Unlocking tenant financial resilience

Building partnerships between housing associations and community finance providers

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Contents

Foreword

Housing associations and community finance providers are natural partners. They hold common values and have a shared mission to improve the wellbeing of people in vulnerable circumstances.

Alongside the provision of quality affordable homes, housing associations offer community services, provide support to people in vulnerable circumstances and reinvest their income into delivering their social purpose.

While community finance providers offer a lifeline to people in need, providing fair and affordable credit alongside wider support services that help people build their financial wellbeing.

Though there are many examples of effective and long-standing partnerships between the two sectors, we believe there is still huge potential for community finance providers and housing associations to do more together to help the wellbeing of tenants – with significant benefits for both partners.

Too many tenants struggle to access fair credit

Tenants often lack the financial resilience needed to weather financial shocks or life events, with 80% having no savings at all. Many in this situation turn to unaffordable high-cost lenders.

Evidence suggests that 37% of all high-cost short term loans are made to renters, and social housing tenants are hugely overrepresented among users or home collected credit, also known as doorstep lending.

'When you're desperate, you do what you have to do. I have got seven kids. If you need a tumble dryer, you need a tumble dryer.'

Tenant

Even worse, social renters are at much greater risk of falling victim to loan sharks – of the people helped by the England Illegal Money Lending Team in 2020, 45% were social housing tenants.

With the withdrawal of Provident and the ongoing contraction of the home collected credit market, it's more important than ever that tenants have a fair and affordable option to turn to, that keeps them out of the hands of dangerous illegal lenders.

Landlords often find out too late that their tenants are in financial difficulty

Our research suggests that the most common point at which housing associations learn that a tenant is having issues is once they've already fallen into rent arrears.

With the average cost of an eviction estimated at £8000, and at a time when rent arrears across the social housing sector have risen by some 30% since the start of the pandemic, this is even more pressing.

Fair and affordable credit delivered in a timely way can break the spiral of debt, rent arrears and eviction, completely transforming the lives of tenants

This can also have profound financial benefits for landlords. Research on partnerships between housing associations and community finance providers suggest they can lead to better tenant management of rent payments, improved tenant satisfaction, and reduced tenant dependency on frontline employees. While

60% of customers of community finance provider Fair for You reported they were better able to pay their household bills thanks to the lender.

On the other side, partnerships with the housing sector give community finance providers a new market to grow into, and a better way to reach more of the 3.5m housing association tenant households across the country.

This report looks at existing partnerships, identifying areas of good practice as well as opportunities for growth, which we hope provide inspiration to organisations looking to work together. It shows how well-designed and committed partnerships can benefit housing associations, community finance providers and most importantly, tenants.

Fair4All Finance

www.fair4allfinance.org.uk

Campbell Tickell

www.campbelltickell.com

Executive summary

There is significant opportunity for housing associations and community finance providers to establish and expand partnerships to improve the financial resilience of tenants, with clear benefits for all parties involved

Drawing on insights from professionals and tenants, this report presents the case for increased shared working between housing associations and affordable lenders.

We look at existing partnerships, identifying areas of good practice as well as opportunities for growth. And we set out guidance on how the two sectors can create well designed partnerships for the benefit of their tenants and customers.

The case for partnerships

Under additional financial pressure from the pandemic, too many social housing tenants lack the financial resilience needed to weather everyday financial shocks. Many are forced to turn to high-cost credit, or even illegal moneylending as a result.

By providing access to fair and affordable credit, community finance can help tenants break the spiral of unaffordable debt, rent arrears and eviction. As well as transforming the lives of tenants, this can help community finance providers expand their businesses and can have profound financial benefits for landlords.

Benefits for tenants

Data from various sources show that social renters tend to have lower financial resilience. They tend to be poorer, are more likely to face financial difficulties and less likely to have savings than people from other tenures. Concerningly high numbers of social renters live without essential items, such as washing machines or cookers, and struggle to afford basic furniture for their properties.

Social renters are also disproportionately likely to be in debt, particularly to high-cost payday or doorstep lenders, and are at greater risk of being victims of loan sharks

Affordable credit offers a positive alternative for people in financial difficulties. It can allow people to meet unexpected and emergency costs without taking on unaffordable debt that will only cause their financial problems to spiral.

Community finance providers offer lending based on the borrower's ability to repay, and place significant focus on the wellbeing of their customers. They are able to provide flexibility on repayments and wrap-around services to empower borrowers to improve their financial resilience.

The benefits of affordable credit are not just financial. By providing a viable, sustainable way to navigate financial issues, affordable credit can have positive knock-on effects on borrowers' broader personal wellbeing. It can minimise the stress of struggling to afford essential items and enable borrowers to make better use of their resources to maintain the health and happiness of their household.

Benefits for housing associations

Housing associations have a vested interest in supporting the wellbeing of their residents. Benefits for tenants are also benefits for housing associations. And there are further positives that should convince housing associations it is worthwhile investing in partnerships with affordable lenders.

Rent arrears constitute a significant cost to social landlords and have increased substantially during the Covid-19 pandemic – by some 30% between March 2020 and January 2021, topping £1 billion for the first time

By improving the financial resilience of tenants, affordable loans can improve their ability to make rent payments.

Investing in partnerships with affordable lenders could be cost saving for landlords as tenants use the loans to navigate financial issues before they become unmanageable.

Early intervention to help tenants can stop financial issues crystallising and turning into problem debt. This can result in significant benefits to landlords, including better tenant management of rent payments, improved tenant satisfaction, and reduced tenant dependency on frontline employees.

Crucially, the development of partnerships between housing associations and affordable lenders has clear support from the Financial Conduct Authority (FCA)

The FCA and the government have introduced a specific exclusion allowing social housing providers to refer tenants to credit unions and community development finance institutions without the need for FCA authorisation. This means that partnerships can be entered into with confidence.

Benefits for community finance providers

Partnering with housing associations can help lenders expand their customer base. Through working with associations to offer loans to relevant tenants, lenders will be able to access a new market.

Looking at the socio-demographic characteristics of housing association tenants and customers of community finance providers, there is significant overlap and potential for them to support a large number of new customers.

Housing associations are well-established, well-regulated partners who are committed to improving the wellbeing of their tenants. Community finance providers can trust that associations share common goals with them, and are established, viable organisations with the capacity to deliver shared services.

Building successful partnerships

With shared aims, a clear understanding of how the scheme will operate and carefully designed staffing arrangements, partnerships between housing associations and affordable lenders can be successful and mutually beneficial.

Types of partnerships

Partnerships between community finance providers and housing associations can take various forms and be tailored to meet different aims. Looking at current examples of partnerships, we've identified eight different types, which show the different approaches organisations can consider.

These are not mutually exclusive - different approaches can be combined in one scheme to good effect:

Partnership type	Approach
Referral only, limited targeting	The housing association forms an arrangement with one or more community finance providers to refer on tenants who may benefit from affordable credit. Referrals are not targeted at any specific group but are offered either in a blanket fashion or to tenants who have already reached out for financial support.
Referral only, targeting by housing association	The housing association identifies a specific customer segment which could benefit from access to affordable credit. They proactively seek to contact these tenants and encourage them to apply for an affordable loan with the partner lender.
Loans underwritten by housing association	Tenants are referred on to the affordable lender. The housing association underwrites the loans offered, reducing the financial risk to the lender and increasing access to affordable credit to people who may have otherwise had their applications rejected.
Affordable loans linked to wider financial support offer	The housing association refers tenants who may benefit from affordable credit to a community lender while supporting them through their own financial support services.
Loans and financial support provided by community finance provider	The community finance provider offers not just affordable loans, but wider financial guidance and support for tenants. The housing association advertises the service and direct tenants to this support when needed.
Loans for white goods and household essentials	The housing association advertises a scheme to its tenants whereby they can apply for loans specifically to buy white goods and household essentials. The community finance provider offers access to a range of decent quality, fairly priced goods on manageable repayment terms.
Affordable loans available across multiple geographic areas	The housing association is able to refer tenants from across its entire stock portfolio to the same affordable lender.
Housing association employee partnership	The partnership aims to promote use of the community finance provider among the housing association's employees as well as tenants.

How can we strengthen partnerships?

Through surveys, interviews and consultation with these organisations and others, we have identified areas of good practice that typify successful partnerships, as well as areas where the offer for tenants can be strengthened further.

Key components for successful partnerships between community finance providers and housing associations include:

- Clear and sustained commitment from stakeholders at all levels
- Detailed business planning that sets clear parameters for success, assigns responsibilities and builds in review processes
- Proper promotion and marketing of the scheme, alongside clear signposting and referrals to services
- Early engagement with tenants, before financial issues crystallise
- A streamlined application process that allows the scheme to compete with speedy high-cost lenders
- Support for tenants with poor credit histories, or those who have to be declined for credit
- Defined reporting arrangements to assess the success of the scheme

A short guide to setting up a partnership

Finally, we've set out a short guide that housing associations and community finance can use to establish a successful partnership, which considers

- What each party wants to achieve from the partnership
- How a scheme should be structured
- Working arrangements between the partners

In summary, there is significant potential for partnerships between community finance providers and housing associations to deliver benefits for tenants, landlords and lenders

Affordable credit offers a lifeline to people experiencing financial difficulties, preventing them from taking on unmanageable debt that will lead to spiralling problems. And improved financial resilience and security have profound knock-on benefits to people's wider health and wellbeing.

Of course, improved tenant wellbeing and financial inclusion is a good in itself for housing associations, but it also has the potential to save them money as more tenants avoid problem debt and falling into rent arrears.

For community finance providers, better access to the 3.5m housing association tenant households in the UK represents a significant opportunity to scale their businesses and help more people.

Our research suggests there is an openness to increased collaboration between the two sectors, but also clear potential for more to be done. There are common areas of good practice in shared working and examples of strong and long-standing relationships that organisations can draw upon to establish their own successful partnerships.

By working together to promote access to fair financial products, housing associations and community finance providers can directly improve the financial wellbeing and resilience of social tenants.

Introduction

There is a clear and pressing case for the social housing and community finance sectors to expand the scale of their collaboration, forming new relationships or building on successful partnerships

There is a real synergy here. Housing association tenants are at more risk of using high-cost credit and falling into financially vulnerable circumstances and need access to a fair and affordable credit option.

Social housing tenants already make up a majority of the customers for many community finance providers, and partnerships provide an opportunity to reach new customers and scale this important sector.

For housing associations, improving access to community finance can help tenants reduce problem debt and rent arrears, and improving tenancy sustainment.

Crucially, the development of partnerships between housing associations and affordable lenders has clear support from the Financial Conduct Authority (FCA)

The FCA and the government have introduced a specific exclusion allowing social housing providers to refer tenants to credit unions and community development finance institutions without requiring FCA authorisation. This means that partnerships can be established with confidence of regulatory approval.

Fair4All Finance commissioned Campbell Tickell to carry out research on partnerships between community finance and social housing providers, explore the benefits of these partnerships and set out how they can be further developed and strengthened.

We wanted to learn what works well, identify barriers to growth and explore new partnership opportunities to help sustain tenancies, reduce homelessness and improve the lives of people in vulnerable circumstances.

