrier for many. All participants had either struggled to pay the costs to move into a new home, or would be unable to leave their home and set up another without serious difficulties. Several participants stated that they could not have afforded to pay the costs of setting up their home without financial support from a family member, demonstrating that the set-up costs of a privately rented home are often extremely difficult to attain. Accessing a privately rented home was made more difficult still by the prevalence of landlord discrimination against people in receipt of benefits. So for many finding a privately rented home that is both affordable and available to them is simply impossible.

People described themselves as 'trapped' in homes that are harmful to their mental and / or physical health due to fuel poverty and poor maintenance. The in-depth interviews examining this found that some people experienced severe psychological impacts, with some highlighting relationship breakdown and extreme stress as consequences of their housing situations.

The importance in understanding these prominent housing issues in Conwy is vital in developing realistic and effective solutions to the problem of unaffordability in

the private rented sector. The first ever Housing (Wales) Act came into law in September 2014, key elements of which focus on the introduction of a compulsory landlord registration and licensing scheme, and placing a stronger duty on local authorities to prevent homelessness. Now is a pivotal time in Welsh housing policy; and brings hope that the Welsh government are committed to addressing the pressing issues of affordability and quality of the private rented sector.