October 2024

University of BRISTOL

UNIVERSITY of York

CODE ENCOUNTERS REPORT 3:

Data, automation and purpose in pre-tenancy affordability checks in social housing

by Alison Wallace, David Beer, Roger Burrows, Alexandra Ciocănel and James Cussens

Acknowledgements

Cover photo "Portobello Way: new-build social housing" by Lydia_shingbrightly is licensed under CC BY 2.0.

Nuffield Foundation

Contents

Executive Summary

The CODE ENCOUNTERS Nuffield Foundation funded project was undertaken by the University of York and the University of Bristol to examine the digital risk profiling tools that shape access to housing. These tools are increasingly adopting new sources of data and algorithmic processing and include tenant referencing tools in the private rented sector (PRS), affordability assessments in social housing and credit risk decisions in mortgage lending. The project ran from 2022 to 2024, and the findings are based on 122 in-depth interviews with people who produce, operate and are impacted by these various digital processes. This is the first UK study to gather multiple perspectives on the construction, operation and impact of digital risk profiling tools in housing. This report highlights key findings from 39 interviews with technology firms, social landlords, stakeholders and tenants drawn from the social housing sector in England.

Summary

- Welfare reform, increased marketisation and rising rents have prompted social landlords to undertake stringent affordability assessments as part of routine pre-tenancy checks.

- Interviews suggest an incomplete shift from using these affordability assessments to exclude households with insufficient income to recasting the assessments as a triage point towards (conditional) lets with tenant support. Exclusions remain, however, and landlords wrestle with reconciling social purpose with overcoming new business risks.

- Applicants can be routed towards debt advice or successful income maximisation checks, assisted by digital platforms. But tenancies are refused, impacting young people and others for whom benefits, wages or debts meant that even a social rented home was unaffordable.

- Assessment practice varied that would impact decisions at the margins. Many providers were looking to draw in additional data, such as Open Banking, and to automate what are often analogue systems. Digital data and automation create administrative efficiencies, and tenants like the convenience of some approaches, but staff and tenants also value human interaction and relationships.

- Increased digitisation should come after proviers review the purpose and practice of affordability assessments, as technology cannot overcome business challenges created upstream with welfare or social housing rents or sector funding shortfalls.

What is the background to the study?

Social housing providers crucial affordable accommodation for low and moderate-income households, helping to prevent homelessness linked to poor housing conditions and low incomes. However, it faces challenges such as limited choice, accessibility issues, and financial pressures on tenants and landlords due to welfare reforms, rising rents and cross-subsidy models that increased market exposure.

In this context, social landlords increasingly use pre-tenancy checks and digital risk profiling tools to assess applicants' financial situations and manage business risks and achieve sustainable tenancies.

Previous studies noted the use of digital risk profiling tools and credit data to undertake affordability assessments and raised concerns about potential exclusion that caused conflicts between local authorities and housing associations, as these approaches may conflict with the role of social housing as a valuable safety net.

This report highlights findings from the Nuffield Foundation-funded Code Encounters study that provides an in-depth qualitative analysis of digital risk-profiling tools that govern access to the housing market. It is the first UK study to appraise these systems from multiple perspectives.

What is the purpose of affordability assessments?

Interviews showed that landlords collect detailed income and expenditure data to determine the affordability and sustainability of specific properties. There were indications that some landlords had pulled back from using these affordability assessments to exclude social housing applicants and used the data collection exercise to identify support needs.

Some landlords had successfully used digital platforms to run income maximisation checks and secured large sums of previously unclaimed benefits to support households, but landlords lacked evidence that linked future tenancy performance to the outcomes of the affordability assessments.

Exclusions remain, however, as households emerge with deficit budgets, with benefits and income too low to afford even a social rent. Tenancy refusals were associated with young people whose Universal Credit (UC) is inadequate, or for those subject to the 'bedroom tax', benefit caps, UC deductions, indebtedness, low wages and where there were higher 'affordable' rents.

If landlords do not use affordability assessments to inform letting decisions but to identify support, there are questions about the proportionality and mandatory nature of data collection. It also raises queries about how this position accords with evidence that show tensions between local authorities and housing associations remain regarding assessments leading to tenancy refusals of homeless people. For landlords who do use data to grant or refuse tenancies this raises questions about how this practice is reconciled with social purpose and, crucially, what other provisions or initiatives, such as foyers and furnished tenancies, are being developed to ensure applicants are accommodated appropriately.

How is affordability constructed?

Affordability can be considered in various ways. As a proportion of income spent on housing costs or income thresholds as multiples of rent as in private renting. Interview data indicated that social housing landlords typically adopt a 'residual income' approach, that considers how much surplus income remains after rent and other household costs.

Landlords have guidance on what data to use in assessments, but not about how to set affordability thresholds. Landlords' practice varied, regarding income verification but particularly

in how expenses are estimated with the potential to influence letting decisions at the margins. Affordability thresholds also varied, from an income that equals expenses, to surpluses of £0.50 or £10 after rent and bills, or Job Seekers Allowance after rent. Notably, for a few landlords, surplus income requirements had reduced over time to minimise the failure rate and demand on support services, raising questions about the utility of the exercise.

How are social landlords using new data sources and automation?

Few participants had highly automated letting administration, although digital data and some sophisticated modelling were evident, interviews identified a clear drive in this direction. Staff and tenants valued software that incorporated digital benefit assessments as part of wider tenant onboarding processes, and significant sums gained in unclaimed benefits were evident.

Open Banking was used occasionally and was poised to expand, increasing the insights available to landlords. Tenants were largely unsupportive as banking transactions reveal intimate data not related to their ability to pay the rent that they cannot redact in the same way as paper bank statements. Credit history data was more common and used to verify housing histories, tenant identity and combat fraud, but also to flag large debts, feeding into affordability assessments and referrals to debt advice. Tenants offered mixed but more supportive views of credit data than banking data as credit relates to payment histories rather than financial behaviour and spending habits.

Social landlords varied in their adoption of digital systems for data collection and administration and hybrid systems were common, where tenants completed online forms and uploaded documents, but staff manually reviewed the information. Digital tools can be efficient but face challenges of poor data quality and slow digital service adoption. Tenants valued the convenience of automation, the flagging of gaps or erroneous entries, the record of communication and could be used at any time, but were uncertain how data was used. Staff and tenants valued human interaction and favoured technology *augmenting* rather than replacing human interaction in what are often sensitive letting discussions.

Conclusion

Social landlords use detailed financial affordability assessments leading to tensions with local authorities. The study revealed that while some landlords use these assessments to offer support others maintain the exclusion of some applicants who cannot demonstrate affordability. Social landlords vary considerably in how they conduct affordability assessments with different thresholds for affordability and expenditure estimates that would make material differences to who accesses housing at the margins. Increased automation is possible but raises concerns. Tenants support credit checks to identify financial strain but are uncomfortable with intrusive data requests like Open Banking. Alternatives such as digital wage slips and Companies House data are useful but may miss informal employment. With a new Government prioritising social housing, housing standards and supply, there is an opportunity to reassess the role of affordability assessments and automation, balancing support and inclusion with data privacy and efficiency.

Recommendations

Across the Code Encounters project, we identified universal themes that need to be addressed as well as sector specific that require attention, including the following that are relevant to Government, those responsible for financial education, risk profiling technology firms, trade bodies, lenders, landlords and agents.

1. **To make visible how data and algorithms have been used in each decision** Provide greater transparency in the way data is gathered from and about tenants and clarity about how these data will be used.

2. **To establish agreed guidelines on the appropriate use of algorithms for stakeholders within the sector and tenures** Provide guidance to landlords on what referencing tools can do and how algorithms and new data resources are deployed.

3. **To produce guidance on the use of data and algorithms for tenants** Increase public awareness of how they must manage their digital profiles, including banking transaction data, much in the same way as the importance of managing credit scores has permeated financial education and public consciousness.

4. **To retain human oversight in decision making** Not all people fit algorithmic models so human oversight should be maintained to ensure fairness.

5. **To ensure the explainability of decision-making** Organisations must be able to fully articulate how a decision was reached, including the data used, where algorithms were involved and the human oversight of the outcome.

6. **To ensure the retention of flexibility and individually tailored decision-making** We would suggest having a system in place in which the inputs into algorithmic processing can also be adapted to enable flexibility and to ensure that both input and outcomes remain flexible and adaptable to the individual being assessed.

These recommendations are discussed in more detail in our Overarching summary report 1. Below are additional observations for private renting.

7. **Consider the utility of affordability assessments before drawing in new data and automation** Prior to considering what data to deploy and how to effectively automate affordability assessments, social landlords should consider their desired role in letting decisions, which will shape subsequent practice.

8. **To ensure affordability models are free from unintended indirect discrimination** All firms and users of risk profiling tools should consider equality impact assessments to ensure that some groups are not disadvantaged in comparison to others in profiling recommendations and also in the final letting or lending outcomes.

9. **To ensure the predictive capacity of affordability models is secure** Model accuracy in private and social renting was uncertain and firms and users should undertake work to test the predictive capacity of the tools' against suitable datasets.

Findings from this study have already been published in peer-review journals and all reports, papers and briefings are available to download from the project webpages https://www.york.ac.uk/chp/housing-markets/code-encounters/.

Preamble

This is the third report in a four-part series that explores the development, operation, and impact of digital risk profiling tools in England's mortgage and rental markets. This report - *CODE ENCOUNTERS Report 3: Data and automation in pre-tenancy affordability checks in social housing* - specifically focuses on social housing in England, offering insights into the unique challenges and implications of risk profiling within this tenure. The details of all four reports are as follows:

- *CODE ENCOUNTERS Report 1: Housing and algorithmic risk profiling in England - Overarching summary report* (2024) by David Beer, Alison Wallace, Roger Burrows, Alexandra Ciocănel and James Cussens. Centre for Housing Policy: University of York.

- *CODE ENCOUNTERS Report 2: Digital tenant risk profiling in England's private rented sector* (2024) By Alison Wallace, David Beer, Roger Burrows, Alexandra Ciocănel and James Cussens. Centre for Housing Policy: University of York.

- *CODE ENCOUNTERS Report 3: Data and automation in pre-tenancy affordability checks in social housing* by By Alison Wallace, David Beer, Roger Burrows, Alexandra Ciocănel and James Cussens. Centre for Housing Policy: University of York.

- *CODE ENCOUNTERS Report 4: Credit risk decisions, mortgage lending and technological possibilities* (2024) By Alison Wallace, Alexandra Ciocănel, David Beer, Roger Burrows and James Cussens. Centre for Housing Policy: University of York.

The reports are based on a study aimed at:

- Understanding tool production: The study examines how credit rating agencies (CRAs), lenders and data analytics firms build credit scoring and tenant screening tools. It investigates the data used, how representative it is, the criteria for creating risk profiles, and how this information is communicated to key stakeholders.

- Exploring deployment motivations: The report assesses why housing professionals adopt these tools, focusing on policy, market, and regulatory influences and the risks they aim to manage across different sectors.

- Examining practical deployment: The study looks at how these tools are integrated into everyday housing practices, how they affect professional judgement, and how compliance with regulations like data protection and consumer standards is maintained.

- Investigating perceptions and awareness: It explores how well professionals and consumers understand these tools, their awareness of the data involved, and the impact on housing access.

- Assessing market impact: The study considers how professionals and consumers respond to the use of these tools, including potential exclusion or gaming of the system, and the balance between privacy and efficiency.

- Considering policy implications: It reflects on the regulatory and ethical issues raised by these tools and their broader role in shaping housing markets.

All four reports along with a literature review, briefings and a series of articles published in peer-review journals are available to download from the project webpages https://www.york.ac.uk/chp/housing-markets/code-encounters/.

Chapter 1: Introduction

Social housing is an essential part of our housing system, providing critical access for many households. Although it has never been 'treasured universally or valued unconditionally' (Tunstall and Pleace, 2018: xii), it generally boasts higher tenant satisfaction levels than private renting, has the lowest rate of non-decent homes, and is often in attractive forms like houses rather than flats, typically in suburban areas. While there are challenges regarding space, choice, and accessibility, social renting is a vital option for low to moderate-income households unable to afford homeownership. It helps break the link between low incomes, poor housing conditions and homelessness. Below-market rent options in social housing also play a significant role in reducing poverty caused by high housing costs, as evidenced by data showing poverty rates doubling in London when housing costs are considered (Tunstall *et al*., 2013). Additionally, social housing is often seen as the 'most 'pro-poor' and redistributive major aspect of the entire welfare state' (Tunstall *et al*., 2013: 5). As a result, it remains a popular choice, with 1.29 million applicants on social housing waiting lists as of March 2023.

There are various routes to securing social housing, which ultimately involve a social landlord assessing a specific person for a specific home. People can enter social housing through local authority nominations to address homelessness, by applying directly, or more commonly via joint local waiting lists or Choice-Based Lettings schemes. These schemes allow applicants to bid for available social homes in the area using a system of points or bandings that reflect their housing priority. While these schemes aim to reduce bureaucratic allocation and empower tenants, the limited supply also limits choice (Brown and King, 2005). Regardless of the route, social landlords have discretion, within legal boundaries, to decide whether to grant a tenancy based on pre-tenancy checks. These checks ensure that the applicant's circumstances are as stated in their application, that the property is suitable, and that the tenant can manage the tenancy. Over the past decade, the financial circumstances of tenants have become increasingly important due to changes in the welfare system that limit its effectiveness, rising rents by social landlords (especially via 'affordable rents'), and the increased financialisation and marketisation of social housing providers. To mitigate risks like failing to meet loan covenants, landlords now conduct more thorough income, expenditure, and affordability checks, often including credit checks and digital screening tools (Preece *et al*., 2019).

This report examines the use of pre-tenancy checks and the increasing reliance on digital tools to profile tenant applicants in social housing in England. It draws on interviews with social landlords, tenants, and technology firms involved in this area. It is based on a research project – *Code Encounters* - funded by the Nuffield Foundation that explored algorithmic risk profiling in access to housing across all tenures. In social housing, these checks are not widely discussed but represent a critical hurdle that applicants must overcome to secure a tenancy. The study included social housing because key findings raised concerns about exclusionary practices. These practices stem from social housing providers adopting digital risk profiling mechanisms from the private sector, which some feel conflict with the core purpose of social housing (Preece *et al*., 2019; Greaves, 2019).

The research found that the use of digital tools to assess social housing applicants varied widely. It ranged from basic, manual affordability assessments to advanced digital data analytics software. This occurs within a broader context where housing providers aim to maximise data usage and automate key processes for better insights, cost savings, and efficiencies. There is a growing push towards more digitally driven systems. The report focuses specifically on the

checks performed before formally letting properties, rather than the management of common waiting lists or other allocation tools, with particular emphasis on the affordability assessments commonly applied in modern social housing.

Two key issues arise from the work. Firstly, a critique of pre-tenancy and affordability checks in contemporary social housing in general, aside from any digital or technological administration. Social housing pre-tenancy checks are long-standing, involving landlords reviewing the suitability of the property, location, and available support for prospective tenants. However, the operating context has shifted over the decades, with commercially oriented providers now seeking to mitigate business risks around affordability - due to reduced grants, welfare reforms, and stagnant wages - by adopting private rental practices. This has led to potentially exclusionary outcomes. A crisis of social purpose in the sector, amplified by the pandemic and inflationary pressures, has prompted some landlords to redirect these checks towards financial advice and support rather than exclusion, though a range of analogue, intermediate, and advanced digital risk assessment tools remain in use. Letting refusals still occur, especially for young people on benefits, but the shift away from exclusion challenges the necessity of these checks. Financial pressures and inadequate social security make it difficult for some tenants and landlords to reconcile risk management with social values.

The second issue concerns the adoption of automation and digital risk assessment tools. There are lessons regarding the smooth automation, proportionality, and relevance of the digital data collected and its impact on letting decisions. In many cases, these data resources do not materially influence decisions. Ultimately, the use of digital tools is not a solution to what are essentially structural or policy-driven problems.

Research Methods

This report is the first to examine digitally enabled tenant referencing or risk-profiling tools in the social housing sector. The broader project also studied digital risk profiling of tenants in the private rented sector (PRS) and mortgage borrowers. Some authors argue that studies of algorithmic decision-making should encompass the entire 'social-technical assemblage' (Kitchin, 2017) or the full 'regime of recognition' (Amoore, 2020), considering the constellation of people, institutional context, application, and impact of the digital tools. Therefore, this study uniquely explored encounters with these digital risk-profiling tools from multiple perspectives, rather than focusing solely on the technology and 'proptech' firms.

The research team conducted in-depth interviews with: people involved in creating these tools at tech start-ups or established firms; social landlords using or planning to use these systems; and social housing tenants, assessing their experiences and impacts of digital risk-profiling. The findings in this report are based on 39 qualitative in-depth interviews related to social housing and are part of a larger set of 121 interviews supporting the wider project. Specifically, they include conversations with 6 technology firms working with social housing providers, 15 social landlords (SH), 15 recent social tenants (ST), and 3 stakeholders (consultants). Technology firms and landlords were contacted directly, while a recruitment firm helped recruit social housing tenants, granted tenancies within the last two years to aid recall of the letting process. Tenants who participated received a £30 Amazon gift voucher to acknowledge their time. Interviews ranged from 40 to 90 minutes and were conducted on Zoom, with audio professionally transcribed and the transcripts thematically analysed.

Further details about the research methods are available in the appendix.

Report Structure

The report begins by reviewing existing knowledge about social housing access and exclusion, as well as digital or algorithmic processes in social housing and beyond (Chapter 2). Using qualitative insights from our interview data, Chapter 3 explores the motivations behind affordability assessments and pre-tenancy checks, the rent regime, welfare reform, and marketisation of the sector. Chapter 4 examines the data resources and assessments used in affordability checks and pre-tenancy evaluations, highlighting the diversity of practices across landlords. Chapter 5 discusses the role of manual or analogue processes and the integration of data and automation into social landlords' systems. Chapter 6 addresses the contested role of affordability assessments in either supporting or excluding tenants. The report concludes with a discussion on the need to reflect on the purpose of these assessments before determining how best to incorporate new data resources and automate the process.

Chapter 2: Background

Introduction

This chapter considers the current evidence base about how social housing is accessed, how the sector has changed over time and the role of pre-tenancy checks and affordability assessments within that landscape. Over the long-term, we see shifting target audiences for social housing accompanied by shifting assessment tools for applicants. From home visits appraising cleanliness to a focus on need, we now see social housing applicants appraised for income and affordability, potentially reframing eligibility to the sector. The role of 'proptech' and other new technologies in social housing is also discussed. This chapter explains what is already known about social housing business risk, allocations and lettings, as well as how the sector engages with new digital technologies. Readers familiar with this terrain may skip to the start of this project's findings in Chapter 3.

Accessing social housing

Social housing has evolved significantly from its philanthropic and municipal roots, changing in its form, funding and purpose over time. Since the late 1980s, there has been a shift from public funding towards increased private financing, leading to the transfer of many existing and new homes from local councils to non-profit housing associations (Malpass, 2011). More recently, for-profit housing associations funded by institutional equity investments have also emerged (Wiljberg and Waldren, 2020). The approach to social housing varies internationally: in some places, it caters to a broad constituency, including the middle class, as seen in Vienna where 60% of residents live in social housing (Kadi, 2015). In contrast, in the USA, public housing is more targeted, typically serving those below the poverty line (Vale and Fremark, 2012) and functioning in a more residual capacity.

In the UK, social housing is often seen as housing for low-income people, but early schemes targeted the working classes with reasonable incomes, beyond what the urban poor could afford (Tunstall, 2023). Slum clearances increased the proportion of low-income tenants, and from the mid-1970s, social housing became 'residualised,' focusing on the most disadvantaged, a trend that accelerated post-1980 with the Right-to-Buy policy as more affluent tenants left. From the 1990s to the 2010s, the socio-economic profile of social housing started to align more closely with the wider population, though this may now be reversing as benefits and unemployment in social housing diverge from broader trends (Tunstall, 2023). Debates about the purpose of social housing have included whether it should act as an 'ambulance service' or a 'minimalist and conditional welfare safety net' (Fitzpatrick and Pawson, 2014:612). *The Housing and Planning Act 2016* introduced measures like removing security of tenure and fixed-term tenancies to reassess tenant circumstances, improving stock efficiency but potentially harming tenant wellbeing (Fitzpatrick and Watt, 2017). Recently, as external welfare conditions have worsened, the sector has shifted from exclusively serving the most disadvantaged due to concerns over tenants' ability to sustain rents long-term.