The report looks at:

- **The case for partnerships**
  Access to affordable credit can help a wide range of tenants, particularly those facing financial difficulties who struggle to access mainstream lenders. Improving access to affordable credit amongst tenants can provide new customers for community finance providers and help reduce rent arrears for housing associations
- **Building successful partnerships**
  This section looks at current collaboration between the social housing and community finance sectors, and sets out areas of good practice that organisations can draw on to build successful long-term partnerships. It includes
  - An overview of possible **Types of partnerships**, with case studies of successful examples of these partnerships
  - A consideration of **How can we strengthen partnerships?** and make sure they run effectively
  - **A short guide to setting up a partnership**

The research involved formal and informal stakeholder engagement with housing association tenants and officers, credit unions, community development finance institutions, debt advice charities and others.

Participants were engaged in a variety of ways, including workshops, direct information requests, semi-structured interviews with lenders and tenants, and roundtable discussions with lenders, landlords and others.

52 housing associations, with a combined c.440k homes across England, completed a structured survey – which amounts to some 16% of total English HA stock, and which we therefore regard as sufficiently representative for these purposes. In-depth, confidential one-to-one interviews took place with a number of tenants.

We would like to thank everyone who took part in this project, especially the tenants who shared their personal stories with us, and the landlords and community finance providers who lent us their expertise

The case for partnerships

Our research suggests that around one-fifth of housing associations already have established relationships with credit unions or CDFIs, some going back many years

Of those surveyed that do not have such relationships established, 91% stated they would consider partnering with an affordable lender to support their tenants.[1] This illustrates a real appetite among associations to work in collaboration to provide more financial wellbeing support to their tenants.

There is a compelling case for more collaborative working between community finance providers and housing associations. We set out below reasons why partnerships would benefit everyone involved in supporting and working with social renters.

The need for affordable credit

The English Housing Survey 2019-2020 shows that social renters tend to have lower financial resilience and:

- Are **poorer** – over 40% of social housing tenants have weekly incomes of £300 or less, compared to 13% of owner-occupiers
- Are **more likely to face financial difficulties** – one in 10 tenants is in rent arrears and another 10% have fallen behind on rent payments in the previous 12 months; 27% of all renters reported finding it difficult to afford their rent
- Are **less likely to have savings** - 80% have no savings, compared with 60% of private renters and 40% of mortgagors

The scale of problematic debt and lending among tenants is also significant:

- FCA data from 2018 indicates that **37% of all high-cost short term loans are made to renters**[2]
- Analysis by Citizens Advice found that of their **debt advice clients who owed money to doorstep lenders, 62% were in the social rented sector**[3]
- Even more concerningly, **social renters are overrepresented among victims of loan sharks**: of the people helped by the England Illegal Money Lending Team in 2020, **45% were social housing tenants**

For some tenants we interviewed, intermittent borrowing was routine to enable them to meet needs and deal with unexpected costs.

Many tenants turn to high-cost lenders in response to everyday life events or financial shocks, or to provide household essentials

A tenant told us: 'When you're desperate, you do what you have to. I have got seven kids. If you need a tumble dryer, you need a tumble dryer.'

[1] Source: Campbell Tickell survey of housing associations 2021
[2] https://www.fca.org.uk/data/consumer-credit-high-cost-short-term-credit-lending-data-jan-2019
[3] https://www.citizensadvice.org.uk/Global/CitizensAdvice/Debt%20and%20Money%20Publications/Home%20credit%20report.pdf

Borrowing from families and friends was often the initial choice of tenants but was not always practical. Tenants were hampered by limited options when needing money quickly, sometimes resulting in borrowing from loan sharks at interest rates far higher than they had expected.

Debt then quickly became unsustainable and unmanageable, leading to people feeling overwhelmed and often not knowing where to turn for help.

'You can borrow from friends and family only so many times and then you are stuck, so you end up taking out loans from outside lenders.'

Tenant

While some housing association colleagues we spoke with felt torn on the issue of 'encouraging' tenants to borrow given their lower incomes, the fact is that borrowing, particularly from high-cost lenders, is part of the everyday reality of many tenants' lives.

There is also pressing question of what will fill the vacuum left by the shrinking home credit market, particularly with the high-profile withdrawal of Provident's 141-year-old doorstep lending business.

'The poorer you are, the more expensive debt is, because no-one is willing to lend.'

Charity worker

Tenants who have come to rely on home collected credit are at risk from loan sharks, which already disproportionately target social renters.

Now more than ever there is a need for a fair and affordable alternative that helps people to safely navigate life events and financial shocks without spiralling into debt.

Living without essential items

There are also a concerning number of social renters living without essential items. The charity Turn2Us reports that 17% of social renters are living without an essential item (a washing machine, cooker, fridge or freezer), and that this can cause them to pay a significant 'poverty premium' amounting to over £1000 a year to complete basic household tasks.[4] Going without can also lead to serious detriments to physical and mental health and wellbeing.

In addition to essential appliances, social tenants may struggle to afford basic furniture for their properties. Research by the End Furniture Poverty group indicates that as few as 2% of social rented properties are let as furnished or part-furnished, meaning that tenants may face significant costs to move into a property.[5]

We know that housing associations are aware of these issues, and many take active steps to support their tenants to find affordable methods of obtaining essential appliances and furniture.

Supporting access to affordable credit is one more method that housing associations could use to ensure that tenants have affordable means to adequately furnish and equip their homes.

The impact of Covid-19

The impacts of Covid-19 have significantly worsened the financial situations of many social tenants. It has resulted in many people struggling to make ends meet and turning to high-cost loans as a last resort. By January 2021, 2.8 million people had used high-cost credit to make ends meet since the pandemic began.[6]

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[4] https://www.turn2us.org.uk/T2UWebsite/media/Documents/Communications%20documents/Living-Without-Report-Final-Web.pdf

[5] https://static1.squarespace.com/static/5a02be2eb1ffb6f0e483368f/t/600562467fec5e68f590e657/1610965577234/No+Place+Like+Home+%28Final+-+Online%29.pdf

[6] https://www.stepchange.org/Portals/0/assets/pdf/Coronavirus-impact-dashboard-January-2021-StepChange.pdf

We know that social housing tenants' circumstances mean that they are less likely to be able to weather adverse economic conditions.

This has only been exacerbated by the pandemic. Peabody Housing, a key affordable housing provider in London, found in January 2021 that one in four of their tenants reported being in desperate financial straits, many with utility and credit card debts of over £1000.[7]

Furlough and reduced working hours have heavily impacted on working tenants and in the first six months of the pandemic, the number of their tenants claiming Universal Credit had more than doubled.

The Resolution Foundation, an independent think-tank focused on those on low-to-middle incomes, estimates that renters have been disproportionately affected by labour market changes as a result of the pandemic: 9% of families in the social rented sector were behind with rent payments in January 2021, representing over 280,000 households.

Taken together, this points to an immense pressure on household finances, particularly for social renters. This has had a knock-on effect on the amount of rent that housing associations have been able to collect.

HouseMark has estimated that, between March 2020 and January 2021, arrears across the social housing sector rose by 30%, topping £1 billion for the first time.[8] This situation is likely to get worse over the coming months as furlough ends and the full economic impact of the pandemic is felt.

How affordable credit supports tenants

We have shown that social renters, overall, are more likely to be on lower incomes, and less likely to have the funds or savings available to cover unexpected costs or to afford essential appliances, and so more likely to rely on high-cost borrowing, with related impacts on increasing housing association arrears.

Housing associations offer a wide range of support to improve the financial wellbeing of their tenants – access to affordable credit should be considered an important part of this offer.

Affordable credit can help build financial resilience. It allows people to meet unexpected and emergency costs, without taking on unaffordable debt that will only cause their financial problems to spiral.

For example, the community finance provider Fair For You provides flexible credit for people to purchase a range of essential household goods and appliances. Research into the social impact of Fair For You, by the Centre for Responsible Credit,[9] estimates that

- Fair For You has helped **71% of its customers move away from high-cost credit**, resulting in financial savings of nearly £9 million for their borrowers
- Customers have also **saved on average £30 per week** in reduced living costs by obtaining appliances through this scheme
- Other benefits resulting from households acquiring essential appliances include **healthier diets, improved mental health and improved self-esteem**

Similarly, it can help people bridge income shortfalls in a sustainable manner. Affordable credit offers an alternative to payday loans, where people can access credit quickly but at a much higher cost.

Community finance providers charge much lower interest rates and will undertake reasonable credit checks to make sure that people are not taking on loans that they cannot afford. Hoot Credit Union, a community

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[7] https://www.peabody.org.uk/media/14960/index_feb_2021.pdf
[8] www.housemark.co.uk/news/housemark-covid-19-impact-data-reveals-arrears-levels-have-reached-record-high-at-more-than-1-billion/
[9] https://responsible-credit.org.uk/wp-content/uploads/2020/09/CfRC-Social-Impact-of-Fair-for-you-report-final.pdf

finance provider in Bolton and Bury, estimates that their average member saves £200 in interest on a £300 loan, compared to a doorstep loan[10].

The benefits of affordable credit are not just financial. By providing a viable, sustainable way to navigate financial issues, affordable credit can have positive knock-on effects on borrowers' broader personal wellbeing. It can minimise the stress of struggling to navigate financial shocks and enable borrowers to make better use of their resources to maintain the health and happiness of their household.

Affordable credit cannot solve every financial problem. We know that some families simply do not have the income to cover their living costs. We are not suggesting that credit should be promoted to tenants who will not be able to pay off a loan, in these cases, other methods of financial wellbeing support are needed.

However, affordable credit is a vital tool to help prevent tenants' financial situations from spiralling beyond a point that is manageable, particularly where tenants would otherwise have gone to a payday or doorstep lender.

What is the regulatory position?

Some housing associations are put off from introducing tenants to affordable lenders because they believe this would attract additional regulatory burden from the Financial Conduct Authority (FCA). In fact, the FCA and the government have introduced a specific exclusion to credit broking regulations which means that social housing providers can refer tenants to credit unions and community development finance institutions without requiring FCA authorisation.

The FCA's guidance note **FG18/6 Helping tenants find alternatives to high-cost credit and what this means for social housing landlords** sets out details of the credit broking exclusion and makes the regulator's position clear:

'We want to support and encourage referrals to providers of alternatives when consumers need credit. We consider that in this area social landlords can play a key role in assisting tenants find alternatives to high-cost credit when looking to get essential household goods. This can create better options for consumers and could provide them with a cheaper, lower-risk source of finance.'

The exclusion means that if you are a registered social housing provider referring tenants (or potential tenants) to a credit union or a CDFI, as long as you do not charge a fee, there should be no need for authorisation.

This is an important statement from the regulator which presents a significant opportunity for increased collaboration between social landlords and community finance, in order to support the financial resilience of tenants.

To support social landlords on regulatory issues, the FCA has set up a specialist team that can provide individual guidance, which can be contacted at **RSL@fca.org.uk**

[10] https://www.wisewithmoney.org.uk/wp-content/uploads/sites/13/2020/10/The-Owl-Effect-Measuring-the-impact-of-Hoot-Credit-Union.pdf

What makes community finance providers different?

