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GENERAL COMMITTEES

Public Bill Committee

WELFARE REFORM AND WORK BILL

Ninth Sitting

Thursday 15 October 2015

(Morning)

CONTENTS

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Monday 19 October 2015

STRICT ADHERENCE TO THIS ARRANGEMENT WILL GREATLY FACILITATE THE PROMPT PUBLICATION OF THE BOUND VOLUMES OF PROCEEDINGS IN GENERAL COMMITTEES

The Committee consisted of the following Members:

Chairs: †Albert Owen, Mr Gary Streeter

† Abrahams, Debbie *(Oldham East and Saddleworth)* (Lab)
† Atkins, Victoria *(Louth and Horncastle)* (Con)
† Bardell, Hannah *(Livingston)* (SNP)
† Churchill, Jo *(Bury St Edmunds)* (Con)
† Coyle, Neil *(Bermondsey and Old Southwark)* (Lab)
† Dowd, Peter *(Bootle)* (Lab)
† Heaton-Jones, Peter *(North Devon)* (Con)
† Hinds, Damian *(Exchequer Secretary to the Treasury)*
† Lynch, Holly *(Halifax)* (Lab)
† Milling, Amanda *(Cannock Chase)* (Con)
† Opperman, Guy *(Hexham)* (Con)
† Patel, Priti *(Minister for Employment)*
† Phillips, Jess *(Birmingham, Yardley)* (Lab)
† Scully, Paul *(Sutton and Cheam)* (Con)
† Shah, Naz *(Bradford West)* (Lab)
† Shelbrooke, Alec *(Elmet and Rothwell)* (Con)
† Thornberry, Emily *(Islington South and Finsbury)* (Lab)
† Vara, Mr Shailesh *(Parliamentary Under-Secretary of State for Work and Pensions)*
† Whately, Helen *(Faversham and Mid Kent)* (Con)
† Wilson, Corri *(Ayr, Carrick and Cumnock)* (SNP)

Marek Kubala, Ben Williams, *Committee Clerks*

† attended the Committee

Public Bill Committee

Thursday 15 October 2015

(Morning)

[Albert Owen *in the Chair*]

Welfare Reform and Work Bill

11.30 am

Ordered,

That the Order of the Committee of 10 September 2015 be amended as follows:

(1) In paragraph (1), after sub-paragraph (e) insert—

"(f) at 9.25 am and 2.00 pm on Tuesday 20 October;".

(2) In paragraph (4), for "Thursday 15 October" substitute "Tuesday 20 October".*"—(Guy Opperman.)*

The Chair: I call a poorly Emily Thornberry to move the amendment.

Clause 16

Loans for mortgage interest

Emily Thornberry (Islington South and Finsbury) (Lab): I beg to move amendment 19, in clause 16, page 15, line 25, at end insert—

'(7A) The waiting period before a person can apply for a loan under this section shall be 13 weeks."

To require that the waiting period before an application for a loan for mortgage interest can be made is 13 weeks.

It is a pleasure to serve under your chairmanship, Mr Owen, ill or not.

Housing costs are never far away from our discussions in this Committee, and the clause brings the subject back into focus in a new and unexpected way. It is not at all clear to me what the Government are trying to achieve with this strange proposal. Support for mortgage interest—SMI—is a benefit that has been in existence in some form or another since 1948. It is the same age as the welfare state and the national health service and is paid exclusively to those on the lowest incomes. It is an important part of the social safety net, the entire principle of which is undermined when we start talking about replacing benefits with loans, which is what the proposal would do.

We have tabled mostly probing amendments to clauses 16 to 18. We do not believe that interest-bearing loans have a place in the social security system at all, but we have sought to highlight some of the most serious flaws in the proposal in the hope that the Government might reassure us that the consequences of the changes have been adequately thought through because, at first blush, it seems to us that they have not.

Towards the end of Tuesday's sitting, we began to air some of the arguments about waiting periods. The Government made clear their intention to fix the waiting period for SMI loans at 39 weeks, which is three times its current level. That is without a doubt a substantial change. The waiting period was set at 13 weeks in 2008 when the global financial crisis prompted the then Labour Government to shorten the waiting period as part of a range of measures intended to prevent homeowners from going into arrears and facing repossession of their homes.

A research report published by the Department for Work and Pensions in 2011—I recommend the Minister reads it because it is very interesting and enlightening—says that the measures were successful. It stated that the changes

"resulted in more people being assisted, more fully and sooner. Borrowers accrued lower levels of arrears or none at all"

and

"lenders have been more willing to forbear and not seek possession."

The report was published in 2011 and can be found on the Government's DWP website.

