



L&RS Note

Rent arrears and Covid-19

Shane Burke, Senior Parliamentary Researcher,
Public Administration

09 July 2020

Abstract

This Note looks at measures taken by other countries to deal with rent arrears arising from Covid-19. The paper provides background statistics on low-income tenants in the private rented sector in Ireland and internationally, as well as current costs facing these tenants. The paper also looks at international approaches to rent arrears and evictions in general.



Contents

Summary	1
Introduction	1
Are rent arrears, arising from Covid-19, likely to be a widespread problem in Ireland?	2
Changes to rent supplement as a result of Covid-19	4
Statistics relating to the private rented sector (PRS) in Ireland	5
PRS internationally	7
International approaches to rents and rent arrears, as a result of COVID-19	9
General approaches taken by countries to deal with rent arrears	11

This L&RS Note may be cited as:

Oireachtas Library & Research Service, 2020, *L&RS Note: Rent arrears and Covid-19*

Legal Disclaimer

No liability is accepted to any person arising out of any reliance on the contents of this paper. Nothing herein constitutes professional advice of any kind. This document contains a general summary of developments and is not complete or definitive. It has been prepared for distribution to Members to aid them in their parliamentary duties. Some papers, such as Bill Digests are prepared at very short notice. They are produced in the time available between the publication of a Bill and its scheduling for second stage debate. Authors are available to discuss the contents of these papers with Members and their staff but not with members of the general public.

Summary

- At present tenants in private rented accommodation will be protected from eviction if they cannot pay their rent.
- However, the arrears that accrue over this time will have to be paid by the tenant at the end of the emergency period, which has been extended until 20 July 2020.
- Research shows that low-income groups in the private rented sector are particularly vulnerable to increases in housing costs and indebtedness.
- The number of Rent Supplement recipients has increased by 34.9% (5,479 people) from 19 March to 20 June 2020.
- Many countries across the OECD have introduced a moratorium on evictions. However, while many countries have attempted to ease the pressure on renters by extending the date by which rent arrears must be paid, or in some cases, reducing the amount of rent for a limited number of months, the author of this paper found no examples of widespread debt forgiveness for renters.
- Spain offers perhaps one of the more interesting models found during the research. In Spain a transitional financial assistance for tenants has been offered, at zero interest, with a State guarantee (six months of rent, to repay within 10 years).
- Spain has also introduced an automatic deferral of rent payments for “vulnerable” tenants whose landlord owns 10 or more properties, for a maximum of four months with repayment due over three years. These landlords can either accept these arrangements or reduce their rents by 50%.

Introduction

The [Emergency Measures in the Public Interest \(Covid-19\) Act 2020](#) provided for an emergency period of three months, during which time there would be a moratorium on evictions and rent increases. Tenants who suffer a loss of income due to Covid-19, will therefore be protected from eviction if unable to pay their rent. This includes tenants of rent-a-room schemes. However, while the Act protects against evictions during the specified period, tenants will have to pay landlords any rent which accrues over that time. Landlords have been asked to show forbearance and reach local arrangements in these cases.

In cities such as Dublin, Cork, Limerick, and Galway where rents are at historic highs, this could lead to substantial debt which some renters (particularly those on lower incomes) may struggle to repay.

Addressing this [issue in statements to the Dáil](#) on 7 May 2020, the then Minister for Housing, Planning and Local Government, Mr. Eoghan Murphy T.D. stated:

“There are huge numbers of people who have difficulties paying rent. I have asked the ESRI to do a report on rent arrears to try to figure out over this period what kind of situation is building up for individuals who might be falling into rent arrears and how it might impact on them and on their landlords. That work by the ESRI will guide further decisions that may need to be made in this area.”

On 19 June 2020 the then Government announced that the moratorium on evictions and rent increases would be extended until 20 July 2020. The Minister for Housing, Planning and Local Government, Mr. Darragh O’Brien T.D. told the Dáil, on 08 July 2020, that any extension of the ban requires him to consult with the Minister for Health and the Minister for Public Expenditure and Reform.