Community finance providers are an important resource for people excluded from mainstream financial services. They can save households significant amounts of money, compared to payday or doorstep lenders. They also offer a holistic, financial wellbeing service, with many offering wrap-around services such as financial guidance, income maximisation or linked savings that build customers' financial resilience.

Affordable lenders offer lending based on the borrower's ability to repay. They fall into two main categories: credit unions and community development financial institutions (CDFIs).

Credit unions

Credit unions are financial co-operatives that offer savings, loans and other financial services. Service users must become members, with the members owning and controlling the organisation. Their purpose is to serve members, not to maximise profits.

Membership of a credit union is based on a 'common bond', such as living in a specific geographical area or working for a particular organisation or profession, or a combination of multiple common bonds. Credit unions rely on the savings of members in order to fund lending, and so they encourage members to save where possible. Their interest rates are capped at 42.6% APR.

There are around 400 credit unions across the UK, with nearly 2m adult members and 0.5m juvenile depositors. They represent a diverse range of organisations, varying in size and typical customer profile, with a mix of better-off and less financially resilient members.

Community Development Finance Institutions (CDFIs)

CDFIs are social enterprises that provide loans and support to those unable to access finance from mainstream sources, who may have an insufficient track record of borrowing, poor credit rating and live in deprived communities.

Borrowers tend to be on low incomes – in 2019, half of CDFI customers earned less than £15k a year, while half were social housing tenants. Due to the higher risk customers they tend to serve, CDFIs operate a higher interest rate than credit unions. This allows them to compete more directly with payday lenders, while still being significantly cheaper. They also have no requirement for borrowers to belong to a common bond.

CDFIs are purpose-driven organisations with a commitment to supporting their customers' financial wellbeing. They may offer wider services to support the financial resilience of their borrowers, such as promoting saving through partner financial services providers.

There are several ways in which community finance providers differ from both mainstream lenders and high-cost lenders.

Access – community finance providers serve customers that mainstream lenders won't. They are more willing to lend to people on lower incomes and with poorer credit histories. This doesn't mean that they lend irresponsibly: community lenders undertake thorough affordability assessments and will work with people to help them understand how much they can afford to borrow.

Social purpose – their purpose is to support individuals and communities with affordable finance in order to improve their financial wellbeing. Credit unions are not-for-profit organisations, and CDFIs are not profit-distributing. Both reinvest surpluses to achieve their social objectives. This means they have no incentive to restrict borrowing only to those customers likely to generate the most profit.

Customer support – given this focus on improving financial wellbeing, community finance providers offer much more than just a loan. They often provide wrap-around services such as money management guidance, income maximisation services to support people to access all the benefits or other income they may be entitled to, and partner with debt advice services.

Building savings and financial resilience - many community finance providers seek to build financial resilience amongst their customers by encouraging saving. This is a core component of the credit union offer: credit unions offer a range of saving products including Save As You Borrow Loans (SAYB). Customers can take out a SAYB loan without any initial savings but are supported to become habitual savers while paying back their loan. This is extremely effective

Customer support

Working in partnership with Glasgow-based housing association ng homes, the CDFI Scotcash offers a money advice service to all tenants seeking affordable loans

Research for the Fairbanking Foundation showed that **67% of Save As You Borrow customers who previously had no savings, and found it impossible to put money aside, became regular savers.**[11]

Some CDFIs also offer savings products in partnership with other providers that allow customers to 'round up' loan repayments in order to build up a savings buffer for the future.

Flexibility - community finance providers can also be more flexible if people experience payment difficulties, and many have that flexibility set out in their collections policies, along with ethical approaches to enabling borrowers to reschedule payments.

Flexibility

Fair for You allows customers experiencing financial constraints to reduce payments for a while and works with them to move back to full payments when they are able to do so. It does not charge late fees or otherwise 'punish' customers for this. By working with customers, Fair for You can offer flexibility without this resulting in a significant number of defaults on loans - 80% of their loans are paid off within 52 weeks

[11] https://fairbanking.org.uk/wp-content/uploads/2017/02/Save-While-You-Borrow-web-1540217.pdf

In contrast, high-cost lenders place much less emphasis on the financial wellbeing of their customers. High-cost lenders include payday lenders, doorstop lenders and rent-to-own schemes. These loans can have significantly higher interest rates and extra fees for missed payments, which can in turn result in compounded problems for borrowers.

Many high-cost lenders have failed to undertake detailed affordability checks in the past and promote harmful re-lending, which can trap people in expensive cycles of debt. For example, the FCA estimates that 67% of payday loan borrowers are over-indebted, compared to 15% of the general population.[12]

The business case for housing association partnerships

Improved access to affordable credit and partnerships with community finance providers can have significant benefits for social renters. By offering affordable loans and wider financial support, affordable lenders can support tenants towards improved financial resilience and better financial wellbeing.

Of course, housing associations have a social purpose to support their tenants' wellbeing, but this also has financial benefits for the landlord.

Encouraging a responsible alternative to high-cost lenders can help prevent tenants from falling into problem debt, having their financial problems spiral and ultimately become unable to afford rent payments. A significant number of tenants take out high-cost loans - the FCA estimates that 37% of high-cost, short term credit customers are renters.[13]

Failing to provide fair alternatives to high-cost lenders poses a significant risk, and a missed opportunity, for housing associations.

Taking steps to support tenants' financial wellbeing not only provides social benefits for the tenants but can deliver real savings for landlords. Investment in financial inclusion services upfront can generate significant savings in areas such as rent collection, arrears, evictions, void costs, and reletting.

The example tenant journeys over the page illustrate how costs can rack up for landlords. In such cases, supporting the tenant to access an affordable loan and financial guidance after the initial life shock could have prevented the spiralling problems and the resulting costs for the landlord.

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[12] https://www.fca.org.uk/data/consumer-credit-high-cost-short-term-credit-lending-data-jan-2019

[13] Ibid.

Tenant journey – negative outcome

Life shock

An unexpected event such as reduction in working hours or a broken appliance knocks a tenant's finances

High-cost loan

Unable to meet their expenses and unaware of alternatives, the tenant takes out a high cost loan

Spiralling financial problems

The tenant can't manage to repay their loan and meet their other expenses, so they fall behind on rent

Increasing rent arrears

The tenant can't improve their financial situation so continues to fall further into rent arrears

Cost to landlord = Loss of rental income

Intervention

The association employee talks to the tenant, but may not be trained to provide financial wellbeing support and unaware of debt support/affordable credit options

Cost to landlord = Employee time

Eviction

Eventually the tenant's rent arrears build up so far that the housing association decides to proceed with eviction

Cost to landlord = Employee time, court costs, bailiff fees etc

Re-letting

Cost to landlord = Must complete full void checks, any repairs and maintenance required and allocate the property to a new tenant

Tenant journey – positive outcome

Life shock

An unexpected event such as reduction in working hours or a broken appliance knocks a tenant's finances

Getting support

The tenant knows that their housing association offers financial wellbeing support and approaches them for help

Referral to community finance provider

The housing association identifies that the tenant could benefit from an affordable loan. They are referred on for a loan assessment

Affordable borrowing

The community finance provider conducts a brief assessment, taking into consideration the tenant's circumstances, and is able to offer a loan

Improved financial circumstances

With the loan, the tenant is able to cover the unexpected costs of their life shock. The affordable lender helps them develop a realistic and affordable payment plan

Ongoing support

The lender can offer ongoing support to the tenant, such as budgeting advice and support to save

Improved financial resilience

The tenant is supported to develop their financial resilience, making them less likely to fall into rent arrears in future or borrow from high-cost lenders or loan sharks

Financial benefits of partnerships

It is hard to quantify exactly how much any individual housing association could save through a partnership with an affordable lender. However, previous research has shown various benefits to housing associations from such partnerships, including:

- **Better tenant management of rent payments**
- **improved tenant satisfaction**
- **Reduced tenant dependency on frontline employees**[14]

Other research also suggests that affordable loans can help tenants manage rent and other essential bills better – **60% of Fair for You customers reported they were better able to pay their household bills directly as a result of their affordable loan**.[15]

We can consider some of the costs that can result from not intervening. Housing associations lose a significant amount of potential income due to unpaid rent. In the 2019/20 financial year, gross arrears from all housing associations totalled £949.1 million, 7.0% of total expected rental income in the sector.[16]

In addition, void losses in the sector due to properties sitting empty were £209.9 million in 2020. Given that three-quarters of evictions from housing association properties result from arrears[17], this shows that the sector as a whole lost over £1 billion as a result of unpaid rent. There is clearly significant scope for landlords to save overall by investing in financial inclusion services such as affordable credit.

£209.9m
Housing association void losses in 2020

£8,000
The average cost of an eviction

The calculations are without even considering the costs incurred during the eviction process. The true cost of an eviction of a social housing tenant was estimated in 2016 at around £8,000 plus rent arrears, with additional social costs of up to £42,000.[18]

Eviction has a wider social impact, especially when it leads to homelessness. The distress of lacking a settled home can cause or intensify social isolation, create barriers to education, training and paid work, and undermine mental and physical health.

When homelessness becomes prolonged, or is repeatedly experienced, there are further deteriorations in a person's health and well-being. Evidence shows that people who experience homelessness for three months or longer cost on average £4,298 per person to NHS services, £2,099 per person for mental health services and £11,991 per person in contact with the criminal justice system.[19]

By intervening earlier when tenants are experiencing financial issues, for example by helping them access an affordable loan to help manage a life shock, housing associations can make significant savings in their employees' time and can reduce rent loss, as well as reduce wider social impacts.

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[14] https://www.jrf.org.uk/report/housing-association-innovation-delivering-affordable-credit
[15] https://responsible-credit.org.uk/wp-content/uploads/2020/09/CfRC-Social-Impact-of-Fair-for-you-report-final.pdf
[16] 2019/20 Global Accounts, Regulator of Social Housing.
[17] 2018/18 Statistical Data Return, Regulator of Social Housing
[18] https://sheltercymru.org.uk/wp-content/uploads/2015/02/Accessing-and-sustaining-social-tenancies-exploring-barriers-to-homelessness-prevention.pdf
[19] https://www.crisis.org.uk/ending-homelessness/homelessness-knowledge-hub/cost-of-homelessness/better-than-cure-2016/

The case for partnerships for community finance providers

Housing association partnerships represent a major opportunity for community finance providers to scale up their operations in a cost-effective way, by quickly broadening their accessible customer base.

3.5m
The number of housing association tenant households across the UK

There are up to 3.5 million housing association tenant households across the UK, which given the proven ability of community finance providers of serving social renters, offers a huge potential new market for providers.

Social renters make up half of CDFI customers

The median household income of social renters, drawn from the 2018/19 English Housing Survey, is a little over £300 per week.

Although a minority earn much more than this and may be better served through mainstream finance providers, this still means there is a significant number of potential customers for community finance providers amongst housing associations' customer bases.

Housing associations are well-established, well-regulated partners who are committed to improving the wellbeing of their tenants. Community finance providers can trust that associations share common goals with them, and are established, viable organisations with the capacity to deliver shared services, and experience in partnership working.