Reversing the process by reverting to a 39-week waiting period is counterintuitive and likely to be counterproductive. It seems likely to increase the probability of homeowners facing repossession and homelessness when they fall on hard times. If the measure is about saving money, making things more difficult for people who find themselves falling on hard times when trying to buy their home and more likely that repossession will happen earlier is counterintuitive because of the costs to us all to look after the people whose homes have been repossessed. As we discussed on Tuesday, I was disappointed that there was no mention of that in the latest Government impact assessment.

The Government have not been able to provide any reassurance that there is a robust evidence base or, indeed, any evidence base at all for the contention that the charge will not risk an increase in homelessness. The best that the Minister could do on Tuesday was to tell us:

"The Council of Mortgage Lenders has not said that the 39-week wait will drive repossessions. That is an eminently respected organisation, and it would have said if it felt that was the case."*—[Official Report, Welfare Reform and Work Public Bill Committee,* 12 October 2015; c. 360.]

I was interested and frankly surprised to hear that, and thought perhaps I had misheard it. I gave the Minister the benefit of the doubt at the time, but I am afraid I do not now. I wondered if the Council of Mortgage Lenders had looked into this in a bit more depth than the Government, so I went back and looked over its submission to the Committee. Imagine my surprise when I found that the view it had expressed on the waiting period was the exact opposite of what the Minister told us! For the sake of clarity, I will quote the submission at length, because it is a very helpful document:

"If the waiting time is extended, as planned, we believe that it will result in more cases of repossession as lenders will not be able to allow their customers to continue to accrue mortgage arrears over this period especially where the customer is unable to make any payment. Lenders already have to carefully balance allowing a person to remain in their home while not allowing their financial position to worsen. Extending the waiting time will only cause additional consumer detriment."

There we are. The council is against it. The one piece of evidence that the Minister was able to cite in support of extending the waiting period turns out to be nothing of the kind.

The Government have to do better than that. In order to persuade Members on the Opposition Benches, the Government ought to make an effort to produce

some evidence or opinion from someone apart from Government Ministers that shows that the proposal is a good idea, and that extending the waiting period for mortgage lenders to get repayment will not mean an increase in homelessness. That, I appreciate, is an uphill task, but it is one they have set themselves.

I appreciate that I am a cracked record on this, but we must go beyond the rhetoric and look at evidence. Social policy should be based on evidence, and I will be interested to hear whether there is any evidence to show that extending the period from 13 weeks to 39 weeks, as the Government want, will actually help anybody.

Hannah Bardell (Livingston) (SNP): It is a pleasure to serve under your chairmanship once again, Mr Owen. The Scottish National party supports the intentions behind Labour's amendment 19, because access to support must be available within 13 weeks and not the proposed 39 weeks.

According to Shelter, around £300 million per annum in SMI is "small" in terms of welfare spending, but it is very important:

"It covers the interest payments for around 200,000 home owners on their mortgages, meaning that they are less likely to be forced into having their home repossessed and, ultimately, to end up homeless."

Shelter also says that SMI has

"tight eligibility criteria and is restricted to very low income households who are out of work, pensioners or sick or disabled. In fact, the overwhelming majority of recipients of SMI either qualify through pension credit or employment and support allowance."

They are already some of the most vulnerable benefit claimants, so adding a further burden by turning the benefit into a loan is essentially giving with one hand and taking away with the other. We do not support the Government's attack on the weakest by forcing more and more vulnerable people to take on the added burden of debt just to get out of hard times. How can we define that as welfare?

Amendment 19 would ensure a waiting period for applications by eligible claimants for support with mortgage interest of 13 weeks. That would offer protection against the Government increasing the waiting period, as they have done with statutory instrument No. 1647, which will increase the waiting period to 39 weeks from 1 April 2016. The explanatory memorandum to the instrument states:

"The provisions in this instrument introduce a 39 week waiting period for all working age claimants who are required to serve a waiting period before housing costs, including payment of eligible mortgage interest, can be paid."

We do not want yet more financial pressure on benefit claimants due to having to wait more than half a year to receive financial help with their mortgage interest payments, let alone the added pressure of that financial help pushing them into further long-term debt when that benefit is turned into a loan. Has the Minister had discussions with the Scottish Government on the implications of that change from support to loan, which will impact the people of Scotland by pushing them into further debt? I would be grateful for information on that.

