



**How to...**

*help tenants manage their  
money*



# How to... help tenants manage their money

Helping tenants manage their money makes sense for everyone. Housing providers get reduced levels of rent arrears, fewer housing management issues, lower tenancy turnover, and tenants can get on with their lives without money worries holding them back.

Housing providers are aware that the changes being brought in by welfare reform will have a huge impact on the financial security of a large number of their tenants, making it even more crucial that tenants get the right advice and support from the start.

This 'How to...' considers the practical ways you can help your tenants improve their money management, access financial products which are right for them, and know where to turn for advice and support.

## The impact of universal credit

One of the features of universal credit is that benefit will be paid in one lump sum to most households, monthly, in arrears and will include money to cover housing costs. For some people, making their own rent payment and having more money upfront to manage over a longer period of time could be very challenging.

In addition, benefit capping and the size criteria reduction to be introduced in April 2013, will mean more tenants will have to top up their rent from money previously available for personal and household expenses. Many people affected are likely to need support with budgeting, as they adjust to living on less than they are used to.

## Budgeting and support

Many people living on limited incomes are already expert money managers. But for some, particularly those who are vulnerable, new tenants, tenants transferring to a new home or people experiencing a sudden drop in income due to job loss or relationship breakdown, help and support with budgeting can be crucial.

Whether you call it budgeting advice or a financial health check, a face to face meeting with new tenants, or tenants going through financial changes due to welfare reform or a change in personal circumstances, is an important part of tenancy support.

Consider:

- what kind of face to face budgeting support do you currently offer and does this need to be enhanced?
- what support and advice is most commonly asked for and are you able to offer it?
- what tools and resources are you currently able to offer?
- does your offer/sign-up process include checks on affordability and on income maximisation?

## Managing money

Helping people make budgeting plans and draw up income and expenditure breakdowns can be really useful for planning spending and working out where money is going. However, even with the best intentions, people can find budgets very difficult to stick to without additional help.

There are a range of resources, tools and products to help people budget realistically. Money Advice Services has a range of online resources to help people manage their money including budgeting resources and an online financial health check which help flag up potential money issues before they become a problem. For further information visit [www.moneyadviceservice.org.uk/en/tools/health-check](http://www.moneyadviceservice.org.uk/en/tools/health-check)

It's always important to make sure people are claiming all they're entitled to. A number of online benefit checkers are available free of charge. Turn to Us is a charity which helps people access the money available to them through welfare benefits and grants. Their website has an online benefit checker and also carries a range of other information on benefits and income maximisation. For further information visit [www.turn2us.org.uk](http://www.turn2us.org.uk)

## Paying rent and bills

A key feature of universal credit is that tenants on housing benefit, who are not in arrears or deemed vulnerable, will have money for their rent paid directly to them as part of a lump sum benefit payment. This means that they will need an account which allows benefits and wages to be paid in and money to be transferred elsewhere.

For many people, a basic or ordinary bank current account will fit the bill. Many will already use one and setting up a direct debit or standing order to cover rent will be straightforward. Bear in mind that not all basic bank accounts offer direct debit facilities as standard, so some tenants might need help to add these features to their account or change accounts.

Many housing providers have partnerships with retail banks and use these partnerships to help tenants open basic bank accounts. Arrangements can vary and are often agreed on a local basis, which can make it hard for large housing groups or providers with stock spread over a wide area to make arrangements which gives all of their tenants equal access to services.

Most housing providers first approach the bank with which they have a business relationship.

Some housing providers have asked that banks demonstrate what they can offer their tenants in terms of access to accounts and other support when re-tendering for business banking services.

Consider:

- have you got a partnership or a referral arrangement with a local bank to ensure that anyone who wants an account can get one?
- do you actively promote the arrangement to tenants?
- are frontline staff trained to explain what tenants need to do, and the documents they need to have in order to open an account?
- if you haven't got a partnership with a bank, you could approach the bank you hold your business accounts with first but consider how accessible they are to tenants, do they have a strong presence in areas where you have stock? Is there a need for partnerships with more than one bank?

However, for some people, basic or standard current accounts are not the answer, and can lead to greater financial troubles, due to charges for missed direct debits or unauthorised overdrafts. This might be because people have poor money management skills but could also be due to having a fluctuating income or income from sources where payment dates vary.

To help address this:

- ask tenants without an account why they don't have one, it might be because they've been refused, it might be a considered choice due to fears of losing control of their money, or of having bad previous experiences with bank accounts
- where tenants say they do have an account check whether they use it - it might be heavily overdrawn and any benefit or wages paid in could be swallowed up
- consider whether you could also offer alternatives to a bank accounts, such as a credit union current or budgeting account or a commercial bill paying account.

