

Committee	Date:
Housing Management & Almshouses Sub Committee	2 November 2015
Subject: The Rental Exchange	Public
Report of: Director of Community & Children's Services	For Decision

Summary

The purpose of this report is to seek approval for the City of London to become a member of the Rental Exchange Scheme.

The Rental Exchange Scheme provides social tenants with the opportunity to develop a good credit rating, through the sharing of their rental payment data. A good credit rating allows people to access more affordable financial deals and avoids them having to use expensive credit options such as payday loans and pay-as-you-go arrangements for utilities and mobile phones.

A pilot study of the rental payment for City tenants has revealed that 36% would benefit from their data being shared. Therefore, officers wish to proceed to full membership of the Rental Exchange.

Recommendation

Members are asked to:

- Delegate authority to the Director of Community & Children's Services to proceed with full membership of the Rental Exchange and to take the necessary steps to issue fair processing notices to tenants.

Main Report

Background

1. In 2010 Big Issue Invest (part of the Big Issue Group) introduced the concept of using rental payments information to help address the financial exclusion challenges that some tenants face. Tenants sometimes find it difficult to access mainstream financial services such as affordable loans, bank accounts and credit cards. Often this is because there is insufficient information held on their credit file.
2. The Rental Exchange involves the sharing of rental payment data to allow tenants with a history of little or no credit to build a good credit file. Being able to show a track record of paying rents opens up new channels of services and gives fairer access to services such as bank accounts, credit cards, loans and better gas and electricity rates. This helps avoid having to use payday lenders.

3. The Rental Exchange allows for social housing tenants to get recognition for paying rents in the same way that owner occupiers who pay their mortgage do.

Current Position

4. Many organisations rely upon credit scoring to decide whether to give customers access to financial products such as a mobile phone contract, a bank account or a loan at an affordable interest rate.
5. Research indicates that many social housing tenants are excluded from affordable credit and services due to the lack of a credit history and this means they are more likely to be refused or pay more, putting extra pressure upon already challenging finances.
6. In the same way that mortgage information counts towards a credit profile, rental payment history can be used as proof of a tenant's financial standing and reliability. By sharing rental payment history it will help tenants to create an online proof of identity, and a good credit history will make it easier for tenants to open a bank account, access better gas and electricity rates, or obtain cheaper credit.

City of London Pilot

7. To enable an assessment of the benefits of incorporating rental data into the credit bureau, Experian has reviewed the City's data, using all of the credit accounts that are recorded at Experian.
8. To be eligible for mainstream credit, the general authentication requirements is two digital proofs of identity. Typically in manual processing two proofs e.g. gas bill and a rent record would be sufficient as a means of authenticating identity. Without the rent data only 44% of City tenants hold two or more electronic proofs, so would be considered to have an inadequate credit file.
9. Once Experian includes the rent data this increases to 80%. This means that 36% of our tenants would benefit immediately from being able to have their identity authenticated on-line, giving them easier access to full banking services as well as a range of non-financial public and private services.
10. Incorporating rental data into a typical generic credit score will increase the credit score for tenants that do not have significant rent arrears (defined as anything over 2 months' of non-payment) by around 45-55 points. 1,789 (99%) tenants have no significant arrears on their rent (including water rates) so their credit score would improve as a result of incorporating rental data.
11. Around 1% of tenants have serious arrears on their rent so would have their credit score reduced by something in the order of 90-140 points. This should not be viewed as a negative. If a tenant is unable to pay their rent, for whatever reason then it is unlikely they are suitable for a loan or other payment agreement. Therefore the Rental Exchange is designed to promote responsible borrowing and responsible lending and help people avoid becoming over indebted.

12. The majority of tenants pay their rent and water charges on time, so this information will enhance their credit score (the Rental Exchange provides an opportunity for tenants to improve their credit rating without having to take on any further debt). The Rental Exchange also 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.

Outcome of Pilot

13. Participation in the scheme would help us support and reward tenants for paying rent on time and help tenants to access cheaper and more affordable credit and services.

14. Approval for membership of the Rental Exchange would allow the Corporation to join many other Registered Providers to actively tackle inclusion issues.

Legal Implications

15. There are legal implications associated with this report. Big Issue Invest and Experian have worked very closely with the Information Commissioner's Office (ICO) on this project. The ICO recognises that tackling social, financial and digital exclusion issues through enabling tenants to use their information in a way that helps them is not something that should be prevented by the Data Protection Act.

16. In discussions with the ICO it was agreed that the appropriate processing condition for Rental Exchange was the 'legitimate interests' condition. Underpinning this is the requirement under the DPA 1998 to provide detailed 'fair processing information' (or 'Fair Processing Notice' (FPN) to tenants. The FPN must notify tenants about what data will be shared, who it will be shared with and for what purposes.

17. For current tenancy agreements, the FPN needs to be given to the tenant before any tenant data can be shared into the live Rental Exchange and accessed by lenders and other landlords (tenants must be given a 28-day notice period). There is no intention or desire to share data into the Rental Exchange on any tenant who objects (should this occur we should inform the tenant of the advantages of sharing and if the tenant still objects, then we must comply with the wishes of the tenant and exclude their data) - an example FPN is attached (see Appendix 1).

18. For new tenancies the FPN needs to be presented to the tenant, whether in a separate document or as part of the main tenancy agreement (as long as the tenant has had sight of this information and as such the rental data will be shared with Experian) - an example FPN is attached (see Appendix 2).

19. Rental payment information will be kept secure and will not be shared with any third parties for marketing purposes. The data will be accessed by organisations only when the tenant applies for goods or services where a credit or identity

check is made through an organisation using Experian's Credit Bureau in line with the FPN communicated to tenants.

20. The Comptroller's Department were consulted prior to the pilot project and the signing of a Memorandum of Understanding and Data Sharing Agreement. Further advice will be sought before any further legal agreements are signed.

Resource Implications

21. There is no cost to become a member of the Rental Exchange scheme. A small amount of staff time will be required to publicise the scheme and inform tenants, and to set up necessary procedures for providing data, but as the latter has already been done once for the pilot, this is not anticipated to be an issue.

Corporate & Strategic Implications

22. The proposal to proceed to full membership of the Rental Exchange will help to deliver one of the five strategic priorities of the Department of Community & Children's Services. This is

- Homes & Communities : Developing strong neighbourhoods and ensuring people have a decent place to live.

Appendices

- Appendix 1 – Sample Fair Processing Notice

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