The Parliamentary Under-Secretary of State for Work and Pensions (Mr Shailesh Vara): It is a pleasure, Mr Owen, to serve under your chairmanship. First, may I clarify one point concerning the Council of Mortgage Lenders? The other day, I spoke in good faith and on the basis of the many regular meetings that we have with the CML during which the issue has not been raised at all. Indeed, Paul Smee, its director general, did not raise the issue when he was in a meeting with my ministerial colleague, the noble Lord Freud, when they met in early September. Although the CML has definitely said that it believes that the 39-week waiting period will drive repossessions, they are unable to quantify numbers of repossessions. We will continue to work with the CML to assess any such impact in terms of repossessions but we do not believe that these will be significant.

Emily Thornberry: Will the Minister give way?

Mr Vara: I have said all I am going to say on that. I would like to make progress as there is a lot to be said this morning. I would rather not get bogged down on issues on which I have made proper statement.

Claimants receiving income-related benefits may claim help towards the cost of their mortgage interest payments. Other than those receiving state pension credit, claimants have to serve a waiting period before the entitlement to help with mortgage interest begins. During the period of 1997 to 2009—the announcement was made in 2008 but the actual impact was in 2009—the waiting period for the majority of working age claimants was 39 weeks. In January 2009, the then Government introduced temporary arrangements reducing the period to 13 weeks, specifically to deal with the economic circumstances and to give additional protection to those who lost their jobs during the recession. At the same time, the maximum value of the mortgage for which support was available—the capital limit—was doubled to £200,000.

It was announced in the summer Budget that, from April 2016, the waiting period will return to the pre-recession length of 39 weeks, but it is important to remember and to note that the higher capital limit of £200,000 will be maintained. Given that the 39-week period was perfectly satisfactory from 1997 to 2009, and that the reduction was introduced purely on a temporary basis to deal with the then economic circumstances, it is right and proper that we should now revert to the former system.

We are all aware that the economy is on the rise and of the huge benefit that the employment market has had. We have record employment levels. I pay tribute to my right hon. Friend the Minister for Employment for her contribution to ensuring the record level of employment that we have at the moment.

The amendment would remove the current broad powers in the Bill that allow the waiting period for SMI to be set out in regulations, replacing them with a narrowly defined 13-week waiting period.

Debbie Abrahams (Oldham East and Saddleworth) (Lab): The Government's own impact assessment says that people of pension age are more likely to be affected by the change in SMI. Has there been an assessment to look at the impact that it may have on, for example, their ability to pay social care costs, and at what overlap there may be as a result of having an ageing population?

Mr Vara: May I first pay tribute to the hon. Lady? She has a formidable reputation in health matters, particularly in relation to elderly people. I understand

[Mr Vara]

that she co-chairs at least one all-party parliamentary group and chairs another. She comes with a formidable background and I take what she says with considerable respect.

It is important to remember that many pensioners will have had the assets for many years. That is actually the case. During that period, those assets will have appreciated considerably. What we are saying is that the loan will be paid only when the home is eventually sold. If there is no equity left, there will be nothing to pay back to the state. The provision is reasonable given that there are taxpayers who do not own their own home but whose taxes are being used to help others—pensioners or not—with a substantial asset whose value is continuing to appreciate and rise in value thanks to those taxes. As I said, no payment will be required until the property is sold at the end. If there is a balance left, that will be written off.

11.45 am

We also wish to retain the ability to act quickly in response to varying wider situations, such as economic downturn in the event that that happens again. Prescribing the waiting period in primary legislation would remove that flexibility. It is important to understand that the purpose of helping owner-occupiers with mortgage interest payments is not to secure their asset or reduce any outstanding payments owed to lenders; it is to help them mitigate the risk of repossession. There is no evidence to suggest that lenders will do anything other than exercise the same degree of forbearance that they did during the period 1997 to 2009, when the 39-week waiting period last applied, particularly as we are maintaining the £200,000 upper capital limit.

The hon. Member for Oldham East and Saddleworth also spoke about social care. Again, some people who need social care have assets that they have held for many years, often decades. People do not buy houses late in life, particularly those who are pensioners now. Many of them have an alternative income—not everyone, I accept—so we believe that there is sufficient equity to meet social care as well as the charge for the loan.

Emily Thornberry: The Minister asserts extraordinary things. I am sorry, but "We do not believe that this will increase repossessions; there is no evidence that it will" is not an answer to "Please provide the evidence that it won't." It is not an answer simply to assert that that will not happen, when common sense dictates that people who do not pay their mortgage for three times as long as before are likely to get into trouble with the lenders. It seems perfectly straightforward.

I will move on to that in a moment, but again, many of the points made by the Minister do not accord with what we know to be the case. As my hon. Friend the Member for Oldham East and Saddleworth said, only 15% of those who rely on the payment are on jobseeker's allowance. Half of them are pensioners, and 40% of them are disabled, so they are unlikely to be able to get back into work. Social policy should be made on the basis of evidence rather than what one would like the situation to be. I will withdraw the amendment at this stage, but the Government should go back to the drawing board and think again. I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

Amendments made: 116, in clause 16, page 15, line 25, at end insert—

'( ) The regulations may define "owner-occupier payment".'

