 <b>Executive March 9<sup>th</sup> 2016</b>		<b>Agenda Item No.</b>  <b>8</b>
<b>Title</b>	The Rental Exchange Project	
<b>For further information about this report please contact</b>	John Gallagher Income Recovery and Financial Inclusion Strategy Manager 01926 456411 john.gallagher@warwickdc.gov.uk	
<b>Wards of the District directly affected</b>	All wards	
<b>Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?</b>	No	
<b>Date and meeting when issue was last considered and relevant minute number</b>	N/A	
<b>Background Papers</b>	Attached	

<b>Contrary to the policy framework:</b>	No
<b>Contrary to the budgetary framework:</b>	No
<b>Key Decision?</b>	No
<b>Included within the Forward Plan? (If yes include reference number)</b>	Yes # 747
<b>Equality and Sustainability Impact Assessment Undertaken</b>	Yes
A detailed Impact Assessment was undertaken by Big Issue Invest, Experian and a number of Housing Associations involved in the original pilot scheme – the reports are available on demand from the Income Recovery and Financial Inclusion Strategy Manager	

Officer/Councillor Approval		
Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive	15/2/2016	Bill Hunt
Head of Service	15/2/2016	Andy Thompson
CMT	15/2/2016	Bill Hunt
Section 151 Officer	15/2/2016	Mike Snow
Monitoring Officer	15/2/2016	Andy Jones
Finance	15/2/2016	Kunmi Joseph
Portfolio Holder(s)	16/2/2016	Councillor Peter Phillips
Consultation & Community Engagement		
Local stakeholders including CAB, Cava and representatives of local Community Centres were consulted at the Affordable Credit Conference that took place on 27 <sup>th</sup> November 2015. Further consultation with tenants and residents is planned should the recommendation in this report be agreed by the Executive.		
Final Decision?		No
Following analysis of the Stage One assessment of the Rental Exchange in Warwick District, a further report will be made to Executive if the assessments suggest that the Council could usefully progress to full implementation.		

## 1. **SUMMARY**

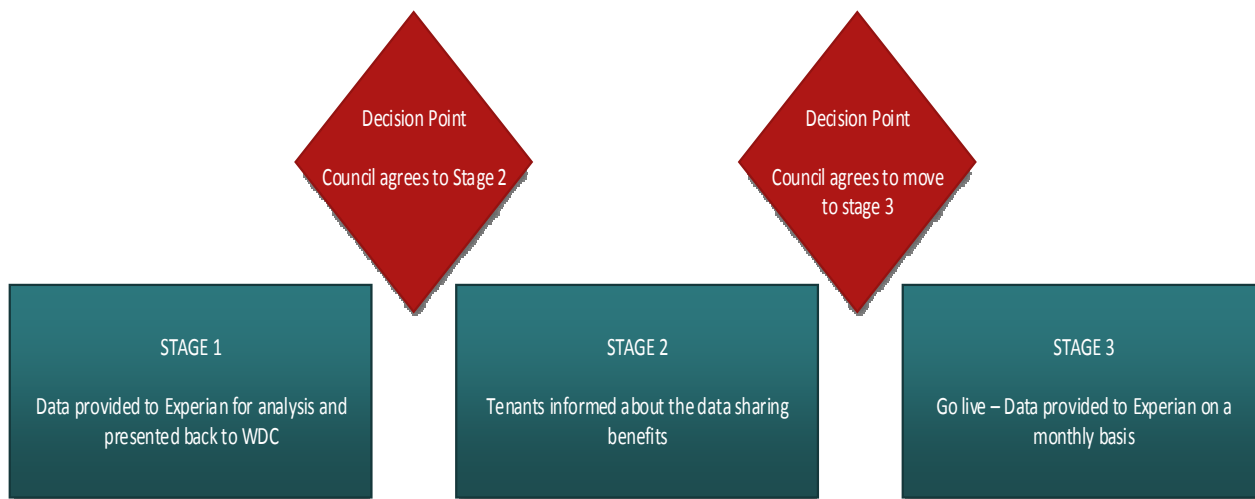
- 1.1 This report requests Executive approval to join the national Rental Exchange project which helps people secure lower priced credit and improves their digital profile.

