



**Respond!  
Housing Association**

**Pre Budget  
Submission 2012**

## **About Respond!:**

Respond! is Ireland's leading housing charity having provided more than 5,000 units of accommodation nationwide. We seek to create a positive future for people by alleviating poverty and creating vibrant, socially integrated communities. We do this through providing access to education, childcare, community development programmes, housing and other supports.

## **Introduction:**

Ireland has undergone unprecedented changes in the past 3 years, the effects of which are being felt throughout Irish society. While acknowledging the need to make additional budget adjustments on December 6th, Respond! is calling on the Minister for Finance to bear in mind those who cannot endure any further financial hardship, specifically those on low incomes at risk of poverty, older persons, homeless persons, persons with special needs and those struggling to keep a roof over their head.

### **1. Protecting the vulnerable:**

Respond! believes the more vulnerable in our society have been disproportionately affected by this recession. Evidence shows that Budget 2011 affected those on lower incomes greater than those on higher incomes. In addition, cuts to direct public services have a bigger impact on lower income households who are more reliant on them.<sup>1</sup>

Currently 14.1% of Ireland's population is at risk of poverty with incomes below €11,585 for a single person or €26,877 for a household of four. 37% of all households at risk of poverty are headed by a person with a job. A further 44% of all households at risk of poverty are headed by a person outside the labour force (ie older people and people who are ill, have a serious disability or are in caring roles) who are totally dependent on social welfare<sup>2</sup>. More than 200,000 or 18% of children in Ireland are at risk of poverty and Respond! believes that reducing child poverty should be an important part of the Government's policy agenda.

Families surviving on low incomes cannot absorb further cuts to social welfare rates or income as it would push them further into poverty. The continual reduction in social welfare rates in recent years have harshly affected those who neither benefitted from the Celtic Tiger, nor caused the current economic recession.

### **Recommendations:**

- Adult social welfare rates and child benefit payments should be maintained at current levels.
- Make the welfare system more responsive to atypical work so that people can engage in part-time or temporary employment.
- The cuts to fuel, electricity and telephone allowances introduced in Budget 2011 should be reversed.
- Review the Universal Social Charge for those on the minimum wage and very low incomes.

1. Tasc Pre Budget Submission 2012

2. Policy Briefing, Social Justice Ireland, October 2011

## **2. Reform of Rent Supplement:**

In 2010, the cost of rent supplement to the Department of Social Protection was in excess of €516 million for more than 97,000 households. Rent supplement was introduced in 1999 as a short term income support but there is now an acknowledgement by the State that rent supplement is now a housing benefit, rather than an income support. In June 2011, the Minister for Housing and Planning Willie Penrose announced that responsibility for rent supplement would be transferred from the Department of Social Protection to the Department of the Environment, Community and Local Government. Respond! supports this move but believes additional changes to rent supplement should be made.

### **Recommendations:**

- Respond! believes Local Authorities should negotiate directly with private landlords, as they currently do in the case of the Rental Accommodation Scheme (RAS). Respond! believes Local Authorities have far more negotiating power than individual tenants and savings could be achieved through direct negotiation, as well as the reduction of minimum rental limits in each Local Authority area.
- Respond! believes only tax compliant, Non Principal Private Residence compliant and PRTB registered landlords should be eligible and that direct payment should be made to landlords, as is the case with the Rental Accommodation Scheme (RAS).
- The amount paid by recipients of rent supplement should be calculated using a differential rent system, rather than a set minimum amount. Differential rent means a tenant's income, financial and family circumstances are taken into account when calculating rent.
- The limit in the number of work hours permitted for recipients of rent supplement should be removed. The current system is poorly designed as it creates poverty traps. Recipients of rent supplement are prevented from taking up full-time employment as working 30 hours or more means automatic disqualification unless they are on a waiting list for the Rental Accommodation Scheme (RAS) or satisfy other exceptional conditions. This effectively means that the majority of recipients would be better off on welfare rather than returning to full employment.
- Reduce the time a person must be on Rent Supplement for eligibility for RAS from 18 months to 6 months and move households to more secure, long term accommodation acquired through the Rental Accommodation Scheme (RAS) or the Social Housing Leasing Initiative.

## **3. Assistance for those in Mortgage Distress:**

There is an acknowledged mortgage arrears crisis in the country with 1 in every 8 mortgage in some form of financial distress. The latest figures from the Central Bank indicate that 55,763 residential mortgages are in arrears of more than 90 days while a total of 69,837 have restructured their mortgages due to some form of financial distress (of which 39,395 are not in arrears).

Respond! believes that the response of Government to date to deal with this crisis has been inadequate. The Keane Report did not go far enough and Respond! is disappointed with the lack of consultation with stakeholders prior to publication. Respond! is part of a grouping of National organisations and researchers that believe a more fundamental policy response is required that is just, fair and equitable. Other members of this group include Free Legal Advice Centres, Threshold, Focus Ireland, New Beginning, Society of Saint Vincent de Paul, Northside Community Law Centre, Ballymun Community Law Centre, Dr Stuart Stamp (NUI Maynooth), Ciara Murphy (Public Information Consultant), Simon Brooke (Housing and Social Policy Consultant), Dr Michelle Norris (University College Dublin) and Dr Padraic Kenna (NUI Galway). This group outlined nine principles to overcome the personal debt crisis and Respond! is calling for Government to implement the recommendations of this group.

**Recommendations:**

- Respond! believes personal insolvency legislation needs to be introduced to bring us in line with European best practice. Personal insolvency legislation needs to take into account the multiple debts faced by homeowners today. Debtors who cannot pay in full must pay to the best of their ability over a defined period of time and in return remaining debt must be written off to allow for a fresh start.
- A Debt Resolution Agency should be established to oversee the legislation in order to ensure transparency and consistency. An independent Debt Resolution Agency would operate in private and would encourage mediated settlements in a non-judicial environment. A Debt Resolution Agency should have statutory powers to make independent binding adjudications where necessary (subject to a right of appeal to the courts) following a thorough examination of a debtor's financial and other circumstances.
- One of the solutions proposed in the Keane Report was a Mortgage to Rent Scheme whereby housing associations would purchase the homes of those with unsustainable mortgages from the lending institution. Respond! believes a thorough and robust consultation process with the housing association sector must take place prior to the introduction of any such scheme. Mortgage to rent would involve housing associations borrowing privately and taking on additional financial risk so it is crucial that they are involved in the formulation of any such scheme.

**3. Reform of Mortgage Interest Supplement:**

Mortgage Interest Supplement (MIS) is currently the only financial assistance for those in mortgage distress. MIS provides short term support to help qualifying households pay their mortgage interest. There are currently in excess of 19,000 households in receipt of MIS at an annual cost of €77 million. However, this is far less than the total number of households in mortgage distress and Respond! believes this is for a variety of reasons, including the strict qualifying criteria. Some of these criteria include a spouse or partner not working more than 30 hours per week; involvement in a trade dispute; being in full time education; your house being up for sale; the affordability of your mortgage at the beginning of the mortgage and that you have not been admitted to an institution (for example a hospital) for a period of in excess of 13 weeks. In July 2010, the Department of Social Protection published a review of Mortgage Interest Supplement recommending a number of key reforms to the policy. These included the removal of the rule preventing payment of MIS to couples where one person is working in excess of 30 hours and removal of the rule where MIS cannot be provided if a property is up for sale.

**Recommendations:**

- Respond! is calling on the Department of Social Protection to implement the recommendations of the Review of the Mortgage Interest Supplement Scheme in order to provide financial assistance to those in mortgage arrears and support them to remain in their own homes.

**For further information on this submission, please contact:**

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