This amendment provides for regulations under clause 16 to define the term "owner-occupier payment". The definition will make provision about mortgage interest payments and payments under alternative finance arrangements.

117, in clause 16, page 15, line 26, leave out subsection (8).—*(Guy Opperman.)*

This amendment removes definitions that are no longer needed for clause 16.

Emily Thornberry: I beg to move amendment 134, in clause 16, page 15, line 34, leave out subsection (11) and insert—

'(11) A statutory instrument containing regulations under this section may not be made unless a draft of the instrument has been laid before, and approved by resolution of, each House of Parliament.'

To require that regulations under this section must be subject to the affirmative resolution procedure.

The proposed extension of the waiting period is, in my view, just the tip of the iceberg of what we do not know about how the switch from benefit to loan will work in practice. As is often the case with this Government, the Bill contains little detail. The operation of the proposed scheme will instead be set out in regulations, which the Government intend to slip through on the nod, hoping that no one will be paying any attention. Amendment 134 would require that the regulations on the details of the proposed loan scheme under the clause be subject to the affirmative procedure. It is all about democracy.

As drafted, the Bill will allow the Government to implement significant changes to the scheme, including such important details as the loan provider, the rate of interest payable on the loan itself, the terms of repayment and any additional charges and fees, without the need to seek parliamentary approval. That is pretty extraordinary. Amendment 134 would require the regulations to be subject to a debate and a vote in both Houses, so that we may scrutinise the proposals properly and understand what we are being asked to agree to.

I have touched on some of the important details that have been left out of the Bill, some of which I wish to explore further to give a sense of the scale of the issue. The first and most immediately obvious question is, who will provide the loans? In 2011 the Department for Work and Pensions, when it called for evidence, indicated that it would be responsible for administering the scheme, but things seem to have changed. The Bill lists a number of potential providers, including deposit-taking institutions, insurers and local authorities, of which the DWP is not one. So we are left to guess.

The Bill also indicates that administrative fees and interest charges will be payable on loans, but it does not say what will be chargeable or how the rates of interest might be set. It seems ironic, and not at all fair, that when the Government are proposing that loans for mortgage interest should be subject to repayment with interest we do not have the detail in the Bill, so we are not in a position to make an informed judgment.

Another unanswered question is to do with the interaction between the proposed scheme and universal credit. If people continue to receive support for housing costs as part of their monthly universal credit payment, the Government are creating a recipe for confusion by telling claimants that part of their benefit has become an interest-bearing loan that they must at some point repay. We seem to be going in all sorts of different directions at once, and that would seem to undermine one of the core arguments that Ministers put forward in favour of universal credit, which is—I do not know if you remember this, Mr Owen, but we hear it all the time—that it is supposed to be simple. Well, that is not simple.

The Bill is silent on a number of other issues, many of them more complex, that will inevitably arise from the transition period. There are, for example, many features of support for mortgage interest that might make sense for a means-tested benefit, but which seem less appropriate when imposed as a condition for receipt of a loan. Time-limiting claims for those on jobseeker's allowance is an obvious example. Putting a ceiling on the amount of eligible capital for which SMI is payable is another. The Government do not make it clear whether either of those features will be carried over to the loans that will replace SMI, nor have they made it clear what additional costs the loans may be able to cover.

The Minister recently tabled a number of amendments—we have just heard one—that will change the wording of the Bill to specify that loans will be able to cover "owner-occupier payments" and not only mortgage interest. It is as if a light has just gone on above the Minister's head and he realises that more ought to be covered. It seems to reflect the Government's realisation that the scheme has the scope to cover additional costs, such as essential repairs and service charges. For example, some of my pensioners in Bunhill might find themselves in difficulty and needing to go for SMI, but they also have huge service charges for the lifts and cleaning—many of them complain that the service charge is one of the biggest costs that they have—so the Government, at the last minute, have realised that they have to do something about that as well.

If that is the case, the recognition came late in the day, and it indicates that the full implications of the proposal are still not fully thought through. Here we are, in Committee, discussing such an important change—a change of principle, whereby we are asking people to take out a loan in order to pay off the interest on a loan—and the Government have simply not thought it through. We are talking about some of the most vulnerable people, and frankly, leaving aside the fact that the principle is wrong and the measure will not save a great deal of money, to add insult to injury, the Government have not even thought it out.