## 2. **RECOMMENDATIONS**

- 2.1 That Executive approves the Council joining Stage One of the Rental Exchange project.
- 2.2 That Executive notes that following an assessment of the results of Stage One a further report will be submitted with recommendations based on the Stage One outcomes .

## 3. **REASONS FOR THE RECOMMENDATION**

- 3.1 Helping people to have access to reasonably priced credit from reputable providers and a range of options to buy from organisations such as energy providers represents an important part of the Council's strategy to encourage and support financial inclusion
- 3.2 Big Issue Invest, the social investment arm of The Big Issue Group and the credit rating firm Experian, have developed The Rental Exchange in response to the financial, digital and social exclusion challenges that tenants compared to homeowners face in Britain. By observing rental payment data in the same way that mortgage payment data is viewed by credit rating agencies, the Rental Exchange allows tenants with little or no credit history to build up a good credit file.
- 3.3 Warwick District has a strong financial infrastructure. However, this is not the case for a significant minority of residents. Data from City Save Credit Union indicates that the average credit rating for our tenants who have applied for a loan or a savings account is relatively low at 297(see appendix one). There are very few ways for our tenants to improve this score in order to access cheaper goods and services.
- 3.4 In the same way that mortgage payment information counts towards a credit profile, rental payment history can as a result of the Rental Exchange be used as proof of a tenant's financial standing and reliability. This will help tenants to create a proven and robust online identity and a good credit history and so make it easier to open a bank account, receive better gas and electricity rates or obtain cheaper credit. It will help reduce the risk of people turning to loan sharks and payday lenders for credit.
- 3.5 The Rental Exchange also helps tenants to build an online proof of identity which is important when applying for a utility supplier, a mobile phone provider or online shopping.
- 3.6 There are three stages to joining the Rental Exchange, set out below:



- 3.7 Stage One: This stage, conducted in a closed environment, is an initial sharing of data by the Council with Experian. Experian uses this data to assess the extent of the benefits that the Council's tenants may gain from the Council joining the Rental Exchange. There is no obligation on the Council at this stage to join the Rental Exchange.
- 3.8 Stage Two: If the research shows that there would be benefits to the Council's tenants, the Council would agree to move to Stage Two in which tenants are informed about the project, including the pros and cons of the Council becoming a full member of the Rental Exchange.
- 3.9 Stage Three: If there is evidence of widespread support from tenants, the Council becomes a full member of the Rental Exchange, sharing data on a monthly basis. All data is shared in a secure way and in full compliance with data protection legislation.
- 3.10 Before making any decision on full participation the Council needs to complete Stage One. It is therefore proposed that, subject to approval of recommendation 2.1, a further report will be brought back to a future Executive setting out the outcomes of the Stage One analysis and making recommendations as to whether there are sufficient benefits to justify proceeding to Stages Two and Three.

#### 4. **POLICY FRAMEWORK**

##### 4.1 **Fit for the Future**

- 4.1.2 The Rental Exchange project will have a positive effect on the Fit for the Future programme as, by helping support financial inclusion for the Council's tenants, the risk of rent arrears and other problems arising from people being excluded from such things as low-cost utility supplies will be reduced.

##### 4.2 **Sustainable Communities Strategy**

- 4.2.1 Housing theme – By joining the scheme the Council's tenants should be able to improve their credit rating and access goods and services in their community at a cheaper rate. This should have a positive effect on income collection as tenants should be able to manage their finances better. The recommendation in this report is consistent with and supports the delivery of the Council's adopted

Housing Strategy 2014-17 action point 1.3: "working with our partners across all sectors to support people in financial difficulties".

- 4.2.2 Prosperity theme– Currently there are few opportunities to access affordable credit in Warwick District for people with poor credit ratings. As a result, tenants are more likely to access credit from loan sharks; door step lending and pay day loans. As credit ratings improve tenants will be able to access loans and goods with lower rates of interest. That will increase the prosperity of the local communities as more income will be available for local goods and services
- 4.2.3 Health and Well Being theme – The link between health and well-being and income levels are well known. The savings a tenant can potentially be able to make over time should mean that they are better able to cope with fuel poverty, improve their diet and be better able to access sport facilities
- 4.2.4 Community Safety and Sustainability themes – Evidence from other organisations involved in the pilot, such as Riverside, Affinity Sutton and genesis housing associations, indicate that as circumstances for tenants improve through cheaper loans and improved credit ratings they are more likely to engage positively with their landlord in local communities

## 5. **BUDGETARY FRAMEWORK**

- 5.1 There is no cost to the Council in joining the Rental Exchange scheme.

