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CODE ENCOUNTERS SUMMARY BRIEFING 2:

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

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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, 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 briefing 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 providers review the purpose and practice of affordability assessments, as technology cannot overcome business challenges created upstream with welfare reform, social housing rents or sector funding shortfalls.

What is the background to this research?

Social housing provides 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 briefing 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. Crucially, what other provisions or initiatives, such as foyers and furnished tenancies, are being developed to ensure applicants are accommodated appropriately.

"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)

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.

'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.' **(Social landlord 7)**

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 landlords driving 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, the use of detailed banking transaction data, 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 themes that must be addressed, including the following that are relevant to Government, those responsible for financial education, risk profiling technology firms, lenders, landlords and agents.

1. To make visible how data and algorithms have been used in each decision
2. To establish agreed guidelines on the appropriate use of algorithms for stakeholders within the sector and tenures
3. To produce guidance on the use of data and algorithms for tenants
4. To retain human oversight in decision making
5. To ensure the explainability of decision making
6. To ensure the retention of flexibility and individually tailored decision-making

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

7. 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. 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. 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.

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Further information

The Code Encounters research that informed this brief was funded by the Nuffield Foundation. The findings are based on a large qualitative dataset with 39 drawn specifically from the social housing sector, offering insights from firms who make software or platform technology for the sector, social landlords, national stakeholders and social housing tenants. More information about the study and its methods is available in our reports:

Wallace, A., Beer, D., Burrows, R., Ciocănel, A. and Cussens, J. (2024) *Housing and Algorithmic Risk Profiling in England- Report of overarching findings- Code Encounters Report 1*. York/Bristol, University of York/University of Bristol.

Wallace, A., Beer, D., Burrows, R., Ciocănel, A. and Cussens, J. (2024) *Data, automation and purpose in pre-tenancy affordability checks in social housing - Code Encounters Report 3*. York/Bristol, University of York/University of Bristol.

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/>

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