Housing associations are proactively regulated by the Regulator of Social Housing - community lenders considering partnering with a housing association can be reassured that regulation goes a long way towards ensuring that these bodies are financially viable, well-governed and suitable for sustainable long-term partnerships.

Opportunities for sustainable and financially viable partnerships

With their shared social purpose and commitment to the wellbeing of their tenants and customers, housing associations and community finance providers should be natural partners. Our research suggests that perhaps only one fifth of housing associations have partnerships with community finance, but that there is real potential for more collaboration between the two sectors.

According to our research, 91% of associations without established partnerships were open to working with an affordable lender

There is already significant overlap between social housing tenants and community finance's customer base. As described above, social housing tenants are more likely to be poorer and facing financial difficulties, and less likely to have savings than the general population.

The main aim of affordable lenders is to provide credit options that work for people in these circumstances. They understand what works for people with limited financial resources and how to help them both in the short term with a loan, and in the longer term by building greater financial management skills.

Community finance providers in our workshops confirmed that social renters make use of small short-term loans for the same reasons as their other customers and share the same vulnerabilities to high-cost lenders. This means that community finance providers have a proven ability to sustainably serve social housing tenants in financially vulnerable circumstances.

Housing associations are experienced in working in partnership with other organisations, such as local authorities, health, social care and community organisations. They have the capability to set up partnerships with affordable lenders that could have significant benefits both financially and in terms of tenant wellbeing and satisfaction.

Our online survey of housing associations suggests that the majority (62.5%) of existing partnerships are financially viable and do not require subsidy by the housing association, contrasting with earlier research that suggested that a substantial proportion of partnerships are subsidised.[20]

The purposes of these subsidies vary, but our research suggests that they are often used to fund promotional activity or information for tenants. In other cases, the lender used the subsidy to underwrite higher-risk loans than they would normally offer.

In these cases, housing associations have concluded that the positive impacts of access to affordable credit for tenants, as outlined above, are worth any upfront costs.

The majority of housing associations already offer a range of financial inclusion services to tenants, sometimes delivered in-house and sometimes in partnership with others. Affordable credit schemes can form an important part of these existing programmes and help achieve their aims.

Community finance for housing association employees

Community finance provision, including both affordable credit and savings schemes, can also be relevant to housing associations' colleagues – offering a way to build their own financial resilience.

Alongside the obvious benefits of having more financially resilient employees, this supports employers by increasing the impact of their employee benefit scheme and wider employee value proposition.

It is also helpful to the lender to engage with a wider cohort of potential borrowers with different risk profiles.

This is explored further later in the report as one the potential partnership models organisations can use.

In summary, the evidence suggests that existing partnerships are financially viable in most cases and that the business generated fits within the acceptable parameters for risk and return. Where subsidy by a housing association is offered to a lender, it can be used for a variety of purposes and may contribute to positive cost-benefit outcomes.

We have explained above how tenants, housing associations and community finance providers can benefit from partnerships – it is important to note also that these partnerships are viable, sustainable and can generate returns on investment.

[20] https://www.jrf.org.uk/report/housing-association-innovation-delivering-affordable-credit

Building successful partnerships

To deliver the best outcomes for tenants, housing associations and community lenders, partnerships need to be set up with strong foundations

It's important to carefully design and tailor working arrangements, so that the partnership effectively delivers what both sides will want: affordable loans provided to tenants, supporting them to manage their finances responsibly, and providing a return on investment for both sides.

This section of the report is designed to help encourage the development of successful partnerships, and includes:

- **An overview of possible types of partnerships**, with case studies of successful current examples
- **A consideration of how to strengthen partnerships** and make sure they run effectively
- **A short guide on setting up a partnership**, addressing
    - What each party wishes to achieve through a partnership
    - How a scheme should be structured
    - Working arrangements between the housing association and the affordable lender

Types of partnerships

Partnerships between housing associations and affordable lenders can take various forms. Below, we provide an overview of different partnerships models that can deliver benefits to both sides, including case studies of how these have been delivered in practice.

These are not meant to be prescriptive – each partnership will be unique to the organisations involved and should be tailored to fit specific aims and goals.

Each partnership will have its own specific features, and the examples below give an outline of benefits and drawbacks of different schemes, as well as key components to their success.

The levels of involvement from partners in different types of arrangement will vary, but it is vital that any scheme or partnership is set up to be sustainable over the agreed time and the service scope.

These models are not mutually exclusive, and the best results for tenants may be achieved by combining elements of several different partnership types

Common features contribute to the success of different partnership models, and these are discussed below in the section on how to strengthen partnerships and in the short guide to setting up a partnership later at the back of this report.

Partnership model 1 - Referral only, limited targeting

The housing association forms an arrangement with one or more community finance providers to refer tenants on who may benefit from affordable credit. Referrals may entail simply providing tenants with the name and contact details for the affordable lender or putting them in touch with a named individual at the affordable lender.

Level of involvement for housing association	Referrals are either made in a blanket fashion, such as at commencement of a tenancy, or to tenants who have reached out to the housing association for financial support.
Level of involvement for community finance provider	The affordable lender will cover loan approval assessments and takes the financial risk in case of default.
Support offered to tenants	No additional support other than that already offered by the housing association and affordable lender.
Key components of success	• Number of referrals made - not all tenants referred onto the affordable lender will make contact, and not all will be eligible for a loan. So the scale of referrals will significantly determine success of the partnership • Publicity of the scheme amongst tenants • Clear description of services offered on referral - the housing association must make their tenants aware of the service and facilitate a referral so that decisions made by tenants are based on good quality, reliable and current information and options

Benefits and drawbacks

+ Limited cost and resource requirements for both organisations
+ Can deliver some increased awareness of affordable credit amongst tenants
- Not likely to deliver high take-up
- Higher proportion of loan refusals expected

Partnership model 2 - Referral only, targeting by housing association

The housing association identifies a specific customer segment that could benefit from access to affordable credit. They proactively seek to contact these tenants and encourage them to apply for an affordable loan.

Level of involvement for housing association	The housing association should take several steps: • Ensure data collection and analysis is of sufficient quality and detail to identify specific groups of tenants – such as those who experience a life event that impacts their financial situation • Determine which groups may benefit from access to affordable credit eg first-time Universal Credit claimants, first late or missed payment, families with children about to start school • Proactively reach out to these tenants and provide details of the lender or make a referral
Level of involvement for community finance provider	The community finance provider will cover loan approval assessments and take the financial risk in case of default. The initial targeting may mean that eligibility checks can be completed more quickly.
Support offered to tenants	No additional support other that already offered by the housing association and affordable lender.
Key components of success	• Quality of data collection and segmentation by the housing association • Understanding of which groups would most benefit from affordable loans – including which will be likely to be approved

Benefits and drawbacks

+ More likely to reach tenants who would most benefit from affordable loans
+ Less likely to refer tenants who will have a loan application rejected
- Not all housing associations will have data systems of sufficiently high-quality to enable useful targeting

Partnership model 2 case study – Lewisham Plus Credit Union

Lewisham Plus Credit Union (LPCU) is a community-based credit union in the London boroughs of Lewisham and Bromley. Membership is open to anyone living or working in the two Boroughs; both social housing tenants and employees of HAs are encouraged to join.

In October 2020, LPCU had around 12,300 members, 39% of whom were tenants of social housing partners. By March 2021, there were almost 5,000 members from over 10 social landlords, who between them had achieved savings of nearly £2m.

LPCU offers a range of different loans for housing-related matters, including emergency loans of up to £100 for existing members experiencing a life shock, and home starter loans providing a maximum of £1,000 to Lewisham Homes tenants moving into a new property.

They also support a homelessness prevention scheme run by Lewisham and Bromley Councils, to assist social housing tenants who are at the final stages of eviction. Tenants are referred to the credit union by one of the councils if they are close to eviction and could benefit from a loan to pay off rent arrears, so the landlords are targeting this scheme at tenants at imminent risk of eviction.

The scheme is also open to private tenants who have been served an eviction notice and have reached out to one of the councils for support.

Lewisham Council initially provided £85k in funding for LPCU to provide affordable loans to these tenants. In most cases, the loan is paid direct to landlords' rent accounts, to ensure it serves to reduce rent arrears and hopefully prevent an eviction. In addition to the loan, LPCU provides applicants with advice and support to help them manage their rent arrears.

This scheme has been successful in preventing evictions, supporting tenants and delivering cost savings for the councils. Between 2010 and 2019, 466 loans were awarded totalling £925,000. LPCU estimates that each eviction could cost the councils up to £9,000, so the total savings are significant.

Lewisham Council alone estimated the scheme had saved them £1.1 million by February 2018. Since 2018, 167 Homeless Prevention Loans have been awarded. 51 (30%) of the loans have already been repaid in full, and only 21 tenants (12.6%) were unable to repay their loans. This shows the potential benefits of targeting an affordable credit scheme with the aim of preventing evictions.

Partnership model 3 - Loans underwritten by housing association

Tenants are referred on to the affordable lender. The housing association underwrites the loans offered, reducing the financial risk to the lender and increasing access to affordable credit to people who may have otherwise had their applications rejected.

Level of involvement for housing association	This approach does not necessarily require significant staffing efforts, although it would deliver more loans and lower rejection rates with greater targeting and support. The housing association may wish to take steps to avoid referrals for people most likely not to pay. It could require financial commitment in the event of a tenant defaulting on loans. Defaults will be less likely if association employees work with tenants to provide financial advice and encourage repayments.
Level of involvement for community finance provider	The lender will operate within agreed parameters of the criteria for loans, maximum loan amounts and frequency, the approach to defaults and clear reporting arrangements, so that both parties are clear of the risks they are taking collecting and individually.
Support offered to tenants	There is significant incentive for the association to offer financial advice and support to tenants after taking out a loan, to prevent defaults for which they would be financially liable.
Key components of success	• Housing association's financial capacity to underwrite loans. • Level of support offered to ensure the tenant meets repayments. • The underwriting arrangement need not be disclosed to tenants, in case this would encourage higher levels of defaults on payments.

Benefits and drawbacks

+ Can significantly reduce rejection rates.
+ Will improve access to affordable credit for tenants with poor credit histories.
- Requires financial commitment from the housing association

Partnership model 3 case study - bpha and Bedford Credit Union

bpha is a housing association providing over 16,000 social homes in the Oxford to Cambridge arc. They have been working with Bedford Credit Union for over 15 years, as they wanted to encourage saving and affordable borrowing amongst their tenants.

As bpha expanded beyond their initial area of operation in Bedford, Bedford CU changed their common bond to allow bpha tenants in any area to join.

The key element of this partnership is the provision of affordable loans to tenants in need. bpha is keen to ensure that loans are as widely available as possible to their tenants. To achieve this, they underwrite loans for individuals that Bedford CU would otherwise have declined. With this arrangement in place, Bedford CU have been able to approve all loan applications made by bpha tenants.

Tenants are not informed of the underwriting arrangement and are encouraged to make repayments as normal, the intention being to support them in improving their financial management skills. Loans given are typically small, with the average amount being £250 for a term of 18 months.

This scheme has been successful in opening access to affordable credit amongst a wider customer base. It also has not resulted in any significant financial loss for bpha: over 10 years, only a handful of loans have not been repaid in full, costing the housing association an estimated £600.