Finally, the Bill leaves out the crucial issue of the rate at which the loans will be payable. If the payments are too low to cover the full amount of interest owed—for example, if the Government, as they have suggested, use the Bank of England's standard interest rate as a benchmark—the system will not serve its purpose, and it will increase the incentive for people to abandon their mortgages altogether. I do not know whether the Government have thought of that.

Whatever rate the Government settle on, that important detail deserves more in-depth discussion than the Committee has time for. It simply is not good governance for Ministers to pass legislation that allows them to make changes of such consequence with so little accountability. I hope, therefore, that Government Members will agree that Ministers need to be more forthcoming about their intentions on these issues before the Bill moves forward.

Mr Vara: The amendment would require the regulations made under clause 16 to be subject to the affirmative resolution procedure and to be approved by each House of Parliament. That is not necessary, since the fundamental principles we wish to achieve will have been clearly laid out during the Bill's passage and debated in Parliament.

We had a call for evidence between December 2011 and February 2012. That is a number of years ago, and there has been debate since then. We have had oral evidence. It was between December 2011 and February 2012 that the idea of providing support for mortgage interest payments through a loan was first introduced, and the majority of responses were positive.

Emily Thornberry: I appreciate that the Minister is saying that he will be able to push the principle through using his majority, but the point I am trying to make is that the details make no sense, and the Government have not thought them through. Given that we have no indication of how the system will work, we need an opportunity to scrutinise it further in a Delegated Legislation Committee so that, frankly, we can give the Government a hand, because they are making a pig's ear of this. The Minister talked about the call for evidence in 2011 and 2012, but the can was kicked down the road for many years, until after the Conservative party won the election, at which point the Government started pushing these things through without thinking through the consequences.

Mr Vara: There is a fundamental distinction between pushing forward an ideology, while ignoring everything and anything that may be put forward, no matter how sensible it is, and deciding to consider the evidence before the Committee and recognise the reality of Government—that it is important to have flexibility and regulations. That is why Departments across Whitehall have regulations: to be able to deal with the minutiae. It is also important to have that facility so that we can deal with things quickly and take a flexible attitude, rather than go through the cumbersome and time-consuming procedure of having everything approved in Parliament. That is simply not the way the real world works; it was not the way the Labour Government operated, it certainly was not the way the coalition Government operated, and it is certainly not the case now.

Debbie Abrahams: Can I push the Minister a little on interest rates and ask him to reflect on the experience with student loans? They started off in 2010 at a base rate, but they have now gone on to commercial rates. Allowing the issues in the Bill to be fully debated involves important considerations of transparency and openness.

Mr Vara: The hon. Lady makes a very good point, and she gives me the opportunity to make it clear that, unlike students, almost all the people we are talking about have an asset—a property. Therefore, the two groups are fundamentally different. The interest rate we

[Mr Vara]

charge will be what we will have paid to borrow the money, and that will depend on the gilt rates at the time. It is as straightforward as that.

The Government recognise the importance of helping owner-occupiers in times of need, and they remain committed to doing so. We are simply changing the nature of the support we provide so that in future the support will be paid to claimants in the form of a recoverable loan. We will recover the loan only when the house is sold, or earlier if individuals' circumstances change and they are in a position to pay the money back.

12 noon

It is right that taxpayers, many of whom are unable to afford their own home, will no longer be asked to subsidise claimants in the accrual of a significant asset. We will continue to engage with stakeholders as we prepare for the introduction of these measures, which is vital to ensure that implementation is smooth and that the provision of support for mortgage interest continues seamlessly through the transition.

Requiring the affirmative resolution procedure would have a negative impact on implementation planning and the development of contracting arrangements with third party providers, and in so doing delay the savings that can be achieved by this measure. I hope that the hon. Member for Islington South and Finsbury will withdraw the amendment.

Emily Thornberry: This was a probing amendment and an attempt to get more detail from the Government, so I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

Question put, That the clause, as amended, stand part of the Bill.

The Committee divided: Ayes 11, Noes 9.

Division No. 44]

AYES

Atkins, Victoria	Patel, rh Priti
Churchill, Jo	Scully, Paul
Heaton-Jones, Peter	Shelbrooke, Alec
Hinds, Damian	Vara, Mr Shailesh
Milling, Amanda	Whately, Helen
Opperman, Guy	

NOES

Abrahams, Debbie	Phillips, Jess
Bardell, Hannah	Shah, Naz
Coyle, Neil	Thornberry, Emily
Dowd, Peter	Wilson, Corri
Lynch, Holly	

Question accordingly agreed to.

Clause 16, as amended, ordered to stand part of the Bill.