Some housing providers are working with credit unions and commercial companies in the financial services industry to develop bespoke financial products for their tenants. The majority of these products are not available for free and usually incur a fixed monthly payment. However, many housing providers are considering the business case for subsidising or paying for products, particularly for those tenants who might have particular difficulty managing their money.

## Accounts that help people to budget

Budgeting or jam jar accounts are designed to help people manage their money and budget for bills and rent. They can be very useful for people who find a standard bank account does not meet their needs. Account holders arrange for their benefit or wages to be paid in, and for specific bills to be paid. In some cases, day to day spending money can be held separately within the same account or transferred on to a pre-pay card, so people know how much they have available to spend at any one time.

A number of credit unions currently offer or are developing budgeting accounts. Most charge between £3 and £5 per month. Although these accounts come at a cost, credit unions report that members are happy to pay as charges are made clear from the outset, and many members have previously had far larger unexpected bank charges for missed direct debits or unauthorised overdrafts.

## Learning from others

A group of housing providers in Greater Manchester including **Northwards Housing** and **Bolton At Home** are working with Manchester wide credit unions to offer accounts which allow tenants to make direct rent payments and manage their budgets. The housing providers are exploring whether current credit union systems can be used to offer these accounts at a reasonable cost.

They aim to work with credit unions to:

- offer accounts with automated rent payments, to keep transaction costs to a minimum
- consider funding or part funding costs of accounts for some tenants
- help credit unions build their membership base by promoting membership amongst housing staff and amongst the wider community
- support local credit union marketing campaigns.

The housing providers involved want to ensure that where money is spent on transaction costs, as much of it as possible goes into the credit union sector. This will enable surpluses to be available to improve credit union services for customers. The group also want to work with providers who are interested in delivering financial services to both the housing providers and their most excluded tenants at zero or very low cost.

The work is supported by the Northern Housing Consortium, and Association of British Credit Unions (ABCUL).

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## Learning from others

**Citysave Credit Union** covers the Birmingham local authority area. They consulted with housing providers across the region in order to identify client groups who may be most at risk of being financially excluded and how to best provide tailored products and services for these clients.

Based on this feedback a managed account that is flexible to the payment structure of the client group has been developed:

- the main aim of the account is to stabilise household's finances by paying rent, and council tax and rent arrears
- the next payment is any utilities. This is limited to key household bills – energy, water, home insurance, TV licence. Some client groups, such as those staying in supported housing or sheltered accommodation may only have one overall bill, but this is easy to accommodate in the structure. Home landline or internet connections are also included, as digital inclusion is seen as key component of empowered financial management
- all members must have a savings plan, and may use the structure to repay a loan - this may include a debt payment arrangement
- other expenditure such as groceries is paid for from the members' free funds. This free balance may be sent to a mainstream bank with free banking e.g. RBS step account or similar. Alternatively it may be paid onto a prepaid card. For some client groups, they may need the free payment made weekly from a monthly wage, others may need 2 payment cards, one for them, one for a carer – this is also easy to adapt.

Citysave's Trusted Partner initiative has also meant that they have been able to identify partners in the region and offer them the opportunity to become front end users of their IT system in order to sign up clients who may well benefit from the jam jar account whilst conducting an advice session or an intervention.

Eight Trusted Partners are signed up to phase one of the project, including four housing providers and four intervention and advice agencies. These providers and agencies sign a Trusted Partnership Agreement which ensures they abide by Citysave AML and Data Protection procedures.

Benefits include:

- housing providers, councils and utilities will benefit from stable and secure income
- significantly lower bank charges – the use of payment cards and cash are expensive
- reduced conflict with customers caused by late or non payment
- early identification of genuine non-payment i.e. those choosing to not pay
- support for clients transferring from benefits to employment and other proactive client problem resolution. Where credit unions can't assist, the client will be referred to one of the many agencies that Citysave work closely with
- partnering with credit unions and Community Development Finance Institutions could see the development of other services. For example Citysave see a need for genuine first time buyer mortgages which support good tenants to aspire and move into home ownership through low cost shared ownership
- approaches from the care sector have been the most frequent with some national charities asking for a tailored version for their clients.

**Contact:** Flo Betts, Community Banking Manager, [Flo.Betts@citysave.org.uk](mailto:Flo.Betts@citysave.org.uk)

## Learning from others

Credit union current accounts and budgeting accounts are currently being offered to tenants who are part of one of the direct payment demonstration project. **London Mutual Credit Union** (LMCU) is working with Southwark LB and Family Mosaic to offer tenants taking part in the project the opportunity to open an account with LMCU.

