



INTRODUCTION AND BACKGROUND

AT THE END OF 2017 THE HOUSING QUALITY NETWORK (HQN) UNDERTOOK A SURVEY TO FIND OUT MORE ABOUT THE IMPACT OF DIRECT DEBIT ACROSS THE SOCIAL HOUSING SECTOR.

The survey was driven in part by the continued roll-out of Universal Credit and the increase in the number of tenants receiving funds in to their bank accounts - rather than Housing Benefit being paid directly into rent accounts.

As a result, more and more tenants need to make regular payments to their landlords, and we wanted to hear from the sector to see if Direct Debit provision and uptake is increasing.

What the survey covered

The survey looked at a number of issues, including the rate of Direct Debit take up across the sector, the promotion of Direct Debit among members, and the effect of Flexible Payments.

The survey also examined the impact of the introduction of Universal Credit.



More than half (58%) of tenants still pay by methods other than Direct Debit. There is potential to substantially increase the use of Direct Debit in the social housing sector.

77%

of those surveyed reported an increase in Direct Debit take-up in the last 12 months



SURVEY FINDINGS

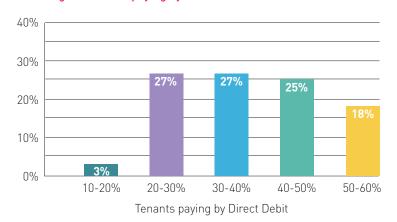
DIRECT DEBIT UPTAKE INCREASING.

The proportion of tenants making use of Direct Debit varied significantly, from 18% to 59%. Generally speaking, the larger the organisation the greater the percentage. The survey found that 43% of housing organisations had 40% or more of their tenants paying by Direct Debit.

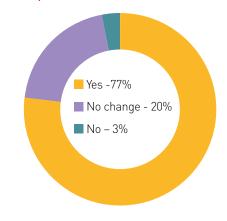
Of those surveyed, 77% reported an increase in Direct Debit take-up in the last 12 months.

We estimate that 42% of tenants currently pay by Direct Debit.

Percentage of tenants paying by Direct Debit



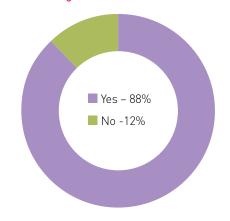
Percentage of housing organisations experiencing an increase in Direct Debit take-up



Housing organisations recognise the advantages of Direct Debit

A substantial 88% of respondents recognised the advantages of Direct Debit as a method of payment and publicise it accordingly.

Housing associations actively publicising the advantages of Direct Debit



100%

of respondents prefer new tenants to set up payments by Direct Debit

74%

of those surveyed now offer 'any day' payments

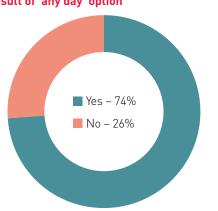


Flexible Direct Debit payments (where the frequency and collection dates can be changed) are on the rise

Almost three quarters (74%) of those surveyed now offer 'any day' payments. This is more than double the rate of 34% discovered in 2011 when the Rent Income Excellence Network (RIEN) conducted a similar survey. A further 18% offer a monthly Direct Debit facility with 9% offering a weekly cycle.

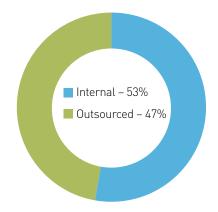
Of those that offer the 'any day' payment option, almost three-quarters [74%] reported an increase in the level of Direct Debit take-up.

Increase in Direct Debit take-up as a result of 'any day' option



Paperless providers have a choice over how their Direct Debits are collected

More than half (53%) of respondents process Direct Debits internally, 47% outsource to a third party provider.



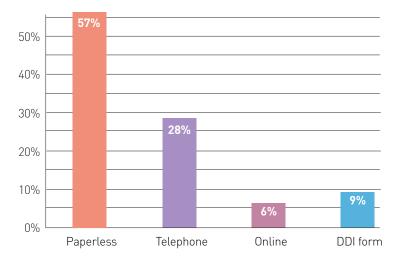
Members would like all new tenants to pay by Direct Debit

100% of respondents prefer new tenants to set up payments by Direct Debit, suggesting that this is now an established requirement of pre-tenancy best practice.

Almost all members operate a paperless Direct Debit system

Of those surveyed, 85% indicated that their organisation operates some form of paperless Direct Debit sign-up with 6% operating an online system and 9% using Direct Debit Instruction forms. Those 9% had no plans to go paperless.

Direct Debit set-up process



52%

of respondents have reported an increase in rent arrears since the roll-out of Universal



Organisations are happy with their Direct Debit cycles

The majority of respondents (80%) were happy with their Direct Debit cycle and have no plans to make any changes.

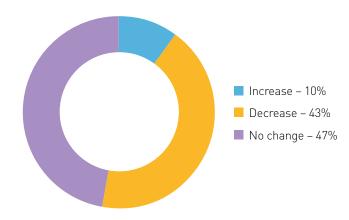
Flexible Direct Debit roll out is marginally influenced by Universal Credit

Just over half of respondents (54%) said they were influenced by preparation for Universal Credit in the decision to offer flexible Direct Debit payment options. The remainder reported that Universal Credit was not a consideration, with the principal aim of making Direct Debit more flexible being the improvement of payment options to tenants.

Universal Credit, collection rates, and rent arrears

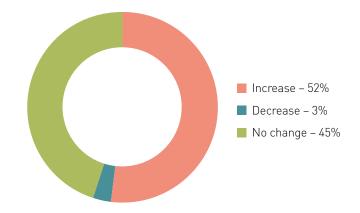
Nearly half (47%) of members reported no discernible change, while 43% reported falling collection rates. A small minority of 10% reported increased collection rates.

What effect has Universal Credit had on collection rates?



Our survey also showed that 52% of members reported an increase in rent arrears since the Universal Credit roll-out began, with almost all of the remainder (45%) reporting arrears remaining unchanged.

What effect has Universal Credit had on rent arrears?



The social housing sector is clearly in favour of Direct Debit as the preferred payment method for their tenants.

CONCLUSION

The social housing sector is clearly in favour of Direct Debit as the preferred payment method for their tenants.

Direct Debit take-up is on the increase and is at the highest level ever.

The fact that 58% of tenants still pay by methods other than Direct Debit represents a huge opportunity for growth.

To realise the effeciencies the sector needs to continue to push the benefits of Direct Debit, particularly in regard to flexible payment options and paperless systems.

Universal Credit represents a second opportunity and, as the roll-out of the scheme continues, more tenants will need to make arrangements to pay rent to their landlord.

The need to make these arrangements seamless is rendered more urgent by early indications that Universal Credit is leading to a decrease in rent collection rates and an increase in rent arrears.

Direct Debit is an obvious solution and there are opportunities for the sector to make real inroads into the social housing market.