Are rent arrears, arising from Covid-19, likely to be a widespread problem in Ireland?

Prior to the emergence of Covid-19, rent arrears was the most common reason for landlords to serve a notice of termination (in cases where the RTB made a determination).¹ Affordability in the private rented sector (PRS) is particularly challenging, compared to other tenures. It is generally accepted that households should not spend more than 30% of their income on housing costs. A 2019 ESRI paper² found that, using this definition, 33% of households in the PRS faced high housing costs in 2016, compared with fewer than 15% of mortgaged households.

The ESRI state that in both the rental and mortgage market:

“...households in the bottom income quartile have substantially higher housing payments as a share of income relative to higher income households.”

A report by Tasc from March 2020³ compares the profiles of renters who are over-indebted and living in private rental accommodation, versus those in social housing. The report finds that:

“...renters face a significant likelihood of having debt repayment levels that are a “heavy burden” – with 30.2% of those renting in social housing and 33.0% of those renting in the private sector.”

Threshold, the national housing charity, released a [press release](#) on 29 May 2020 in order to highlight an increase in tenants who have gone into rent arrears since the Covid-19 pandemic. Threshold called for an extension of the moratorium on evictions and rent increases, due, at that time to expire on June 27. The press release states that most of Threshold’s callers are younger, single people living in house shares. Threshold report that 69% of their callers have lost their income as a result of COVID-19 public health measures.

“In the first few weeks of the Covid19 pandemic, the rent arrears reported ranged from as little as €50 to as high of €2,800, with some clients being up to three months in arrears... many callers foresee their arrears position steadily worsening, arising from concerns that the Pandemic Unemployment Payment may be reduced.”

Threshold also highlight a lack of awareness among their callers in relation to their entitlement to apply for rent supplement.

Threshold recommends the following measures to help tenants who are in rent arrears, such as:

- formalised repayment plans,
- access to additional/enhanced financial supports, and

¹ Residential Tenancies Board. (2019). [Annual Report 2018](#).

² ESRI. (2019). [Policy paper: exploring affordability in the Irish Housing Market](#).

³ TASC. (2020). Exploring Household Debt in Ireland. Accessed on 5 June 2020 at https://www.tasc.ie/assets/files/pdf/household_dept_report_final_3320.pdf

- long-term low interest state supported loans and debt forgiveness.

Dr. Barra Roantree of the Economic and Social Research Institute (ESRI) said that the Government should consider increasing housing supports if it cuts the Pandemic Unemployment Payment (PUP).⁴ [The Irish Times](#) report that Dr. Roantree stated:

“If the goal of reducing the PUP is to redirect supports to those who need them most, it should be accompanied by an extension of the more generous rent supplement rules.”