This is regarded as well worth the cost for a scheme that supports tenants to access essential items or weather periods of financial difficulty.

Partnership model 4 - Affordable loans linked to wider financial support offer The housing association refers tenants to an affordable lender and supports them afterwards through their own financial advice services. This would include advice to meet repayments for those who get a loan, and alternative support to any tenants who have their applications declined.	
Level of involvement for housing association	The housing association will need to refer tenants initially, then provide tailored support and guidance afterwards.
Level of involvement for community finance provider	The affordable lender would undertake its usual approval checks, then pass details of their decision back to the landlord (which must be undertaken in full compliance with GDPR).
Support offered to tenants	Personalised financial advice and support, both to people approved and declined for loans.
Key components of success	• Quality of personalised financial support. • Successful advertising of the scheme to tenants who may benefit. • Clear forward payment plan for tenants who take out loans, to support repayments.
Benefits and drawbacks + Tenants receive personalised support which should help improve their financial situation. + Some support is offered to tenants who have their loan application declined. - Arrangements for sharing data between the housing association and affordable lender must comply with GDPR – this may require the tenant's consent.	

Partnership model 4 case study: Hyde Foundation Rent Relief Fund

The Hyde Foundation is the social investment team of the Hyde Group, a multi-regional HA which owns nearly 50,000 social housing homes. It provides tenancy sustainment support, as well as wider investment in people and places. The Foundation's work is supported by the Hyde Charitable Trust.

Many of Hyde's tenants have been negatively impacted by the Covid-19 pandemic. Many have been struggling financially, some falling into rent arrears for the first time. Often this has resulted from a life shock such as bereavement or loss of employment, or the onset of mental health problems. In order to support these tenants, Hyde Charitable Trust set up a Rent Relief Fund.

Referrals for the Rent Relief Fund come from front-line advice team members, who identify people whose tenancies are at risk, whose situation could not be improved by income maximisation such as claiming benefits or entering a debt solution, and who are not in a position to take out a loan.

Tenants are only given funds if there is an agreed forward payment plan that will succeed in bringing down their arrears. The scheme has so far been extremely successful: 188 people were offered support through the Rent Relief Fund, of which 98% stuck to the forward payment plan.

Based on current projections, Hyde expects the cost of the individual donations to be recouped within two years, taking account of the increase in rent payment after rent relief is granted, compared to the prior position. This does not take into consideration other savings, such as the cost of employees' time in chasing arrears.

While these are only early findings, Hyde is confident that the scheme will continue to be successful. They have been able to measure its impact after improving their data management: they can link data between their core CRM system and the software used by their specialist debt and welfare benefit advice team.

They are also considering expanding the scheme to include people with historic arrears, but who with support could keep those arrears at manageable levels.

Transferability: this case study shows how effective affordable credit schemes can be when targeted at a specific group of tenants. A similar initiative could be run with an affordable lender managing the provision of loans for tenants in rent arrears. The forward payment plan is critical to the success of this initiative, and similar mechanisms could support repayment of loans from affordable lenders.

Partnership model 5 - Loans and financial support provided by community finance provider

The community lender provides not just affordable loans, but wider financial advice for tenants, which is part of the core offer of many lenders. The housing association will advertise the service and direct tenants to this support when needed. This could include providing office space for employees from the lender, as tenants may be more comfortable seeking advice in familiar surroundings.

Level of involvement for housing association	This form of partnership could effectively see the landlord contract out the provision of money advice to tenants, as well as offer a source of affordable credit. To increase take-up, advertising and signposting would be required to direct tenants to the support available. The association may also need to cover the costs of setting up office space for the affordable lender or online infrastructure.
Level of involvement for community finance provider	This would require dedicated staffing resource to cover the provision of financial support. The affordable lender would also normally take the financial risk in case of default.
Support offered to tenants	Broad provision of money advice by the affordable lender, in addition to the provision of affordable credit.
Key components of success	• Quality of financial support provided to tenants. • The housing association's efforts to publicise the service and encourage tenants to engage.

Benefits and drawbacks

+ Broader scope of support to tenants likely to result in wider range of positive results.
+ Draws on expertise of many affordable lenders in providing financial support.
+ Tenants who are not approved for a loan will still receive help.
- More involvement required from the affordable lender, which may need to be supported with additional investment by the housing association.

Partnership model 5 case study: ng homes and Scotcash

ng homes provides around 5,400 homes for rent, and services over 1,200 homeowners in North Glasgow. They have worked in partnership with Scotcash, a not-for-profit social enterprise and Community Interest Company (CIC) since 2011. Alongside affordable credit, Scotcash offers help with basic bank accounts through partners, credit union savings accounts, and money advice. It also lends across the UK through its online affordable credit service.

As part of their partnership, Scotcash set up a satellite office within ng homes's area office. The purpose was to offer North Glasgow residents an alternative to illegal money lenders. In the first year of the partnership, over 1,000 loan appointments were made with the locally based Scotcash Loan Officer, resulting in 305 loan approvals worth £154k.

New borrowers borrowed an average of £408 over 46 weeks to improve their quality of life or standard of living. Loans were usually for replacement of household goods such as appliances and furniture, as well as special events such as weddings and birthdays.

Similar levels of applications and numbers of loans were handled in the second year. During this time, ng homes became a full member of Scotcash and gained access to its governance structure.

The presence of Scotcash at the ng homes office has been a success. ng homes's decision to support some of the costs associated with the location of Scotcash in their offices has allowed pragmatic lending to take place within their premises at a time when other avenues for accessing credit have been cut off. The performance of the ng office shows no greater write-off than loans issued from the main high street premises. Overall Scotcash continues to have sector leading low default rates.

Tenants reported that the familiarity of the surroundings has a positive impact on their ability to relax and reduce stress levels. In many cases the loan shifted customers from higher cost, sometimes predatory alternatives to meet immediate, unexpected or planned needs.

Tenants recognised the separate and independent nature of Scotcash services from the services of ng homes weren't concerned about unauthorised cross-referrals. Tenants were surprised when their borrowing was approved, having had negative experiences in the past with other loan companies, and reported that benefit dependency was not a barrier to loan approval. They also value the flexibility of being able to miss payments occasionally.

The investment in Scotcash by ng Homes has been welcomed by tenant beneficiaries who regard this as an indication of a responsible and supportive landlord that values the longer term advantages of tenancy sustainability, reduced rent arrears and community cohesion, together with addressing the landlord's wider role and social and economic regeneration mission.

Partnership model 6 - Loans for white goods and household essentials The housing association advertises a scheme to its tenants whereby they can apply for loans specifically to buy white goods and household essentials. The community finance provider offers access to a range of decent, fairly priced goods on manageable repayment terms.	
Level of involvement for housing association	The housing association would advertise the scheme and refer on tenants who could benefit from it. The scheme would work best if the HA managed to achieve high levels of awareness amongst its tenants, so that they knew where to go in the case of financial need, such as when a washing machine needs replacing.
Level of involvement for community finance provider	This requires significant infrastructure in place, to source the required range of products. However, once this has been put in place, the management of loans would be no more difficult than normal.
Support offered to tenants	Provides easy, affordable access to household necessities and manageable repayment terms.
Key components of success	• Awareness amongst tenants, so that they go to the affordable credit provider rather than high-cost alternatives. • Products on offer through the scheme must meet the range of individual needs.
Benefits and drawbacks + Meets specific needs of tenants in poor financial circumstances. + Access to essential items has significant proven wellbeing and cost-saving benefits for tenants, leading to more stable tenancies. - Requires lender to have connections in place with providers of household items.	

Partnership model 6 case study: Barnet Homes and Fair For You

Barnet Homes manages and maintains over 15,000 homes owned by the London Borough of Barnet and is responsible for overseeing housing assessments, allocating empty homes and providing support services such as tenancy sustainment, as well as providing services to adults with physical and learning disabilities.

Barnet Homes signposts tenants to Fair For You, a not-for-profit organisation that provides people with affordable loans to buy household items including furniture, white goods, baby products and laptops.

Loans are based on affordability and payment history, and applications from people with poor credit histories are considered. The online application process is easy to use and decisions are usually considered within 24 hours. Prices offer good value for money as, unlike many other suppliers, there are no 'hidden' or additional costs such as delivery, recycling and removal of packing.

Fair For You's customers are predominantly female, with children, and living in social housing. 60% of customers are lone parents, and nearly two thirds of these are entirely reliant on benefits for their income.

Research by the Centre for Responsible Credit found that Fair For You has helped 71% of its customers move away from high-cost credit, resulting in financial savings of nearly £9 million for their borrowers.

Access to essential appliances has also saved customers an average £30 per week through reduced living costs, for example by spending less on food as a result of having a cooker or a fridge/freezer, and saving on laundrette costs with a washing machine. 60% of customers report that they are better able to pay their household bills because of using Fair for You.

Beyond this, there are many additional benefits for customers who can access household essentials affordably and quickly. These include healthier diets for customers and their children, reduced stress and anxiety, and improved self-esteem. These have significant long-term impacts on the health of wellbeing of families.

Partnership model 7 - Affordable loans available across multiple geographic areas

The housing association is able to refer tenants from across its entire stock portfolio to the same community finance provider.

Level of involvement for housing association	Advertising the scheme must be undertaken successfully across multiple areas, requiring the involvement of employees in each area.
Level of involvement for community finance provider	For a credit union, this may require alterations to the rules of its common bond. Other community lenders may already have national online or telephone coverage.
Support offered to tenants	No additional support other that already offered by the association and affordable lender.
Key components of success	• Successful advertising across multiple geographic areas. • Structural arrangements for the affordable credit provider to allow lending across numerous geographic areas.

Benefits and drawbacks

+ Ensures that larger landlords operating across multiple areas can offer the same scheme to all tenants, avoiding a postcode lottery of support.
+ Allows housing associations without a local affordable lender in particular areas to access the same partnership opportunity.
+ Provides a much larger potential customer base for the affordable lender.
- May require significant infrastructure to be set up to ensure success.

Partnership model 8 - Housing association employee partnership

The partnership aims to promote use of the community finance provider among the housing association's employees as well as tenants. In a partnership with a credit union, this could mean promoting payroll deduction saving and lending among employees.

Level of involvement for housing association	The housing association will need to consider promotion of the partnership to employees as well as tenants. This may require working with the lender to set up payroll deductions.
Level of involvement for community finance provider	Salary deduction lending and saving requires capability to integrate with payroll systems.
Support offered to tenants	No additional support other that already offered by the housing association and affordable lender.
Key components of success	• Successful advertising and take-up among employees as well as tenants. • Integration with housing association payroll.

Benefits and drawbacks

+ Encouraging saving among colleagues works in synergy with offering affordable loans to tenants – as credit unions use saving deposits to make loans to other customer
+ Builds financial resilience and wellbeing of colleagues, particularly via payroll deduction saving, which leads to better saving outcomes.
+ Creates buy-in for the partnership among housing association colleagues, leading in turn to greater engagement of tenants in the scheme.
- Most beneficial with a community finance provider that also provides saving services, particularly via payroll deduction.

