

# A building crisis

The impact of cost of living pressures on private renters



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# Summary

## Cost of living pressures are hitting renters hard

Many are still struggling with arrears built up during the pandemic, and don't have savings to fall back.

## Rents are expected to rise this year

Private renters already spend more of their income on housing costs than other groups. Rent growth is at its fastest in 5 years, and 1 in 5 expect their rent to rise this year.

## Struggling renters are at risk of eviction

Insecurity in the private rented sector is a huge problem. We're already seeing huge numbers of people facing eviction, and many tenants fear challenging a rent rise will result in them being asked to leave.



**1 in 6** renters are worried about being able to pay their rent in the next 3 months.



We estimate **425,000** renters are in arrears, owing on average **£937** each.



Renters who are expecting their rent to go up face an average **£1,080** increase this year.



At the start of this year, we helped **more private renters facing eviction than ever before.**

'I'm worried about rent increases and **if I can afford to stay in my home** - other rental properties are more expensive than mine...which will mean **spending less on essential items** like heating'.

Tenants Voice panelist

## Renters in crisis need urgent support

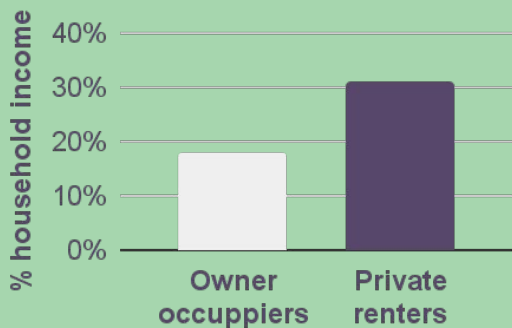
The government should:

1. Unfreeze LHA
2. Increase funding through Homelessness Prevention Grants
3. Bring forward the Renters Reform Bill to rebalance the sector

# Many renters don't have a safety net

High costs in the private rented sector mean that renters are less able to withstand financial shocks.

**Owner occupiers** spend **18%** of their household income on mortgage payments while **private renters** spend **31%** of household income on rent.<sup>1</sup>



Renters are also **less likely to have savings** to fall back on when things go wrong.



**Only 55% of private renters have savings**



**Compared to 81% of owner occupiers<sup>2</sup>**

These challenges all contribute to the picture that private renters are likely to be **more vulnerable to financial pressures** than others. So when the pandemic hit, renters were some of the worst affected.

**1 in 3**

renters lost income during the pandemic

Many renters are still struggling with the knock on impact of the pandemic - **nearly 1 in 10** (9.44%) renters were behind on their rent in January this year. **This is equal to around 425,000 renters** in the UK.

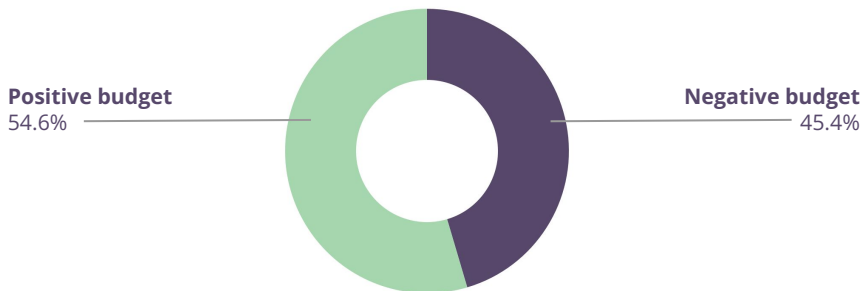
Renters owe an average of **£937** in rent arrears. We estimate it would take **the average renter around 9 years** to pay back their arrears, and many landlords won't wait that long.

