

---

---

<b>REPORT TO:</b>	<b>HOUSING AND COMMUNITY SERVICES COMMITTEE</b>	<b>AGENDA ITEM: 7</b>
<b>DATE OF MEETING:</b>	<b>8<sup>TH</sup> OCTOBER 2015</b>	<b>CATEGORY: DELEGATED</b>
<b>REPORT FROM:</b>	<b>DIRECTOR OF HOUSING AND ENVIRONMENTAL SERVICES</b>	<b>OPEN</b>
<b>MEMBERS' CONTACT POINT:</b>	<b>MARTIN GUEST, PERFORMANCE AND POLICY MANAGER (ext 5940)</b>	<b>DOC:</b>
<b>SUBJECT:</b>	<b>EXPERIAN RENTAL EXCHANGE SCHEME – PHASE 2</b>	<b>REF:</b>
<b>WARD(S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE: HCS01</b>

---

---

## **1. Recommendations**

- 1.1 Members note the findings of phase 1 of the pilot and the feedback from the Tenants Panel regarding these findings.
- 1.2 Members approve that we move forward into phase 2 with the Rental Exchange scheme and undertake the necessary consultation with all tenants.
- 1.3 Members authorise the Director of Finance and Corporate Service to sign the Formal Agreement shown in Appendix 1.

## **2. Purpose of Report**

- 2.1 To outline the findings from the pilot stage of the Rental Exchange Scheme and the impact and benefits for South Derbyshire tenants.
- 2.2 To outline the steps required to move to phase 2 of the project and the consultation and notification processes which need to be completed.

## **3. Detail**

### **Background**

- 3.1 Big Issue Invest (BII) and Experian have partnered to tackle the financial, digital and social exclusion challenges faced by social housing tenants in the UK. Both are working with housing associations, local authorities and key stakeholders across the public, private and voluntary sectors to collect up-to-date rental payment information on tenants living in social housing and feeding this data into the Experian Rental Exchange.

- 3.2 The impact of Welfare Reform and the continued economic challenges faced in the UK make this initiative more relevant than ever before. However, data is required en masse to truly make this work. The more data that starts coming into the Rental Exchange, the sooner that this will start building tenants' credit scores and ultimately enable access to more affordable credit.
- 3.3 The Rental Exchange is a 'ring-fenced' secure database which holds rental payment information. It has been discussed with the Information Commissioner's Office to ensure it complies with the letter and spirit of the Data Protection Act 1998. The information will allow tenants with a 'thin file' - a history of little or no credit – to build a credit score.
- 3.4 The database can be accessed by lenders and other service providers when a tenant applies for a loan or service that requires a credit check or proof of identity, something that is becoming common-place for both private and public sector transactions.
- 3.5 As at 31<sup>st</sup> August 2015, 77 Registered Social Landlords have signed up and are working through the first phase of the project and so far 18 organisations have progressed to live implementation.
- 3.6 BII has undertaken been a great deal research on financial exclusion and have found that in many cases financial exclusion was a matter of missing information, rather than an actual lack of creditworthiness.
- 3.7 The Rental Exchange Scheme is a two phase project:

#### **Phase 1 of the project**

- 3.8 Following the recommendations from this Committee on the 28 August 2014, the Council entered into a Data Processing Agreement with Experian for phase 1 of this project.
- 3.9 As part of phase, Experian have performed an analysis of our tenant portfolio which included:
- **Identification** - An analysis showing the proportion of residents gaining benefit from the increase in the number of electronic identifications held on the credit bureau.
  - **Credit Scores** - An analysis showing the proportion of residents gaining benefit from having their credit score increased by positive rental payment history.
  - **Tenant Support** - An analysis showing the proportion of residents that have impaired credit histories and might benefit from financial education or other support services.
- 3.10 To enable an assessment of the benefits of incorporating rental data with credit bureau Experian reviewed South Derbyshire's data using all of the credit accounts (known as CAIS) that are recorded at Experian - CAIS holds information on over 440 million credit accounts.

- 3.11 The key findings coming out of the analysis are shown below. These findings will be presented to Members within this evening's meeting.
- The number of South Derbyshire tenants that hold two or more electronic proofs would increase from 69% (2,320) to 94% (3,157). 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.
  - 69% (2,306) of South Derbyshire's tenants have no significant arrears on their rent (over 2 months) and their credit scores would improve as a result of incorporating rental data.
  - 11% (252) of these tenants would gain access to previously inaccessible credit and services.
  - 1% (18) tenants have serious arrears on their rent so would have their credit score reduced by something in the order of 90-140 points.
  - 11% (2) of the 18 tenants would move from the accept to reject category (around 84% of those tenants with rent arrears also have a CAIS default which already impairs their credit score).
  - 30% (1,018) of tenants are on Full Housing Benefit so would see no effect to their credit score.