Since its inception, social housing has assessed applicants, distinguishing between the 'respectable' and 'dissolute' poor (Damer, 2000). Victorian social reformer Octavia Hill advocated for a paternalistic management style that encouraged thrift, good behaviour, and consistent rent payments (Stewart, 1999; Mann, 1952). Franklin and Manzi (1997) explored the

evolution of housing management policies that aimed to rehouse slum dwellers or provide general needs homes, often attempting to manage and improve the lives of low-income households. Over time, systems adapted to reflect housing priorities and needs. Damer (1974, in Smith, 1996:342) highlighted the importance of home visits in the letting process, where housing officers judged prospective tenants:

> 'Research exploring these outcomes was conducted at a time when home visits often made the difference between a good or bad housing outcome, when housekeeping standards were graded as part of the assessment of good tenants, and when an accumulation of middle-class prejudices partly explained why large families, single-parent families, the unemployed, the chronically sick and racialised minorities ended up in the worst properties.'

According to Smith and Mallison (1996:340), officer discretion meant that allocation policies often fell short of redistributive ideals, favouring some groups over others. Pre-tenancy checks have thus been a constant in the sector, though their form has evolved, and formal allocation policies and legal oversight have helped reduce exclusionary practices.

> 'Discretion - an approach to decision taking which provides housing managers with flexibility in assessing needs and allocating homes, but which also makes the system vulnerable to inconsistency and bias. In the field of race and housing, but in other areas too, discretion was depicted as the bug in the system - a source of deviance which allowed short-term management goals to compromise the principle of social justice.' (Smith and Mallison,1996: 341)

Today there are several ways to access social housing, all of which involve a social landlord assessing a specific individual for a specific home. One route is through local authorities, where individuals apply for assistance due to homelessness or the threat of it. If the local authority has a legal responsibility to help with rehousing, they may nominate the applicant to a social landlord for consideration for one of their homes. Alternatively, individuals can apply directly to social landlords or, more commonly, through Choice-Based Lettings (CBL) schemes. These schemes, introduced from Delft in the Netherlands under New Labour's 'new public management' agenda in the early 2000s (Brown and King, 2005), involve multiple councils and housing associations providing a single application point. Applicants' circumstances are assessed, and they are awarded points or bandings (gold, silver, bronze for example) that reflect their housing priority. They can then use these points or bandings to 'bid' for available homes using online platforms.

There are mixed views on the effectiveness of choice-based lettings systems. While tenants generally view them favourably, guidance on using these systems can be unclear, potentially disadvantaging some groups, and they do not address the limited supply of social housing, which restricts the capacity for meaningful choices to be made (Marsh *et al*., 2004; Brown and King, 2005; Galbraith, 2017; Lomax and Pawson, 2011; Manley and Van Hamm, 2011). This report focuses on the assessments carried out by social landlords once they receive successful applications or nominations from local authorities or CBL organisations, rather than the systems themselves used by homeless and waiting list applicants to express interest in properties.

Despite reducing bureaucratic allocation, landlords still have discretion in deciding whether to grant a tenancy, and it is at this stage that pre-tenancy checks occur. These checks, often overlooked, involve verifying that the tenant's circumstances align with their application, assessing the property's suitability, and determining the tenant's ability to manage the tenancy independently or with support. The financial circumstances of tenants have become increasingly important to landlords, with thorough income, expenditure, and affordability checks, often

supplemented by credit checks and digital screening tools (Preece *et al.*, 2019). This study examines these contemporary pre-tenancy checks and affordability assessments.

Social landlord's new business risks

Affordability in social housing has only become a significant concern in recent years. Traditionally, social housing consisted of council housing with rents set at around 50% of market rates. Before 1989, when rent controls were abolished in the private market, many housing association rents were regulated and could not be increased until reviewed and registered again two years later by a panel. Both council and housing association rents were fully covered by housing benefit for those on low incomes or receiving benefits. However, following the 1988 Housing Act, which shifted social housing development responsibility to housing associations, rent controls were lifted and rents became slightly higher due to these providers being more financially leveraged. This affordability model persisted until three key changes occurred.

Firstly, the *Localism Act 2011* introduced a new type of social housing known as 'affordable' rents, set at around 80% of market rates. This was part of a settlement with housing associations, where the government reduced grants for building new homes but allowed providers to charge higher rents to compensate (Mullins, 2012).

The second issue was the 2013 welfare reforms, which introduced significant changes to the benefits system. A key component was the transition from various legacy benefits to a single Universal Credit payment, combining funds for basic living expenses and housing allowance. The controversial 'bedroom tax' (under-occupancy charge) was also introduced, limiting full rent coverage for tenants deemed to be under-occupying their homes. Benefit caps set upper limits on total payments, and a two-child limit capped entitlements for larger families. Stricter sanctions could reduce or stop benefits if claimants failed to attend appointments or actively seek work. Additionally, Universal Credit, including housing allowance, was paid directly to tenants, even if they preferred payments to go to their landlords, affecting rent management in social housing (Meers, 2014; Beatty & Fothergill, 2018; Hickman et al., 2017).

The third issue was the expectation that housing associations operate more like market players, leading to increased financialisaton. They have been cross-subsidising the development of new social housing by generating surpluses from open market sales and shared ownership schemes. This shift has also seen them securing more sophisticated debt and equity finance from financial markets, moving away from their previous reliance on substantial state subsidies (Goulding, 2017; Manzi and Morrison, 2017; Smyth *et al.*, 2020).

This combination of higher 'affordable' rents, less secure or reduced benefit payments that are paid directly to tenants, and a heavier reliance on market finance than initially anticipated in 1988 has created a scenario where social housing landlords, especially housing associations, are now exposed to greater business risks.

Marketisation has led housing associations to diversify their activities, increasing their commercial investments and developments to boost housing supply and cross-subsidise social housing efforts, thereby enhancing self-financing (Morrison, 2017). With declining grant rates and uncertainty about future state funding, landlords faced challenging strategic decisions and have evolved into hybrid organisations, incorporating elements from the market, state, and third sectors (Mullins, 2012a). This transition has resulted in greater private sector representation on boards and a shift towards market-driven models, with the aim of balancing commercial and

social objectives (Mullins, 2012a). Entering private market renting is one example of these new commercial activities (Morrison, 2017). Undertaking detailed affordability assessments are part of strategies to reduce rent arrears and sustain tenancies so housing associations can maintain financial viability in this new landscape, as required by social housing regulation (NHF, 2022).

Pre-tenancy checks and affordability assessments

The circumstances described above resulted in 'scrutiny of tenants' financial risks, and greater conditionality in access to social housing' (Preece, 2019:1215). In the lead-up to the pandemic, when the project reported on here was conceived, this additional tenant scrutiny via pre-tenancy checks and affordability assessments had begun to attract critical attention. Housing associations in particular were accused of mitigating their business risks by excluding people for whom social housing would be their best housing option.

Greaves (2019) found that pre-tenancy assessments in social housing are widespread and involve various risk evaluations. These assessments examine tenancy sustainability, including financial stability, rent affordability, anti-social behaviour, support and health needs (from internal and external agencies), and whether the property and neighbourhood meet housing needs. Their survey showed that 96% of respondents said pre-tenancy assessments focus mainly on affordability, including credit checks, household income and expenditure assessments, and evaluating if applicants could consider PRS housing. Unmet support needs are also key in pre-tenancy checks. In the past, these checks were less common, as income from benefits was usually expected to cover rent.

These assessments have created tensions between local authorities, responsible for addressing homelessness, and housing associations, focused on managing business risks by rejecting some nominated households (Fitzpatrick et al., 2019). A survey revealed that 64% of local authorities believed affordability and financial checks made it harder for homeless households to access social housing, especially under the benefit cap. Surprisingly, this issue was more significant in the North than in London (Fitzpatrick et al., 2019). The 2022 Homeless Monitor showed a slight drop in local authorities reporting problems with these checks, decreasing to 59% from 64% in 2019 (Watts et al., 2022).

The National Housing Federation (NHF, 2022) reported that tenants often face challenges with pre-tenancy checks. Housing association assessments sometimes duplicated local authority checks, excluded many benefit recipients from certain properties, particularly affordable rent ones, and included detailed financial assessments seen as intrusive. Moreover, necessary support was often lacking, and conflicts arose between local authorities and housing associations over issues like past convictions and rent arrears. Housing associations argued these checks were vital for ensuring sustainable tenancies. The NHF (2022) recommended stronger collaboration between housing associations and local authorities to reduce housing barriers, but noted housing providers were constrained by market pressures, weakened welfare, and higher rents.

Housing associations often framed their rejections as efforts to avoid 'setting people up to fail,' focusing on ensuring tenancy sustainability (Preece *et al*., 2019). Those rejected were frequently directed towards older, lower-cost non-'affordable rent' homes. However, staff were often unable to track what happened to individuals who failed these pre-tenancy affordability assessments. Some housing associations provided support and guidance to help applicants become more 'tenancy ready' and improve their chances in future applications. Conversely,

other associations imposed conditions on granting tenancies, such as requiring rent in advance from new tenants, potentially sourced from *Household Support Funds*, *Discretionary Housing Payments* or *Homeless Prevention Funds*, if there was uncertainty about the tenant's ability to cover the rent (Greaves, 2019; NHF, 2022).

Preece *et al.* (2019) considered the use of technology in these affordability assessments, with some landlords noting the predictive ability was poor and did not always provide a strong basis for rejection even if this was the favoured outcome, although improvements in 'explainability' and predictive capacity of data analytics was anticipated. They noted that 'a key area for future research is to understand the way in which technologies may generate new forms of exclusion, limiting access to welfare goods. Central here is the extent to which the calculations and logics of such assessments are transparent and open to challenge, by users and recipients (Preece *et al.*, 2019: 18).

In response to growing concerns, the National Housing Federation (NHF) (Morland and Co., 2022) issued guidance on affordability checks for housing associations. The NHF reminded landlords of their legal obligations and advised that tenants in borderline cases should be given the benefit of the doubt. If a tenancy is refused based on affordability, tenants should be informed of their rights to review, complain to the Housing Ombudsman, or request a judicial review. Providers were also urged to avoid duplicating financial information requests, as much of the data would have already been provided when the tenant joined the waiting list. The guidance outlined what could be used to assess affordability, starting with the applicant's income - salary, property gains, rental income, welfare benefits, and more. Next, the applicant's expenditure should be examined, including rent, service charges, reasonable living expenses, and priority debts like court fines, council tax and utility arrears (Morland and Co., 2022).

In response to a government consultation on social housing allocations, 80% of councils said they had an income test in place, and 75% conducted tests for anti-social or criminal behaviour before allocating housing (MHCLG, 2024). Over half (52%) used income checks to set a ceiling above which applicants could afford market housing, while 60% considered income, investments, and assets. A quarter (26%) performed holistic affordability assessments. This shows that both local authorities and housing associations conduct detailed financial appraisals.

Housing affordability can be assessed in various ways. One common method is the percentage rule, which suggests housing costs should not exceed a certain percentage, such as 25%, of a household's net income (Bramley, 2011). Another approach is the residual income method, which considers whether the remaining income after housing costs is enough to cover basic needs. For instance, 45% of a £60,000 salary still leaves enough for living expenses, but 25% of a lower wage might not. The PRS often uses percentage thresholds, while social housing generally uses a residual income approach, requiring detailed income and expenditure appraisals. However, there is no standardised guidance on how to apply these models, gather data, or use resources, leading to significant variations in how providers conduct assessments.

Proptech and social housing

'Proptech' and 'fintech' are industry terms describing the digital transformation of real estate, banking, and insurance markets through start-ups and technology-driven companies. These sectors, traditionally slow to innovate, now use new data resources, automation, and increasingly, artificial intelligence (AI) to reshape how information, transactions, and

management practices operate (Baum, 2017). In proptech, the value of business data is a central focus, with data analytics driving much of the sector's activity (Braesemann & Baum, 2020). A growing body of literature, discussed more fully in Report 2, examines how developers, institutional investors, and build-to-rent companies are using digital proptech tools to manage and invest in PRS properties (Maalsen, 2024; Fields, 2022; Landau-Ward & Porter, 2019; Nethercote, 2023; Prezhdetsky, 2024).

Despite automation and data insights promising business efficiencies, the social housing sector lags behind the PRS in adopting such technologies. The Regulator of Social Housing's (2023) Sector Risk Profile highlights vulnerabilities related to outdated software, cybersecurity risks, and the importance of data protection when working with third parties. Investigations by the Regulator and Ombudsman (2023) have revealed that data integrity remains a challenge in social housing. A Service Insights (2024) report found that only 45.5% of social landlords trust their data's accuracy, while 54.1% admit to poor data quality in the past year. According to HACT (2024), the sector is 'still behind the curve' in becoming data-savvy.

However, social landlords are not inactive. Many are exploring digital technologies despite funding challenges focused on new developments, building safety, and consumer standards. Key trends, as summarised by Brown (2023), indicate a growing use of data and analytics to improve governance and management decision-making. Digital platforms are increasingly adopted for customer management and maintenance reporting, streamlining service delivery. IoT technology is being used to detect and predict issues in tenants' living conditions, enabling proactive responses.

Social landlords are also enhancing tenant engagement through digital channels, improving communication and feedback. AI and machine learning are being integrated into customer service via chatbots and automation, while mobile apps help tenants manage rent accounts and report repairs. Cloud-based solutions are replacing onsite servers, offering more operational flexibility. In response to rising cyberattacks (reported by 25% of the sector), cybersecurity efforts have increased. VR/AR technologies are also being adopted for virtual property viewings and equipment demonstrations. Finally, the pandemic has accelerated the use of remote-working technologies, supporting flexible work arrangements and maintaining operational continuity.

Conclusion

Our focus on pre-tenancy checks and affordability assessments arises within a sector that is gradually adopting data-informed practices, rather than fully embracing them. Traditionally, social housing applicants were evaluated based on their respectability or need, but today they must also pass financial assessments to prove they can meet rent obligations. These affordability checks gained prominence amid major changes: declining grants for social housing, the introduction of higher 'affordable rent' products, and welfare reforms that reduced support for low-income households. At the same time, social landlords increasingly adopted commercial approaches, viewing prospective tenants as potential business risks. This shift heightened concerns about tenancy failure due to rent arrears, prompting more stringent applicant screenings and, in some cases, exclusion if affordability was insufficient. This has led to growing concerns about exclusion and the use of opaque digital tools for tenant assessment. Approaches to digital data and automation among social landlords vary widely -some lag behind market innovations, while others actively experiment with new technologies. This study explores how financial stress testing and digitalisation intersect in this evolving sector.

Chapter 3: Motivations for pre-tenancy affordability checks

Introduction

This chapter presents the first theme in the project findings. It shows that the market context for social housing has shifted significantly. While some landlords have been conducting income assessments as part of their offer checks since 2000, many have only adopted more detailed affordability assessments in the last decade. This change reflects the evolving business environment, with increased private practice and financial pressures on housing associations leading them to more tightly control business risks. Welfare reforms introduced by the Coalition government in 2013 have made social housing rents increasingly unaffordable for many of their intended beneficiaries. Additionally, reduced grant rates and the shift towards higher 'affordable' rents for new developments have compounded these challenges. The sector has come under increased regulatory scrutiny in recent years and in response, social landlords have had to balance their social mission with financial realities, moving away from exclusionary practices and using financial assessments to better identify and address support needs. In this chapter we turn to our interview data to explore these issues.

Marketisation

Housing associations in particular have changed over time becoming hybrid social businesses that attempt to follow the institutional logics of the market to satisfy social goals, encapsulated by one provider's organisational purpose:

> 'Well, yes, one of our taglines is, "Business head, social heart". We try to live that.' (SH9)

> 'So, whether or not someone could or couldn't afford the tendency, or whether someone did or didn't have any arrears was almost a secondary consideration, and often just wasn't a consideration at all. The primary motivator in a lot of the areas I was working in was, "Will you just set up a rent account. We just want to get rid of the void off our list. Have you got a friend, because if you have, they can have a council house as well." [...] Whether someone could afford the rent or had arrears, say, was often not a massive consideration, and then you fast forward from the late 1980s to 2008 and 2010, and over that decade the market has changed, and the pressures on all aspects of our housing market, all tenures, have changed.' (Stakeholder 13)

The participant above likely refers to low-demand areas during the 1970s and early 1980s, when people were moving to new towns and suburbs. In contrast, from the late 1980s onward, the demand for social housing began to exceed supply. This shift led to a reduction in hard-to-let schemes, which had previously provided tenancies to students and others in areas with low demand.

> 'All of a sudden, social landlords are also doing this choice-based lettings approach, and policies and practice just massively changed in that decade, along with demand, and new ideas. Marketisation and that private sector approach comes into allocating social housing. There are ideas then, it's looking as to what else does the private sector do when it's allocating housing, and giving out housing, and how else can we adopt some of that practice. That tips finally over the edge into the early 2010, 2011, 2012 as the Welfare Reform Act comes along. Social landlords,

whether they be housing association or local authorities, are now trying to hedge their own financial risks through that welfare change and are devolving that risk right down to the frontline individual, to the individual looking for housing. Who arguably, actually, is less able to carry that risk, [...] but nevertheless social landlords are doing that. Boards and chief officers are consciously determining to hedge their risks down to those people with the least ability to mitigate those risks.' (Stakeholder 13)

Some providers seemed more confident about communicating business metrics than they were good stories about the work they are doing to help communities.

'Start to talk about some of the successes because that, you should shout more about these things that you're doing, and that's what matters to your residents. What doesn't matter to your residents is what your surplus is or how many new homes you've built for open-market sale, which is what the sector tends to talk about nowadays.' (Stakeholder 11)

'I think we've got executive teams that don't really have lived experience of social housing, so they are very, very focused on things like private development because actually, that kind of makes you look, not to use too coarse a word, but makes you look sexier. I think the sector, I think the intent is still there in the sector to do social good. I think the economic environment is probably a little bit more difficult for them to do that, and that's why there's a rush to things like mergers, increasing development receipts, that sort of thing, to enable them to do more of the social things, but actually, there isn't much evidence that those two things are interconnected.' (Stakeholder 11)

Housing providers do not necessarily see themselves as social landlords as such and therefore are less motivated to house people who have no other options.

'Most social landlords I speak to don't realise that there's a legal definition of social housing. They're absolutely clueless for it. It's in the Housing and Regeneration Act 2008, which is where their current regulatory framework comes from, but they are absolutely clueless. They don't like, a lot of them, the definition when I say it to them, which is housing for rent, sale, or shared ownership at submarket rates for people whose needs cannot be met by the commercial market. [...] It's that bit that they don't like, because they don't want, a lot of them, to house people who might be defined as people whose needs can't be met by the commercial market, because unfortunately too many of them have got that social housing mission drift, where they just see themselves... They like the title of private registered provider, and are quite happy to use that,' (Stakeholder 13)

Poverty and deprivation

Housing providers are challenged by the emergence of households on exceptionally low incomes that impact individual tenancies but also in terms of allocations to wider communities as landlords try to not create neighbourhood concentrations of poverty.

'There is huge pressure both on the number of people coming forward because of people being chucked out of the private sector and also with them the level of deprivation of people being put forward by local authorities, and kind of knock-on effect on existing communities, and so on.' (Stakeholder SRS 1)

Providers are increasingly seeing households with insufficient means to support themselves on a day-to-day basis. Deficit budgets are also increasingly evident as people may be subject to benefit caps, not claiming benefits when entitled or because costs have risen so much in recent

years. Financial assessments have therefore become critical in deciding whether tenancies will be let, or more recently what forms of support new tenants require.

> 'If it's a red on the affordability, then yes [tenancy refused], because they've scored a minus so they've got a negative budget. That system is telling us, based on the income that we've put through, when you take into account rent, gas, electric, food, water, they can't afford that. [...] It's a very grey area as well in terms of the policy and benefit regs, and it's something that we've had a lot of toing and froing with the council about.' (SH13)

> 'Some applicants can look like, when you do the assessment without having chats to them, obviously they have a negative weekly income, but you're having that, obviously that's the point of the conversation.' (SH7)

> 'If somebody has less-than-zero, so deficit budget, after those costs have been taken into account, the allocation team has the ability to refuse that property and look for another property that is suitable.' (SH9)

Bringing forward financial appraisal when people are on waiting lists is undertaken by some landlords as the costs of moving home are high. Landlords advise applicants on the costs of running a home and prompt early consideration of how they might obtain furniture and white goods. Likely, any deductions from Universal Credit to repay Social Fund Budgeting loans would adversely impact the granular affordability assessments.

> 'We have people who come to us and they don't have a knife or a fork, never mind a bed and a fridge-freezer and wardrobe and everything else. Again, it's around just educating that customer as to how they would go about doing that, what's the average cost for these things, and trying to have that conversation before they come to an offer stage.' (SH14)

Policy context

The introduction of affordable rent and the promotion of fixed-term tenancies were pivotal in driving the use of affordability assessments in social housing. Affordable rent, set at around 80% of market rates compared to traditional social rents at about 50%, emerged as the Government reduced grant rates for new social housing developments. To compensate, housing associations were permitted to charge higher rents to fund continued construction. At the same time, housing policy shifted to view social housing as a temporary solution for those in crisis (Fitzpatrick & Watts, 2017, 2018). This approach aimed to increase turnover and make better use of existing stock by limiting security of tenure.