# Renters are more likely to be behind on bills

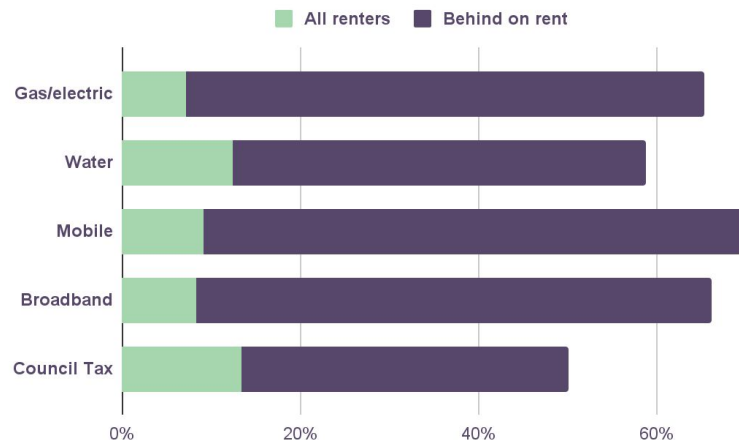
When people come to Citizens Advice for help with debt, our debt advisers complete an assessment of their income, and their essential expenditure. Where someone has £0 or less remaining after their expenditure, we call this a **negative budget**.

Our data shows that **private renters are more likely to be in a negative budget** than those in social housing, or who own their own home.

**Nearly half (45%) of private renters** we help with debt are in a negative budget.



This means that many renters find it difficult to absorb other rising costs. Even before energy bills rise in April, many renters are struggling to keep up. **Those in rent arrears are far more likely to be behind on other household bills too.** Over half (58%) of renters in arrears are behind on their energy bill, compared to just 7% of renters overall.



# On top of this, the cost of renting is also set to rise

Already, **1 in 6** private renters are worried about being able to pay their rent in the next 3 months. The Office for National Statistics (ONS) found that private rental price growth rose to 2.0% in the 12 months to January 2022, the biggest year-on-year increase since 2017.<sup>3</sup>

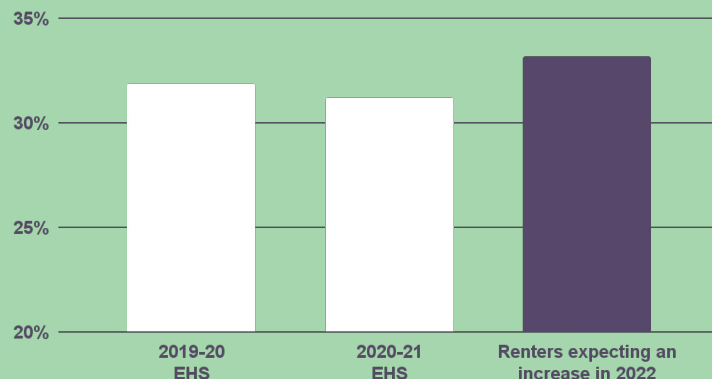
Looking ahead, **1 in 5** renters are expecting their rent to go up this year. Rent rises are more likely to hit renters who have one or more bills included in their rent, and those renting in urban areas. For those expecting their rent to rise, the costs are significant.

Rent rises are expected to average **£90 per month**

This equals nearly **12%** of the average monthly rent in the UK

Some renters could pay **£1,080** more over the next year

Renters already spend a significant proportion of their income on rent. A £90 increase per month would mean **the average renter spending 32.7% of their income** on rent. For renters on lower incomes, this proportion will be **much higher**.



Rent as a proportion of income

# But support isn't keeping up

As the cost of living starts to bite, **many renters will be pushed to the brink.** This all comes at a point where support to cover rents has stalled.

Local Housing Allowance (LHA) - the rate set by government to calculate how much Universal Credit or housing benefit can be paid to support with rent costs - has **been frozen at 2020/21 levels.**<sup>4</sup> This means that support to help those on low incomes cover their rent **isn't keeping pace** with rising rent prices or inflation.

Funding for local authorities to provide support to people who need extra help on top of LHA - through Discretionary Housing Payments - is also being reduced. This creates a **worrying picture for those in crisis,** already in arrears, or on the brink of homelessness.

Renters can negotiate when their landlord tries to put the rent up, but **many fear doing so could result in losing their home.** This is because private landlords can evict tenants without giving a reason.

## Case study\*

Rania is struggling to heat their drafty home. They asked their landlord to install double glazing, but he told Rania that this would increase their rent by £100 per month.

Rania can't afford to pay an extra £1,200 a year but they are scared that if they challenge the rent increase, their landlord will evict them.



# We're already seeing evictions spike

Increased costs and reduced support are particularly worrying given that we are already seeing rising numbers of renters needing help with eviction.