### **Moving to phase 2 of the project**

- 3.12 To move to phase 2 of this project we will need to sign the Formal Agreement with Experian shown in Appendix 1. This sets out the terms and conditions of the agreement for both parties including data contribution agreement.
- 3.13 Briefings with staff will be held to promote this scheme.

### **What consultation will be undertaken with our tenants?**

- 3.14 The phase 1 findings have been discussed with the Tenants Panel on the 10<sup>th</sup> September, who fed back that they are happy for the Council to proceed to phase 2 of this project subject to tenants being able to opt out of the system should they wish and that the changes will be communicated out to tenants.
- 3.15 We will work with both Experian and BII to support in consulting with and communicating with tenants in phase 2. This will include articles which will be placed on the Council's website and these will be sent out through social media. Information on this scheme will also be sent out to the wider media in consultation with the Communications Team during October and November. We will also give more information through the Housing News edition sent out to all Tenants in December.
- 3.16 We will issue a Fair Processing Notice (shown in Appendix 2) which gives all tenants a 28 day notice period of our intention to move to this scheme and will give them the option to opt out if they choose to do so.

- 3.17 New tenants will be issued with a privacy notice (shown in Appendix 3) as part of the sign up process following the go live date and full implementation of the scheme.

### **How will this scheme benefit the Council?**

- 3.18 The scheme will support the Council following the implementation of the new Universal Credit requirements in that it helps:
- Tenants to access affordable credit and other services.
  - Tenants are rewarded for paying rent on time with access to affordable mainstream credit and services. The Rental Exchange could act as an incentive to pay rent on time and this will hope to increase collections and reduce late payments.
  - The Council to identify those tenants who are financially vulnerable and it will help get them 'back on track' through the Tenancy Sustainment Service.

### **How will the scheme benefit tenants?**

- 3.19 The scheme will support tenants in the following ways:
- The majority of tenants pay their rent on time, so this information can enhance credit scores - the Rental Exchange provides an opportunity for tenants to improve their credit rating without having to take on any further debt.
  - The Rental Exchange enables tenants to build an online proof of identity and this is important when applying for a utility supplier, a mobile phone provider or when online shopping.
  - If a tenant is unable to pay their rent, it is unlikely they are suitable for a loan or other payment agreement, therefore the Rent Exchange supports responsible borrowing and lending and helps people avoid becoming over-indebted or reliant on unscrupulous lenders.

### **Data Protection and ICT requirements**

- 3.20 It should be noted that the Council will be passing across personal data which is protected under legislation. Consequently, the Council has to consider carefully how it uses that information and should not, without good reason, pass it on to a third party. The underlying principle is that it is only used for the purposes it was intended, i.e. in this case in connection with the tenancy agreement and for the collection of rent. If it is used for any other purpose, then it would need the express permission of the individual concerned.
- 3.21 Clearly, with this proposal, a database would be shared covering all tenants and it would be difficult to get individual consent. If any data is used outside of its intended criteria, then the Council will need to ensure that it still achieves compliance with the Data Protection Act (DPA).
- 3.22 Experian and BII have both consulted the Information Commissioners Office (ICO) to establish how councils can establish compliance. Their underlying

point is that the data is being shared for the benefit of the tenant and not the Council – what is called the “legitimate interests” provision within the DPA. On this basis, the advice from the ICO is that compliance can be achieved (without an opt-out requirement) so long as efforts are made regarding transparency, education, help lines, etc. This means clear notification in language and through a channel that the individual tenant is likely to read, understand and see the real personal benefits to them. The ICO has stated that they would expect to see a specific tenant helpline.

- 3.23 The other point made by the ICO, is the need for data accuracy. They would expect to see that the database passed across is up to date and has been cleansed of any historical tenants, etc.
- 3.24 Besides ensuring compliance, there is a small risk that large numbers of tenants at a national level may object to the sharing of their data. If this is the case, the ICO may in the future withdraw their support for the scheme. If this happened, the ICO may insist that tenants have to be consulted individually which would make the scheme much more difficult. Therefore, it is important that all tenants understand the benefits to them, but if they still wish to opt out, then they must be excluded from the scheme.
- 3.25 Experian are working with our housing systems team to extract the relevant data. They are working closely with Orchard on data sharing for many other organisations, so this should ease the process and ensure that there is no large burden on ICT.

#### **4. Financial Implications**

- 4.1 There is no cost involved in participating in the Rental Exchange.

#### **5. Community Implications**

- 5.1 The project supports tenants to obtain better access to affordable credit.

#### **6. Background Papers**

Appendix 1 – Formal Agreement  
Appendix 2 – Fair Processing Notice  
Appendix 3 – Privacy Notice