Under this model, lifetime tenancies were replaced with fixed-term tenancies, and periodic reviews assessed tenants' financial and household circumstances. These reviews determined whether tenants still qualified for social housing or could afford higher rents or private accommodation. Although the controversial "pay to stay" policy, which proposed charging higher rents for tenants with increased incomes, was ultimately scrapped due to opposition, the focus on affordability assessments and higher rents for those able to pay more remained central to housing policy.

> 'I think when the government changed the legislation to allow us to issue fixed-term tenancy, and allowed us to charge affordable rents, which I think was 2011, we anticipated that because we're now going to be charging a much higher rent, that residents wouldn't be able to afford it. So, in line with the rent increase, and the change of tenure, we also carried out affordability checks. This was to make sure that residents could afford our tenancies.' (SH3)

A consultant was keen to remind landlords that they operate within the legal framework set out by the Housing Act, 1985, the Equality Act, 2010 and the Information Commissioner's Office Data Protection Act, 2018, but felt more Government guidance on allocations was needed.

> 'There are promises of more guidance to come from the government on social housing allocations, although that guidance has been promised now for three years and doesn't seem any closer to appearing. There are already currently five codes of guidance for local authorities. As I said earlier on, there's absolutely zero for housing associations, even though they've got quite a lot of different statutes that they have to apply to how they allocate social housing. [...] There's very little statutory or voluntary guidance in this particular matter for local authorities, or housing associations. There's lots of good intent in guidance that says, "Make sure properties are affordable, take time to consider it,' but there's no actual real explicit instruction, or advice, or practical steps that people should follow. Just lots of nice words." (Stakeholder 13)

Housing associations are private organisations and any state direction of their letting policies may undermine this private status. This would result in the ONS reclassifying them and their debt then appearing on the Government's balance sheets, increasing public sector borrowing (Wilcox, 2017). But guidance rather than direction would be beneficial.

Sustainable tenancies

Landlords highlighted the support they provide to tenants in creating sustainable tenancies, especially in response to welfare reforms and benefit cuts since 2010. Assessing whether benefits would cover both rent and household expenses became essential in managing tenancies. This included checking tenants' benefit entitlements and helping them make claims, which was seen as beneficial for both the tenant and the community.

As demand for assistance grew with austerity and the reduction of local advice services, landlords took on a greater role in offering debt and welfare benefit advice. These services included debt management, helping tenants with benefit claims, identifying social tariffs for utilities, and assisting with switching energy providers to maximise income and reduce expenses. Such support was viewed as key to fostering sustainable tenancies, as tenancy failures due to rent arrears or other issues increase turnover and impose financial strains on social landlords.

> 'We really expanded services from the start of the coalition government and the first round of welfare reform, 2010-2012, in line with a lot of other housing associations, presumably. I think we were in a really good position then, because we had an established welfare rights provision by the time that came in.' (SH9)

> 'I just think going to the extent where you're going through asking for an income and expenditure form, if someone wants to access social housing and can't, then what other options are available to them anyway? Hence why I was kind of saying we're not really using the lettings' function tool to not accept anyone. We're using it to identify support. If someone isn't open and transparent enough, if they're gambling or anything else, to be able to declare that, or work with us or want to access our support teams, then it's only going to go one way anyway.' (SH2)

> 'I think many organisations want to know as much as they can find out about their tenants, not as a way of persuading them not to apply, saying that they're not suitable that, but more in terms of what support do they need, and what kind of discernment next, you know, not like they want to get rid of the undesirable. So yeah, they want to see tenants. [...] So, this is about like enhancing

tenancy sustainability, and putting in support. [...] I would like to think that housing associations use this to target where they need to support rather than to filter people out.' (Stakeholder 1)

Affordability assessments were often undertaken by staff from financial inclusion teams as well as by lettings staff. However, one landlord suggested that they did not have their own internal advice teams so if support was required, they signposted applicants to the local advice services. They would check benefit entitlement, identify the need to open a bank account, support them while waiting for a property, advise on how to source furniture, not to take advance payments of Universal Credit, or flag vulnerabilities so that rent directly from the DWP can be claimed, help people who are digitally excluded access the benefits system. Checking benefit entitlement specifically for a new tenancy was important when moving might trigger a shift from legacy benefits to Universal Credit under the government's welfare reform, so the financial appraisal was in the tenants' interests.

Sustainable tenancies also benefit the landlord as the cost of ending a tenancy is high. Supporting tenants therefore also mitigates business risks.

'We did some cost-modelling […] of an eviction […] when we were looking at all of these things. End-to-end, it was somewhere between £10,000 and £15,000, when you take into account the value of the arrears, the court process, the remedial works that would be needed to be done on the house, all of the things that happen as a result of an eviction - staff time. Actually, it's in an organisation's interest to help somebody to sustain their tenancy.' (Stakeholder 11)

'Massive, massive service offer here at [named housing association], so if a customer does unfortunately leave us through an eviction, we still do see that as a massive fail, because we haven't been able to keep that tenancy on track. I think when we benchmark against other housing associations, our evictions are quite low in comparison to others.' (SH14)

This issue underscores the challenge of balancing financial risk management with the social mission of housing providers. While conducting pre-tenancy affordability checks is essential for assessing financial risk, there is a concern that these practices may exclude individuals who are struggling financially yet still require housing. This exclusion contradicts the fundamental purpose of social housing, which is to provide homes for those underserved by the commercial market.

The dilemma arises from the fact that rejecting applicants who fail these affordability checks could leave them with few, if any, viable housing alternatives, potentially worsening their situation. Therefore, the critical challenge is to find ways to support tenants in improving their financial circumstances without excluding those who are most in need of social housing.

Social housing values

One stakeholder identified 'mission drift' among social housing providers who had lost touch with the purpose of social housing and were focussed more on development and business cultures than satisfying social housing tenants' needs. They saw the adoption of affordability assessments to exclude tenants as part of this shift in purpose.

'It's okay, I think, and quite right if people are wanting to find out background information about someone in that context, but if it's being used to simply exclude someone from social housing provision, then I think we're missing the point of what social housing is for, and the types of people that are more naturally going to be needing social housing.' (Stakeholder 13)

Two landlords acknowledged that the issue of affordability in social housing is politically sensitive, with their council members opposing any exclusionary practices. They viewed social housing as accessible to all, free from economic barriers. While the housing department conducted thorough affordability assessments, their approach focused on guiding individuals away from properties deemed unaffordable rather than outright excluding them. This involved discussions about income, expenses, and the costs of maintaining a home, helping applicants understand their financial situations and preventing them from living in homes that were too large or costly.

Another landlord expressed a desire to place greater emphasis on affordability earlier in the process, potentially during the common waiting list stage. This would allow for better guidance and advice for applicants. Implementing systematic pre-tenancy checks could help manage the waiting list and facilitate honest conversations about waiting times, available properties, associated costs, and what tenants could realistically expect to achieve.

> 'Members are concerned about and talking about affordability, so within [city] the political view is that social housing is for everyone, and we shouldn't be checking affordability, that's not the message that they wish to give out as members. What we do want is […] when people register that they do something that talks to them about it, flags it up, that there might be a concern if this person is marked. Then if that happens, our staff can be in there and be very supportive straight away and have those conversations. Whether that would be pre-offer, whether that would be at the viewing stage, again having our rents team there and having those conversations. It wouldn't be used in any draconian way or difficult way because members have been really clear with us that they don't want to look at that.' (SH6)

Several landlords highlighted that they had not wanted to undertake affordability assessments as they refused few people and considered the practice of using affordability checks to exclude people conflicted with the purpose of social housing.

> 'To introduce more checks like that, some might perceive that it would make life easier, but it wouldn't be aligned with what we stand for. [...] Everybody else seems to want to evict everybody, and that's not what we want to do. It doesn't make the problem go away, does it? People still need roofs over their heads.' (SH11)

> 'If somebody had done that [accrued rent arrears] on their rent account but had made a payment plan and had stuck to that payment plan, we wouldn't discount them on that basis. It would purely be if somebody was just messing around, not paying the rent, and not making any effort to rectify that situation because at the end of the day we're a social housing provider and we have to give people a chance. We don't want to preclude everybody just because they have not got a perfect record. It's about making sure that people have took responsibility for any blips and actually put measures in place to be able to put things right.' (SH4)

Conclusion

Pre-tenancy checks have long been a part of the social housing sector, but affordability assessments have become prominent only in the last decade. This shift has been driven by multiple pressures on both the sector and tenants. Housing associations' growing reliance on private finance and the focus on increasing the supply of housing have altered the nature of some social landlords, pushing them to adopt market-driven approaches. A key concern for these landlords is to avoid breaching loan covenants by taking on excessive financial risk. At the same time, social housing tenants and applicants have been facing increased financial

pressures, partly due to cuts in social security benefits and significant welfare reforms introduced by the Coalition government and subsequent administrations. These benefits have often not kept pace with inflation, further straining households' ability to meet their living costs.

Chapter 4: Data resources, pre-tenancy checks and affordability assessments

Introduction

This chapter examines the types of data social landlords use to make letting decisions and assess the affordability of homes for prospective tenants. It explores the sources and methods used for pre-tenancy checks and affordability assessments, including verifying income, reviewing expenses, using credit information, confirming identity, and checking criminal records and references from former landlords. Social landlords vary widely in the amount and type of data they require from applicants. Data can be provided directly by the tenant or accessed indirectly through digital resources like Open Banking or credit bureaus. Some landlords repeat these checks during the letting process, while others rely on the initial assessments undertaken when the applicant first joined the waiting list to save staff time. While most tenants view these data requests as standard or necessary, more invasive data requests, such as bank statements or Open Banking information, are sometimes viewed as problematic or intrusive.

Income and expenditure

As discussed, the core element of most pre-tenancy checks is the affordability assessment, which involves a thorough evaluation of an applicant's income and expenses to determine rental affordability and create a financial profile of the incoming tenant. Traditionally, data is verified through methods like wage slips or bank statements, but some landlords now utilise digital resources such as Open Banking and credit information.

Open Banking is a technology that automates and simplifies the analysis of bank statement data to assess affordability and a tenant's likelihood of paying rent (Ciocănel et al., 2024; Experian, n.d.). Applicants grant access to FCA-certified third-party providers, allowing them to retrieve transaction data from the past 12 months or more (FCA/PSR, 2023). Designed to empower customers, Open Banking enhances access to and control over banking data, providing insights and fostering competition in financial services. The UK is a leader in this technology, supported by many fintech firms.

Landlords receive Open Banking analyses that include detailed categorisation of transactions, spending patterns, cash flow and indicators of financial behaviour, such as frequent overdraft usage, even when bills are paid on time. Credit bureau data adds further insights into payment propensity, undisclosed financial commitments, and verification of identity and address histories. These assessments can range from light touch - when the rent is clearly affordable - to comprehensive reviews to ensure sustainable tenancies. A central purpose of these detailed affordability assessments, as articulated by several participants, is to ensure that landlords do not 'set people up to fail,' promoting sustainable tenancies instead.

> 'We have trialled this a little bit around new builds and around affordable rent schemes. We know their rent's going to be higher, so what we've been doing is asking our rents team to make contact with people to talk to them about their incomings and outgoings and affordability in general. Just to make sure that people understand it's a more expensive rent and that they can afford it really. Again, it's not using any form of barrier, it's to support people, benefit maximisation and that type of thing.' (SH6)

'So, we don't sometimes use it as a blocker to getting housing. It's more of an advice before they get a property. Obviously, there's always going to be some cases where it's just really not affordable, and we need them to go away, and come back at a later date, when they've evidenced those changes [reducing expenditures]. This depends on things like what their circumstances are like, and what their housing needs are like, and how quickly they need to move, and how drastic that a lack of affordability is, as well. How confident we are that it would be affordable moving in, once they move in. What support is offered as well. That plays a factor in it as well.' (SH7)

At the core of the affordability assessment within the pre-tenancy check is an appraisal of an applicant's income and expenditure. Generally, income is evidenced by wage slips, benefit letters or bank statements, but this is challenging for people without regular, mainstream or stable employment. Especially so for some self-employed people who may lack verified accounts, similar to findings in the PRS, or for those engaged in the cash economy. Using bank statements could also be challenging as people can game bank statements by making transfers in and out of accounts. Sometimes employers' letters were requested to verify earnings or to overcome inconsistencies between banking transactions and tenant reports of income.

'Most of our applications are in receipt of some benefits. [...] I think the most difficult ones really are the self-employed, because it's having the right documentation to actually provide us. They have to have the yearly accounts, and sometimes that's not ready, so they can be the hardest to prove their income. Generally, we ask for three months, or several weeks, payslips to confirm the average of their income.' (SH1)

'No, wage slips are great. If we could get wage slips all the time, it would be fantastic. We usually get them via bank statement. Quite often, a lot of people work cash-in-hand. Sometimes, you have people, like a guy said he worked in a shop. There was £1,000 coming in at the top of the bank statement, then there was £300 going out. It was going to the same people. So, it looked like they were just trying to maximise what was going through their bank account. We had to look deeper into that. I think, if we had something automated, it would go, "Money in, money in, money in." It would just see the income, but it wouldn't see the human side of, where's it going after in lump sums? Why is it going out? Things like that. I think that's a great reason why we don't want it automated, as well.' (SH12)

Determining reasonable expenses for a property that applicants are yet to live in varies between providers and can also be challenging. Expenses can be based on ONS figures for average expenditure on food and other household bills, tenant provided figures, or Open Banking to determine actual incomes and expenditure. ONS figures were criticised by one landlord's local advice centre as people's spending on food and bills varies considerably. Average sums obviously include the expenses of high earnings households. Conversations indicated that landlords adopted *average* ONS expenditure figures but the sums for lower income households can be considerably lower than average sums. For example, for food and non-alcoholic drinks in 2022 the lowest income decile spent £35.50 per week compared to £62.20 per week for all households (ONS, 2023). Fuel costs were harder to estimate as utility companies' average data reportedly differs, and landlords have property with excellent to poor energy ratings. Again, average full expenses would also reflect energy usage of more affluent households rather than lower income tenants. Staff exercise considerable judgement regarding household expenditure figures in affordability assessments, but these diverse ways of calculating expenses may be critical when making decisions at the margins; not least if one line of expenditure may differ by £30 per week.

'Sometimes you see a couple […] and they're spending £136 a week on food and housekeeping [and…] that's making the property unaffordable, you're already going with the idea that you're

going to have that conversation […] reduce the spending […] put the outcome into surplus. The property is going to be affordable. So, the affordability, which you've done it on our end, isn't the end of the assessment. We have that conversation with the applicant. We go through every figure, even the standard figures for gas and electric. We will go through. Obviously, the rent, the council tax, because our benefits team also check if they're entitled to any reductions or anything, as well, which is quite good. So, we go through all, every single figure from that you've written down, you go through with the applicant. Obviously, you're making adjustments. Again, likewise, a lot of the time, it does mean you can vary some figures.' (SH7)

'We use figures derived from ONS and other sources to give an estimate, based on the size of the property and the number of people in the property, of quite basic fuel costs, household food costs, obviously rent, any rent obligation, council tax obligation, taking into account benefit entitlements. We don't go into the whole of somebody's income and expenditure at that point.' (SH9)

'With regards to expenditure, we are reliant on the honesty of the applicant, and what they tell us, yes. [...] Most of the time, they're honest, and then sometimes, they'll say, you know, "I never go out. I never use a taxi. I never have a drink," you know, and you think, "You probably do," or they underestimate. We might say, "Are you sure you don't go out? Are you sure?" but yes, at the end of the day, if somebody's insistent, we just take their word for it, but we'll advise them that obviously, we're just asking these questions to make sure that they can afford it. We don't do any debt checks or anything like that around them, it is, yes, it is on their honesty.' (SH8)

'We would look at that and go through a full budget with those people and say, "Here's how much this is going to cost. Here's what you can do to alleviate the benefit cap: working 16-hours-a-week." DLA: disability benefits for children. If you get that, they'd stop the benefit cap. We look at the whole picture, rather than just, 'You're benefit capped; you can't have a property.' (SH12)

Lettings teams collaborate with financial inclusion or benefits advisors to help tenants reduce costs and maximise income by identifying unclaimed or incorrect benefits and offering budgeting advice. This approach also supports landlords in justifying exclusions based on affordability by demonstrating that all options to make the tenancy affordable have been explored. A distinctive feature of many pre-tenancy checks is the use of income maximisation calculations, performed manually or with digital tools such as *Excel*, customer management system suites, and various benefits calculators (e.g., *Lisson Grove*, *Quick Benefit Calculator: QBC*), as well as onboarding systems like *EntitledTo*. These calculators may be operated by experienced welfare advisors, or they can be customised for use by tenants and integrated into other automated systems. According to Policy in Practice (Ghelani and Walker, 2024), an estimated £23 billion in benefits go unclaimed each year, not including disability benefits and discretionary support, which could increase the total to £30 billion annually. Some tools also identify eligibility for social tariffs for utilities.

'We use *Excel*. It's just through our case management system. So, we use Standard Financial Statement to do the calculations for the income and expenditure. For the welfare rights work, we use a benefits calculator. It's an industry standard. It's *Lisson Grove, Quick Benefits Calculator*, but that's part of the welfare rights side of things. That's how we assess people's entitlement to benefit or not.' (SH9)

'We [society] don't tell people what they're entitled to receive. People have to go out there and find that, and we're dealing with very vulnerable people. It's very hard for them to speak out. So if we can champion that and maximise that entitlement for them, then we should be doing it and, like I say, and it does also set them on a good foot…' (SH5)

Tenants were highly supportive of using the pre-tenancy checks to identify unclaimed benefits and some had personally benefited from this practice.

Bank statements and Open Banking

Many landlords routinely requested bank statements to verify applicants' income and expenses, as well as the accuracy of claims made in application forms. These statements provided deeper insights into a tenant's financial situation, revealing undisclosed commitments such as child support, potential issues like a gambling habit, or frequent overdrafts, which could influence the decision to allocate a property. Some landlords reviewed bank statements only after a property was let, using the information to offer financial support, while others used the data to inform letting decisions. Tenants often felt uncomfortable with the use of bank statements due to the sensitivity of the information and because landlords had alternative ways to verify income.

> 'What a classic tends to be, have you got any children? No. Okay, so why are you paying the Child Support Agency £400 a month? Well, that's not a barrier, that's, this house has got no bedrooms. You're not going to move them into this house, are you, because if they stay here, you're creating statutory overcrowding. You're not allowed. Do you understand that? It's those kinds of conversations.' (SH10)

> 'They know everything about me because they've got my bank statements for three months, so everything I did in three months. It wasn't just that I could pay my rent and I could pay my rates and I could pay my gas and electric. They knew everything, everything about me, because it's all there in my bank statement.' (ST14)

> 'I didn't really like it, to be honest, but it's one of those things that you just have to do, I guess. It's like when you get blood tests or something like an injection. You don't like it, but you just have to do it…Because it felt like they were too in my private business and what I spend my money on. It's, yes, intrusive, yes.' (ST4)

> 'Adult stuff, to be honest - yes, mostly adult content, or something like that. I didn't really want them to see things like that, so just put a line through it - like, subscriptions, or anything like that. Or if I'd bought anything which is private or adult content-related, then I would have crossed that off - because it would look a bit weird, you know.' (ST3)

> '[Transaction] Probably [show] that I spend way too much money on beer, I buy too much make-up and I like underwear. [Amused tone] I'll call a spade a spade, but that's the reason why I say I'd feel it's quite intimate, is that that data could be used to create a profile about me that's not exactly a full picture.' (ST16)

There was also a frustrating disjuncture between tenants using online banking and mobile apps who then had to find a library to print out paper bank statements to physically take to the landlord's offices, take a photo, or produce PDFs to re-upload to a landlords' letting portal. One tenants' paper documents were lost. Aside from the intrusion into intimate data included on bank statements, the process was occasionally inconvenient.

> 'I didn't have a printer at home, so I had to go down to the local library which is the local hub for the housing department and use their printer. I had to log in to my bank and print off bank statements for three months, then I had to log in to - had investments, to my investment company for a statement from them, so it was all...' (ST14)

> 'Yes, a bank statement, which that was another thing, really; because I do online banking, I had to go to the bank and request them, and they don't give them you straightaway, they post them to

you! So, a little bit of panic there because there were so many people after these flats. I just wanted them to come through, because they won't put the application through till they've seen all the paperwork' (ST8)

Open Banking is a key emergent digital technology set to impact both how we share financial data and our financial behaviours, as inferences about our lives will be made from our transactional data (discussed more fully in Report 2 and 4). Private landlords, letting agents and personal loan providers are adopting this technology, and increasingly mortgage lenders. Some social landlords were also using Open Banking to provide greater insight into tenants' financial circumstances. Open Banking can be more convenient for tenants, who give permission online, and for staff. Digital technology that reads data on bank statements and other documents is available but social landlords were not using this technology.