Partnership models 7 and 8 case study: Clarion Housing and Leeds Credit Union

Clarion Housing Group is the largest social landlord in the country, with a heritage dating back over 100 years, and more than 350,000 people living in Clarion homes.

Eight years ago, Clarion wanted to build a partnership to improve access to affordable credit for their residents. After a tender process Leeds Credit Union was selected from five bidders after demonstrating creativity, innovation and excitement to work in partnership.

Developing a scheme that worked nationwide required input from both sides. Clarion provided an initial £150k in funding over the first three years of the partnership for Leeds CU to develop a website, telephony services and a team member to provide the service, which was available across 70 local authority areas. The team member's role was to provide customer focus, for example advice, financial education and encouragement to save. The funding also covered promotion and advertising of the scheme to Clarion residents, alongside financial awareness training. Leeds CU expanded their common bond so that the scheme could be available to people outside their original area of operation: all Clarion residents and employees could become members. The partnership agreed KPIs on the number of loans provided, acceptance rates and new members.

A key element of the scheme involves promoting credit union membership among Clarion employees as well as residents. Like many credit unions, Leeds CU support payroll integration, allowing them to take regular salary deductions at source for saving or loan repayments from employees of partner organisations. The automatic element of payroll deductions increases savings while the added security allows the lender to make loans at even lower cost. Signing up employees, who tend to save and deposit more means that Leeds CU increases its lending capital at the same time as the scheme increases demand for affordable loans from tenants. It also helps demonstrate benefits of the scheme and build buy-in among HA colleagues.

This scheme is still running, which shows that partnerships can have long-term impacts, given sufficient investment in infrastructure. Take-up has been steady throughout the partnership, but one recent challenge has been the introduction of GDPR which restricted the ability of HAs to promote activities that do not form part of their core business. Clarion have adapted by contacting residents they knew were at risk, to provide money guidance and awareness of financial options. There may also be scope for HAs to publicise non-core business activities so long as they include a clear method for residents to opt out of receiving communications.

Early investment to create an infrastructure for delivering the project has supported its continued delivery. By carefully establishing the scheme's scope from the outset, Clarion was able to deliver the service across all its areas of operation. Although information about individual residents is confidential, credit unions can provide useful data about lifestyles and circumstances. One key element of the partnership is the fact that Leeds CU can refer people back to them if a loan is declined, so that they can offer further money guidance and other alternatives to high-cost loans. This helps ensure that Clarion's most financially vulnerable residents receive the best possible support.

How can we strengthen partnerships?

As the case studies above show, there is excellent work already being conducted in partnership between associations and community lenders. Through surveys, interviews and consultation with these organisations and others, we have identified areas of good practice that typify successful partnerships, as well as areas where the offer for tenants can be strengthened further.

- Commitment to partnerships
- Business planning
- Promoting the scheme
- Clear signposting and referrals
- Engaging early – taking a preventative approach to rent arrears
- Streamlined application processes
- Supporting tenants with poor credit histories and managing declines
- Monitoring performance and impact

Commitment to partnerships

An important lesson from our research is that, in order for enduring partnerships to develop, there first needs to be a clear and sustained commitment from team members of both sides, particularly from housing association executive teams and boards.

With this in place, operational employees will have the right level of encouragement to build long-lasting relationships with community credit providers. These relationships need to be embedded within job roles and structures and not be treated as an 'add-on'.

Stakeholders we spoke to indicated that buy-in at all levels is vital to the success of partnerships. Where this has not been the case, partnerships sometimes did not survive the loss of a key advocate leaving the organisation.

Partnerships of course rely on senior buy-in, but they also require income managers to understand the benefits of financial inclusion services, and how they support their job – ie that referring tenants to financial inclusion services at an early stage will help to prevent them falling into rent arrears later.

To achieve this, partnership arrangements need to set clear responsibilities for team members from the beginning. The objectives of the scheme should be widely publicised amongst colleagues at all levels, so that everyone understands the aims and expected benefits of the relationship.

Business planning

In line with the best principles of governance, accountability and effective working, it's important that there is clarity for each partner about who makes the decisions, how these decisions are made, and how they are communicated. There should be a clear understanding of the risks and responsibilities that both sides are taking on.

The best partnerships are based on shared commitments to transparency, communication and openness

We recommend that a business plan is prepared before embarking upon a partnership, to ensure that both sides have a shared understanding and clarity about the aims of the scheme in the short, medium and long terms.

This should include how the scheme will function and where responsibilities, accountability and decision-making lie. The scheme should be designed in consultation with tenants and frontline employees to ensure it meets the wants and needs of tenants.

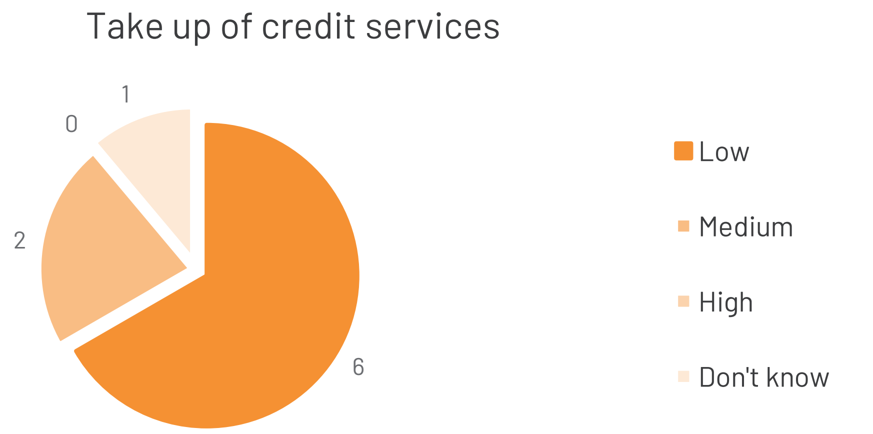
Milestones and a review process should be agreed at the start. These would sensibly be based on quarterly review in the first instance, and once embedded, can move to annual review.

Sharing management information more frequently can highlight where engagement is wanting or where there are opportunities to increase referrals, for example, to respond to economic shocks that are likely to affect housing association tenants. There should be opportunities for tenants and employees administering the scheme to input on how effectively it is operating, in order to promote continuous improvement.

Promoting the scheme

There is a huge need for better access to affordable credit among social renters. But despite the many long-term partnerships that exist between housing associations and community finance providers, many report lower take-up of affordable credit schemes than expected.

All but one of the respondents to our online survey that promoted affordable loans said take-up of this service was at low or medium levels.



This suggests that even within established partnerships, there are significant opportunities to increase the impact and penetration of affordable credit schemes among housing association tenants.

Proper promotion and marketing of the scheme is vital to driving up engagement and a range of different methods for promoting the scheme should be deployed. These could include:

- Providing details of the community finance provider to all new tenants as part of the new lettings process
- Training housing officers and other team members in close contact with residents to identify tenants who might benefit from an affordable loan
- Identifying specific groups of tenants who might benefit from the scheme and making referrals to the affordable lender – for example, this could be people who have just missed their first rent payment,

tenants who have been in rent arrears for a few months, or tenants who have recently begun claiming Universal Credit

- Referencing the scheme in community newsletters, tenant communications and on the association's website
- Inviting colleagues from the affordable lender to attend community events
- Providing space for employees from the affordable lender to work in the association's office, offering financial advice alongside loan assessments
- Creating champions within the housing association team who have first-hand experience of making the partnership work in delivering positive impact for tenants
- Documenting case studies of partnership working and advocates within the tenant community

Clear signposting and referrals

We examined the websites of 20 different associations of varying sizes and operational areas and found that these were not explicit about the extent and the quality of financial inclusion service tenants could expect from their landlord.

90% had dedicated website pages on rent payments and what to do if tenants could not pay their rent, and all encouraged tenants to get in touch with the landlord to discuss problems. 75% signposted viewers to external websites for financial guidance and debt management support, including to credit unions and Citizens Advice Bureaux.

None of the websites highlighted any dedicated relationships between the landlord and a specific community finance provider, for example at local level.

Promoting these services via their website is one simple way for associations that enter partnerships with community finance providers to provide tenants with information and improve access to affordable credit.

We followed up with mystery shopping telephone calls to get a clearer understanding of the service provision and explored the issue in conversations with tenants.

Tenants we spoke with had experienced debt problems, yet none of them properly understood the full extent of the services their landlord offered. They found the language used acted as a barrier. 'Financial inclusion service' and 'tenancy sustainment' are terms professionals use and may not be readily understood by tenants.

> 'I understand that the housing association has to collect the rent, so I didn't go to them for help'
>
> **Tenant**

Tenants also perceive a potential conflict of interest in asking for help from their landlord, which can deter them from seeking support. They commonly expect a Financial Inclusion Officer to have the same objectives as a Rent Collection Officer and may well not feel comfortable in discussing their 'rent problems' with the 'rent collector'.

To improve the level of support provided to tenants, associations should provide clear, jargon-free information about their support offer, backed by a schedule of service standards that tenants can expect to receive.

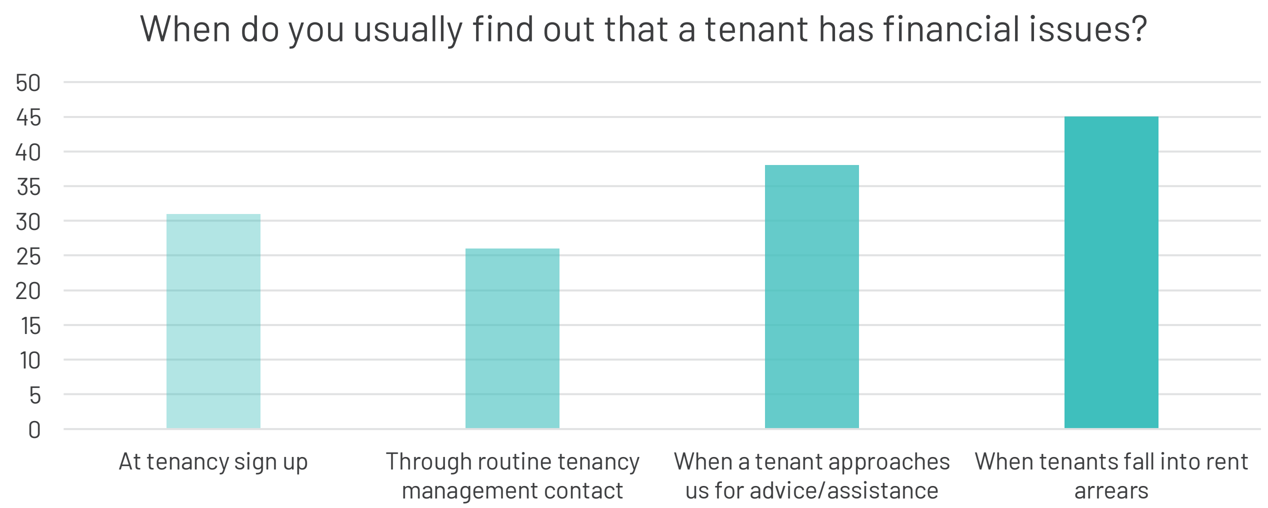
Partnerships with community finance providers should be clearly explained and promoted, focusing on the potential benefits for tenants. Emphasising the independence of the provider in communications may help tenants who are put off from talking about finances with their landlord to feel more comfortable engaging earlier with financial issues.