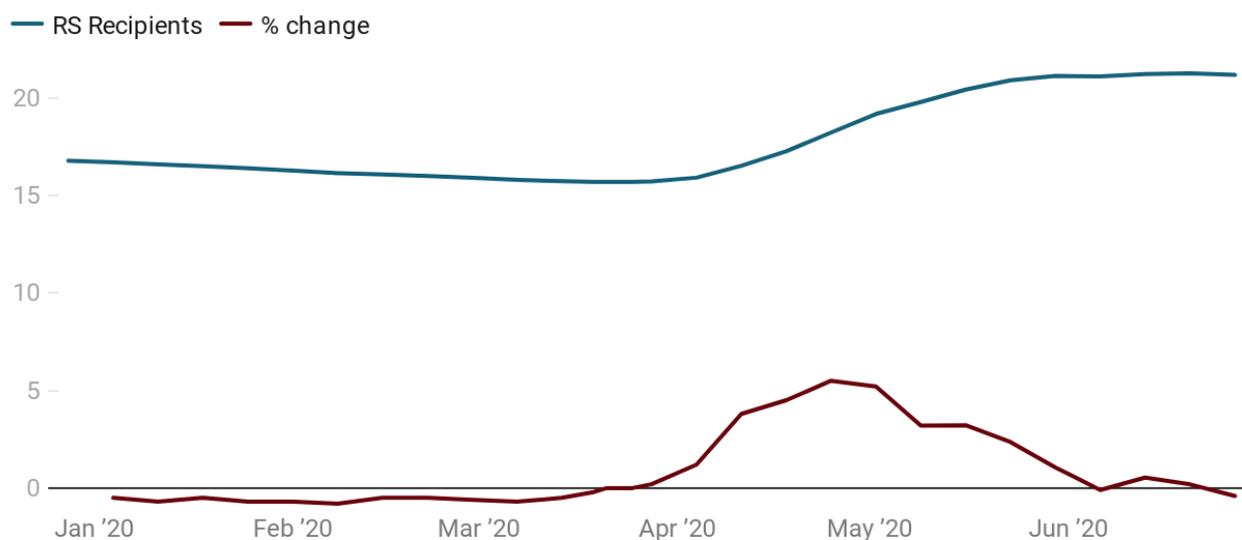
Changes to rent supplement as a result of Covid-19

The previous Government changed eligibility for Rent Supplement on foot of the Covid-19 pandemic. Rent Supplement is usually calculated to ensure that a person's income, after paying rent, does not fall below the basic Supplementary Welfare Allowance (SWA). This rate is normally €201.

However, an applicant who has applied after 13 March 2020, will be assessed using an SWA rate of €350, plus an additional amount for dependents.⁵ This effectively increases the amount of Rent Supplement for those who apply after 13 March. Figures provided to the L&RS from the Department of Employment Affairs and Social Protection show the number of rent supplement recipients from December 2019 to May 2020.

Figure 1 shows that the number of rent supplement recipients had been falling up to mid-March 2020, before the then Government announced measures to limit the spread of Covid-19. From the 19 March to 20 June 2020, the number of Rent Supplement recipients increased by 34.9% (5,479) and stood at 21,171 recipients.

Figure 1: Increase in the number of Rent Supplement recipients (,000s) January – June 2020



Created with Datawrapper

Source: L&RS (2020), using data provided by Department of Employment Affairs and Social Protection

⁵ Citizens Information – [Rent Supplement](#)

Statistics relating to the private rented sector (PRS) in Ireland

Since 2006 the number of households living in private rented accommodation has more than doubled. According to the Census, in 2016 there were 309,728 people renting accommodation from a private landlord, compared with 145,317 in 2006 (a 113% increase over 10 years). Most of this increase occurred between 2006 and 2011. By comparison, the number of households which are owner-occupied increased by 5% in the period between 2006 and 2011, before falling slightly. In 2017 it was estimated that households renting from a private landlord represented 18.2% of all households.⁶ Despite this, the number of people who rent in Ireland, without state support, is relatively low by international standards.

Rental costs

The Residential Tenancies Board [Q4 2019 Rent Index](#) published in April 2020, shows standardised average rents for Dublin, Galway, Cork, Limerick, and Waterford cities.

- Dublin city - €1,677 (€1,716 in Dublin overall)
- Cork city - €1,207
- Galway city - €1,147
- Limerick city - €925
- Waterford city - €796

Annually, of the cities above, average standardised rents in Waterford city increased by the most, at 7.9%. The authors note that this may be due to Waterford City having the lowest base rent level, when compared to the other cities.

The second largest annual increase was in Cork City (6.8%), followed by Galway city (5.7%), and Dublin City (5.2%). Limerick city saw the slowest increase at 2.7%. Nationally, standardised average rents grew at 6.4% to Q4 2019. This was the lowest annual increase since Q1 2014.

Number of landlords in Ireland

A large majority of landlords in Ireland have one or two properties for rent - 70% of landlords manage one tenancy, while 16% manage two tenancies.⁷ Only 0.5% of landlords manage more than 20 tenancies.