> 'So, yes, so it was always a challenge, trying to get two months, because especially if people had to obviously go to the bank to get them printed off. Which obviously, a lot of people used to have to do. A lot of people have online banking now, but it used to take a lot of time. Obviously, when you take individual photos as well, they've got to be on the full screen. Not blurry, not cutting off. [...] So, Open Banking also helped cut that out. Two months, I think, is pretty good for the assessment, because it gives a bit more of an average. Obviously, one month is too little. So, I think two months is quite good to give an average across, really.' (SH7)

Echoing private tenants' views, social tenants often considered the use of this data intrusive, although some were more sanguine as they felt data sharing was uncomfortable but commonplace nowadays. Tenants noted that bank statements reveal friends' names, subscriptions and spending patterns, intimate details of their life and connections that many found uncomfortable sharing. Sharing paper bank statements can be equally revealing, but less amenable to fast detailed analysis as with Open Banking. For such a powerful data request tenants were sometimes unclear of the purpose or use of the data. Some tenants used Open Banking apps to manage their various bank accounts in one place and considered it a convenient way to share the data with landlords. One tenant noted that utility companies ask for access to Open Banking so that they can help understand the financial circumstances of people struggling with payments, but while wary of private companies having this information, they made an exception for the landlord. Other tenants were not aware of the technology and there was a strong reluctance to consent to such detailed data sharing. Tenants also had less control of the data shared, unable to redact or limit the data viewed as they did with paper or pdf bank statements. One technology firm was uncertain whether social housing could realise the potential of this technology.

> 'The idea is, at the moment, I don't know if it's all of them, but a lot of them ask for three-month bank statements to verify expenditure. So, you've got an online process followed up by photocopies and letters. No one likes it; it's very inefficient. So Open Banking, the idea is that you can remove that need to verify the information. [...] With Open Banking, in a straightforward way, we don't know, a) if it's really worth it, and b) whether the sector is ready for it. I'm hoping that the answers are positive in both cases, because I do think it's got the potential to make life better for everyone, but I'm not sure that the time is right.' (SRS Firm 1)

> 'Yes, I think it sounds good, even though I'm someone who's quite private anyway, but I guess if it makes the process quicker, and it's all digital and you don't have to give them things and fill out things yourself, yes, it sounds good. It sounds like a step forward.' (ST4)

> 'No way [laughing]. No, that's not happening. [...] I don't like the idea of that, to be fair. I don't mind printing out a bank statement because you can take things off a bank statement if you really want to. You could say, "Well, just print me so-and-so," and then they'll print your so-and-so, rather

than, like, everything else you're paying for. No, I don't like the idea of that. They can be a bit too nosy.' (ST10)

'I don't like that because I don't want people going through my bank account! I'm quite capable of budgeting my own account. I can do that myself, and if I can do it myself, I don't want somebody else doing it. I mean, that's pretty simple. They're probably very trustworthy, but I don't want people going through my bank account!' (ST3)

The convenience factor was yet to significantly outweigh tenant's often negative sentiment towards this data sharing. In the PRS the need for a home meant that tenants often agreed but reluctantly, or they were unaware of opt outs. The technology may become normalised, but if Open Banking is to be more widely adopted tenants may similarly offer only reluctant consent to access a home.

'Well, I was prepared to do whatever was necessary and I couldn't turn round and say, no I'm not going to send my birth certificate. No, I'm not going to send my bank statement. I was just prepared to do whatever I needed to do.' (ST1)

Crucially, bank statements and identity documents were difficult for some tenants to provide, in ways that digital data resources may not overcome, as these data often assume stable profiles rather than the complexities of name changes, precarious housing and thin credit files. Even more than in private renting, landlords would have to offer other pathways to verification. A tenant describes her experiences:

'They were checking everything over to try and see if… It's like if I had a bank statement, they were trying to see if they could use it for the proof of income, as well as a proof of address, or whether they'd have to have something different for each thing. Oh, one of them was quite good. She said if I signed up to a couple of things, not junk mail things, but a subscription of some sorts that I could get the post. She had some helpful stuff. [...] Some of it was a nightmare. Getting a bank statement because obviously I had to change my bank account to my parents' address but because I changed the details on my bank account, I couldn't actually use it to... [...] Yes, they paused my bank account because I was making so many changes at the same time. I was changing my name and address and everything else. So, they put my bank account on hold, but then I was trying to buy a birth certificate and I couldn't. Then to prove I could change my name I had to order a new marriage certificate and then show the decree absolute. '(ST15)

Credit checks

Many social landlords' included credit checks in their financial appraisals. Some landlords just ask if tenants have debts, with specific questions built into some software used, but this was considered to render less accurate information than credit files as few applicants disclose debts at the letting stage for fear of losing the tenancy. Indebtedness is then only revealed once rent arrears have accrued. Landlords want to prevent problems occurring by identifying financial strain early on. Some landlords perform credit checks for new builds or affordable rents because the rents are less affordable or for Rent-to-Buy properties (a scheme that helps tenants in England (outside of London) save for a deposit to buy a home by offering properties at a discount) or shared ownership, where tenants are expected to buy the home and need to be mortgageable. Other landlords obtain credit bureau data for all applications to identify tenant support needs. One landlord, however, was unsure what they would do with such information other than to refer to the local Citizens Advice.

Two other landlords had overwhelmed their inhouse team and local debt advice centre by instituting credit checks as many people carried problematic debts. One landlord indicated that tenancies were conditional on engagement with debt advice. Landlords used the data to offer debt advice and support, some emphasising they would not refuse a tenancy on this basis. Others required behaviour change, repayment plans put in place, and adjusted affordability assessments, accordingly, inferring refusal if affordability was no longer there. Landlords who used this data thought that credit histories reflected financial behaviour, although the data may also depict the consequences of an adverse life event. One landlord identified merit in checking for debts as new applications for Universal Credit trigger old debt repayments, and deductions from the benefit entitlement can adversely impact tenants' ability to get by. However, some of these debts may be commercial while others may arise from former tax credit overpayments that applicants were unaware of and would not be present on credit files.

> 'There's a [suite] on the *EntitledTo* section and it asks about loans or any loan repayments that you're paying back. I also ask, "Do you have - hold any debts as well?" if I'm doing the assessment. Some people might go, 'No' and I say openly to them, it's not going to affect their sign-up. The reason that we're asking to do this is if you are struggling with anything, we want to help.' (SH5)

> 'Credit score doesn't really impact on a "yes" or a "no" from us, it's more just to build the picture of the circumstances. So, for example, today, we chatted about someone who's got really high debts on the credit report. We're still passing them through the process but making sure we're giving lots of advice about debt management throughout that. When the tenancy starts, making sure we make an automatic referral to our debt advice team.' (SH6)

> 'It's case-by-case, isn't it? Because if you've got someone with high rent debt, as well as high debt, that's picked up on the credit score, then that's even more of a risk with regards to being able to sustain their rent. Because they will have to get some sort of payment plan in place for all of that debt. Then it's whether they can afford to pay all of those payment plans, and their current rent.' (SH1)

Some landlords considered credit checks anathema to social housing, or of questionable use. How applicable the data obtained was to a social housing application as opposed to a commercial relationship was questioned. Not least as rent was a priority that people typically pay first, although another landlord contested this.

> 'The type of households that will be looking for a socially rented property may have experienced some financial difficulty in very recent times or in the past. Actually, social housing should be the springboard for people to improve their lives and to move forward with it and so you almost can't hold that against them.' (Stakeholder 11)

> 'Politically that [using credit checks to inform letting decisions] won't happen in [city]. It won't, and the council are very clear that social housing is for all. So, if you've got a whole load of debt, we don't care. Our role is to help you and to manage that debt appropriately, and to get you into a tenancy that you can sustain because that's what the social housing sector is for.' (SH10)

> 'If somebody had a poor credit rating, it doesn't necessarily mean that they wouldn't be a good tenant.' (SH4)

> 'We've had quite a number of our customers say that they do have relationships with credit checking agencies obviously and it's a factor in their decision-making, but 20, 30 years' experience at the coal face has shown them that there's not always a great correlation between an individual's credit score and how good a tenant they are. So, it's one of those things that they

think it might be an interesting piece of data for context but it's not a critical piece of information for decision-making and we're just exploring all that sort of stuff now.' (SRS Firm 4)

If landlords do not always refuse tenancies on the basis that debts undermine affordability, the data requests are predicated on a significant landlord role in remedying tenant indebtedness for the benefit of the tenant and the landlord via minimising the risk of tenancy failure. Indeed, some landlords indicated that letting was conditional on acting on debt advice.

'So, you would be able to see, you know, you would be able to see how much credit they've got, whether they're actually living on credit to be able to pay their bills, because at some stage, you've got to try and break that cycle for them, haven't you?' (SRS Firm 2)

'We can't not offer property based on someone's debt, because we are a social landlord. We have to take that point first. So, if somebody did have debts, we would say, 'Well, we'll support you.' This is the initial starting point. After this, we'll set out a plan to try and help them out with their debts, rather than saying no at the outset.' (SH12)

'Yes, adverse credit doesn't - again, bearing in mind we're doing 2500 lettings overall, we've only refused three people on a social rent in the two-and-a-half years that we've been using Experian. That's mainly because they wouldn't engage with the relevant support teams to fix the issue, they needed to fix to enable us to be comfortable that they were going to sustain the tenancy. It's the engagement is probably a better reason for refusing it, not their poor credit history.' (SH2)

Tenants generally accepted that their credit files might be checked for social housing access, although those with poor credit were less certain. They recognised the widespread 'off-label' use of credit (Rona-Tias, 2017). Many tenants monitored their credit scores through apps or online platforms, aware that poor scores limit access to essential services. Tenants often viewed credit scores and histories as fair reflections of character, behaviour, or payment reliability, and understood why landlords would want this information before granting a tenancy. One tenant even proactively provided his credit report to the landlord, while others saw credit checks as a normal part of modern life. Those with good credit histories viewed the practice positively, appreciating the chance to present themselves well.

'I understand it. That's the thing, I'm just mature enough to understand that the way the business sees it, they want somebody reliable, so they can get their payments; and their credit check does give you an indication of what a person's financial status is and how likely they are to pay. It gives you a snapshot. I thought, it's totally understandable, that they'll run credit checks, to be honest.' (ST3)

'They want to make sure they've got people here who, once again, can pay their rent. I mean, they're not going to be struggling. I think that's why they want to check your credit reference, and to see if you've got a good history of making your payments, and to be quite honest with you, I think that's pretty fair.' (ST8)

Tenants felt that credit files were relevant for showing default histories, unlike Open Banking, which reveals unrelated spending and personal details. However, some tenants had poor credit files, including Individual Voluntary Arrangements (IVAs) due to reasons like financial domestic abuse, gambling, redundancy, or caring for disabled children. They knew that past defaults remain visible for six years, even after debts are repaid, and felt that these histories did not reflect their current circumstances. They preferred that current proof of income and affordability be the focus, rather than past credit issues. Social housing applications often follow life crises, so damaged credit files might also reflect recent difficulties, like relationship breakdowns. The use of credit histories caused anxiety among tenants, as they assumed the data would influence tenancy decisions. They were unsure how the data was used and whether the check would

appear on their credit file. Some believed that credit histories should play a role in access to discretionary items, but not in excluding people from essential housing.

> 'It's one of those things that could... I get why they do it, but it seems unfair. People have bad credit just because of their circumstances, and it probably should be done on more of affordability, you know, to check what you're actually earning at the time. Your credit score's bad, your bad history, isn't it? It's not what's present-day. I think I'd prefer more to do affordability on my current circumstances than people looking into my history. That's how I feel.' (ST12)

> 'So, although I had some credit issues in the past and they were haunting me so to speak, my day-to-day existence was financially sound. I think they could get that by my bank statements with the incomings and the outgoings.' (ST11)

> 'I didn't really feel no way, to be honest. At that point, my objective was to secure housing. What I didn't want was for the credit check to have an adverse effect; I didn't want it to have a bad affect - but they said, 'No it won't.' So, I just believed them, at the time.' (ST3)

> 'Yes, I think the housing thing is the one that I think, maybe, it shouldn't be based so much on your credit score. I think everything else, any other things like cars, holidays, anything else that you want to buy, I think it's okay, but I think the housing part of it, maybe it should be toned down a little bit because I think it's to do with people having a roof over their head.' (ST4)

It was clear that many tenants' circumstances would preclude them from alternative accommodation in the PRS (see Report 2). Several lacked suitable guarantors, having requests refused, as their relatives were in similar low-income tenanted positions as themselves. One tenant had experienced having a guarantor in the PRS due to bad credit and found it humiliating. Critically, another outlined how social housing had been instrumental in helping them remedy their debts and poor credit history after financial setbacks, not possible if they had been paying high private rents.

> 'The council house has enabled us to pay a small amount of rent to get us back on our feet from a horrible situation. I think the social housing has been really helpful for us. Yes, I'm at the point at the minute trying to get my credit score up, and it's going up each month, which is nice to see from it being so down. That how we ended up in social housing, not being able to afford... My husband unfortunately hurt his back and lost his job, and then we had COVID. Yes, kind of positive now. I've got a better job. He's working from home. Things are getting better.' (SH12)

Digital tools like the *Big Issue*'s and *Experian*'s *Rental Exchange* initiative, accessed via platforms like *Emma* or *Credit Ladder*, were being used to help improve tenants' credit scores. These systems report rent payments to credit reference agencies to address thin credit files and demonstrate that tenants can maintain regular payments. An initial evaluation by the *Big Issue* found that the *Rental Exchange* provided participating tenants with proof of identity in their credit files and helped 70 percent of social tenants improve their credit scores, which in turn reduced costs for services like insurance premiums and credit for household goods (Big Issue Invest, 2021).

Landlords also benefited by gaining the ability to predict financial vulnerability and risk, such as determining which tenants should remain on rent direct payments of Universal Credit. Although these tools are used by private renters, they were promoted in social housing before the pandemic, but current uptake is uncertain. Some landlords expressed concern about potential adverse effects on tenants, leading one to discontinue using the system. Most tenants supported the idea of rent reporting to credit bureaus, but some were cautious, pointing out that

missed payments could already be observed through banking data without the added penalty of a downgraded credit score.

Identity checks

Social housing tenancy fraud (that is, not using the home as their main and principal residence, subletting it without authorisation or obtaining the property through false statements or documents) is problematic in some locations (CIH, 2012). Landlords want reassurance that the person is who they say they are and that the evidence provided is correct. Tenants are required to provide photographic identity and landlords often cross-check information with other digital resources like the electoral roll, homelessness applications, housing benefit or council tax, and consult credit reference agencies or the *National Fraud Initiative* (an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud in England), which coordinates this work. Landlords also require verification that the tenant has the Right to Rent, that their immigration status does not preclude them from taking a tenancy, so applicants have to produce documents, or a government issued 'share code' that the landlord can use to verify their status on the Government website.

The interviews suggested that homeless people, including those who may be fleeing domestic abuse, can often find the requirement to prove their identity challenging. Landlords may accept employer references, or the requirement waived altogether, particularly for those leaving abusive circumstances. One tenant noted the difficulty in providing identity documents as she had reverted to her birth name after domestic abuse and divorce, others had to pay for new birth certificates or photo identities to satisfy information requests, which were costly and slowed their application.

> 'We do, obviously, we want photographic evidence, and we check the person is the person who is in the property. We have a record, a photographic record from application, whether it's your driving licence or your passport or if it's not, a photo that we can have a look and say, yes, this is you. That's used very, very irregularly here, but I know from my previous world because I used to work in social housing in London, that is normality because subletting, illegal subletting of homes is so common.' (SH10)

> 'If people can't provide that, sometimes people can't provide a reference because they're claiming DV [domestic violence], that type of thing, we don't have a blanket approach, we'll tailor it normally. If people come in and say they can't get it, then we'll look at what else maybe we could accept.' (SH6)

> 'I applied in late January, early February, but because I was lacking a lot of the documents needed, they couldn't verify me in any way at all, so it was a case of having to get all my documents. I had to buy a new birth certificate and everything. I've still got no photo ID. I had to wait for letters to be addressed to me at the last house, so that I could then show proof of address, just to be able to apply for a bidding number. The booklet I had posted out to me after a phone call, but then after that I had to go into the housing office every time to hand in documents, and then everything that I took in gradually was uploaded and then once they had enough then the application was submitted.' (ST15)

A landlord trialled a digital service to prove the Right-to-Rent but found it slow and costly, so they now rely on UK passports and share codes with proof of residence. While tenant referencing platforms in the private rental sector (PRS) use facial recognition and biometrics to verify photographic identity documents, this technology is not used in social renting. However, one landlord utilised Experian data not only to assess the risk of tenant applicants but also to

identify tenancy fraud, recovering 50-55 properties annually by checking digital footprints to determine who is using the property and where tenants may be residing. Another landlord noted that fake documents are less common in social housing, unlike concerns in the PRS.

> 'It would be a very, very small minority, and the reason being of where we are allocating homes and where we are in the country. As I say, when I was working in London, yes, and you could see forgeries and you could, and it was patently obvious because often it was completely rubbish. Here, no.' (SH10)

Criminal records

Criminal conviction data was requested by some landlords, although not necessarily from all tenant applicants, to limit the risks of neighbour nuisance in individual properties or anti-social behaviour in wider neighbourhoods, especially if this is a local policy concern. One landlord described how affordability is only part of pre-tenancy checks and that they have a strong emphasis on ensuring property and neighbourhood suitability. For example, the landlord wanted to avoid people with substance abuse being placed adjacent to vulnerable people, or people with criminal histories in areas where neighbourhood teams are trying to shake off anti-social behaviour and other crime related problems.

> 'It's not that we won't rehouse them, it's just that that particular property isn't suitable for them, and we would then advise them the type of properties that they are best to place a bid for in future.' (SH8)

> 'What we might do is, if we become aware there's a criminal record that would cause us housing management issues, our policy allows us to either take no action or else disqualify, depending on what that is. Generally speaking, with criminal records, especially when we're getting things like sexual offences and things like that, we work with the police and probation around how we're going to manage that risk into property. We don't want risky individuals on the streets, it could cause other issues. It's very rare we would disqualify or take punitive action around criminal records.' (SH6)

Landlords differed in their data request practices. Some had data-sharing agreements with local police forces under community safety partnerships, while others required tenants to provide their own Disclosure and Barring Service (DBS) checks, which tenants must pay for. Some landlords requested criminal history records from all applicants, while others only asked those who disclosed unspent convictions or had concerns, such as a history of an HMP [His Majesty's Prison] address. Landlords might refuse tenancies if there is recent evidence of anti-social behaviour and often check former tenant records, a Council Employee Protection Register (listing individuals in the area who have threatened or abused staff), or even Google applicants' names to uncover undisclosed offences or anti-social behaviour. Some local authorities require a criminal record check for entry onto the common waiting list but do not pass this information to housing associations unless the matter falls under Multi-Agency Public Protection Arrangements (MAPPA) for managing serious offenders in the community. Some landlords indicated that if applicants could demonstrate changed behaviour, tenancies would not be refused.

> 'We might know somebody's abandoned a property, and then they've had a cannabis farm in there. So, we would put them on the review list, and again, if they came back to us, we would just want to make sure that their behaviour had changed, and they weren't going to do that again.' (SH8)

'It's very current in the [city housing] partnership at the moment, so what we've been doing for a number of years now is, when people apply to get on to the housing register, if they declare anything on their form or we've got any reason to believe that they have convictions, we ask them to agree to apply for a DBS check. That's just a standard check; it's not an enhanced one. That is part of the policy. If there are any unspent convictions, then we can take those into account and if we think there are… If we feel that there's reason to believe that that's unacceptable behaviour in terms of what those unspent convictions are, we will exclude people from the housing register.' (SH13)

'We've got an arrangement with the police where we can do it, but only if somebody ticks on their application form, I have an unspent conviction within the last six years. If they tick it's spent, we don't, we just leave that's fine, leave it. If it's unspent, we'll find out what it is, and that's because, the vast majority, we don't care, but sometimes it's a sexual offence or something and the property is near a school, or there are conditions on where an individual can be housed, so that we absolutely have to know.' (SH10)

'We would also do an ASB check. So, we have a Service Level Agreement with our Community Safety Team, our in-house Community Safety Team, and we would do a check with them to make sure that they're not repeat offenders in terms of anti-social behaviour. So, if we got information, like intelligence, back that for the last six months we've been called out, the police have been called out to wild parties that have spewed out onto the street and there's been an altercation. If we find out anything like that we would probably say no because ultimately, we've got a duty to respect and look after our other tenants who are already in properties, and we don't want to be putting that sort of situation into an estate.' (SH4)

One stakeholder considered the request of criminal record data without prior concern to be unnecessary. Tenants, however, generally favoured crime data being part of the letting process, especially in shared accommodation, to reduce the risk of neighbour nuisance and anti-social behaviour, although some thought it inappropriate as all people need homes.

