

22nd October 2015

REPORT OF THE PORTFOLIO HOLDER FOR HOUSING & WASTE MANAGEMENT

TENANTS RENTAL EXCHANGE PROJECT

PURPOSE

To set out the details of the tenants' Rental Exchange Scheme being promoted via *Big Issue Invest* and *Experian*, in partnership.

RECOMMENDATIONS

Members endorse the sharing of tenants' data for the purposes of signing up to ***The Rental Exchange Scheme***, save where tenants' reserve the right to opt out.

EXECUTIVE SUMMARY

The Big Issue Invest (an arm of The Big Issue) together with Experian, one of the largest credit reference agencies in the UK, have been working together since 2012 to develop 'The Rental Exchange Scheme' to help tenants to improve their credit rating. The scheme is free in the sense that there is no cost to the housing provider co-operating or to the tenants participating. It remains the case that there is a range of costs for individuals to access their own credit reports and this is unaffected by these proposals.

The Rental Exchange was initially created to address inequality between mortgage payers and renters which can lead to financial, digital and social exclusion. Without this scheme tenants who maintain a good payment record would not build the same credit rating that a home owner would for instance. Credit reports are now routinely checked by a range of financial institutions before deciding on levels of credit and in particular the terms of customer borrowing.

At this time, this is the only scheme of its type and is an innovative approach to

- Support tenancy sustainment by allowing tenant data to be used for credit rating purposes – facilitating the potential for more sensible borrowing solutions
- Incentivise rental payments when tenants know the data could affect their credit score
- Encourage tenants to review their credit report and validate data held about their identity and financial transaction mitigating tenancy and other related fraud

Tamworth Borough Council's Landlord services along with other local authorities and housing organisations throughout the country were invited to join the Rental Exchange. In 2014 the Portfolio Holder agreed to an initial scoping exercise to identify the benefits for tenancy sustainability and economic improvement in Tamworth. The outcome from that exercise was presented to the Tenant Consultative Group (TCG) earlier this year. The Presentation is shown at annex one.

Summary results were:-

- ✓ Incorporating tenants data into a generic score will increase the credit score for tenants that don't have significant arrears by around 45-55 points
- ✓ 61%(2,697) of Tamworth Borough Council's tenants have no significant arrears on their rent account and their credit scores would improve as a result of incorporating rental data
- ✓ 13%(352) of these tenants would gain access to previously inaccessible credit and services
- ✓ 6 %(284) have serious rent arrears on their rent so would have their credit score reduced by 90-140 points.
- ✓ 14 %(39) of these tenants would move to a reject category (around 82% of those tenants also have a CAIS default which already impairs their credit score.

Tenants reserve the right to opt out of the scheme. If Cabinet endorse signing up then tenants will be informed using the literature and video material available and given 28 days in which to opt out. If they do, then the details will be removed from the data base and not submitted to The Rental Exchange partners.

Broadly, the scheme aims to improve tenant's credit score by including their rental payment data. The higher your credit score the easier is to borrow, achieve better rates and deals and get better access to contracts for example mobile phones. The financial illustrations in the attached presentation show examples of where having an improved credit rating can access more sensible borrowing. The quote for a sofa from someone with a poor credit score would be more likely to pay a much higher price for interest and therefore pay much more money than someone with a good credit score and who are more likely to be offered an interest free loan to make the purchase, thus paying less overall.

As well as providing a credit score the information also acts as authentication. General authentication requirements are two on line proofs of identity. Improving electronic identification rates will give tenants easier access to full banking services as well as a range of non financial public and private services. On Money Super Market.com someone without digital authentication will pay £30-£35 more for car insurance than someone with authentication. The number of tenants that hold two or more electronic proofs increases from 77% (3,447) to 95 %(4,246) when the rental data is included.

Matters for Consideration

Literature

A full suite of literature and on-line resources are available on Schemes website, including a useful video discussion about The Rental Exchange, this will be shared with tenants if the scheme is adopted.

<http://www.experian.co.uk/rental-exchange/resources.html>

Data Protection

Rental payment information will be kept secure and will not be shared with any third parties for marketing purposes and the data will be accessed when a tenant applies

for goods or services where a credit or identity check is made through an organisation using Experian's database.

Data protection will be overseen by the Corporate Information Security Manager under the DPA Act 1988. This scheme is to enable tenants to be able to have the same benefits to accessing credit as mortgage payers. The scheme has been designed with the Big issue to assist tenants with accessing more sensible borrowing. A fair processing statement is designed as part of the consultation with tenants and any tenant who does not want their data shared will be excluded from the scheme.

Tenant Consultation

At the Tenants Consultative earlier this year Experian gave the feedback from the analysis and supported going to stage 2 of the process and for tenants to be issued with a Fair Processing Notice.

Benefits for tenants	Details
Positive Credit History	Cheaper loans more access to instant free credit
Online Proof of Identity	Increasingly important when applying for goods and services
Negative History	Help will be available for tenants who want to improve their credit history
Equality with Home Owners	Equal rights with home owners whose mortgage payments are automatically taken into account with their credit score

RESOURCE IMPLICATIONS

Participation in the scheme is free of charge and as such there are no direct financial implications arising from this report. Administrative costs are minimal in that the requirement is to submit an electronic payment file once a month.

LEGAL RISKS

Risks	Controls
Tenants do not opt out of the scheme during the first 28 days but later choose to do so	Tenants can opt out of the scheme at any time and the scheme will be kept under review with advertisements and details posted in "Open house" and via other tenant publications
Further schemes come on board offering similar services with a greater range of tenant incentives	There is no procurement risk as this is not a contractual arrangement and is done in partnership. It does not preclude the Council from entering into other and/or different arrangements at a later date
Tenants are not accepted for credit that they might otherwise have been, due to	The use of rental data can positively and adversely affect credit scores. The point

the revised credit rating score	is that the tenants' full history will inform the lenders decisions
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List of Background Papers

APPENDICES

Annex one – Presentation by Experian on the Tamworth Data 2014/15