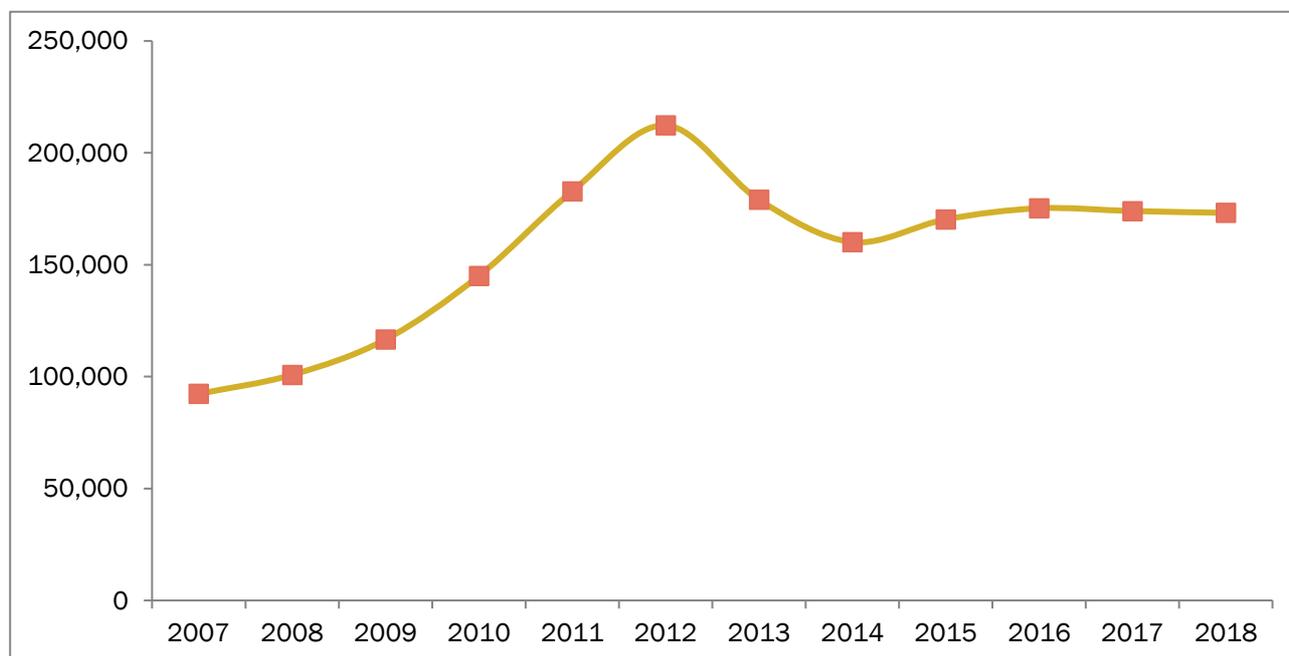
Data published in the RTB's annual report for 2018 is represented in Figure 2 overleaf. The data show a significant growth in the number of landlords registering between 2007-2012, a sharp decline between 2012-2014, a slight recovery between 2015-2016, followed by a slight decline

⁶ Department of Finance. (2017). [Report of the working group on the tax and fiscal treatment of rental accommodation providers.](#)

⁷ Residential Tenancies Board. (2019). [Annual Report 2018.](#)

between 2017-2018. In 2018, there were 173,197 landlords registered with the RTB, a fall of 804 from the previous year and 39,109 below its peak in 2012.⁸

Figure 2: Decreasing number of registered landlords from a high in 2012



Source: Oireachtas L&RS based on RTB annual report 2018.

Mortgage arrears among landlords in Ireland

The Central Bank residential [mortgage arrears and repossession statistics Q1 report 2020](#) shows that at the end of March 2020 there were 101,585 residential mortgage accounts for buy-to-let (BTL) properties in Ireland, to a value of €16.6 BN.