Clause 17

SECTION 16: FURTHER PROVISION

Amendments made: 118, in clause 17, page 15, line 40, leave out "pay mortgage interest" and insert "make owner-occupier payments".

119, in clause 17, page 15, line 42, leave out "property" and insert "particular accommodation".

This amendment is consequential on amendment 110 which replaces a reference to property occupied as a home with a reference to accommodation occupied as a home.

120, in clause 17, page 16, line 5, at end insert—

"( ) provision about entering into an agreement (which may contain such terms and conditions as the Secretary of State thinks fit, subject to what may be provided in the regulations);"

This amendment makes clear that regulations under clause 17(3) may make provision about entering into agreements with persons receiving loans, and the Secretary of State may determine the contents of such agreements.

121, in clause 17, page 16, line 8, leave out "the".—*(Guy Opperman.)*

This amendment is consequential on amendment 120, which refers to the Secretary of State determining the contents of agreements with persons receiving loans.

Emily Thornberry: I beg to move amendment 135, in clause 17, page 16, line 13, at end insert—

'(4) The regulations must make provision for persons applying for a loan to have access to financial advice, which must be provided free of charge by an organisation independent of the qualifying lender.'

To require that those applying for a loan must have access to free and impartial financial advice which is independent of the lender to whom the application is made.

The amendment stands for itself; it is not complicated. It requires those applying for a loan to have access to free and impartial financial advice independent of the lender to whom the application is made. Given that the Department will not be dealing with the loans and will be asking various other organisations to be responsible for such loans, the amendment is consistent with the principle of having free and independent advice. When the coalition Government decided that people should be given access to their pension pots to buy a Lamborghini, they agreed that there should be independent advice before people made such important decisions, so we ask for poor pensioners and disabled people to be given independent advice before they are asked to take out loans.

Mr Vara: Clause 17 allows the Secretary of State to set out in regulations further details regarding the support for mortgage interest loan scheme, including the Secretary of State's ability to contract out certain functions of the scheme to a third party, such as for the provision of financial advice. To be clear, the Department will administer and provide loans, but the advice and recovery will be provided by a third party, which will be chosen in an open and transparent way so that everyone can see that an independent arm's length body is providing that advice.

Emily Thornberry: That is very interesting and helpful. Will the advice be free?

Mr Vara: That is a matter to be decided.

The hon. Lady's amendment seeks to set parameters for the advice: who will provide it, and what it will entail. It is the Government's intention that the regulations should set out the details of that advice, including the type of provider that we will appoint. We also intend for

the advice provided to be broad, including available options other than taking out a loan, the implications of taking out a loan and whether people need to speak to potential beneficiaries of their will who might be affected by their decision, so that they can make a fully informed decision about whether to take out a loan. The amendment is restrictive, as it would prevent the Government from providing the broad advice necessary to claimants when they are considering taking out a loan. I hope that the hon. Lady will withdraw it.

Emily Thornberry: I will, but we will want to hear before Report whether the advice will be free. I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

Emily Thornberry: I beg to move amendment 136, in clause 17, page 16, line 13, at end insert—

'(4) The regulations must provide for persons in receipt of Support for Mortgage interest at the time the regulations come into force to continue to receive these payments for a period of no less than 12 months before they are required to apply for a loan.'

To require that regulations setting out transitional protections for existing claimants of Support for Mortgage Interest must include provisions requiring payments to continue to be made on the basis of the current framework for at least 12 months following the date on which the regulations come into force, before they are expected to apply for a loan.

The Chair: With this it will be convenient to discuss Government new clause 13 and Government amendment 129.

Emily Thornberry: Amendment 136 asks for a 12-month grace period. The Government say that there will be a transitional period, and we think it right for existing claimants to be given 12 months in which to work out the implications of the new necessity of taking out a loan in order to pay off another loan. They need a certain period to get their house in order—to coin a phrase—and to get themselves proper advice. We ask for a 12-month grace period before they have to take out a loan.

Mr Vara: The hon. Lady's amendment would allow existing claimants who are receiving help with the cost of their mortgage interest payments as a benefit to continue to receive that help for at least a year after the new loan scheme has been introduced by regulations. That would effectively allow existing claimants a grace period before they are required to decide whether to continue receiving support for their mortgage interest as a loan. Given that many such claimants have received help with their mortgage as a benefit for some time—in many cases, decades—it would simply be unfair to continue to provide them with help in the form of a benefit while new claimants are offered loans for the same purpose.

Emily Thornberry: Can the Minister point us to the evidence showing that some people have been receiving assistance for decades?