'Why do you need to know that, when you're trying to find me a home, irrespective of what tenure it might be. I think that there's some overkill there. I think that's quite invasive, actually, for what needs to be done.' (Stakeholder 13)

'Kind of half and half. I'm a bit on the fence with it. I do think that people shouldn't be allowed to live somewhere, but then where are these people going to live? If they've done it in the past, how do you know they've not changed and reformed? I feel like they should get a chance, you know? I don't know. I don't think it's fair, personally.' (ST12)

'I think it's good actually because I think there should be different levels though of obviously crime, because there's obviously you can have someone who is a shoplifter and then you can have someone who's a murderer. I think there should be different levels and bands if someone can be accepted or not, if they can they let them be housed, and what area as well because some people might not be safe to live in certain areas or be around some people. Yes, I think that's really good.' (ST4)

Landlords stated that their primary concern was ensuring community safety, and some were willing to rehouse individuals with serious convictions if reassured by criminal justice authorities that the person no longer posed a risk. Unlike in some other countries, criminal records were not part of proprietary digital platforms but were accessible through electronic databases held publicly or by the police. The extent to which landlords used this data to exclude applicants or make letting decisions varied based on local policy priorities.

Former landlord references

In response to concerns about anti-social behaviour and rent arrears, several landlords request references from former landlords to ensure applicants do not pose a risk to the organisation or neighbours. Some landlords do not require references from tenants moving within the sector, assuming that any issues would have prevented their inclusion on the local waiting list. However, others still require reference letters from other social landlords. References from private sector landlords are not always provided. Some social landlords request references only if there are signs of problematic behaviour, such as past evictions, criminal histories, or evidence from Open Banking of issues like gambling. One landlord also conducts home visits and requests character references when former landlord references are unavailable.

'We do ask for the references, just to make sure we are covering ourselves, to make sure that they're safe enough to come into our properties. Otherwise, we will try and make sure that we've got the support there, ready.' (SH11)

'I was going to say, especially the landlord reference, we don't always do landlord references. It's something that we do. With this Open Banking, you can kind of see if someone quite clearly does have the affordability as well. So, we do more references when we do have a little bit of concern. So, if someone's got, you can see the gambling, betting, for example, or if use anything that raises a little bit of a question mark, we then get a reference. Go back and took out some of that. [...] it's an optional part of our process. So, we would get a reference, if there was concerns. I think in the last six months, I could only think of two cases where we've got a reference. So, it's not something we do as a matter of course.' (SH7)

'A lot of it is based on trust. Sometimes people just don't have it because they've lived with their mum, or I owned my own house and then my marriage has failed, whatever that might look like. Regularly, landlord references are difficult to get. What we sometimes get is 'Very sorry about this, they're a lovely tenant, but I need my house back.' So, we're getting [the] ending [of] private-rented sector tenancies coming into the social sector for more stability.' (SH10)

'So, the housing that I live in now, they asked me to get a letter from the council saying that - you know, it's basically a reference that you paid your rent on time. You never had no trouble, never had a police call and no disturbance and stuff like that, which was easy to get from the council because as soon as I got offered this property, they knew the process.' (ST13)

Other issues

Many tenants reported that housing applications required a wide range of data, including birth certificates, income documentation, evidence of medical conditions, proof of residence (such as utility bills, including those for older children), bank statements, photo identification (like passports and driving licences), and landlord references. For low-income individuals, some of these documents, such as replacement birth certificates or medical letters from GPs, can be expensive. The amount of information requested varies between landlords, with one tenant noting that her current landlord, a housing association, required more documentation than her previous landlord, a council, had in past tenancies or mutual exchanges.

'No, nothing like that because when you apply for council, they don't go off, like, your income and stuff like that, like you do for a mortgage. You literally go into everything, don't you, but this one, because I was applying for council housing.' (ST10)

'I thought, well, what's that got to do with you? I was just like, 'Wow, GP as well! Do you want to know my dentist? Do you want to know my old school? Do you want to know my exam results? Do you want to know the first time I rode a bike?' Do you know what I mean? It was a bit weird.' (ST3)

Often some of the data requests, such as DBS checks, landlord references or further information about support, were only required for some landlords once 'red flags' were apparent that meant that there may be safeguarding or behaviour issues. Some landlords took light touch approaches to people who had been nominated through the common waiting list as they were confident that the organisation who undertook the initial assessment would have checked and had documented the important information. Comprehensive assessments and data requests were reserved for direct applicants only. One tenant had to resubmit all evidence at lettings even though she had only 3 months previously submitted all the same information in her original application. Other landlords indicated that they required this up-to-date information to 'cover themselves.'

The data collected directly or indirectly was not trivial. An issue emerges from this volume and detail of data requests made of tenant applicants: what is sufficient and what data is driving letting decisions? One stakeholder noted that landlords often have policy and practice that might overreach what is necessary. Here they highlight criminal, social, medical or behavioural lines of inquiry as well as the detailed financial information required but few tenancies are refused on this evidence, so its necessity is unclear. One firm has client landlords that request a wider scope of questions during pre-tenancy checks, to understand the customer base or provide, arguably unsolicited, advice.

'We can also build in a vulnerability question in there, which then flags up. One of the local authorities we work with has a really comprehensive set, because they're adviser led. They ask, even down to, 'Do they smoke?' Domestic violence. Every single question has, then, a pop-up that says, "This is the action you need to take for this person if this is…" There's some incredible work gone on in it.' (SRS Firm 1)

'I see too often practise where housing allocation policies or procedures are asking applicants to supply types of information, or officers are being required to obtain types of information that are not wholly relevant to whether or not someone should or shouldn't be allocated a home, and how quickly that should happen. I still read policies today that, for example, disqualify people for having any conviction of any type, which is grossly unlawful. I still read policies today, again, that disqualify people regardless as to whether their convictions are spent or not, which again, is unlawful. I still hear lots of people being asked questions about their conduct and behaviour that's outside legitimately, I think, what you should be asking. Particularly I think, again, when it comes to applicants who have got medical or social factors relating to their housing circumstances. Officers forget that what they should be trying to understand is, "What home do I need to give you?" That's the line of questioning that always needs to be happening. The centre of the questioning is, "I need to understand your circumstances so I can give you the right type of home, in the right location, with the right number of bedrooms, in the right format."' (Stakeholder 13)

Landlords reported that certain groups struggle to meet information requests, such as providing housing histories, former landlord references, or ID documents like passports or driving licences. This difficulty may arise for individuals who have been institutionalised in the armed forces, those leaving supported housing without prior independent living experience, or those lacking basic identification. Housing staff assist these groups in meeting the letting teams' requirements, though some landlords resort to older practices, like home visits, to assess situations and fill data gaps. While physical documents can be challenging to obtain, electronic

verification may also be limited for marginalised groups due to their underrepresentation in digital data sources.

Conclusion

Social landlords require tenants to provide extensive information about their household and financial situations during the application or pre-tenancy checks. This data is collected directly from the tenant or through external digital resources like Open Banking or credit bureaus. The aim is to minimise the risk of rent arrears and reduce the likelihood of anti-social behaviour impacting neighbours and community resources. Landlords have differing views on the effectiveness of these data sources. Some see credit histories as essential for understanding tenant profiles and identifying support needed for sustainable tenancies, while others view this data as unnecessary or contrary to their social values. Additionally, some landlords collect data that does not influence letting decisions. Tenants typically accept credit history data related to payments and defaults but often feel uncomfortable with Open Banking data. While the volume of data requests can be overwhelming for tenants, their circumstances sometimes hinder their ability to meet these requirements. Although digital systems can help address some verification issues, landlords need to remain flexible in their verification processes.

Chapter 5: Analogue and digital systems in pre-tenancy checks and affordability assessments

Introduction

Social landlords utilise a combination of analogue and digital data resources and administrative practices, as explored in this chapter. While most practices involve manual systems to collect and analyse tenant-provided data, there is significant interest in understanding what peer organisations are doing to harness technology for greater efficiency and insight into tenants' lives, informing letting decisions. Housing staff and tenants value personal interaction, believing it yields more accurate insights into tenant circumstances, influencing support offered or benefits claimed and identifying risky attributes that could affect tenancies, such as additional children or gambling habits. However, digital platforms allow for online application forms and document retrieval, integrating information into customer management systems. Although staff manually appraise this data - often using Excel - only a few instances involve platforms for automatic affordability assessments and applicant classification. The criteria applied manually or via algorithmic assessment to determine affordability can vary widely among social landlords, which is significant if marginal tenants are excluded. Additionally, landlords must address challenges related to data management and how to overcome exclusion.

Analogue systems

The verification of tenant applications, including their household circumstances and identities, often involves extensive supporting evidence, which can be supplemented by external digital data resources and platforms. This section explores staff and tenant perspectives on the predominant manual systems used in these processes. Occasionally, tenants were required to complete online forms and upload PDFs or photos of documents like wage slips and bank statements to support their applications; these digital systems were commonly used by the landlords interviewed. However, most tenants reported that letting processes were largely manual and paper-based, and even when digital submissions occurred through portals or email, housing staff often reviewed these documents manually. Tenancies were typically explained and signed in person using paper.

Stakeholders acknowledged the potential benefits of greater automation and digital insights from external and internal data. However, both staff and tenants valued the manual, human aspects of the letting process and pre-tenancy checks. Some organisations preferred existing analogue practices, supported by email and occasional online submissions, without specialised software for calculations, workflow management, or evidence appraisal. They found that personal conversations about affordability and suitability fostered mutual understanding and relationships with tenants, allowing for comprehensive assessments of tenant circumstances and enabling tenancy refusals where an automated response might fall short. Others considered digitising certain tasks but believed that social housing's complexities required the flexibility that human interaction provides. This human element was deemed essential for effective discretion, relationship-building, and problem identification, which tenants also valued.

> 'No. We haven't considered automating it in any way, shape or form, really, because I think it always bears a more tailored response. I think there's enough information from customers that,

maybe, a calculator or an automated system isn't going to take into consideration. There isn't going to be a question that's, "Are you pregnant? Are you expecting a baby in the next…?" Whatever it is, there isn't going to be something that encapsulates everything that a person might be going through or in the process of. Also, when we've looked at those things in the past, they always leave a little bit to be desired, in terms of, even online benefit calculators, I don't really like that much. I think there needs to be an advisor that knows what they're talking about to be able to respond and give advice in the moment and pick things up, which an automated system isn't going to do.' (SH9)

'I don't think we want to go too digital with that, because you then remove the human touch. So, you're going to have the applicants that you were talking about that actually, you do need to look at it on a case-by-case basis. If you start to go down too much of a digital route, you start getting into the realms of 'computer says no.' Then the people that actually we would like to support, but they don't necessarily tick all of the boxes, start to fall through the net.' (SH1)

'Yes, they were friendly enough and the person who came was friendly and professional enough. They went through everything with me. I felt they were very thorough. I felt that it was okay. Perhaps that was down to the person who came and saw me and their manner as well to a degree, but yes, even the kinds of questions that were asked I think they were all kind of relevant to me living here. So, yes, I felt fairly positive about the experience with this property anyway.' (ST9)

'In terms of your direct question around IT and how up for it people are, I did a big piece of research last year now with [housing association], talking to their tenants, and looking at how they could improve tenant satisfaction levels. Overwhelmingly the feedback from people was, 'Sure, we can go online, and we can use your online portals. We're happy to do that. We get that that's a thing, and it's common in life, in all walks of life, and we're really happy to do that, but we really like a human transaction. Whilst we're content to go with you on the channel shift, and use digital platforms, we want that to be as equally available as having a human transaction, rather than it being the default, or the main way. That was really, really loud and clear.' (Stakeholder 13)

'I think there's a place for automated systems. I think the problem is the input from humans on both sides. So, the automated system is great, but it needs to have some structure and some rules, especially around affordability, everything we do around affordability. As long as everything is correct, yes, it will work great, but if what they said and what's stated and what's put into the system isn't correct, the whole system is broken. I can see a need for an automated system, but I also think the human side is needed, as well, to check on these obscure anomalies that come out of what we're told: what's actually true?' (SH12)

Often landlords operate hybrid systems using digital tools for at least some of the process, typically the data collection, asking most tenants to self-serve (that is, complete the online forms themselves and upload their photographs of letters or PDFs to an online portal). In these systems, the human element can be retained although some staff suggested tenants may not complete the forms accurately. For some, there was a clear case for automating at least some of the letting processes to free up staff time to undertake critical human tasks.

'I know I was working, last with some automation for the *My Home* app and portal that we've got at the moment, in terms of decisions for customers, for things like whether they can keep a pet in the property, whether they can decorate and things like that. So, some of, somewhere a decision is clear cut and doesn't involve any human involvement, there is definitely room for automation… I think when we're talking about accessing housing, I think there are certain things that can be automatically checked. When you're looking at criteria around assessing an applicant, I don't think we can ever, I don't think we will ever be able to get to a stage where we're fully automated with that, whether it's a case that we can.' (SH1)

'So, we're not trying to replace the human angle of what a good social landlord does. What we're trying to do is remove work and automate work so that the people they've got can focus on the things that they really want to do.' (SRS firm 4)

'I don't think the systems replace labour. I think what they do, they enable people to be able to do their proper day job. Rather than being swamped with paperwork and having to fill forms in, I think it enables them to be able to go and get on with what they should be doing, which is interacting with the tenant, isn't it?' (SRS Firm 2)

Some tenants would have preferred the convenience of online systems. Digitalisation can prevent tenants without printers having to use local housing hubs or library services to provide copies of key documents, and critically, they track the process clearly, provide an audit trail and identify errors.

'I would have preferred an online one just for the fact that if you're filling in things online, if there's something you've missed off that you do have to fill in, it highlights it when you try to go to the next page. Whereas I'd sent this form in and got it back twice, not knowing what needed changing or updating. They didn't tell me. I do think they need to either change the paper booklets or just do it over the phone or online form. '(ST15)

Manual approaches to pre-tenancy checks and affordability assessments were often as rigorous as those that relied on digital platforms. The data requested to verify applications and inform letting decisions could be voluminous and the affordability assessments and benefit calculations comprehensive. Some landlords adopted analogue systems for categorising risk with a traffic light system, like those adopted in digital systems. One provider asked about their housing history and their financial circumstances and marked each element as high, medium or low risk.

'So, to be able to offer the property to an applicant, then they need to meet the criteria of the peer review form. So basically, if someone was high risk for each element of the peer review form, they wouldn't be offered the property. So, that would be their tenancy, previous tenancy conduct, their ability to pay. We would look at the support needs, whether or not they're high, medium, or low risk, previous tenancy conduct, ASB criminal convictions, debt and affordability, and their ability to pay by direct debit. So, we look at all those things, and as I said, we have a high risk, medium risk, or low risk grading. If more than two of those are medium risk, or high risk, then [name] and myself, get to make the decision.' (SH1)

Digital systems

Stakeholders observed that housing providers were generally slow to adopt digital services. Many landlords struggled with poor data quality, which hindered their ability to gain insights from existing information, and they often had limited funds to invest in new systems, resulting in a heavy reliance on manual processes. Despite these challenges, some providers have embraced elements of automation and data analytics, with a few leading the way in digital innovation. Others were cautiously considering digital adoption in the near future, while smaller landlords tended to remain satisfied with their current analogue practices.

'So, I'm relatively new to social housing. So, I've had a career in IT. I've moved into social housing in the last three years, and I think from my technical perspective social housing as a sector seems quite underserved, I think from a technology perspective. So, it's fairly common for a social landlord or a housing department with a local authority to take quite a monolithic core housing management system from one of less than ten key providers and run all their main business processes on there. They typically don't do a lot of automation or what automation they do can be

quite - we call it more *Excel* rules-based processing rather than really getting under the hood of what the data can be telling you.' (SRS Firm 4)

Williams (2024) identified several technological issues in the social housing sector, including poor data quality, siloed systems, and systems that influence behaviour rather than being driven by it. There was also a need to enhance data management and leverage insights to improve access across the sector. The interviews conducted here reflect these concerns, highlighting barriers to increased data use and automation, such as limited resources, poor data records, legacy systems, and delays in procuring and developing new AI driven customer management systems. Additionally, some landlords reported the risk of costly abandoned projects in their area.

'I think there's a lot of latent data sitting in isolated little pools in individual systems and it's a real challenge for housing associations to pull all that together. We've got some of the larger housing associations implementing big IT systems like *Salesforce* or *Dynamics* in the hope that that will give them an umbrella view across the whole thing. I think that's a big technology job to do and can be quite expensive. So, I think there are lots of opportunities for social landlords to broaden their perspective on the data and that perspective is limited because it normally sits in completely segregated systems. So, there's a lot we can do there to access that data, pull it all together and give them insight.' (SRS Firm 4)

'We're still on paper at the moment, but I think it's because of the *Salesforce* system coming into place. The conversation and everything I'm hearing is that everything will be app based once this system is set up, and we'll have no paper. The screens will link to everything, so if you are signing somebody up for a tenancy, everything else in terms of the housing system and the allocation system and the Money Matters system and the rent system will all self-populate when the data is added. It is all bells and whistles and singing and dancing, but obviously because of that I think the lead-in is about five years. I think we're about nine months in so far, so small pieces in place so far. Eventually I think it will be great for us.' (SH14)

Other barriers included a lack of perceived business case for further change among staff. Although some data collection had been automated, using spreadsheets for affordability calculations and manually calculating benefit entitlements was not seen as overly time-consuming. Additionally, adopting tenant self-service options without human review was viewed as problematic. This approach often led to data errors, such as incorrect wage entries, and missed opportunities to identify additional benefits for tenants through key indicators noted during conversations.

'All trained money advisors so don't feel need to use *EntitledTo* or other software they know how to calculate benefits. Not time saving No. If people know what they're doing, a calculator like that isn't time saving, because you've still got to go through every single question to come out with a response at the end.' (SH9)

'I always think there's an appetite to look at new systems and see if there is anything that can streamline what we do. I think the major problem is the information that we're given, so the information that the prospective tenant puts forward. There are often a lot of discrepancies. I think the best way to do it is by human intervention and looking through things. The person we have that does the role full-time, she's very astute at looking at things and going, "That's not right. That's not right. That's not right."' (SH12)

Innovation in digital social housing systems is evident in areas such as rent arrears management, where AI or machine learning analyses patterns in rent payments to prioritise and time staff interventions more effectively. Several landlords are using these systems, relying solely on internal data rather than external sources like credit histories or Open Banking.

Although these systems offer a nuanced approach to managing rent arrears, they avoid the automatic generation of generic letters based solely on arrears thresholds, which often fail to reflect tenants' payment patterns or histories. The effectiveness of communication regarding these systems to tenants remains unclear. Some housing associations that have begun employing AI data analytics in their rent arrears teams are exploring different communication methods with tenants. For younger tenants, they are shifting to channels like text messages and TikTok videos to convey important information about payments or tenancy sign-ups. In contrast, they continue using traditional methods like factsheets and letters for older tenants.

> 'So, we saw opportunities there for really getting into the data and analysing the nature of the tenancy, the previous payment profiles, that sort of thing to come at it from the housing association's perspective and say, You're working a lot of cases that you don't need to work which is just increasing the manual overhead of managing your arrears. You're bombarding those tenants with letters, phone calls, texts, when most of the time you should just be able to leave them alone. So, you're probably annoying your tenants and in all that noise you're probably missing the smaller number of cases where that manual effort would be best invested in trying to find those tenancies where you can offer a bit more support with that engagement, rather than enforcement of something that's going to sort itself out anyway.' (SRS Firm 4)

Social landlords or firms did not report links between these rent arrears systems and the financial risk identified at the letting stage, and nor was data obtained during the pre-tenancy checks fed into the rent arrears management systems. One firm suggested tying management data on tenant profiles to arrears was possible but there were risks if that data was not up-to-date.

> 'So, I mean, whether the analytics we were just talking about there, the analytics wouldn't inform, wouldn't tell us not to approve that applicant. Whether we could then tie in some of that early-stage analytics, with actually out of those 100 applicants where we've got 6 of them that were on the line, and we made an informed decision to let them through. Is a year down the line, are those six applicants appearing on an eviction, or a high arrears list? So, at the moment I don't think there's anything to kind of tie the two.' (SH2)

Tenants had mixed opinions about using predictive analytics to assess their risk levels. Some appreciated the support and guidance it provided to help avoid crises, while others worried that the tools might be unnecessary and that algorithm-driven decisions could be unclear and unfair.

Automation and digitalisation also include the use of natural language processing for sentiment analysis of call centre conversations to identify key themes. Systems can pull relevant data, such as outstanding repairs, during discussions about rent repayments. One landlord has implemented digital sign-ups for tenancies using *DocuSign* to manage tenancy documents, while another has a fully digital allocation system that automates 90% of applications, although some feel existing market tools are inadequate.