Of these, 16,773 accounts (16.5%) were in arrears (an increase of 1.3% over the quarter). Of the total BTL stock, 13,476 accounts, or 13.3%, were in arrears of more than 90 days (a decrease of 3.1% over the quarter).

There were 10,278 accounts in arrears of more than 720 days. While this was a reduction of 0.8% on the previous quarter, it means that 61% of BTL accounts in arrears, are in arrears for more than 720 days. The report also shows that at the beginning of Q1 2020, receivers were appointed to 351 BTL accounts, bringing the total number of BTL accounts in receivership to 5,180. There were 615 BTL properties in the banks' possession at the beginning of Q1 2020.

A recent study by NUIG titled *A Lost Decade: Study on Mortgage Possession Court Lists in Ireland*⁹ states that:

“COVID-19 will inevitably result in a new round of mortgage arrears and many of the challenges of the last decade will re-emerge.”

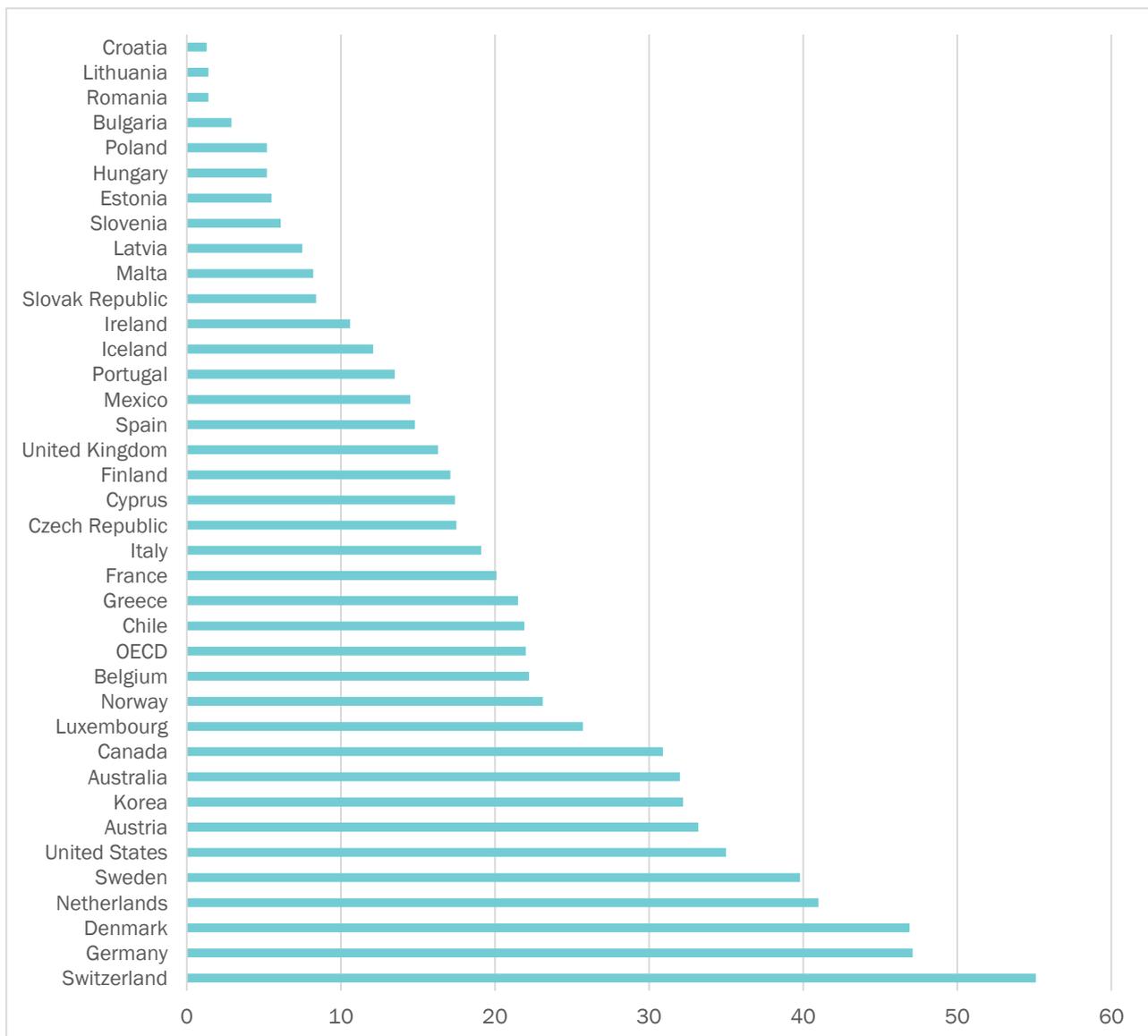
⁸ Ibid.

