Rent Deposit Schemes

Housing Justice Guidelines

For projects awarded funding through the Equipping Shelters Programme

Winter Season 2019/20

These recommendations from the Housing Justice London Catalyst Team are not a prescriptive set of rules. They are things to consider when developing your ESP funded rent deposit scheme, that encourage sustainability, fair-practice and efficient implementation.

The Offer

Will you be providing the rent deposit as a one-off payment or as an interest free loan, with the expectation that the guest will repay through manageable monthly repayments?

- The 'terms' of the scheme should be clearly explained to the guest at the start of the process. They should understand what is being paid to whom and exactly what is expected of them.
- If asking for repayments, it is useful to explain why, E.g. *"So we can support others in a similar situation to yourself".*
- You may want to consider drafting an agreement that can be signed by the guest.

The benefits of the 'interest free loan' option are as follows:

- **Sustainability** – repayments allow funding to be re-used for future guests, increasing the amount of support offered for sustainable move-on.
- **Empowering** – encouraging guests to take responsibility for their future finances helps to build resilience, rather than just being given a 'handout'.
- **Budgeting** – It offers the opportunity to have a positive conversation around personal budgeting. You can help the person think about/plan their monthly income and outgoings and explore how they are going to manage this.
- **Banking** – Encourage the guest to set up a direct debit/standing order for the agreed amount. They may need your support with this, but it helps to build confidence when engaging with their bank/online banking.

It is important that the monthly repayment amount agreed between you and the guest is manageable as you don't want to set the person up to fail.

You should be prepared that you will not receive the loan repayment in full.

- Once a guest has moved on from the shelter, and you are not in regular contact, the guest, may decide not to continue repaying the loan each month.
- How you decide to 'chase' these payments is at your discretion, but should involve sensitivity. It may be that the person has lost their employment and is embarrassed to let you know. This could be a good opportunity to re-engage with the person and offer support.

The Tenancy

Whether you are supporting your guest to find their accommodation, or they are doing this independently, it is important to be sure that it is a legitimate tenancy with a reputable landlord.

- Request a copy of the tenancy agreement/contract before handing over any money and read carefully. If unsure, seek professional/legal guidance. Be mindful of the nature of tenure.
- Check that the landlord is reputable using: https://www.london.gov.uk/rogue-landlord-checker
- Be wary of landlords requesting 'Incentive Payments', as there is no accounting for the money and no return. There have been negative stories of landlords terminating tenancies after 12 months, for no good reason other than to receive further payments.

Paying the Deposit

It's advisable not to give the money directly to the guest so as to avoid any temptation to spend it.

- Some landlords can be resistant to accepting payments from organisations, and therefore may require some delicate conversations. Be mindful of the language used, and avoid using the term 'homeless' to prevent any negative stereotyping. A useful phrase is *"We have funding to support people with rent deposits".*
- Before handing over money, it is wise to check that the person who says he/she is the landlord does actually own the property. There have been cases of people having keys for a property that they don't own and pretending to be the landlord in order to defraud people. You can check who owns the property for £3 at this site: https://www.gov.uk/search-property-information-land-registry
- Landlords are required to secure deposits in the governments Tenancy Deposit Protection scheme: https://www.gov.uk/tenancy-deposit-protection
- Consider who is named on the deposit as this may effect who receives the returned payment of the deposit at the end of the tenancy.

There should be careful consideration within your project around who will receive the money at the end of the tenancy – your project or the guest/tenant.

- If the guest has been making repayments on the initial deposit, then ideally the return should go to them and can be used for their next tenancy.
- If the deposit was given as a one-off payment with no repayment plan or there was default on the repayments, it should be factored in that the guest could receive a lump sum of money if they terminate the tenancy and return to homelessness.
- If your project expects to receive the returned deposit, it can be used to support others with sustainable move-on. Be mindful of safeguarding this return at the start of the process.

Other Resources

Many local councils and charitable organisations run rent deposit schemes or something similar. It is worth doing your research to enable your scheme to work in the best way for your project and for the people you support:

https://england.shelter.org.uk/housing_advice/private_renting/rent_deposit,_bond_and_guarantee_schemes