Mr Vara: I do not have that evidence to hand, but I am quite sure, given that the Department is responsible for paying the benefit, that it is there, and therefore that the measure is based on evidence. We all know people who have been on benefits for many years, in many cases for very good reasons, but it is a fact that many people out there have been on benefits for many years, so we must accept the reality of the situation.

Neil Coyle (Bermondsey and Old Southwark) (Lab): The Minister has suggested that the evidence exists but he does not have it to hand. Will he make some of it available to the Committee?

Mr Vara: First, I pay tribute to the hon. Gentleman, who has a distinguished record in the charitable sector. I take this opportunity to commend him and the hon. Member for Birmingham, Yardley, who also has a charitable background. Many people do such work but it gets very little recognition, so I am happy to give that recognition both to colleagues and to the hundreds of thousands of people working in that sector.

As for the evidence, it is abundantly clear that many millions of people are claiming benefit. It is also a fact that, in the election last May, this Government were given a mandate by the people of this country to put forward these reductions and cuts.

Debbie Abrahams: With respect, it is quite clear that the scale of the cuts being proposed was not one of the issues put to the public. The proposed cuts were published only after the general election, so for the record that is a very misleading statement to make—*[Interruption.]*

The Chair: Order. I am sure the Minister will correct things if he has unintentionally misled the Committee.

Mr Vara: I have not misled the Committee. It is a fact that the Government said that we would make £12 billion of reductions from the welfare budget, and it was on that basis that the people of this country, in their millions, voted for this Government as a majority Government and gave us the mandate to make those £12 billion of reductions in the welfare budget, as we are doing.

Neil Coyle: The Prime Minister also gave a commitment not to reduce tax credits, so I look forward to that commitment being implemented by the Government. To return to my previous point, where is the evidence for this Committee about decades-long benefit entitlement? *[Interruption.]*

The Chair: Order. The Minister has been asked a specific question. I do not want the debate to broaden out to the topic of the general election.

Mr Vara: The fact is that we have a mandate from the people of this country to make reductions to the welfare budget. That is what we are doing. This measure will save—

The Chair: Order. I am sure that the Minister is going to come back to the provisions before us.

Mr Vara: I will. This measure will save £250 million. I regret to say that, were it not for the incompetent Labour Administration who put this country in the mess it is in, we would not be having to take the tough decisions that we are now.

The Chair: Order. Will the Minister take his seat for two seconds, please? Our debate is, I feel, repeating the general election debate. We have specific measures in

[The Chair]

front of us, and the Minister has been asked a question about evidence. If he could deal with that then move on, that would be useful.

Mr Vara: I have answered the question. It is a fact that millions of people are claiming benefits. We said specifically in our manifesto that there would be £12 billion of cuts. That is what the measure is all about.

Government new clause 13 will enable the Government to put in place, by way of regulations, a framework to support the transition from the current provision of support for mortgage interest as part of the individual's benefit entitlement to the new system of loans. It is a simple transaction: instead of a benefit, it becomes a loan. The new clause will ensure that the Government can manage the introduction of support for mortgage interest as a loan—in particular, the migration to the new system of those currently receiving support for mortgage interest as a benefit—as they see fit.

In particular, the new clause includes provisions to allow a phased approach to the introduction of support for mortgage interest loans should that prove necessary. It makes it clear that regulations may make provisions about the timing of the transition to the loan system both for new claims and for individuals currently receiving support for mortgage interest as a benefit, and provides that that can be achieved by the issuing of notices to those individuals. Notices may be issued by reference to the area in which an individual lives or the type of qualifying benefit that the individual receives.

Our intention is that existing claimants should be notified well in advance both of the implementation of the changes and of when they will be affected, and that they should be provided with financial advice so that they are aware of the alternatives to receiving a loan and the implications of doing so. Advice will include discussion of the claimant's financial position, both now and in future, confirming their understanding of the terms of the loan and encouraging them to engage with any beneficiaries there may be in due course.

12.15 pm

Hannah Bardell: I will make this brief. In Scotland, people did not vote for the Conservative manifesto or the Conservatives' austerity cuts—more than 50% voted for the SNP. However, on the specific point I asked about—I apologise if I missed the answer—what discussions has the Minister had on the clause with the Scottish Government? It will affect people in Scotland.

Mr Vara: I will happily answer that question. There has been contact at official level, and the engagement will certainly continue with the Administration in Scotland.

Government amendment 129 is a straightforward technical amendment, which will ensure that new clause 13 has the same extent as clauses 16 and 17 and apply to England, Wales and Scotland. I hope the hon. Member for Islington South and Finsbury will withdraw the amendment and accept Government new clause 13 and Government amendment 129.

Emily Thornberry: I have nothing to add, and I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

Amendments made: 122, in clause 17, page 16, line 16, leave out "pay mortgage interest" and insert "make owner-occupier payments".