⁹ Kenna, P. (2020). [A Lost Decade: Study on Mortgage Possession Court Lists in Ireland](#).

PRS internationally

Figure 3 is taken from the OECD [Affordable Housing Database](#). The chart shows that Ireland (at 10.6%) is well below the OECD average (22%) of people who rent their homes on the private market and pay market rents. Ireland is more in line with Iceland (12.1%), Slovak Republic (8.4%), and Malta (8.2%) than other western European countries such as Germany (47.1%), the Netherlands (41%), Sweden (39.8%), and Austria (33.2%), who have far more people renting on the private market and paying market rents than the OECD average. Countries such as France (20.1%), Italy (19.1%), the UK (16.3%) and Spain (14.8%), while lower than the OECD average, still have a higher number of private renters paying market rates than Ireland.

Figure 3: Percentage of those who rent their homes on the private market, at market rents, by country.



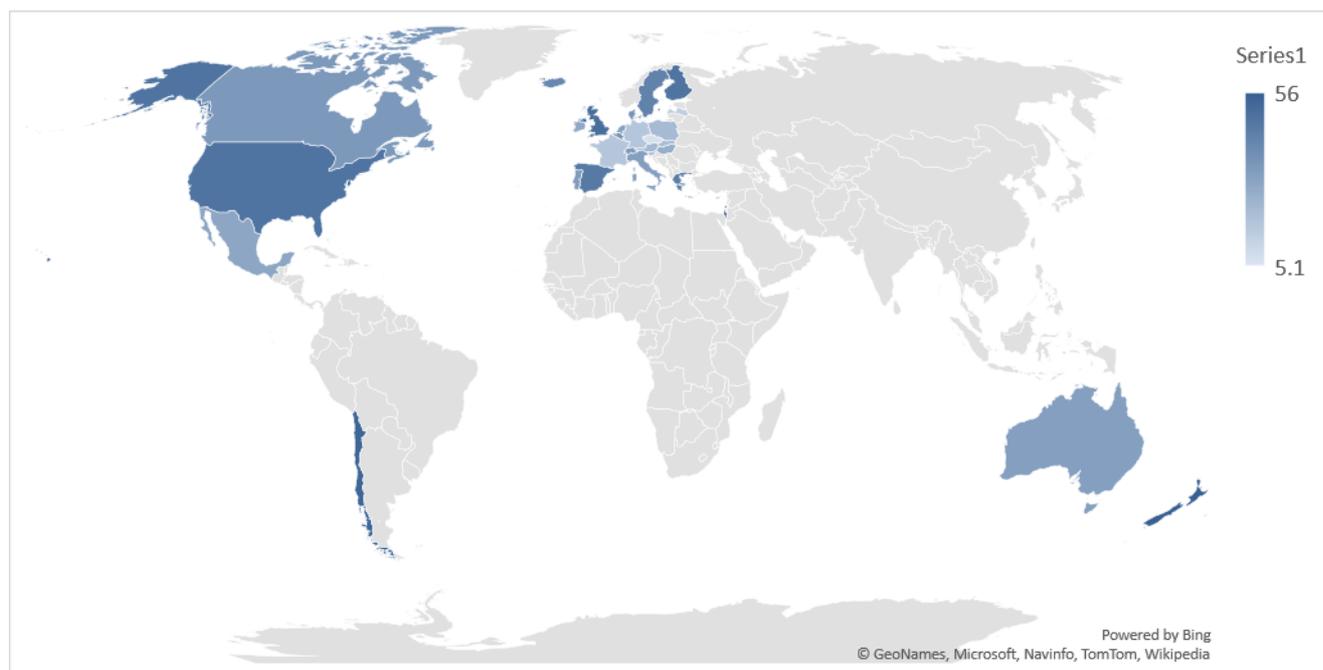
Source: OECD Affordable Housing Database