At the start of this year, Citizens Advice **helped more people with eviction problems than ever before**, and the impact is severe.

**1 in 3**

renters would struggle to find a new home if they were evicted in the next 6 months

If evicted from their home in the next 6 months

**16%**

of people would be at risk of homelessness

We're seeing people being evicted after building up arrears, but also many experiencing **'no fault' evictions**. This means an eviction under Section 21 of the Housing Act (1988), where your landlord can ask you to leave without giving a reason.

The threat of a 'no fault' eviction creates a significant **power imbalance** between tenants and landlords. Many renters worry that **rocking the boat will result in them being asked to leave**. This fear can make it difficult to raise issues or challenge rent increases.

Being evicted has a big impact on tenants, who often have to uproot their home, employment or schooling, and cover the costs of moving such as finding a new deposit. Many will struggle to find a new home that is affordable, and **could be at risk of homelessness**.

"I'm worried about rent increases and if I can afford to stay in my home - ...**it would have a huge impact on my physical and mental health** as well as my teenage son's and my daughter's"

Tenants Voice panelist

If support fails to keep up with rising costs, this problem could get a lot worse in the coming months.

# What needs to happen?

Private renters were some of the hardest hit by the pandemic, and many are now also at the sharpest end of the cost of living crisis. Renters in crisis need **urgent support now, to prevent a wave of evictions and homelessness**.

They also need government to **act to address the broken market** that has left private renters exposed to insecurity and price hikes. Government should:

- ① **Unfreeze LHA**, to at least the 30th percentile, to re-establish the link with rent prices
- ② Extend and increase funding to local authorities to help those at risk of homelessness, through the **Homelessness Prevention Grant**

More broadly, the challenges facing private renters are **symptoms of a broken market**, where too many face unmanageable costs in return for poor quality, insecure homes.

The government has promised to reform the private rented sector to drive up standards and **end 'no fault' evictions**, through the **Renters' Reform Bill**. These reforms will rebalance the sector and help private renters weather the coming storm. With rising numbers facing eviction, these changes can't come soon enough.



# Methodology

This report is based on two pieces of research.

## Rent increases polling

- Nationally representative survey of 1,079 private renters in the UK, conducted by Yonder Data Solutions for Citizens Advice. Fieldwork took place 16th-17th February 2022.

## Coronavirus harms survey

- Nationally representative surveys of 1,347 (July) and 1,426 (January) private renters in the UK, conducted by ICM Unlimited for Citizens Advice. Fieldwork took place in July 2021 and January 2022.

All figures in this report are from these pieces of research unless otherwise stated.

## Stories

Case study based on the story of someone who contacted Citizens Advice for support. \*Names have been changed to preserve anonymity.

## Tenants Voice

Tenants Voice is a research project, funded by Nationwide Foundation, which aims to understand experiences of private renters in England.

We ran 4 workshops between December 2021 and February 2022, with 9 private renters from a range of backgrounds, to gather insights on their experiences of private renting.



# Appendix

## Calculations

1. **425,000 renters are in arrears.** We found that 9.44% of our nationally representative survey respondents were in rent arrears in January. The projected number of renters in the UK is 4.5 million - 9.44% of 4.5 million is 425,000.
2. **It would take 9 years for the average renter to repay their arrears.** In July the average amount of arrears was £989. In January it was £937 - a £52 reduction over 6 months. At this rate of £52 every 6 months, it would take 9 years for the average renter in arrears to repay the full amount owed.
3. **The average expected rent increase of £90 per month equals nearly 12% of the average monthly rent in the UK.** The average household rent in our nationally representative survey was £774 per calendar month - £90 is 11.63% of £774. For clarity we have rounded this to 12%.



## External references

1. DLUHC, [English Housing Survey 2020-21](#), December 2021.
2. DLUHC, [English Housing Survey 2020-21](#), December 2021.
3. ONS, [Index of Private Housing Rental Prices, UK](#), January 2022.
4. Prior to 2016, LHA was set at the 30th percentile (the cheapest 3rd of rents). In 2020, in response to the pandemic, LHA was restored to the 30th percentile, but has since been frozen at 2020/21 levels.

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