In the letting process, automation focuses on collecting data through online forms sent via email. These forms allow tenants to provide household details, consent to data retrieval (e.g., Open Banking, crime data, previous landlord information), and upload supporting documents (e.g., bank statements, pay slips, passports). Some systems include automatic affordability checks, while others rely on manual assessments or spreadsheets.

While digitalisation is beneficial and reduces staff workloads by allowing tenants to input data and upload documents, some landlords express concern that it limits meaningful tenant interaction and opposes replacing human decision-making in tenancy grants. Technology firms

assert that their systems are meant to augment professional judgement and enhance human interaction rather than replace it. Despite potential efficiency gains, stakeholders believe there are limits to removing human input from the UK social housing letting processes.

> 'The why for me, would be if I was a local authority and I was processing 60,000 housing applications and I had the responsibility of checking all of those applications, then an automated tool, checking the Right to Rent and identification would be a godsend because of the volume.' (SH2)

> 'In terms of automation, the key thing that organisations are looking at in terms of automation is the - and they're looking primarily at the things like web forms. So, what you're trying to do is you're trying to cut down the human-to-human contact on the phone or in person. That's the most time-inefficient and cost-inefficient way of running a service. What you'd be looking at is the usage and deployment of things like customer portals, web forms, which can do the end-to-end process.' (Stakeholder 11)

> 'It would speed things along, which I guess, is the biggest advantage! [Humorous tone] So, can't get away with that. Speed things along. Again, stuff isn't always at face value. So, you'll be missing out on stuff, and you also, because we have those conversations with the applicants…I think we'll always want to do some kind of affordability assessment, but we want to be doing it as quick as possible, and as easily and streamlined. Without as many, few breaks in that as possible.' (SH7)

> 'I think all of these things are fine as can openers, but it really does require people to look at them on a case-by-case basis. As [names colleagues] said, both our approaches, whether we're using *Let Alliance* checks [market rent tenant referencing platform] or looking at things like DBS and affordability assessments, you still have to understand what's actually going on behind the numbers sometimes. How things are presented necessarily doesn't tell you the whole story.' (SH13)

Tenants' self-completion of the online forms avoided staff having to input data and upload documents to landlords' management systems. Many tenants also valued self-serve options. A disabled tenant described the benefits of digitalisation as this enabled her to conduct her housing application from home, without difficult travel to the landlord's offices, and provided a digital record of interactions with her landlord that she could consider in her own time and acted as an audit trail. Landlords who had adopted automated systems for pre-tenancy checks and affordability systems benefited from faster processes, which enabled them to identify needs early in their relationship with tenants, allowed for customisation that was important, included multiple languages to reflect the composition of local areas, and allowed them to refer to local specific guidance and advice services not just generic services.

One landlord recognised that asking sensitive questions, such as those about homelessness or domestic abuse, via online platforms could be distressing, especially if tenants need help outside of office hours when staff may be unavailable. To address this, they added help buttons to their onboarding platform that link to 24-hour support services. Other landlords have developed systems that automatically avoid discussing vulnerabilities with certain tenants via digital communication when this would be inappropriate.

Occasionally, more sophisticated affordability assessments were made using third-party platforms such as *EntitledTo, Policy in Practice* or *Experian Powercurve* products. PRS tenant referencing tools were also adopted by social landlords who had market-rented properties to manage too. The platforms used included *Let Alliance, Homelet* and *FCC Paragon*. These product types are discussed in more detail in Report 2. There were few comprehensive

packages available in the social housing space, however, and firms active with customer management systems in social housing suggested that as the practice was so variable it was more profitable to them to develop tools for which there was a wider customer audience (e.g. rent arrears recovery which all landlords undertook). Some participants using analogue affordability assessments were looking to purchase new IT platforms that incorporated the capability to undertake affordability checks and create workflows to offer tenant support. Finding a system that worked with their other system requirements was often proving a challenge, however.

> 'We're bringing in a new software, a new housing management system. Within the functionality of that, one of the things that we're wanting is that it allows people to explore this as part of the registration process about their affordability so that we get more into talking to people about housing advice and housing options right at the very beginning before you even get to registering. People being able to go on there, look at the locations that they might want to live in, what the social rent might be in those places, whether that be our own RP, private rented, how many years you might need to wait for a property in those areas, what the type of stock is. Then allow people to put in what their income is and outgoings are and for the software to be asked towards people about benefit maximisation, debt advice, all those things that we were just talking about a moment ago. To help people have a more informed decision about what's right for them.' (SH6)

Tenants were often ambivalent about whether systems were digital or analogue and that the time taken to process applications efficiently was paramount but were strongly committed to the retention of the human element. Tenants recounted significant delays for people to appraise the data provided or even lost paper documentation that had to be resent.

> 'I think the method is not so important to me. I think what it is time. Obviously, everybody is busy these days, so whichever is the quickest. In my experience this particular time them coming to see me where I live now and filling that form out was quicker and easier than for example me going through the application online through the web. I could see how if it was made properly or the questions were done better as I mentioned earlier, it could have been quicker doing that online. So, yes, the method is not that important to me. I think the key factor is time.' (ST9)

> 'I had to call them to chase them up, like, where is my application? What else do they need? You know, once I send it through, the documents got lost and then I had to resend everything. So from the beginning to the start [sic], it took me a good month-and-a-half to actually get the keys to the property and to move in. So, experience with this housing, it wasn't that good, but they are good landlords. So, if I have, let's say any problem paying rent or any problems, I just call them up and they can give you support. Yes, that's it really.' (ST13)

Defining affordability

Once social landlords have used various data sources and digital tools to evaluate a tenant's situation, they decide whether the property is affordable. The NHF (Morland and Co., 2022) guidance outlines the types of data landlords can use for affordability decisions but does not specify how to set an affordability threshold. Consequently, different landlords have different criteria, leading to inconsistencies in approval. For example, one landlord required tenants to have at least 50 pence of spare income after paying all rent and bills, while others required £10 spare or the remaining amount to be equivalent to a single person's Jobseeker's Allowance (currently £71.70 per week for those aged 18-24 or £90.50 for those 25 and over). Another firm notes that landlords set thresholds based on various criteria: some use rent as a percentage of income (up to 50%), others use fixed surplus income figures, and some accept zero surplus income. A technology firm also reported that thresholds are frequently adjusted because some

were set before Universal Credit and are less relevant today, often reflecting high-risk categories.

> 'The general rule-of-thumb is, as long as they have over the amount for Jobseekers' Allowance after they pay their rent, the property is affordable. It pretty much means a single person can't have a two-bed, but a mother with two kids who would be under-occupying, could have a three-bed. I think we're the only housing association in Manchester that allows people to be under-occupying.' (SH12)

> 'Obviously there must be an excess income there when they've done an income and expenditure, but it can be as low as sort of £10, £15 a week. It doesn't have to be a huge sum. Like I said before, we used to have thresholds depending on property size and family makeup and stuff, but we don't have that anymore. As long as there's an excess income; if the customer completes an income and expenditure, as long as they can show us that when everything comes in and everything goes out there's an excess there, then that's fine' (SH14)

Using Job Seekers Allowance rates as surplus income is common in social housing affordability assessments but is more problematic as benefits have not kept pace with the cost of living or social housing rents and are now, for one consultant, a poor barometer of affordability.

> 'Again, that's not the fault of the landlord or the individual. That simply, that the welfare benefit system hasn't kept up with what people need to be able to be being paid to be able to afford to live. That has ultimately ended up being a political decision rather than an evidence-based decision. That then makes doing a fair affordability assessment almost impossible for a social landlord. Even if they are using a really good formula with really empirical evidence.' (Stakeholder 13)

As welfare benefits have decreased and rents and inflation have increased, landlords have been lowering their affordability thresholds to reduce the number of people who fail their tests. For example, one provider has repeatedly reduced the required surplus income due to the financial strain caused by the pandemic and rising living costs. Initially, applicants needed £15 of spare income after rent and fixed expenses. This threshold was then lowered to £5, and eventually – as noted above - to just 50 pence per week. This assessment helps identify individuals who could benefit from the provider's hardship fund, which includes support with white goods, debt advice, and the bedroom tax. However, the higher thresholds previously resulted in too many people needing this support. This low threshold and rare refusal rate, prompts questions about the cost-effectiveness of the additional insights provided by *Experian's Powercurve* software.

A stakeholder also highlighted tenant complaints about different housing providers having different policies in the same locality, so tenants are applying through common waiting lists but are unsure of eligibility for various homes for which they can bid. Their work with tenants highlights that the reasons for refusal on affordability grounds are little understood and that many providers do not have an empirical or legal basis for their approach. Geography was identified as a key factor in determining landlord affordability thresholds, as associations have different agreements with local authorities, and different stock and policies.

> ''This one here says my rent is affordable, but this one here, using the same process, says it isn't.' So, the inconsistency in thresholds and formulas is something that people find really, really frustrating.' (Stakeholder 13)

> 'I can tell you, it varies a lot, and probably for sensible reasons to do with geography, actually, that they have different demands.' (SRS Firm 1)

Digital systems are therefore speeding up assessments, but the policies and calculations are determined in various opaque ways, not least when moveable affordability thresholds are combined with the range of approaches to calculating reasonable household expenses as discussed above. The systems may provide speed to arbitrary calculations but give a veneer of precision and objectivity to a system that is not.

Data management and protection issues

One stakeholder highlighted a concern about balancing the tenant profiling data collected to provide insights for landlords and the data that affects letting decisions. They pointed out that while landlords might minimise the exclusionary impact of affordability assessments, a lot of the data collected does not influence letting decisions. This raises questions about the necessity of collecting so much data. Furthermore, if much of the data is used to assess support needs, it may be worth distinguishing between mandatory data required to grant a tenancy and discretionary data that tenants can choose to provide. Some data related to equality is already treated this way. More consideration might be needed on how data collection is framed, allowing tenants to decide whether to share their data and opt into support services, or not, as seen with Moat Housing Association's Better Off app.

Clarity is required regarding data collection as it impacts how landlords account for data use and retention for regulatory compliance. There was uncertainty about the retention of data collected during the pre-tenancy checks, whether it was deleted after use or placed on the tenancy file. One landlord specifically noted that credit histories and Open Banking data were deleted, and one tenant reported that her original bank statements were returned, but it was unclear if these documents or digital copies remain on tenant files in customer management systems, and if so for what purpose.

> 'The other thing that we're noticing is people are really keen on improving their understanding of who their customers are, so things like profiling information. Of course, there are GDPR issues and data protection issues around that sort of information because it is personal and sensitive. I think organisations probably wrestle a little bit with it's great for us to know who are customers are and what their characteristics are, but how do we use that to influence the services that we deliver? That's probably a nut that they haven't cracked yet. Which then means that, actually, you can't hold on to that data because unless you have a reason to hold it and to use, and you're using it, you shouldn't really have it in the first place anyway. So, there's a bit of a difficulty around that.' (Stakeholder 11)

> 'We just delete most of our pre-tenancy information when somebody moves into a property. So, we keep some data. We are looking at maybe some of those applicants who we hand over to the housing team, where we've identified that they're support needs, because of their financial circumstances. What we don't want to do is have to keep having to request information from the customer. So, it might be that moving forward we retain some, but at the moment, any financial information gets deleted off our system two weeks after the tenancy starts' (SH7)

Some tenants recall receiving a privacy notice, others were uncertain, and others felt that If information was provided it was often generic and non-specific. Some tenants recall reassurances that data sharing with third parties was ruled out and about specific data retention policies, but the purpose of the data collection and how the data was used was unclear. One landlord indicated their platform automatically deletes data immediately or shortly after staff have used it, so data retention and management are built in.

'I didn't receive a privacy notice from the council in general, but I did receive one from my key worker which I had to print, read, sign and send back to her, but I'd been dealing with the council for about two-and-a-half months at that point, and I never received a privacy notice in general.' (ST16)

'I think it's stored for... I think it was stored for about five years under GDPR. It's the council, and I trust them. Well, I hope. Yes, as much as you could trust anybody.' (ST12)

'Their payslip; a screenshot of their universal credit; a picture of their PIP award. So, it comes through as a link and we click the link. After we click the link, in two days, it deletes, so nobody can see it ever again.' (SH12)

Tenants generally trust their landlords to keep their data secure and do not view councils and housing associations as having high risks for data breaches. They consider data sharing to be routine, although they may have specific concerns about consent for some data requests. There are also concerns about how physical documents are stored and used, as these might be less controlled compared to digital data transfers, which are tightly regulated (e.g., in credit information and Open Banking) and automated systems support landlords in fulfilling their data management obligations. However, physical documents are less likely to be involved in large-scale data breaches.

'I think I've got more faith in [northern city] City Council in keeping my data safe, just because they do handle significantly more data on any given basis. But to be honest, I think living in the 21st century is, we've kind of all, whether subconsciously or consciously, acknowledged that there is a risk that our data could end up out there at any given moment, whether that's personal banking information, our credit history, just our general online data. I think we all have kind of accepted it and acknowledged that in order for us to do the things or get the things that we want, there's going to be that risk there.' (ST16)

'I didn't really want them storing copies of, obviously, the children's birth certificates and things. I didn't realise they'd need to store stuff like that once they'd seen it, but yes, they don't tell you how they store it or where or for how long. [...] I think it's just because I lost all my documents because I used to keep everything in a folder, and I'd taken the kids' documents out to do all their school applications, and then the folder disappeared and that's where all my documents went, and I don't know where they ended up. So, I like to know exactly who's got what with their documents now. That's another reason I have to check my credit report so much because I kept everything all the important stuff in a folder, and it all disappeared. So, I like to keep tabs on who's got my information now and keep an eye on it all.' (ST15)

Digital exclusion

Most landlords still use manual systems, which helps accommodate tenants who find digital processes challenging. Some landlords reported difficulties for tenants in uploading documents to online portals, but they have staff procedures in place to obtain and verify original documents. This is particularly true for a sheltered housing provider, where many older tenants, though not all, are uncomfortable with digital technology. This provider is currently content to include manual processes, at least temporarily. Over time, greater automation is expected as the number of older people who struggle with digital platforms decreases. Another landlord noted that older people are more digitally savvy than in the past and use digital sign-ups with the help of carers or family. One older tenant mentioned being able to use computers but frequently forgetting his passwords.

'We found it quite difficult. Some people just didn't have provision to send us these affordability assessments: they didn't have a mobile phone; they didn't have access to the internet; they didn't know how to use the internet. There may have been language barriers, as well as learning barriers. So, what we did then was, our neighbourhood officers who will see the people, we're just calling them 'trusted partners'.' (SH12)

'It's [automation] always something we're looking at, but then we have to bear in mind the digital exclusion levels existing in the population, for older adults in the UK. It's likely that we'll continue to adopt a mixed-methodology approach for quite some time, I think.' (SH11)

'No, there was no option for online, which I guess, I don't know if it would be easier in my case, but maybe for some people. I don't know. Because I struggle because of my dyslexia. I struggle to… I misread things. I do better with being in person with someone in front of me.' (ST4)

It remained the case that some groups had problems engaging with digital-first operations, including some homeless people, older people, some disabled people with mental health or learning disabilities or people with literacy problems. All landlords facilitated access, although it was often incumbent on tenants to tell the landlord that there was a problem in the first place.

Conclusion

Views on using analogue versus digital systems among social landlords varied. Both landlords and tenants valued human input for gathering nuanced information about tenants' circumstances, which might be missed with self-service options. Digital systems offered speed and convenience, potentially saving time for reviewing applications and supporting tenants, though it was unclear if these time savings actually occurred in practice. Digital pre-tenancy checks and affordability assessments were quick and often thorough, but affordability thresholds were frequently reduced as too many applicants failed, and changing factors like household expenses made outputs subjective. There were also uncertainties about the purpose of some data collected—whether it was for support or letting decisions—which could impact data management policies and compliance. All landlords had manual workarounds for those unable to use digital services. Many noted that while there is potential for more automation, social housing might need to remain distinct from commercial operations to effectively fulfil its welfare role.

Chapter 6: Inclusion or Exclusion in social housing

Introduction

This chapter examines the role of affordability assessments during pre-tenancy checks, questioning whether their primary function is to support tenants or to exclude them. Even before the pandemic, research suggested that landlords often framed these assessments as tools to identify support pathways, such as debt advice, budgeting help, or intensive management (Preece *et al*., 2019; Greaves, 2019). Despite this framing, some participants reported abandoning affordability assessments or minimising their exclusionary nature. This trend is somewhat supported by the *Crisis Homelessness Monitor* data (Fitzpatrick *et al*., 2022), which shows a decline in local authorities reporting that housing association nominations were refused based on affordability and pre-tenancy checks. However, exclusion remains significant, particularly for young people inadequately served by the benefit system. Other applicants also faced exclusion, with nominations being returned to the local authority.

In some cases, tenants withdrew their applications for certain properties following discussions with housing staff. Housing staff often used these affordability conversations to assist tenants in applying for previously unclaimed benefits that could improve their financial standing. However, there were few other initiatives within the sector to address the broader risk that some applicants might still be unable to afford even social housing, pushing them toward private renting, which often involves greater insecurity, poorer conditions and higher costs.

The following sections explore these challenges, highlighting the difficulties social landlords face in balancing the social purpose of social housing with an underperforming rent and benefit system

Identifying support or exclusion?

The project included social housing in its scope due to concerns that social housing providers were adopting affordability assessments and credit checks from the private rented sector (PRS), which commentators viewed as exclusionary. The study found that firms like *Experian*, commonly used in the PRS, also operate in the social housing sector. However, social housing exhibits a broader range of analogue and digital practices.

Some social housing providers have abandoned pre-tenancy affordability checks, finding that the information gathered was largely irrelevant to most letting decisions or conflicted with their social mission. For those landlords who retained or recently adopted these assessments, the approach was reframed as inclusive rather than exclusionary. These assessments were now seen as opportunities for dialogue about support options available when tenancies begin or as a way to triage applicants for various services.

Nonetheless, some landlords continued to reserve the right to exclude applicants on affordability grounds, particularly for new affordable rent properties, which disproportionately affects young people (as discussed further below). While pre-tenancy checks aimed at identifying tenant needs were evident, and landlords emphasised the support available, the practice of excluding applicants after failed affordability assessments persists, casting doubt on the true role of these checks.

'Some of them [landlords] never refuse, they just refer. Some of them do refuse. [...]There aren't a huge amount that we work with that exclude. There are a number that are very clear that that might not be the right property, rather than excluding you. I think the traffic lights if you think about it as a triage tool. The customers decide what triage they're doing. Some might have: "nothing needed"; "band aid"; "surgery." Others might have: "nothing needed"; "we're going to help"; and "too difficult, not us." That's up to the housing association. We're providing a tool which we fit to their needs.' (SRS Firm 1)

'I think this is social housing; it's not a 'computer says no'. It's about trying to understand how we can provide housing to people who might need it, but make sure that we're not just creating another problem for them. That is what we're trying to achieve. We want sustainable tenancies and affordable tenancies for people, and we just don't want them to be given somewhere that actually is just going to fail and cause them more trouble and grief down the line.' (SH13)

'Those affordability checks wouldn't be there to try and act as any sort of barrier or bar, rather that we're identifying who those people are who need extra support. [...] some of our RP colleagues, they do use affordability in a different way. They may say no [to nominations] because somebody can't afford the property. [...] housing associations, the RPs [registered providers] that we work with occasionally will say no, based on affordability.' (SH6)

'So, we get a lot of people that come through with a negative balance. So, we get homeless nominations that are just in receipt of standard Universal Credit, and it usually comes through that they can't afford that property. [...] They still get the property! [...] We can't deny property due to affordability. [...] My only point that I'd like to make is that from my experience most social providers are looking to, how we can avoid declining anybody. From a social rented perspective, we want as many people in our homes as possible and if they're not able to afford social housing, they generally can't afford anything. So, we are the last line. Lots of efforts go into making sure that turning someone down is the last thing that you really want to do.' (SH3)

The emphasis on using the pre-tenancy affordability checks to highlight support needs, to be inclusive, not exclusive, obscured the fact that landlords did report tenancy refusals as a part of the process. One northern housing provider (SH13) was able to quantify the refusal rate based on these pre-tenancy affordability checks and during the year of the interview, they did 1,825 checks and 116 people failed, a 6.4% refusal rate. This was considered to be 'very low'. In 2021/22 there were 267,000 social lettings made (DLUHC, 2024a). If the 6% rate of refusal was repeated across England - and we do not know if this is the case - this would suggest that 17,000 applicants were passed over for a tenancy annually due to this pre-tenancy scrutiny. This may be the top end as a North West association has extensive pre-tenancy and affordability checks but rarely refuses anyone.

'Yes, adverse credit doesn't - again, bearing in mind we're doing 2500 lettings overall, we've only refused three people on a social rent in the two-and-a-half years that we've been using Experian. That's mainly because they wouldn't engage with the relevant support teams to fix the issue they needed to fix, to enable us to be comfortable that they were going to sustain the tenancy. [...] The reason why I say we've only ever refused three people, because if someone can't access social housing, this is a support assessment and if it's not affordable, rather than withdrawing the offer, we would then access our in-house money advice teams, our tenancy sustainment teams, to make sure we work with that individual to ensure that they can then succeed in that tenancy.' (SH2)

Affordability was the key reason for refusals, although not the only one. Other reasons for refusing a tenancy were that there were discrepancies between the applicant's information and evidence provided that undermined confidence in the tenant or due to under-occupancy.