Costs for low-income renters in Ireland compared to internationally

Figure 4 is based on data from the OECD [Affordable Housing Database](#) and shows the share of low-income private tenants spending more than 40% of their income on rent (known as “cost overburden”), across the OECD. The **high concentrations of blue** show which countries have the highest rates of cost overburden in the private rented sector (PRS).

Overburden rates among low-income private tenants are above the OECD average (which is 34%) in: New Zealand (56), Israel (54.1), Chile (53.8), United Kingdom (50.7), Finland (48.4%), United States (48.3%), Spain (46%), Greece (44.7%), Sweden (43), Iceland (41), Norway (39.2), Belgium (36.8), Denmark (36.5), Canada (34.7), and Switzerland (34.5). In Ireland, 28% of low-income private tenants spend more than 40% of their income on rent. Countries with the lowest cost overburden rates include Malta (5.1), Czech Republic (7.1), Cyprus (11), Latvia (14.2), France (17.2) and Germany (17.3).

Figure 4: Overburden rates among low-income private tenants



Source: L&RS 2020, based on OECD data

International approaches to rents and rent arrears, as a result of COVID-19

Around the world, public health measures have required closures of businesses and workplaces. As a result, many countries have taken measures that would alleviate the pressure on renters who have lost their jobs. For instance, like Ireland, France, Germany, Spain, the United Kingdom, the United States, the Czech Republic and some Canadian regions and municipalities have placed a temporary moratorium on evictions.¹⁰

Some countries have also put in place financial assistance for renters. For instance, Greece introduced legislation to allow tenants who lost their jobs because of the COVID-19 crisis, to pay only 60% of their monthly rent for March and April.¹¹

In Prague the city council will forgive rent in city-owned properties and provide financial support of up to CZK 45,000.¹²

Lithuania has increased financial support for means-tested rent subsidies and introduced lower eligibility criteria for accessing these supports.¹³

In Brussels Capital Region, tenants with low-incomes, renting on the private market, who have lost their income, due to Covid-19, are eligible for a payment of €215.¹⁴

In Malta, the Government has increased rent subsidies for families that have experienced a loss of work due to COVID-19. The Maltese Government also increased rent subsidies for families in subsidised accommodation, where one family member has had their employment terminated.¹⁵

Spain has introduced transitional financial assistance for tenants, at zero interest, with a State guarantee (six months of rent, to repay within 10 years). On April 21, the total amount of the State Guarantee Line was established at EUR 1.2 billion.¹⁶ The interest free “micro-loan” scheme means that the pressure to tenants struggling to pay their rent is lessened considerably.

¹⁰ European Commission - Policy measures taken against the spread and impact of the coronavirus – 14 April 2020. Accessed on 3 June at https://ec.europa.eu/info/sites/info/files/policy_measures_taken_against_the_spread_and_impact_of_the_coronavirus_14042020.pdf

¹¹ Ibid.

