

## Briefing on ...

### Housing in a Recession

#### Introduction

This briefing provides an overview of the actions taken by both the UK and Scottish Governments to combat housing problems related to the current economic crisis. Although housing policy is a devolved matter for the Scottish Government, other related issues such as economic and welfare policies are reserved for the UK Government. This briefing will also highlight further action which UNISON Scotland would like to see the governments take.

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#### Background

The financial crisis and associated economic problems are having an effect on the housing sector. Not only are people worried about job losses but also about the possibility of losing their homes, either through repossessions or rent arrears.

This includes not only UNISON Scotland members who provide housing services

but also the housing needs of UNISON members.

The Scottish Government has already announced an increase in the funding of debt advice services as well as additional funds for legal advice for those facing repossession/ eviction. The next sections look at the issues affecting home owners and tenants.

#### Help for Home Owners

Recent research reports by both the Financial Services Authority (FSA) and the Council of Mortgage Lenders (CML) have highlighted that the situation is likely to deteriorate further in 2009. The CML expect a rise in repossessions to around 75,000 in 2009 while the FSA have predicted that due to a dramatic jump in the number of defaulted mortgages they would expect on average one family having their home repossessed every seven minutes next year.

The UK Government has initiated a protocol to ensure that all alternative action has been taken before repossession could take place. However commentators have complained that most companies already do this and that the protocol has no legal powers of enforcement. The Scottish Government has established a Repossessions Group of key stakeholders to consider whether there is adequate legal protection for homeowners in risk of repossession. However, this body is not expected to report its findings until 30<sup>th</sup> April 2009.

Further action taken by the Scottish Government includes increasing to £35million over 2 years the funding available for a Home Owners Support Fund to allow access to Mortgage to Rent and Mortgage to Shared Equity Schemes. The Scottish Government has also called on its Westminster counterpart to implement the recommendations of the report by the Office of Fair Trading (OFT) on sale and rent back schemes.

Unison Scotland believes that further action can still be taken and is calling for:

- A short term moratorium on repossessions as proposed by Barak Obama in the USA;
- Extend the Mortgage Rescue Package beyond the 6,000 households currently in line to receive assistance;
- Bring forward the introduction of changes to Income Support for Mortgage Interest;

- Find ways of assisting two-income households whose finances are hit by one partner losing their job, but are not

covered by existing arrangements.

## Help for Tenants

The main problems with renting relate to a lack of sufficient numbers of affordable housing for rent, evictions due to rent arrears and some issues relating to private renting such as charges and poor living conditions. The Scottish Federation of Housing Association (SFHA) has recently launched a campaign to increase the number of affordable houses in Scotland by asking for a 1% increase in the Scottish block grant from Westminster. They have also highlighted problems with increasing waiting lists however it is not clear whether these lists include double (and in many cases multiple) counting. Shelter has also raised concerns over evictions relating to rent arrears while other commentators have highlighted a lack of regulation within the private rented sector.

The Scottish Government has released extra funding for building new affordable housing. Although there has been an increase in councils building new homes (in 2007 432 council homes were started as compared to 6 in the previous four years), the majority of the funding has been directed towards housing associations. As the economic decline continues there will be more pressure put on the social housing sector and waiting lists will be likely to increase. As mentioned above there has also been increased funding for both

debt and in-court advice for people facing eviction due to rent arrears from the Scottish Government. In the case of private renting, all private landlords now have to be registered with the local council for any area in which they operate. Although some powers are available to remove landlords from such registers making it illegal for them to rent their properties there are few cases of this happening yet.

Unison Scotland believes that further action can still be taken and is calling for:

- A level playing field so councils are able to bid for grants on an equal basis with Registered Social Landlords (RSLs);
- Bring the treatment of public investment into line with international standards by adopting the European accounting conventions, the system of national accounts and the General Government Financial Deficit (GGFD);
- Develop new business models for housing associations that no longer rely on cross subsidy from homes built for sale and part ownership.

## Conclusion

The aim of policymakers in these uncertain times should not be to repair the current system and return it to how it was before the sub-prime crisis first emerged in 2007. Instead the aim should be to create a more stable framework, in which there are more and

better affordable options, in which owning and renting are seen as equals tenures, there is less of a sense that home ownership is the only game in town and there is more independent advice to people looking for a home.

## Action for Branches

This briefing paper is intended to support our national and local campaigns on housing during the current economic crisis.

## Further Information

UNISON Scotland

<http://www.unison-scotland.org.uk>