



ethical lettings

UNIVERSAL CREDIT

TOP TIPS FOR LANDLORDS



Ethical Lettings has been working within the Universal Credit system for the last 10 years. 94% of its tenants are in receipt of Universal Credit and this amounts to over £2 million in rent payments per year.

Ethical Lettings has put together a top tips guide to help landlords who are considering the sector or find themselves with a tenant in receipt of Universal Credit.

1

Make Universal Credit payments work for you

Ethical Lettings' first tip relates to finding out and understanding payment dates.

Ask your tenant what day in the month they typically receive their Universal Credit payment. This will be the same day every month (earlier if their payment day falls on a weekend or Bank Holiday). What this information also tells you is what their assessment period is as the payment date is always 7 days after the end of the assessment period.

For example, the tenant tells you that they receive their payments on 7th of every month. This means that their assessment period ends on the last day of the previous month. Their next payment is 7 February 2022 so their assessment period for that payment is 1 January – 31 January 2022.

Why is this important we hear you say? Well this means that any changes during this assessment period will be paid on 7 February 2022, any changes outside of this assessment period will be paid on 7 March



2022! So if the tenancy starts on 28 January 2022, the first rent payment could be paid as early as 7 February 2022 (and not the month in arrears commonly thought by landlords and agents). If the tenancy started on 1 February 2022, the first rent payment wouldn't be until 7 March 2022!

Sometimes tenants may need to make a new claim for Universal Credit. Ideally this should be done either prior to the tenancy start date or at the latest, on the day of the tenancy start date. When a new Universal Credit claim is made the same rules apply on assessment periods and payment date. The assessment period will start on the day the Universal Credit claim is made and the first payment will be seven days after the assessment period ends.

At Ethical Lettings we always try and tie in rent direct debits with Universal Credit payment dates whether that be one week in arrears or 5 weeks in arrears.



2

Declare the change correctly

When a new tenancy is created, this is considered a change in circumstances and the tenant needs to “Report a Change” to Universal Credit. The tenant can do this by logging onto their online Universal Credit account and choosing “Report a Change”. They need to choose the option “Where you live and what it costs”.

They will then go through the prompts which will include asking for address details, rent amount and landlord details. Once submitted they will be required to provide proof of the tenancy in order for the housing costs to be verified.

If you’ve provided your tenant with just a paper copy of the signed tenancy agreement it would be in your favour to scan this document and

email the tenant a copy. This can then easily be uploaded by the tenant to their journal. The tenant will also be asked to provide proof of address – again, being prompt in putting bills into the tenant’s name works in your favour here. Or even providing them with a letter confirming the tenancy and start date in an email format means that there shouldn’t be delays in having their housing costs verified.

At Ethical Lettings ensuring Universal Credit change of circumstances are completed and documents uploaded are all part of our routine tenancy set up and settling in checks.

3

How to arrange direct payments

It is possible to arrange direct payment of the Universal Credit to landlord however Ethical Lettings strongly advises that you discuss this with your tenant before submitting the request. The reason we recommend this is because the request appears on the tenant’s Universal Credit journal for consent.

Follow the on screen prompts. You will be required to provide a reason for your request and this is where it helps to know more about your tenant. For example, have they struggled with debt in the past? Have you accepted your tenant via the Local Authority and therefore they have a homeless background? Are you mid tenancy and served a notice?

Of course if none apply, you can use the “None of the above” option and provide further

reasoning. This could include (if applicable), “it’s a clause in the tenancy agreement that any housing costs from Universal Credit are paid direct” or “Tenant has asked that housing costs are paid direct”.

Once the direct payment has been approved, you will receive a phone call verifying your bank details and then a confirmation email. In the experience of Ethical Lettings, this phone call is typically received in the seven days following the assessment period but before

**To submit a request for
direct Universal Credit
payments;**

<https://bit.ly/3fWA3yT>

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What is a Universal Credit statement?

Roughly three to five days before a Universal Credit payment is due, the tenant will receive a payment schedule on their online Universal Credit portal. This can be viewed by choosing the option “Payments” and choosing the respective payment date.

A statement will detail the breakdown of the personal benefit that the tenant will be receiving but will also detail how much is being awarded for housing costs and where this is being paid.



At this point your tenant will be aware of how much they are to receive in housing costs and where these housing costs are due to be paid.

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Understanding Common Universal Credit Problems

This section helps to explain some common problems experienced by landlords and provides some of the common explanations. Ethical Lettings would always recommend discussing any problems with Universal Credit payments with the tenant in question and offering as much support as possible during what is normally a very stressful time for any tenant.