LMCU (formerly known as the Southwark Credit Union) is a financial co-operative that exists for the benefit of members who live and/or work in the London boroughs of Southwark, Lambeth or Westminster.

As well as offering saving products and access to affordable credit, LMCU also offers a current account and 7,500 LMCU members currently hold one. The account can be used in a similar way to ones available from high street banks, and has facilities for direct debit and standing orders. There is no cheque book or overdraft facility, but members have a debit card which can be used in the same way as one from a high street bank. Accounts cost 99p per week. Some additional charges are made for returned direct debits for instance, however these are much lower than a high street bank. Charges are made clear from the outset, so there are no hidden costs. Many members who have opted for a LMCU current account have suffered heavy bank charges in the past, and so are happy to pay a fixed weekly fee.

In addition LMCU also offers a budgeting account. Benefits and wages can be paid into the account and rent and utility payments 'ring fenced' before being paid on, money left over can be paid into the current account. As a budgeting account is designed to help manage members' budgets and ensure that money is available before bills and rent are paid, the possibility of incurring additional fees are very much reduced.

**Contact:** Lucky Chandrasekera, Chief Executive, [lucky@creditunion.co.uk](mailto:lucky@creditunion.co.uk)

Following a feasibility study into the expansion of the credit union sector carried out in 2011. The Department for Work and Pensions (DWP) has ring-fenced £38 million to further develop the credit union sector. They aim to use the funding to expand and increase access to credit union services.

## Financial capability

Helping people improve their money management skills and change their long-term spending patterns can be one of the hardest areas of financial inclusion work, but also the most effective.

- work with the Citizens Advice Bureau (CAB) or advice services to offer one to one money management sessions
- group sessions often work best as part of existing programmes such as Independent Living Programmes, or Tackling Worklessness.

A number of organisations offer help to develop financial capability training. These include: Toynbee Hall in London [www.toynbeehall.org.uk](http://www.toynbeehall.org.uk)

CAB runs a network of financial capability forums linking bureaux and other agencies who offer financial capability work. For more information on how to link with agencies currently doing financial inclusion work please contact your local CAB

CAB has also produced a pack for organisations wanting to start their own financial capability programmes. For further information visit [www.citizensadvice.org.uk/wrd\\_fc\\_starter\\_pack\\_ext.doc](http://www.citizensadvice.org.uk/wrd_fc_starter_pack_ext.doc)

# Member get member



Great housing professionals make communities great places to live and work

**Are you an existing CIH member and do you know someone who is passionate about housing and making communities a great place to live and work?**

Members are invited to nominate someone to join CIH and recognise their commitment to improving the lives of the communities in which they work.

If your nominees register before September 2012 and commit to the three pledges below then they will receive their first 3 months membership absolutely **FREE**.

#### **Nominees must commit to 3 pledges:**

- I am committed to continually developing my knowledge and skills and to keeping up-to-date with the latest developments in the sector
- I will continually work to improve the lives of residents and ensure the wellbeing of the communities with which I work
- I will support CIH to champion housing with decision makers and the media, influence the political agenda and fight for a better housing sector

### **Why should I nominate someone?**

As an existing member and a champion of CIH, **we need your help to promote our work to other housing professionals in your region.**

**Our members are at the heart of our organisation** and they help inform our policy thinking, our good practice resources and help us to understand the challenges of delivering effective and efficient housing services.

By nominating someone you'll be encouraging them to take the next step in their career as a great housing professional, by becoming part of their professional body. As a CIH member, you get access to all the tools and knowledge you need to excel whether you're starting your career, studying or are an accomplished housing professional already.

**Nominate today!** Simply visit [www.cih.org/membergetmembercampaign](http://www.cih.org/membergetmembercampaign)

## Useful resources and information

Association of British Credit Unions  
[www.abcul.org](http://www.abcul.org)

Northern Money  
[www.northernmoney.org.uk](http://www.northernmoney.org.uk)

London Money  
[www.londonmoney.org.uk](http://www.londonmoney.org.uk)

My Home Finance  
[www.myhomefinance.org.uk](http://www.myhomefinance.org.uk)

Money Advice Trust  
[www.moneyadvicetrust.org](http://www.moneyadvicetrust.org)

National Debtline  
[www.nationaldebtline.co.uk](http://www.nationaldebtline.co.uk)

Co op White Goods Service  
[www.cooplectricalshop.co.uk](http://www.cooplectricalshop.co.uk)

Furniture Reuse network  
[www.frn.org.uk/](http://www.frn.org.uk/)

Energy Saving Trust  
[www.energysavingtrust.org.uk](http://www.energysavingtrust.org.uk)

Which Switch?  
[www.which.co.uk/switch/energy-advice](http://www.which.co.uk/switch/energy-advice)

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