## 6. **RISKS**

- 6.1 The sharing of data by public agencies is governed by the Data protection Act. Big Issue Invest and Experian worked closely with the Information Commissioner's Office (ICO) on this project to make sure that the associated data sharing did not fall foul of the provisions of the law. The ICO recognises that tackling social, financial and digital exclusion issues through enabling tenants to use information in a way that helps them is not something that should be prevented by the Data Protection Act.
- 6.2 In discussions with the ICO it was agreed that the appropriate processing condition for Rental Exchange was the 'legitimate interests' condition. Underpinning this is the requirement under the DPA 1998 to provide detailed 'fair processing information' by means of a 'Fair Processing Notice' (FPN) to tenants. The FPN must notify tenants about what data will be shared, who it will be shared with and for what purposes.
- 6.3 For current tenancy agreements, the FPN needs to be given to each tenant before any tenant data can be shared into the live Rental Exchange and accessed by lenders and other landlords (tenants must be given a 28-day notice period). There is no intention or desire to share data with the Rental Exchange for any tenant who objects. For tenants who do object, the Council will inform the tenant of the advantages of sharing and if the tenant still objects then comply with their wishes and exclude their data.
- 6.4 For new tenancies the FPN needs to be presented to the tenant, whether in a separate document or as part of the main tenancy agreement.

## **7. ALTERNATIVE OPTION(S) CONSIDERED**

- 7.1 The Rental Exchange is a national initiative developed by Big Issue Invest and Experian. There is currently no alternative to this scheme which can provide the same benefits to the Council's tenants.
- 7.2 If the Council chose not to explore joining the Rental Exchange, it may miss out on an opportunity to help reduce the cost of credit and increase the payment options for services such as energy supplies for its tenants.

## **8. BACKGROUND**

- 8.1 In 2010 Big Issue Invest introduced the concept of using rental payment information to help address the financial exclusion challenges that Social Housing tenants face. Tenants can find it difficult to access mainstream financial services such as affordable loans, bank accounts and credit cards. Often this is because there is insufficient information held on their credit file.
- 8.2 Many organisations rely upon credit scoring to decide whether to give customers access to financial products such as a mobile phone contract, a bank account or a loan at an affordable interest rate.
- 8.3 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.
- 8.4 For someone to be eligible for mainstream credit the general authentication requirement is two digital proofs of identity - for example a gas bill and a rent record. Without rent data, only 39% of tenants hold two or more electronic proofs. Once rent data is included, this increases to 84%. 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 such as fuel bills and car insurance.
- 8.5 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 more than two months' of non-payment). Around 72% tenants have no significant arrears on their rent so their credit score would improve.
- 8.6 Around 8% of tenants have serious arrears on their rent so would have their credit score reduced. This should not be viewed negatively. If a tenant is unable to pay their rent, for whatever reason, then it is unlikely they are suitable for a loan or other payment agreement. Therefore the Rental Exchange is designed to promote responsible borrowing and help people avoid becoming over indebted.
- 8.7 Tenants in receipt of full Housing Benefit would see no change to their credit score, but digital authentication would benefit them in terms of accessing services. However with the introduction through Universal Credit of Direct Payment, in which tenants will make rent payments direct to the Council from their Universal credit payment,, this policy will change as tenants will be responsible themselves for maintaining their rent account.
- 8.8 The majority of the Council's tenants pay their rent on time and so will be able to enhance their credit score.

- 8.9 A local example of how the Rental Exchange could benefit the Council's tenants is Solihull Community Housing. This body is a council-owned Arms-Length Management Organisation (ALMO) that currently manages, on behalf of Solihull Borough Council, around 11,000 properties. It has moved Stage Three of the Rental Exchange process and found that:
- 94% of their tenants improved their credit score
  - 22% moved into main stream credit
  - 6% of their tenants credit score worsened
  - 85% of their tenants can now prove their identity electronically
- 8.10 Nationally, there are 800,000 tenants currently taking part in the Rental Exchange. In addition to this a further 60 housing providers are in the process of joining the scheme.