The first common problem experienced by landlords is an expected Universal Credit payment not materialising. This can happen for a variety of reasons but the most common experienced by Ethical Lettings are as follows;

- The direct payment arrangement has not been successful and the payment towards housing costs has gone to the tenant for them to transfer for their rent
- The tenant has requested that the payment towards housing costs be paid direct to them so they can transfer for their rent
- The housing costs have not been correctly verified during the assessment period (ie the tenancy agreement hasn't been uploaded or the proof of address is missing). Don't panic in this situation, this can normally be rectified by the tenant requesting a backdated payment
- The tenant has had a significant change in income and is now no longer entitled to any housing costs via Universal Credit. This can be common one month a year if your tenant is paid four weekly and not monthly (ie one month a year they receive two pay checks and this throws their earnings that month to a level where they don't qualify for Universal Credit).
- The tenant has been subjected to the benefit cap and has suffered a significant loss in benefits – we will cover this in a top tip on its own.
- A more serious error has occurred but this is far less common. Ethical Lettings deals with over 200 Universal Credit claims each year and we have had one case of a tenant's Universal Credit account being entirely deleted in error and one case of fraud. In both cases the errors were resolved and backdated payments successfully received.

The Universal Credit payment is paid but it is less than expected. This can happen for a variety of reasons, the most common are listed below;

- The tenant has had a significant change in income and is now entitled to less housing costs via Universal Credit. This is particularly common for those tenants who are self employed and where earnings vary each month.
- The tenant has been subjected to the benefit cap and has suffered a significant loss in benefits – we will

cover this in a top tip on its own.

- The rent specified in the tenancy agreement is higher than the entitlement that can be paid under Universal Credit rules. You can check the rates available for your area.

Check rates available in your area;

<https://bit.ly/32xsdsf>



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How to Claim Back Rent Arrears via Universal Credit

If your current tenant (you can't apply for former tenants unfortunately) has more than two months rent arrears owing to you then you can submit an application direct to Universal Credit to have a regular amount deducted from the tenant's monthly Universal Credit for rent arrears and paid to you.

You will be prompted to enter details of missed payments and the level of arrears owed.

The maximum amount you can receive each month towards arrears varies by tenant and their circumstances but typically would be around £65 for a single tenant or around £102 for a couple.

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What is the Benefit Cap?

The benefit cap impacts mostly tenants who live in areas with higher market rents – for example, London and the South East. The idea behind the benefit cap is that it should incentivise work however it can severely impact single parent families with very young children who find it difficult to work around childcare.

The benefit cap means that a tenant cannot receive more income annually from benefits (Universal Credit included) than the average salary of a working counterpart. The benefit cap level is set at £20,000 per year (in a couple or have children) or £13,400 (single person) outside London. In London this is £23,000 per year (in a couple or have children) or £15,410 (single person).

Rent is included in this allowance, so the

higher the housing costs being claimed the more likely your tenant is to be affected by the cap. This can often mean that tenants can't afford the rent they are being charged and can cause problems between landlord and tenant.

Many households are exempt from the cap, they may be working more than 16 hours per week or have a disability that exempts them so the cap is not applied to everyone.

At Ethical Lettings we are used to dealing with the cap. For tenants who need to find work we help them claim top up payments from their Local Councils whilst we support them to find 16 hours per week work. We always carry out affordability assessments via our benefits calculator prior to tenancies starting to ensure tenants are claiming and receiving the right payments.

"Many households may be exempt from the cap, they may be working 16 hours per week or have a disability"

Who are Ethical Lettings?

At Ethical Lettings we offer peace of mind to landlords with our high-quality property management service - we have offices in Surrey and London and manage property across south east England. Our team are experienced, highly skilled and passionate about their work.

Our approach means we can offer a unique property management service that gives landlords much-needed peace of mind;

Guaranteed rent - we guarantee over £2

million of rents to landlords every year. You can be confident that rent will be paid throughout the tenancy

No fees - no set up, one off or regular fees to pay

Protection against risks - our deposit bond gives landlords security

Tenants - we find and check tenants and support them throughout the tenancy

"We guarantee over £2 million pound per year in rent"

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Use an Agent who Understands the System

The rewards for letting to a tenant in receipt of Universal Credit include longer than average tenancies, reduced void costs, lower tenant find Agency fees (due to reduced property turnover) and the feel good factor in knowing that you are providing someone on a lower income with a long term home. However, not all Agents know the market.

At Ethical Lettings, our landlords often tell us that they're keen to help and support households working on lower incomes and in receipt of Universal Credit but they find the whole system too daunting, risky and full of hassle. As landlords ourselves we understand this position and this is why we developed our guaranteed rent scheme.

94% of our tenants receive Universal Credit, yet our landlords are never bothered with any

problems experienced with the system because their rent payments are guaranteed, landlords receive their rent on time every time.

Dan, a landlord in Surrey, who has been letting his properties via Ethical Lettings says, "We have rented our properties with Ethical for many years now and have always been impressed with the team - they have worked hard, kept us informed, dealt with any tenants issues as they arose, and the rent guarantee provides a great security."

If you are relying on other High Street Agents to manage your tenant receiving Universal Credit, it is important that you feel reassured that they understand the system. Ask them about their experience and find someone who is going to support your tenant and create a long term sustainable tenancy.



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