¹² European Commission - Policy measures taken against the spread and impact of the coronavirus – 14 April 2020. Accessed on 3 June at https://ec.europa.eu/info/sites/info/files/policy_measures_taken_against_the_spread_and_impact_of_the_coronavirus_14042020.pdf

¹³ European Commission - Policy measures taken against the spread and impact of the coronavirus – 06 April 2020. Accessed on 4 June at https://ec.europa.eu/info/sites/info/files/coronavirus-policy-measures-6-april_en_1.pdf

¹⁴ European Commission - Policy measures taken against the spread and impact of the coronavirus – 28 May 2020. Accessed on 07 July at https://ec.europa.eu/info/sites/info/files/coronavirus_policy_measures_28_may_0.pdf

¹⁵ Ibid.

¹⁶ European Commission - Policy measures taken against the spread and impact of the coronavirus – 7 May 2020. Accessed on 4 June 2020 at https://ec.europa.eu/info/sites/info/files/coronavirus_policy_measures_7_may.pdf

Spain has also introduced an automatic deferral of rent payments for “vulnerable” tenants whose landlord owns 10 or more properties, for a maximum of four months with repayment due over three years. These landlords can either accept these arrangements, or reduce their rents by 50%.

In June 2020, NESC published a paper titled the Implications of Covid-19 for Housing in Ireland. The paper references a report by DIW Berlin (the German Institute for Economic Research),¹⁷ which reviews measures by governments to address the impact of lost income on tenants. That paper finds four categories of response: protection against dismissal for tenants, mortgage relief, rent freezes, and rent subsidies. Of these, the report finds that protection against eviction is the most common (19 countries), while rent freezes are the least common (9 countries). Subsidies to tenants or landlords are planned or available in four countries – Spain, Romania, Luxembourg and Canada.

¹⁷ Kholodilin, K.A. (2020). Housing Policies Worldwide during Coronavirus Crisis: Challenges and Solutions, DIW Focus 2, DIW Berlin. Accessed on 08/07/2020 at https://www.diw.de/de/diw_01.c.758176.de/publikationen/diw_focus/2020_0002/housing_policies_worldwide_during_coronavirus_crisis_challenges_and_solutions.html

General approaches taken by countries to deal with rent arrears

The following examples are taken from [Evictions Due to Rent Arrears: A Comparative Analysis of Evictions in Fourteen Countries](#) (2014), by Susanne Gerull.

- In **France**, authorities can use specific housing solidarity funds to cover rent arrears, where other preventative measures between the tenant and landlord have failed.
- In **Portugal**, there are certain conditions under which rent arrears may be regulated by the state, such as if tenants have a disability, or can prove a lack of material resources.
- In **Sweden**, households may receive financial assistance to settle their rent arrears, once the case has been investigated by a social worker and it is determined that the tenant is unable to pay.
- In **Germany**, regulations are in place to allow local authorities and job centres to help with rent arrears, where this is considered necessary and there is a risk of homelessness. However, assistance is not mandated where rent is too high.

A review by Kenna et al. (2016) [Promoting protection of the right to housing - Homelessness prevention in the context of evictions](#) finds, when looking at international initiatives to prevent evictions:

“While there are many local initiatives and projects that focus on the prevention of evictions, few have been documented or examined for their effectiveness. However, recent research has identified debt advice and legal assistance as the most effective measures in preventing tenant evictions.”

Kenna et al. (2016) cite the German Social Code as a good example of dealing with evictions. This Code states that courts must report rent arrears eviction cases to municipal services responsible for the prevention of homelessness. Experts contend that the best time to inform authorities, however, is when a notice to quit is issued by landlords.

Outside of the EU, Kenna et al. (2016) single out Australia as an example of best practice, where security of tenure is more than a legal issue and comprises long-term social/affordable housing and “perpetual security,” whereby even occupiers without legal rights feel secure.



Contact:

Houses of the Oireachtas
Leinster House
Kildare Street
Dublin 2
D02 XR20

www.oireachtas.ie
Tel: +353 (0)1 6183000 or 076 1001700
Twitter: @OireachtasNews

Library & Research Service
Tel: +353 (0)1 6184701
Email: library.and.research@oireachtas.ie

Connect with us