'I think affordability is arguably almost the key issue of consideration when new homes are being given out. The ability to pay rent, as well as to be a good tenant are the two key things, if you like, and social behaviour, and rent payment are the two key factors. I don't think social landlords are so worried if someone has support needs.' (Stakeholder 11)

'When we do the affordability check through *EntitledTo*, basically it'll tell us whether they're a pass, so it will tell us or give you a green thumbs up and tell you, yes, that's affordable, they're okay. If they come out with a very low pass but still a pass, we'll let them through. If they come out as a fail then it's like, 'You can't afford this property.'' (SH13)

'They said they were earning £3,000 and they send you a wage slip that has £500. It's a red flag and you're like, 'No, it's not going to happen.'' (SH12)

The relationship between the financial risk factors identified during the letting process and tenancy performance was unclear. Although it was assumed that identifying these risks would help reduce arrears and business risks, landlords could not prove this outcome. Some housing providers analysed failed tenancies and considered offering tenant education on managing home-related costs, such as furnishing and income maximisation while waiting for a property. One landlord attributed their lower tenancy turnover to more thorough suitability checks compared to other local landlords, though this could also be influenced by other factors, such as targeted tenant support, higher private rental sector (PRS) rents, the unaffordability of homeownership, or excluding tenants with financial risks. Another landlord noticed a significant rise in demand for financial inclusion services after introducing affordability assessments, suggesting that these assessments uncovered a previously hidden need for financial assistance. However, the financial advice given was specifically tied to improving rent performance.

'So, we're doing research at the moment to see if we can get better insight into what is happening to people at those income brackets. If they start getting into arrears, when is that? Is that uniform across, or is there no correlation? [£0-£50 per week spare income] We don't know yet, because we haven't done the research. What we do know is, those that demonstrate that they will have, or we assume, because they've got low income, will have difficulties affording that property or sustaining that property, we're getting in there from the get-go to offer whatever help we can.' (SH9)

'They said, "It was great, but our support teams ended up inundated within seven weeks of it, of it launching, we had that many referrals coming in, we had to suddenly pull a colleague off the mid-tenancy team because we just had such a high demand for new customers needing help." They enjoyed it because they said, "We're then getting in early; we're helping people". The problems haven't set in, and therefore, the customer engagement with us is far better than when the tenancies run into problems, and it takes us up to three attempts to even just get through the door.' (SH15)

As mentioned above, several providers were using data analytics tools like *Experian Powercurve*, *Voicescape*, *Mobysoft's RentSense* or *MRI Safestart*. These tools help staff prioritise rent accounts that need action and customise their responses to encourage positive tenant behaviour. However, the financial data and risks identified at the start of a tenancy were not generally used for their predictive capabilities throughout the tenancy period. Few landlords explored the relationship between initial financial risk and ongoing rent payments, even though affordability assessments were primarily intended for this purpose. While a link between initial risk and rent performance seems plausible, it has not been clearly established. This lack of

connection may be influenced by data retention policies, which restrict holding data without a clear purpose, as well as the accuracy of tenant profiles and how they might change over time.

Although some landlords adopted affordability assessments relatively recently it was apparent that landlord practice had shifted over time. Several landlords had abandoned affordability assessments and/or credit checks, but many landlords retained the practice and exclusion was evident for marginal cases, especially for young people outlined below. Landlords reframed the assessments as opportunities to identify tenant needs and not to exclude. However, it is unclear how this can be reconciled with the *Homelessness Monitor*'s reports of lower but continuing tensions between local authority homelessness teams and housing associations. This may be a function of organisations committed to taking only those applicants who represent the least financial and social business risks choosing not to participate in the study.

> 'We had more of a, I don't want to say more clout, but we definitely had a bit more of a structured approach in the past. I think that was when we did have an affordability check, and if they didn't make the affordability check then we could refuse. Whereas now, I think it is more of a, well actually, we know you can afford the tenancy because your income is this and the tenancy cost is this.' (SH14)

> 'So, what we used to do is run through the *EntitledTo* website, as well as their income and expenditure, and make a judgement to say would they be able to afford it. That started in 2011, but it got to maybe 2018 I think, and we'd been doing it for so long, and the amount that we rejected as couldn't afford it was so low that we stopped doing it because it was a case of saying that nearly everyone gets through. So, we're spending all this time and energy doing these affordability checks that everyone passes it because generally people can afford social rented properties.' (SH3)

The tensions between local authorities and housing associations were apparent as parties tried to smooth relations and meet moral obligations to tackle homelessness *and* manage business risks. Some associations referred people back to the local authorities and hinted at the problems this caused with their relationships with local authorities and subsequent negotiations that occurred to agree on ways forward. Councils wanted to bring about a situation where associations shared the aims of reducing homelessness and taking a more understanding approach to accepting nominations.

> 'That is not to say they failed completely; it might be they've failed for whatever we've checked them against, but those figures won't tell us if they would actually pass for a smaller-sized property if they're eligible for smaller. [...] Technically, as I said, we can't refuse people on to the register or for a one-bedroom property. As I said, we have a few conversations with the council about this because there are circumstances where people, whether they're paying back advance payments or they've got debt payments or other issues going on, really can't afford even a one-bedroom property. [...] Because they're [council] more concerned around, their first priority is homelessness and reducing those sorts of numbers. It's slightly complicated, or one of the issues up here in the North East.' (SH13)

> 'At the moment what happens is once they [housing associations] start to do affordability checks and start saying yes or no to people, they're then on the phone to [colleague's] team to try and by-pass people who they don't want. It's about that work. We're really honest about that, like everywhere, there's an increase in homelessness so we've got to stop being punitive and be more supportive. Thinking about where somebody might have had a history of rent arrears, but need to move to that area, because there's a real need to be in that area, and how do we work at supporting that to happen really.' (SH6)

Lastly, tenants generally considered affordability assessments to be fair, but some would have been devastated if they had been refused a tenancy as a result (ST7). Other tenants were more reflective on what it might mean for housing opportunities for low-income households.

> 'Yes, I understand it's required; they're a business. If I was in that position, I'd be wanting to check the person out as much as I can, just to make sure that I'm not getting somebody that's blatantly likely not to pay, or is going to cause trouble' (ST3)

> 'There is a shortage of housing generally and if it's becoming more difficult to access housing, obviously people with lower incomes or who are not necessarily able to purchase, renting is the only option. So, yes, it's potentially a big problem for a lot of people I would imagine.' (ST9)

Welfare reform and young and single people

Applicants for social housing failed affordability assessments for several reasons. Unclaimed or inadequate benefits sat behind many problems, especially when people worked part-time and were unaware of their eligibility and entitlement. Support to maximise income was typically provided. Other applicants were subject to benefit caps or restrictions, and some advice could be shared about how this may be overcome in limited circumstances (claiming child disability benefits, for example). For some applicants no more benefit or income could be obtained, the rent was deemed unaffordable, and the tenancy was refused.

The group most frequently cited as failing affordability assessments were young single people. In some cases, particularly in northern lower-demand areas, landlords observed that young people were bidding for properties with more bedrooms than needed, leading to under-occupancy and the application of the bedroom tax, making the rent unaffordable. More commonly, affordability assessments failed because Universal Credit entitlements for young single people are insufficient; they do not cover basic living costs and rent. Housing providers often found that young people could not afford to support themselves and pay rent for a one-bedroom flat.

Social housing lettings for 16–24-year-olds in both general needs and supported housing have dropped from 25% in 2007/08 to 16% in 2022/23 (DLUHC, 2024b). These recent demographic cohorts may have reduced in the wider population but we know benefit levels are problematic. The Joseph Rowntree Foundation (2024) identifies the basic rate of Universal Credit as too low, marking its lowest point as a proportion of average earnings. Nearly half of Universal Credit recipients lose up to 25% of their basic rate to repay debts to the Department for Work and Pensions (DWP), further reducing their ability to afford basic necessities and increasing reliance on food banks. The Foundation calls for an Essentials Guarantee of £120 per week for a single person and £200 for a couple. Currently, Job Seekers Allowance is £91 per week for individuals 25 or older and £72 per week for those under 25. The gap between the entitlement for those under 25 and their necessary expenditures is evident, particularly as these costs are not reduced based on their age.

Landlords also pointed out that when young people take advance payments of Universal Credit to cover initial expenses, the subsequent deductions worsen their affordability issues. Policies also act as a disincentive for low-income young people to stay at home, but this option is not always viable for those with difficult family relationships or those who are estranged.

In some Northern locations, young people may be bidding on two-bedroom homes and reaching the top of the allocations list because two-bedroom homes are the most common type of social housing available. There are not enough one-bedroom properties, or there is less competition for the larger homes. While landlords in these areas often allow under-occupancy, the bedroom tax requires tenants to pay significant additional amounts on top of their housing benefit allowance to cover the rent. Despite this flexibility, landlords noticed that young people often struggle even in appropriately sized accommodation, especially when deductions from their benefits are in place. As a result, young applicants in these situations might be denied housing or directed towards less expensive options, even if this means they have to wait longer for a home.

> 'Often, most times, even taking into account cost of living, what we find, the customers that aren't able to afford a property, i.e., they've got less-than-zero, tend to be, and it galls me to say it, because it's that David Cameron, "If you can't afford social housing, just stay with your mum." They are young people who are under-occupying. They are people whose benefit entitlement isn't at the 25-plus range. They've got a low amount of Universal Credit entitlement or other means-tested benefit entitlement and there's a bedroom tax implication. Now, obviously, some of those customers will have circumstances. They might be supported by social services, or there are other things in play, where it's not just a case of, "No, you can't have that." Everything gets taken into account. If it is "just", in inverted commas, somebody who is looking to move out of Mum and Dad's, then that's not possible. You cannot sustain that tenancy.' (SH9)

> 'We have a reasonable number of one-bedroom properties so unfortunately the UC [Universal Credit] rate for young people and the advance payment can mean that people can't even afford a one-bedroom property.' (SH13)

> 'One of our organisations did use it a lot with people who were failing in one-bedroom properties. It was very young people who really could've been in bedsits and things like that, to make sure that they didn't jeopardise their tenancies going forward, that they were better to end them and live more within their budgets. So that, going forward, they wouldn't have arrears and things like that, to hold against them.' (SRS Firm 1)

If the landlord viewed the situation as temporary, they would seek support or work out a plan to cover the rent until a higher level of benefits became available. This may occur if a tenant is soon to become 25 or if they are pregnant, as entitlements would increase after these events. People can apply to the local authority for Discretionary Housing Payments (DHPs) to cover gaps in benefit entitlement in the short term. DHPs however are not a panacea and can only be a temporary fix until more affordable housing is obtained (Meers, 2015).

> 'They tend to be a range of people, but I would say, probably, those single people. There might be some under-occupation there, but that's not enough to preclude them from being offered a property. The trouble with discretionary housing payment schemes is, "Could you afford this when you moved in?" Hopefully, some of the people with that low income, they're in circumstances where - for instance, if there's a young person who's pregnant, and that baby is due within a period of time, then we wouldn't be refusing them. We'd be getting them into the property, getting the discretionary housing payment application in because it's a short-term thing, and that's just until the baby's born.' (SH9)

The caps on the total amount of benefit received have also impacted social housing affordability, especially for large families.

> 'There are some that are on, there's a real threshold where it could tip you over if you're being allocated an affordable rent property, but you could afford a social rent property. So, there are some situations where it is, and where the benefit cap came in, those larger households where

it's like a four bed, and there's only so much money that they were getting from the government, they're the ones that tend to struggle the most really. In part mostly everyone got through. That's why we stopped doing it.' (SH4)

A consultant highlighted that this issue has arisen as a result of the welfare reform undertaken in the last decade, and was not generated by social landlords left in an insidious position, turning people away from what would be their best option. The only alternative for people refused social housing is the PRS which may not be affordable, for equivalent accommodation, or appropriate for all, although some landlords accept that this happens, but try to avoid it if the applicant is vulnerable in some way.

'The practical consequences have fallen directly on social landlords and individuals to actually deal with those consequences and try and manage those consequences in everyday situations. (Stakeholder 13)

'As I say, it's more of a first-step tenancy-sustainability tool than a sorry-go-somewhere-else tool. The reality is in [city], go somewhere else is the private-rented sector and we know that the council are going to have to pay Housing Benefit anyway or Universal Credit, so we try to work in partnership without saying, "You're too vulnerable, go somewhere else." That's just not the way we work.' (SH10)

Exclusion by agreement?

On several occasions, staff used language that placed responsibility on tenants for decisions about their tenancies, implying that the affordability assessment tools were there to help tenants determine if they could afford the properties. This language was typically used only when tenants failed affordability assessments. As a result, it was not presented as the social landlord refusing to offer a tenancy but rather as the tenants themselves choosing—or being persuaded—that it was better to wait for other, more affordable housing options. This framing shifted the responsibility away from the landlords and onto the tenants' decisions.

'Each customer, at that point, will have it set out that they've got between £0 and £10 a week, after they've paid everything, between £11 and £20, £21 and £30, whatever it is. Then that's a tool for them to make a decision about, "Realistically, can I afford this? What do I need to do in order to afford it better and sustain it better?"' (SH9)

'So, it tends to be a joint agreement at that point, that actually, that property isn't suitable, and then we would move onto the next applicant.' (SH8)

'Then it's quite good, because then once they've got the outcome, if it's a negative, they've kind of agreed to the figures throughout. So, it gives, at least it helps a bit more. When you're trying to explain that the property's unaffordable. They've kind of already spoken about each of the figures individually and agreed to them.' (SH7)

'If we lay it all down and have that more one-on-one conversation with the customer, sometimes the customer actually turns around and tells us that they don't want to take the property, because they're not financially in a place ready to take on that tenancy.' (SH14)

A consultant emphasised that letting decisions were subject to public law and can be challenged, so reasons for refusal and decisions need to be clear. Landlords who offer these strong steers away from properties deemed unaffordable would have to still account for not granting tenancies.

Landlord responses to identified risk

Affordability assessments identified whether applicants would be able to pay the rent and cover other costs. Assessments also offered an opportunity to financially appraise people. Income maximisation was seen as important, and landlords reported significant sums awarded to tenants as a result. Suggestions reducing common consumer outgoings such as fuel, mobiles or broadband were offered, tapping into social tariffs that tenants are often unaware of. Some of these appraisals were undertaken digitally and one firm automatically identified eligibility for water company social tariffs.

If pre-tenancy conversations indicate applicants at risk of non-payment of rent due to former tenant arrears that led to homelessness or because they need support to manage their tenancy, then the landlord can apply to the DWP to have the housing allowance part of the Universal Credit payment paid directly to the landlord by setting up Alternative Payment Arrangements (APA). Landlords can have APAs if rent is eight weeks or more in arrears or if there is sufficient evidence that the tenant is at substantial risk of not being able to manage the payments effectively at the outset. The DWP does not always agree to this. If social landlords could obtain rent direct/APAs more readily as in the past, this would obviate the need for many risk appraisals and ultimately tenancy refusals, although it would not increase benefits to sustainable levels.

> 'At the other side of that is, Universal Credit, you can apply for rent directly to be paid, which definitely helps. We would only do that if a person presented as having a difficulty to pay. So a person who maybe has learning difficulties, who did say they had debts. If someone says, 'I've always struggled with debts. Can you please…?' We would say, "Yes, we'll try," because it's not one of the major priorities, I think. Being in previous debt falls under point eight of their structure, so there are seven other points that are above debt. It's not like they're always going to agree to pay us directly. We do have those frank and up-front conversations with people at the very outset. If a person is coming from homeless, well, "Why were you homeless?" "I got evicted because I didn't pay rent." Straightaway, we'll be thinking, well, we'll get the rent directly paid to us. We do have that conversation with them.' (SH12)

Another response reported was social landlords requesting rent in advance for new tenants, akin to private sector practice. This mitigates rent arrears from late payments or from housing benefit, which is paid in arrears, but may also act as a filter as people who can secure funds from family or friends may also be able to do so in a crisis. Others may be unable to secure additional funds required to secure the housing. One landlord requires rent in advance although has some limited exceptions. They highlight that even 'self-funders,' people not on benefits but low-paid jobs, are starting tenancies in distressed circumstances.

> 'Breaking it down into how much rent in advance we take because we also take rent in advance payments but some of our clients are exempt if they came through the nominations or the care leavers. Also drilling down to it was quite interesting from last month, even though there was… In [district name] there was 80 sign-ups and out of them 24 had food bank vouchers. So, they were signing up and already struggling to pay for the food, which…' (SH5)

> 'We ask for four weeks' rent in advance as well on signup, which is negotiable. So, depending on somebody's financial situation, we may reduce that, but we always have a starting point of four weeks' rent in advance. Just to cover them so that they then know for the first month of their tenancy, they don't need to worry about their rent. If they're claiming benefits, if there's a problem at all, they know it's covered, but if they're fine and they claim the benefit, they'll go into credit, and if they need that credit back, we will give that.' (SH8)

One provider noted a Greater Manchester initiative, part of the national The House Project scheme (https://manchester-trafford.thehouseproject.org/), that works with care leavers and housing providers that secured funds to bridge the gap between rents and benefits for 6-12 months so that young care leavers could find a home in social housing. No other landlord mentioned similar initiatives, despite frequently identifying young people as the most impacted by affordability assessments, although some did work with people to enhance their tenancy readiness so that future applications for housing stood a greater chance of success. This included working with applicants on the waiting list to save for furniture, providing budgeting advice and guidance not to not take advance payments for Universal Credit as the repayments further undermined affordability. While costs of setting up homes were identified as problematic for affordability and tenancy sustainment, no landlords mentioned initiatives that might help people access a suitable home such as young people's group homes, furnished tenancies, the provision of white goods or floorcoverings.

> 'Because they're on a low threshold anyway, so if they have advance payments and if they definitely have a mobile phone, there are not that many pass through - unless they're working.' (SH13)

> 'We're not in control of changing all legislation, unfortunately, but it is about where we've got those challenges. Instead of just saying, 'There isn't anything we can do,' it's going out and finding other agencies who work with those groups and saying, 'You tell us what we can do to help you.' (SH15)

Conclusion

This chapter has highlighted the contested nature of affordability assessments and pre-tenancy checks. Landlords emphasised the importance of using these assessments to identify tenants' support needs, and many had moved away from strictly denying tenancies based solely on the results of these assessments. However, it was also evident that affordability assessments still played an exclusionary role, even when framed as tenants choosing not to proceed with applications for specific properties. This was particularly true for young people and others who are poorly supported by the current welfare benefits system. This situation has led to tensions between local authority homelessness teams and housing associations. Social landlords find themselves in a difficult position because, for some individuals, the combination of higher 'affordable' rents and lower social security entitlements makes it challenging to offer sustainable housing options. Although social landlords accepted the affordable rents agreement with the government and may have foreseen these issues, they are not responsible for setting benefit levels. There were instances of landlords mitigating business risks by requiring rent payments in advance, but this requirement can pose an additional barrier for some applicants. Some landlords mentioned initiatives to seek alternative funding for young people to prevent housing exclusion, but these efforts did not appear to be widely implemented.

Chapter 7: Discussion and conclusion

This study aimed to illuminate the hidden digital mediators affecting housing access in England through tenancy referencing, affordability assessments, and credit risk decision-making. While it examined all housing tenures, this report focuses solely on social housing. Previous research indicated that social landlords often used affordability assessments, including credit checks and algorithmic processes, to exclude potential tenants, raising concerns about adopting private sector practices in a sector designed to support those in need. This report has explored two main aspects: first, how digital data and automation influence social housing letting decisions; and second, the role of affordability assessments as a contested practice. It urges the sector to critically reflect on financial appraisals and clarify their purpose before integrating digital data and automation.

Historically, pre-tenancy checks in social housing assessed applicants based on income and conduct, evolving over time to prioritise need over personal judgments. However, changes in rental policies, such as the introduction of 'affordable rents' and welfare cuts, have created challenges, with many potential tenants facing negative budgets and inadequate benefits to cover housing costs. In this context, affordability assessments and credit checks have gained prominence.

These assessments, integrated into pre-tenancy checks, have generated tensions between local authority homelessness teams and housing associations. While small in number, applicants excluded based on these assessments carry significant implications. The research suggests that social landlords have begun to reframe financial appraisals as opportunities for debt advice rather than exclusion. Nonetheless, affordability concerns remain, particularly for young people under 25, who often struggle to meet rent even without issues like under-occupancy.