Engaging early – taking a preventative approach to rent arrears

While some associations offer debt advice or signposting to debt advice services when a new tenant signs up to a tenancy, or is in the early stages of a tenancy, it appears that conversations about debt tend not to take place until the tenant is already in financial difficulty.

From our survey, we found that the most common points at which landlords become aware that a tenant has financial issues is when the tenant falls into arrears, and when the tenant proactively approaches them for advice or assistance.

It is only at that point that landlords told us they discover that tenants may have other debts or extremely low incomes. Some credit union representatives noted that: 'They [housing associations] often come to us too late, when the debt is unsustainable, and think that we can wave a magic wand.'



It's important to intervene early to provide financial inclusion services - before financial issues have compounded and before people have developed significant problems with debt

This is particularly important for the provision of loans, as affordable lenders cannot responsibly lend to people who will not be in a position to meet repayments. Intervening early after a life shock, by offering an affordable loan, can support people in resolving their immediate financial difficulties and also build longer-term financial resilience through supporting them to meet their repayments and providing broader financial advice.

During the pandemic, social landlords have made a point of engaging, by phone or online, with their tenants, especially those in vulnerable circumstances, to a far higher degree than has been common in the past. This greater level of periodic engagement should be maintained in the future and extended to routinely asking tenants whether they would value any advice or signposting for money advice.

Housing association team members dealing with sign-ups and tenancy management should also be provided with details of affordable credit providers, in order to ensure that this information can be provided to tenants at sign-up as well as when engaging with them more generally.

Streamlined application processes

A key element of being able to compete with high-cost lenders is being able to offer affordable loans quickly and easily, while meeting the need for proper affordability and creditworthiness assessments.

Despite greater costs and sometimes poorer lending practice, many customers value the speed and ease of high-cost credit

Some tenants we spoke with had experienced long application processes when borrowing from credit unions, which were perceived as slow and bureaucratic in comparison to high-cost lenders.

One tenant said: '[the credit union] just need to keep it simple. I know they have to do credit checks... They have got a rigid format... People are real, it is stressful and personal. Too many questions put people off, it can be overwhelming.'

Though other responses indicate that the ease of borrowing from high-cost lenders reflected unaffordable lending practices.

As another tenant told us: 'I borrowed money by going online [to a high-cost lender]. It was easy to get, and they didn't ask too many questions. [But] when you cannot pay that back, you ask another company for a loan. In the end, I owed rent as well... It was really easy to get - it should be harder because it spirals into debt. It is too easy. You put your details in and it's there [in your account].'

Some tenants referenced that some credit unions still require new borrowers to go through a separate membership application process or even to have saved with them for some time, meaning that, by the time landlords signpost their tenants to credit unions, it could be too late. As one tenant told us: 'I tried to borrow from...a credit union but you have to pay in for six months.'

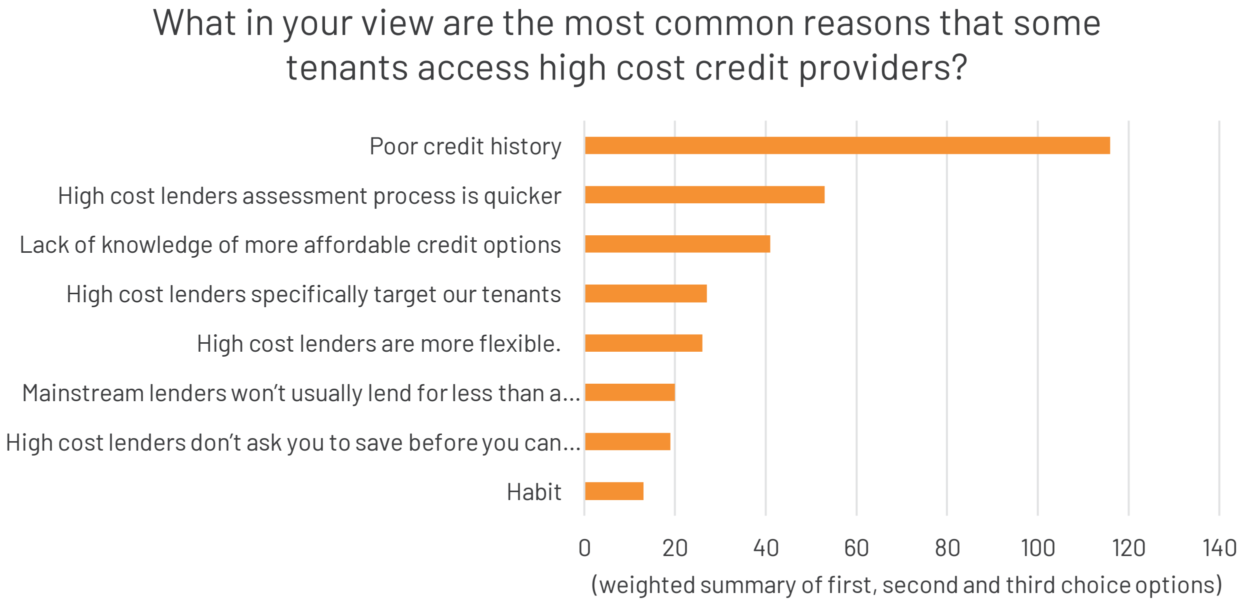
This is not representative of the community finance sector as a whole, as many lenders have a fast and streamlined online application process, and many credit unions have removed saving requirements and integrated membership applications into the customer's initial loan request. It is also important to note that CDFIs have never had a requirement for customers to become members or to save before borrowing.

However, community finance providers that want to compete effectively with high-cost lenders should bear in mind the need to have streamlined and attractive application processes to ensure that this does not act as a barrier to accessing affordable lending.

Supporting tenants with poor credit histories and managing declines

Our research asked social landlords what they considered to be the most common reasons for tenants to access high-cost credit. As can be seen from the table below, poor credit history was by far the most common response.

We explored this further in informal conversations with tenants and housing teams, who told us that often tenants only found that they had 'poor credit rating' when they most needed to borrow. This restricts their options and pushes them to high-cost credit lenders, who are prepared to make riskier loans and, in some instances, have failed to conduct proper affordability checks.



Community lenders and housing associations entering into partnerships together need to be aware of this challenge and consider how it can be mitigated. In some partnership models, housing associations underwrite loans where the lender has less certainty.

This has worked well for bpha in partnership with Bedford Credit Union, with very low levels of defaults and therefore only a small cost to the association. bpha estimate that only a handful of tenants have defaulted on loans over the 10 years of their partnership, and they have lost no more than £600 by underwriting these loans.

Some community finance providers are able to make better assessments of creditworthiness by holding these in person. For example, Scotcash share office space with ng homes and offer loan assessments in person for tenants.

This also prevents digital exclusion being a barrier to accessing affordable credit, which is crucial, as people without easy access to the internet can be more susceptible to doorstop lenders.

Crucially, the partnership should consider how they support customers who are declined for credit, providing signposting to financial help or debt advice, to stop people turning to high-cost or illegal lending in an attempt to resolve their financial difficulties.

Monitoring performance and impact

We recommend that partner organisations work together to monitor agreed performance metrics of affordable credit schemes. This allows partners to assess how effectively the service is working and address any areas that need to be improved.

Informed steps can then be taken to proactively promote the service and drive take-up, as discussed in the 'Promoting the scheme' section above.

Performance metrics might include looking at numbers of referrals made, number of loans provided and defaults on loans. It should also consider outcomes for tenants, such as impact on people's confidence in meeting financial commitments, or long-term impact on debt and arrears.

Looking at how many tenants would have otherwise used high-cost credit and at the cost savings of an affordable loan compared to high-cost credit allows an assessment to be made of the financial gains to tenants.

Regular monitoring and reporting helps partners ensure that the scheme is continuing to meet the needs of tenants. For example, considering the reasons tenants are seeking loans allows partners to tailor services accordingly, while monitoring reasons for loan declines can inform how access to the scheme could be widened.

Although some lenders monitor take-up by different customer cohorts, there is a need for more joined-up analysis between social landlords and lenders at a local and national level. Associations appear to monitor referrals but do not, in most cases, analyse the impact of the referral service.

Proper monitoring of performance and customer outcomes will also allow partners to demonstrate to internal and external stakeholders the economic benefits and social value that housing and community finance partnerships can bring.

Conclusions

Our research has demonstrated that there is considerable and increasingly urgent need to widen the scope and capacity of affordable lending schemes, as a viable and important alternative to high-cost lending that burdens so many tenants with unsustainable debt.

Social housing tenants tend to have lower financial resilience, having lower average incomes and being less likely to have any savings. They are overrepresented in the users of high-cost credit and illegal money lending.

This has only grown more pressing in the wake of the pandemic, which has had a punishing effect on many tenants' finances. But a fair and affordable alternative delivered by community providers can reduce costs for tenants and support their long-term health and wellbeing.

At the same time, there are significant benefits for the housing association sector in expanding the levels of partnership working with community finance providers.

As it stands, landlords often find out too late that their tenants are in financial difficulty, when they've already fallen behind on rent. And with the average cost of an eviction to the housing association being estimated at £8,000, the crisis in tenant financial resilience clearly has costs for housing associations as well as tenants.

By setting up strong partnerships with community finance, housing associations can ensure that their tenants have timely access to affordable credit that lets them sustainably meet essential costs and weather income shocks. This can lead to more stable tenancies, reduced rent arrears, and reduced costs related to related to rent collection, eviction and void periods.

Building stronger partnerships

Fair4All Finance exists to improve the financial wellbeing of people in vulnerable circumstances by increasing access to fair and affordable financial products and services. One of our core priorities is to scale up the community finance sector so that more people have access to affordable credit when they need it, and don't have to turn to high-cost lenders.

We believe that more collaboration between the community finance and social housing sectors is one of the key ways that we can collectively reach more of the 14m people with low financial resilience in the UK.

There are great examples of partnership working between the sectors, some of which feature in this report. It's also clear that there is a real opportunity to expand and deepen partnerships, so that more people can benefit.

With clear backing from the financial regulator, and in the context of a tightening squeeze on living costs, now is the time for housing associations and community finance to work together to transform the financial resilience of tenants.

We hope that organisations will find this report useful in strengthening their collaboration, drawing on guidance and examples of good practice. With shared aims, clear commitments from partners and proper resourcing, partnerships between housing associations and community finance providers can be successful and mutually beneficial.

A short guide to setting up a partnership

To help organisations in establishing successful partnerships, we have developed a short guide setting out the key points to consider.

For partnerships to work successfully, they must be set up with clear, realistic shared goals that work for both parties. Broadly, there are three main questions that need to be answered:

1. **What does each side want to achieve through the partnership?**
2. **How should the scheme be structured to achieve these desired aims?**
3. **How should working arrangements between the two organisations be organised?**

Housing associations looking for partners in the community finance sector on a national or local level can look for credit unions at

- https://www.findyourcreditunion.co.uk/

or for CDFIs at

- https://www.findingfinance.org.uk/

What do both sides want to achieve?