Social landlords have guidance on acceptable data types for assessments but lack standards for determining expenses and affordability thresholds. This leads to variability in assessment practices, where diverse data sources - such as wage slips, bank statements, credit checks, and Open Banking data - are employed inconsistently, impacting affordability criteria. Landlords collect extensive data, blending it with tenant support efforts. While many justify their data collection, the connection to tenancy sustainability is unclear, raising questions about tenant consent regarding data sharing. Extensive data requests pose challenges, particularly for young applicants who feel targeted by affordability assessments without sufficient effort to address exclusionary outcomes.

Tenants recognise the necessity of affordability considerations, but many expressed discomfort with invasive data requests. Credit checks are generally accepted to identify financial strain, but concerns arose around bank statements and Open Banking data, which provide an intimate view of an individual's life beyond payment histories.

Affordability assessments in the PRS are often straightforward, relying on income multiples, while social landlords conduct more complex evaluations that sometimes incorporate debt advice. However, inaccuracies in expenditure data complicate these assessments. While tenants generally comply with data requests due to housing needs, many feel uneasy about sharing banking information.

The research highlighted that social landlords often rely on manual processes for letting administration. Document submission varies, with some using self-service platforms and others managing data entry manually. Despite some advancements in automation, opportunities for critical tenant interactions are often lost, suggesting that human relationships remain vital in social housing.

Tenants expressed discomfort with their banking data being accessible to landlords. Innovations allowing tenants to control their data could alleviate concerns. Open Banking promises to transform financial behaviour assessment, yet challenges remain, such as categorising essential versus discretionary spending.

This study concludes as a new government emphasises support for social housing. Local governments may seek to manage temporary accommodation costs while ensuring nominations are not declined due to affordability issues. Housing associations express caution regarding state intervention in letting policies to maintain their legal status and borrowing ability.

The sector needs clear guidance on several issues, including the desirability of affordability assessments in social housing, the nature of data requests, and their implications for letting decisions. Although affordability assessments initially focused on exclusions, many landlords now prioritise support, albeit with ongoing tensions between local authorities and housing associations.

Fourcade and Healey (2024) identify a mimetic data imperative, where organisations adopt algorithmic practices simply because others do. As affordability checks and technological advancements evolve, the sector must consider the goals of these assessments and how best to integrate digital resources while avoiding exclusionary practices. The new government presents an opportunity to shift focus from burdensome data collection to essential pre-tenancy checks and staff efficiency.

Recommendations

Across the Code Encounters project, we identified universal themes that need to be addressed as well as sector specific that require attention, including the following that are relevant to Government, those responsible for financial education, risk profiling technology firms, trade bodies, lenders, landlords and agents.

10. **To make visible how data and algorithms have been used in each decision** Provide greater transparency in the way data is gathered from and about tenants and clarity about how these data will be used.

11. **To establish agreed guidelines on the appropriate use of algorithms for stakeholders within the sector and tenures** Provide guidance to landlords on what referencing tools can do and how algorithms and new data resources are deployed.

12. **To produce guidance on the use of data and algorithms for tenants** Increase public awareness of how they must manage their digital profiles, including banking transaction data, much in the same way as the importance of managing credit scores has permeated financial education and public consciousness.

13. **To retain human oversight in decision making** Not all people fit algorithmic models so human oversight should be maintained to ensure fairness.

14. **To ensure the explainability of decision making** Organisations must be able to fully articulate how a decision was reached, including the data used, where algorithms were involved and the human oversight of the outcome.

15. **To ensure the retention of flexibility and individually tailored decision-making** We would suggest having a system in place in which the inputs into algorithmic processing can also be adapted to enable flexibility and to ensure that both input and outcomes remain flexible and adaptable to the individual being assessed.

These recommendations are discussed in more detail in our Overarching summary report 1. Below are additional observations for private renting.

16. **Consider the utility of affordability assessments before drawing in new data and automation** Prior to considering what data to deploy and how to effectively automate affordability assessments, social landlords should consider their desired role in letting decisions, which will shape subsequent practice.

17. **To ensure affordability models are free from unintended indirect discrimination** All firms and users of risk profiling tools should consider equality impact assessments to ensure that some groups are not disadvantaged in comparison to others in profiling recommendations and also in the final letting or lending outcomes.

18. **To ensure the predictive capacity of affordability models is secure** Model accuracy in private and social renting was uncertain and firms and users should undertake work to test the predictive capacity of the tools' against suitable datasets.

References

Amoore, L. (2020) *Cloud Ethics: Algorithms and the Attributes of Ourselves and Others*. Duke University Press.

Baum, A. (2017) *PropTech 3.0: The Future of Real Estate*. Oxford: Said Business School, University of Oxford.

Beatty, C. and Fothergill, S. (2018) Welfare reform in the United Kingdom 2010–16: Expectations, outcomes, and local impacts. *Social policy & administration* 52(5): 950–968.

Big Issue Invest (2021) *The Rental Exchange White Paper.* London, Big Issue. https://wordpress.bigissue.com/wp-content/uploads/2021/09/bii-rental-exchange-white-paper.PDF Accessed 5 August 2024.

Braesemann, F. and Baum, A. (2020) PropTech: Turning Real Estate into a Data-Driven Market? *Available at SSRN 3607238*. Available at: https://papers.ssrn.com/abstract=3607238 (accessed 27 January 2022).

Bramley, G. (2011a) Affordability criteria for mortgage lending: Household panel survey evidence and emerging regulations in the UK. In: *ENHR-EMF Housing Finance Workshop on Mortgage Markets, Brussels*, 2011, p. 20. researchgate.net.

Bramley, G. (2011b) Affordability, poverty and housing need: triangulating measures and standards. *Journal of Housing and the Built Environment* 27(2). Springer Netherlands: 133–151.

Brown, A. (2023) 10 key digital trends for social housing in 2023. *Housing Digital* 19 January 2023. Accessed 5 August 2024 https://housingdigital.co.uk/10-key-digital-trends-for-social-housing-in-2023/

Brown, T. and King, P. (2005). The Power to Choose: Effective Choice and Housing Policy. *European Journal of Housing Policy*, *5*(1): 59–97.

Ciocănel, A., Wallace, A., Beer, D., Cussens, J. and Burrows, R. (2024) Open Banking and data reassurance: the case of tenant referencing in the UK. *Information, Communication & Society,* 27 (10) https://doi.org/10.1080/1369118X.2024.2310481

CIH (2012) *Tenancy fraud and data sharing: A guide for housing associations.* Coventry, Chartered Institute of Housing.

Darner, S., and Madigan, R. (1974) 'The housing investigator', *New Society,* vol 29: 226-27 in Smith and Mallinson (1996) The Problem with Social Housing: discretion, accountability and the welfare ideal. *Policy & Politics*, *24*(4): 339-357

Damer, S. (2000) 'Engineers of the Human Machine': The Social Practice of Council Housing Management in Glasgow, 1895-1939 *Urban Studies* 37(11): 2007-2026.

DLUHC (2024a) *Social housing lettings in England, tenants: April 2021 to March 2022.* London, Department of Housing, Levelling Up and Communities.

DLUHC (2024b) *Social housing lettings in England, tenants: April 2022 to March 2023.* London, Department of Housing, Levelling Up and Communities.

Experian (n.d.) How categorisation and aggregation bring Open Banking to life https://www.experian.co.uk/blogs/latest-thinking/automated-credit-decisions/how-categorisation-and-aggregation-bring-open-banking-to-life/ Accessed 28 June 2024.

FCA/PSR (2023) *Recommendations for the next phase of Open Banking in the UK,* London, Joint Oversight Committee, https://assets.publishing.service.gov.uk/media/643e608e22ef3b000c66f3bf/JROC_report_recommendations_and_actions_paper_April_2023.PDF#page=3.08 Accessed 5 August 2024.

Fields, D. (2022). Automated landlord: Digital technologies and post-crisis financial accumulation. Environment and Planning A: Economy and Space, 54(1):160-181. https://doi.org/10.1177/

Fitzpatrick, S. and Pawson, H. (2014) Ending security of tenure for social renters: Transitioning to 'ambulance service 'social housing? *Housing Studies* 29(5): 597–615.

Fitzpatrick, S., & Watts, B. (2017). Competing visions: security of tenure and the welfarisation of English social housing. Housing Studies, 32(8), 1021–1038. https://doi.org/10.1080/02673037.2017.1291916

Fitzpatrick, S. and Watts, B. (2018) Final findings: Social Housing (fixed-term tenancies). Welfare Conditionality Project. http://www.welfareconditionality.ac.uk/wp-content/uploads/2018/05/39273-Social-housing-web.PDF Accessed 5 August 2024.

Fitzpatrick, S., Pawson, H., Bramley, G., Wood, J., Watts, B., Stephens, M. and Blenkinsopp, J. (2019) *The Homelessness Monitor: England 2019*. London: Crisis.

Fourcade, M. and Healy, K. (2024) *The Ordinal Society* London: Harvard University Press.

Franklin, B. and Clapham, D. (1997). The social construction of housing management. *Housing Studies*, *12*(1): 7–26.

Galbraith, J. (2017) *Policy Briefing Choice Based Letting (CBL)* Stirling, University of Stirling.

Ghelani, D. and Walker, R. (2024) *Missing out 2024: £23 billion of support is unclaimed each year.* London, Policy in Practice.

Goulding, R (2017) *Transforming social housing into an asset class: the financialisaton of English housing associations under neoliberalism and austerity urbanism*. PhD. University of Sheffield. Available at: http://etheses.whiterose.ac.uk/21474/ (accessed 13 September 2019).

Greaves, F. (2019) *Rethinking Allocations*. Coventry: Chartered Institute of Housing.

HACT (2024) *Technology enabled care in housing Evaluation of technology pilot for social housing tenants.* London, Housing Associations Charitable Trust.

Hickman, P., Kemp, P. A., Reeve, K., & Wilson, I. (2017). The impact of the direct payment of housing benefit: evidence from Great Britain. *Housing Studies*, *32*(8), 1105–1126. https://doi.org/10.1080/02673037.2017.1301401

Housing Ombudsman (2023) *Spotlight on: Knowledge and Information Management (KIM).* London, Housing Ombudsman Service.

JRF (2024) *Guarantee our Essentials: reforming Universal Credit to ensure we can all afford the essentials in hard times.* York, Joseph Rowntree Foundation.

Kadi, J. (2015) Recommodifying Housing in Formerly 'Red' Vienna? *Housing, Theory and Society* 32(3): 247–265.

Kitchin, R. (2017). Thinking critically about and researching algorithms. *Information, Communication & Society,* 20(1), 14–29. https://doi.org/10.1080/1369118X.2016.1154087

Landau-Ward, A. and Porter, L. (2019) Digital Innovations, PropTech and Housing – the View from Melbourne *Planning Policy and Practice* 28 (4): 582-590.

Lomax, D. and Pawson, H. (2011) *Choice-based lettings, potentially disadvantaged groups and accessible housing registers: a positive practice* guide. London, Department for Communities and Local Government.

Maalsen, S. (2024). Home in cybersymbiosis: making home with digital oddkin. *Information, Communication & Society*, 27 (10) . https://doi.org/10.1080/1369118X.2024.2311243.

Malpass, P. (2011) Path Dependence and the Measurement of Change in Housing Policy. *Housing, Theory and Society* 28(4): 305–319.

Manley, D. and van Ham, M. (2011). Choice-based Letting, Ethnicity and Segregation in England. *Urban Studies,* 48(14): 3125-3143.

Mann, PH. (1952). Octavia Hill: An Appraisal. *The Town Planning Review*, *23*(3): 223–237. http://www.jstor.org/stable/40102061

Manzi,T. and Morrison, N. (2018) Risk, commercialism and social purpose: Repositioning the English housing association sector. *Urban studies* 55(9): 1924–1942.

Marsh, A., Cameron, A., Izuhara, M. and Whitehead, C. (2004) *Monitoring and Evaluation of The Choice Based Lettings Pilot.* London, Office of the Deputy Prime Minister.

Meers, J (2014) 'Shifting the place of social security': The 'Bedroom Tax', discrimination and discretionary housing payments. *The Journal of Social Welfare & Family Law* 36(1): 85–87.

Meers, J. (2015) Panacean Payments: The Role of Discretionary Housing Payments in the Welfare Reform Agenda *Journal of Social Security Law,* 22(3):115-129

MHCLG (2024) *Government response to the consultation on changes to social housing allocation tests.* London, Ministry of Housing, Communities and Local Government. https://www.gov.uk/government/consultations/consultation-on-reforms-to-social-housing-allocati

ons/outcome/government-response-to-the-consultation-on-changes-to-social-housing-allocation-tests Accessed 3 September 2024.

Morland and Co. (2022) *Affordability checks when allocating social rented housing.* London, National Housing Federation. https://www.housing.org.uk/resources/allocating-social-rented-housing-affordability-checks/ Accessed 5 August 2024.

Morrison, N. (2016) Institutional logics and organisational hybridity: English housing associations' diversification into the PRS. *Housing Studies* 31(8): 897–915.

Mullins, D. (2012) *The Localism Act and Reform of Social Housing* Chapter 11 in *The World Will Be Your Oyster? Reflections on The Localism Act 2011,* Birmingham, Institute of Local Government Studies, University of Birmingham.

Mullins, D., Czischke D. and van Bortel G. (2012a). Exploring the Meaning of Hybridity and Social Eterprise in Housing Organisations. *Housing Studies*, *27*(4): 405–417.

Nethercote, M. (2023). Platform landlords: Renters, personal data and new digital footholds of urban control. Digital Geography and Society, 5, 100060. https://doi.org/10.1016/j.diggeo.2023.

ONS (2023) Family spending workbook 1: detailed expenditure and trends. London, Office of National Statistics. https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/expenditure/datasets/familyspendingworkbook1detailedexpenditureandtrends Accessed 5 August 2024.

Preece, J., Hickman, P. and Pattison, B. (2019). The affordability of 'affordable' housing in England: conditionality and exclusion in a context of welfare reform. *Housing Studies*, *35*(7), 1214–1238. https://doi.org/10.1080/02673037.2019.1653448

Przhedetsky, L. (2024). Mediating access: unpacking the role of algorithms in digital tenancy application technologies. *Information, Communication & Society,* 27 (10) https://doi.org/10.1080/1369118X.2024.2334904 .

Regulator of Social Housing (2023) *Sector risk profile 2023.* London, Department of Housing Levelling Up and Communities.

Rona-Tas, A. (2017). The Off-Label Use of Consumer Credit Ratings. Historical Social Research / Historische Sozialforschung, 42(1): 52–76.

Service Insights Ltd (2024) *Data Challenges in Social Housing.* London, BCN.

Smith, S, & Mallinson, S. (1996). The Problem with Social Housing: discretion, accountability and the welfare ideal. *Policy & Politics*, *24*(4): 339-357.

Smyth, S., Cole, I. and Fields, D. (2020) From gatekeepers to gateway constructors: Credit rating agencies and the financialisaton of housing associations. *Critical Perspectives on Accounting,* 71, https://doi.org/10.1016/j.cpa.2019.102093.

Stewart, J. (1999) Book Review: Whelan, R. (ed.) (1998) Octavia Hill and the Social Housing Debate, IEA Health and Welfare Unit, London. *Journal of Social Policy.* 28 (2)

Tunstall, R.., Bevan, M., Bradshaw, J., Croucher, K., Duffy, S., Hunter, C., Jones, A., Rugg J., Wallace, A. and Wilcox, S. (2013) *The Links between Housing and Poverty: An Evidence Review.* York, Joseph Rowntree Foundation.

Tunstall, B. and Pleace, N. (2018) *Social Housing Evidence Review*. London: Ministry Of Housing, Communities and Local Government.

Tunstall, B. (2023) *The Fall and Rise of Social Housing*. Bristol, Bristol University Press.

Vale, LJ. and Freemark, Y. (2012). From Public Housing to Public-Private Housing: 75 Years of American Social Experimentation. *Journal of the American Planning Association*, *78*(4): 379–402.

Watts, B., Bramley, G., Pawson, H., Young, G., Fitzpatrick, S. and McMordie, L. (2022) *The Homelessness Monitor: England 2022*. London: Crisis.

Wijburg, G. and Waldron, R. (2020) Financialised Privatisation, Affordable Housing and Institutional Investment: The Case of England. *Critical Housing Analysis* 7(1):114–129.

Wilcox, S. (2017) 'Some reflections from 25 years of the UK Housing Review' *UK Housing Review.* Coventry, Chartered Institute of Housing.

Appendix: Code Encounters project research methods

Rationale

The Code Encounters project was conceived to examine the constellation of actors that surround the digital tools used to profile tenants and mortgage borrowers in relation to their access to different housing tenures. This enabled the study to examine the full 'regime of recognition' (Amoore, 2020) or 'socio-technical assemblage' (Kitchen, 2017) connected to the production, operation and impact of the tools.

Distribution of interviews

The findings presented in the three tenure reports and associated briefings are based on the qualitative insight gleaned from 122 in-depth interviews from national stakeholders, lenders, landlords, letting agents, technology firms, social landlords, consultants, private and social housing tenants and mortgage borrowers. Table 1 shows the distribution of interviews across the different housing tenures.

Table 1 Breakdown of in-depth interviews

	Construction	Operation	Impact	Stakeholders	Total
PRS	10	13 (including 7 landlords,5 agents and 1 insurer) (Landlord survey, n=113)	20 PRS tenants	7	**50**
SRS	6	15 landlords	15 SRS tenants	3	**39**
Lending	7 Credit tech firms	9 (including 3 brokers, 4 lenders & 2 consultants)	12 borrowers	3	**31**
Across Tenures				2	**2**
Total	**23**	**37**	**47**	**15**	**122**

For reference, the interview quotes in the four reports have some self explanatory labels but others are coded as followed: CR Credit risk decision software firms; SH social housing landlords; TR tenant referencing firms; ST social housing tenant; SRS firm, software firms working with social housing landlords; MB mortgage borrower; and Tenant, private rented sector tenant.

Recruitment - Technology firms constructing digital tools

The technology firms who produce the digital risk profiling tools were directly invited to participate in the research through internet searches of relevant companies or approached using snowballing techniques, where other participants recommended that we speak to firms developing technology in this space. PRS firms were all engaged with tenant referencing and

were at various points on a spectrum from hybrid analogue-digital systems to ones that were almost wholly platform-based, and reflected the whole market of providers. Social housing firms were more disparate, with some offering income maximisation and tenant onboarding tools, to some engaging with triaging and understanding the customer base, and others producing customer management systems. Credit lending firms comprised those offering digital software services to support credit risk decision-making activities including data collection and analysis or comprehensive platforms, alternative credit risk profiling for loan providers, platform mortgage broker services, and consultancy activities. There was some overlap with some lenders designing software in-house.

Recruitment - Landlords, lenders, agents and brokers using digital tools

Private sector landlords and letting agents were recruited to the study in various ways, using direct approaches after internet searches, posts inviting participation on online landlord's forums, and the online survey distributed by the National Residential Landlords Association. The online survey was hosted on the *Qualtrics* platform and obtained 113 usable responses. It asked about landlords' use of digital tools, motivations and some attitudinal questions about their sentiment towards the tools regarding accuracy, confidence, understanding etc. There were several open text boxes from which we derived qualitative data. The rest of the survey was analysed descriptively using SPSS. Landlords ranged from one large national build-to-rent operator to landlords with a single property, but were mostly those with a handful of properties, reflecting the membership base of the organisation used for recruitment.

Social landlords were recruited via direct approaches and via a research invitation circulated by the National Housing Federation, the trade body for housing associations in England. Social landlords were predominantly drawn from the north of England (n=10) and the remainder from the south (n=5), although classification is challenging as some landlords include some housing stock across multiple regions. Some were large-scale providers, others smaller community associations, but were typically medium-sized regional associations, with two local authority housing departments included.

Mortgage lenders and brokers were recruited to the study using direct approaches and snowballing techniques. The mortgage lenders included a large national lender, smaller building societies and specialist lenders, including one buy-to-let lender.

Recruitment of tenants and mortgage borrowers - the subjects of the digital tools

Private rented sector tenants were recruited with the assistance of Generation Rent, a private rented sector tenant advocacy organisation, who circulated the research invitation on our behalf. The research invitation to recruit mortgage borrowers for the study was circulated on our behalf by the Homeowners Alliance. Mortgage borrowers and private tenants were drawn from around England, although London was over-represented. Social housing tenants were identified by a market research company and drawn from London, Birmingham and Manchester in roughly equal measure. Tenants and borrowers were selected if they had moved within the last two years to aid recall of their experiences of risk-profiling and were awarded £20 Amazon vouchers as a thank-you for their participation. Social housing tenants received £30 vouchers as they had proved harder to engage.

Analysis

Interviews were undertaken on Zoom with almost all interview audio files being professionally transcribed with the remaining three digitally transcribed, checked and corrected by the researchers. Thematic analysis was undertaken supported by Nvivo. The analysis was informed by the literature review but researchers were alive to many issues that arose directly from the data.

Ethics

Ethics approval for the research was obtained from the University of York.