This is a fundamental question, as the nature of the partnership and the scheme offered will be shaped by the desired aims. To determine this, both sides must consider a series of questions.

For the housing association

Housing associations need to consider the following questions:

- **What is the overarching aim?** Is your principal aim to reduce rent arrears, to improve tenancy sustainment and prevent evictions for rent arrears, or more broadly to improve the financial wellbeing of tenants?
- **Who do you want to benefit from the scheme?** The scheme could be advertised widely or targeted at specific groups of tenants who might be most in need of affordable loans and financial support. For example, you might want to target people who have developed rent arrears for the first time, or people who have just moved onto Universal Credit, or households that have just experienced a life shock and are under intense financial pressure, or it could be other cohorts.
- **What type of financial support would your tenants most benefit from?** Would cash loans be more effective, or loans to buy white goods and household necessities? Do you want to put any restrictions in place on what tenants can use the money for? How will you support those who have unacceptable credit histories and who would only be able to access credit from high-cost lenders, if at all?

- **How much are you willing to invest, both financially and in staff resources?** Greater investment may result in a larger number of tenants benefitting from the scheme. For example, more investment in advertising the scheme could result in higher take-up, and an offer to underwrite loans could mean tenants with poorer credit histories will be able to access credit.

For the community finance provider

Community finance providers need to consider the following questions:

- **To what extent do you want to scale up?** Accepting referrals from a smaller, locally based housing association would likely bring fewer new customers than partnering with a larger housing association, or one willing to underwrite loans. How many new customers do you have the capital and capacity to serve without limiting access to credit?

- **Are you willing, if necessary, to adjust your operating arrangements to access more potential customers?** Operating across a wider geographic area may require changes to your common bond, for example opening up the scheme to tenants and employees of other social landlords, and possibly fast-tracking applications for people in specific circumstances.

Once the shared aims are agreed, the structure of the scheme can be determined.

How should the scheme be structured?

Once both sides have determined what they want to achieve through the partnership, they must work out how the scheme should be structured. Key elements that partners need to establish are described below. In each case, the first consideration must be which organisation bears responsibility, as that will vary between different types of partnerships.

The offer to customers

Both sides must agree what the scheme will offer. In order that the service is truly customer-focussed, consultation with tenants to determine their wants and needs will be essential. Several questions must be answered to determine this:

- What form of financial support will be offered? This could be unrestricted loans, access to household goods, pre-loaded debit cards or other alternatives

- Who will be able to access the scheme – just tenants, or housing association colleagues as well?

- Will there be any eligibility criteria? Will people have to open a savings account in order to borrow? Will there be any restrictions on what the loan can be used for?

- What size will the loans be? Can the lender offer loans small or large enough for the tenant's need?

- On what terms can loans be offered? The cost of credit must be affordable for tenants while remaining viable for the lender

Financial investment and apportionment of risk

Both parties must agree how much money is to be invested in setting up the scheme and ensuring its continuing viability, and who will be paying. Funding could be used to achieve various aims such as:

- Establishing infrastructure for the scheme – office space, dedicated staffing, website, telephony systems etc
- Providing funds to underwrite loans for tenants with poor credit histories, who may otherwise have their loan applications declined, and agreeing the level of financial risk that each side will accept. This will need to be closely monitored in practice
- Advertising and publicising the scheme

Marketing the scheme to tenants

There must be an effective awareness-raising and marketing campaign, to ensure that tenants know where to go when in need of credit. This could entail:

- Regular advertising of the affordable lender in newsletters, online and via community events
- Providing details of an affordable lender to all new tenants as part of the new letting process
- Inviting employees from the affordable lender to attend community events
- Direct mailings to tenants advertising the scheme. To be compliant with GDPR, this may need to include a mechanism to opt out of such communications
- Clear description of the benefits of affordable loans in all communications to tenants
- Training housing colleagues to recognise the need for financial assistance

Targeting the scheme

If the desired aim is to reach specific groups of tenants, or tenants in particular circumstances, then the marketing of the scheme must be carefully targeted. This would require:

- An agreed and shared understanding of which group(s) will be targeted
- Data collection and stratification of sufficient quality to enable targeting
- An understanding of circumstances that might cause a tenant to be in need of affordable credit, such as life shocks or a move to Universal Credit

Access to scheme

Careful thought must be given to how tenants are referred and gain access to the scheme. Several components could be combined to increase the level of sign-ups, including:

- An introduction to the scheme at tenancy sign-up and to existing tenants
- Applications allowed both online and in hard copy
- Creating opportunities to get people to join the scheme eg a credit union officer based in the housing association office, or offering financial surgeries
- Referring to a named officer from the community finance provider, and directly putting the tenant in contact with them rather than merely sharing contact details (this must be conducted in accordance with GDPR)

Assessing financial situation of tenants

It is for the community finance provider to understand and assess the financial situation of tenants applying for a loan. This will ensure that loans are only offered where the tenant can truly afford to meet the repayments.

Various factors must be agreed between the partners to support the process for making financial assessments:

- Clarity of what information should be collected by which organisation to enable the overall picture to be properly assessed
- Dedicated arrangements for case management and liaison between each party
- Dedicated arrangements for the tenant to liaise with each party
- Clear explanation for tenants of why this information is being gathered
- An agreed approach of how to follow up in cases where a loan is declined

Integration with wider financial inclusion services

It is likely that this scheme will fit within a wider offer of financial inclusion services for the housing association's tenants.

Best outcomes for tenants will result from the affordable credit provision being effectively integrated with other services, particularly if they are given money management advice to support them in meeting repayments. The arrangements for this should include the following.

- Clarity regarding who is responsible for wider financial advice. There are advantages and drawbacks on both sides: housing association financial wellbeing team members may have a more detailed understanding of tenants' circumstances but may not be seen as impartial by tenants given their landlord role. The community finance provider will be seen as more impartial but could have less context for individual circumstances without strong data-sharing arrangements
- High-quality, empathetic advice based on an up-to-date understanding of the support available
- Integration with tenancy sustainment activities. For example, financial wellbeing team members could work with tenants who are offered loans to help them develop a repayment plan; could check in with tenants to see if the loan has helped improve their financial situation and provide advice if not; and tenants whose loan applications have been denied could be referred back to financial wellbeing team members, who may be able to recommend other alternatives. This would benefit the landlord, but must be carefully managed so that tenants do not fear repercussions from asking for support
- Consideration of a savings element to the scheme. Many lenders encourage customers to make small saving deposits alongside loan repayments to help build long-term financial resilience
- Clarity on what support is provided after a loan application, whether approved or declined. Tenants offered a loan would benefit from support and advice to manage repayments. Those not approved for a loan may benefit from other types of financial wellbeing support

How should working arrangements be organised?

Clear working arrangements must be established between the two parties to ensure the scheme runs effectively and efficiently. The specifics of working arrangements will depend on how the scheme is structured, but certain broad elements will always be beneficial. These include the following:

Business Plan

A clear business plan will help both sides to establish agreed expectations for the scheme. This would include a description of all of the elements of the scheme discussed in the previous section, alongside other factors. Therefore, it should include:

- A clear description of the scheme, how it will work, who its beneficiaries will be and any requirements for access
- Owners of the scheme for both parties demonstrating senior level accountability and sponsorship with an appropriate plan to cascade shared objectives through the management structures of both organisations so that commitment is appropriately reflected in the goals of all team members
- The minimum levels of funding required to start and sustain the scheme, and where this funding will come from
- Required levels of engagement for the scheme to function and be deemed a success eg minimum number of savers required, and the necessary balance between savings and borrowings so the scheme does not become unviable
- Profile of customers expected typically to benefit
- Maximum loan amounts permitted and criteria for ensuring that over-indebtedness is avoided
- Other resource input from both parties
- Return on investment expected and systems for assessing this
- Shared targets for penetration and uptake
- Regular performance measures (see below)

Cultural fit

The partners will have to consider the cultural alignment between their organisations in relation to this service. In order to identify and support a positive cultural alignment, the partners should seek to establish:

- Shared vision and aims
- Clarity of each other's roles
- Clear understanding of each other's strengths and weaknesses in this context

People arrangements

Clear arrangements must be established setting out who is responsible for delivering the scheme and ensuring that all team members involved have a clear understanding of how the scheme operates. This should include:

- Senior level buy-in to work together and commit to the aims of the partnership
- Named individuals responsible for delivering and overseeing the scheme
- Plan for shared goals being cascaded throughout both organisations so that team members in relevant roles are invested in the success of the partnership and its impact on tenants
- Training and/or guidance for housing colleagues who would be in a position to refer tenants with regular refresher training and updates included as part of the regular continuous professional development (CPD) cycle
- Succession planning to ensure the scheme would continue if key individuals left either organisation

Shared resources

Both sides should agree how resources will be shared to ensure the scheme functions effectively and efficiently. Arrangements for shared resources may include:

- Ensuring capacity and appetite for joint governance arrangements
- Opportunities to make the most of existing expertise
- Sharing costs for establishing and potentially expanding the scheme
- Sharing of office space – this can be especially effective to help community finance providers to engage directly with tenants in vulnerable circumstances whose financial situation requires a more in-depth and in-person assessment of affordability
- Shared website pages and/or cross-referrals
- Joint training sessions for residents on effective financial management
- Joint training sessions for housing association employees on financial inclusion and resilience

Due diligence

Both sides must ensure they conduct sufficient due diligence to be satisfied that the scheme will comply with all material legal and regulatory requirements. Aspects that should be taken into consideration include:

- Financial capacity of lender and capability to meet housing association aspiration and demand for lending from tenants and employees
- Assurance that the scheme fits within regulatory requirements – as set out above, the FCA has explicitly established that social housing providers can refer tenants to credit unions and community development finance institutions without needing specific regulatory authorisation
- Managing data protection and confidentiality risks, including
    - Agreeing confidentiality codes
    - Getting tenants to sign up to data-sharing agreements for models where referrals necessitate the transfer of data rather than signposting;
    - Agreeing a data-sharing protocols between all parties
    - Ensuring IT resilience including cyber-attack risk management

Reporting arrangements

Clear reporting arrangements must be in place in order for both sides to assess the success of the scheme. Both sides should agree:

- Who is responsible for recording and reporting data
- How regularly data should be reported. Regular reviews of the scheme will ensure that informed steps can be taken to address any identified issues and that the scheme is working well for tenants
- What performance and impact metrics should be reported, with clarity over what constitutes good and poor performance. Useful performance metrics may include:
  - Number of tenants referred/accepted/rejected vs agreed shared targets
  - Penetration of referrals and loan uptake vs agreed shared targets
  - Number and value of loans and loan repayment periods
  - Levels of defaults on loans
  - Number of tenants who would have used high-cost credit without the scheme
  - Financial benefits for households, considering cost saved compared to high-cost credit use
  - Reasons tenants are seeking loans
  - Reasons for declines
  - Impact on confidence in ability to manage finances
  - Tenant satisfaction, and how likely the tenant is to recommend the service
  - Overall profile of accepted and rejected applicants - age, gender, disability, household type, employment status, income status