Amendment 123, in clause 17, page 16, line 19, leave out "pay mortgage interest" and insert "make owner-occupier payments".

Amendment 124, in clause 17, page 16, line 28, leave out

"in respect of the mortgage interest"

and insert

"in relation to which the amount is paid".

Amendment 125, in clause 17, page 16, line 39, leave out from "is" to end of line 40 and insert

"liable to make owner-occupier payments under more than one agreement to make such payments."

Amendment 126, in clause 17, page 16, line 46, leave out subsection (7).

Amendment 127, in clause 17, page 17, leave out lines 29 to 32.—*(Guy Opperman.)*

This amendment removes definitions that are no longer needed for clause 17.

Question put, That the clause, as amended, stand part of the Bill.

The Committee divided: Ayes 11, Noes 9.

Division No. 45]

AYES

Atkins, Victoria	Patel, rh Priti
Churchill, Jo	Scully, Paul
Heaton-Jones, Peter	Shelbrooke, Alec
Hinds, Damian	Vara, Mr Shailesh
Milling, Amanda	Whately, Helen
Opperman, Guy	

NOES

Abrahams, Debbie	Phillips, Jess
Bardell, Hannah	Shah, Naz
Coyle, Neil	Thornberry, Emily
Dowd, Peter	Wilson, Corri
Lynch, Holly	

Question accordingly agreed to.

Clause 17, as amended, ordered to stand part of the Bill.

Clause 18

CONSEQUENTIAL AMENDMENTS

Emily Thornberry: I beg to move amendment 137, in clause 18, page 17, line 40, leave out "repealed." and insert "amended as follows—

(a) insert at the end of subsection 1—

'(1AA) In addition to the conditions set out in subsection 1 a "relevant beneficiary" must be an individual in receipt of pension credit (see section 1 of the State Pension Credit Act 2002).'"

To maintain Support for Mortgage Interest as a benefit for anyone in receipt of State Pension Credit and replace it with a loan only for those in receipt of income-based benefits for people of working age.

The Chair: With this it will be convenient to discuss amendment 138, in clause 18, page 17, line 41, leave out subsections (2) and (3).

This amendment is consequential to amendment 137.

Emily Thornberry: I do not know whether you were in Prime Minister's questions yesterday, Mr Owen, but many of us were. We heard the Prime Minister say the Government were "very proud" to have kept all their promises to pensioners, but their actions in this Bill show that that is simply not right. The Opposition will make it perfectly clear to pensioners that the Government are going back on their promises to them.

Through the amendment, we want to exempt pensioners from the provisions in the clause. If there is a rationale for the policy, I have yet to work out what it is. On Tuesday, the Minister said—he has said this again today—that

"we believe it is wrong that taxpayers who are unable to afford to buy a home of their own are subsidising claimants who own their own homes."—[*Official Report, Welfare Reform and Work Public Bill Committee,* 13 October 2015; c. 356.]

That is a very odd statement in the light of what the Government are doing generally. It is quite startling, because obviously the Minister has forgotten about the Government's plan to extend the right to buy to housing association tenants. That policy, which the Government say is about supporting home ownership, comes with a price tag of £11.6 billion. That is almost equivalent to the savings that the Government say that they need to make in the welfare budget. Compared with that, SMI is absolute peanuts.

The last time the Government looked at the issue, which was in 2011, as we heard, the then Welfare Reform Minister said in a press release that the existing system was "not sustainable". That is the justification for the measure and why we are going through it—the Government say that SMI is not affordable. At the time, the Government said, spending on SMI was about £400 million. Now it is £265 million a year. In three years' time the cost will be £250 million. So far from being unsustainable, the cost is going down. If the Government's definition of "unsustainable" is spending going down, as projected, we need to have a new dictionary.

In fact, the cost-effectiveness of SMI is one of its most distinguishing features. To quote my new favourite organisation, the Council of Mortgage Lenders, of which the Minister is also a fan, as we have heard, it is important that the Government should

"recognise the relative cost-effectiveness of SMI in preventing repossessions."

The Government's impact assessment for the Bill, which was the subject of some back and forth during Tuesday's sitting, helpfully notes that the average weekly payment to working-age SMI claimants is £38 a week. For pensioners who receive the benefit, it is only £20 a week—so it is £20 a week to keep the roof over the head of a pensioner.

To put that into context, the DWP's most recent figures show that the average weekly housing benefit payment is £95 a week. If there is even the slightest increase in the number of repossessions as a result of the changes that the Government are proposing, and homeless families have to go into privately rented housing and therefore need to claim housing benefit, we are clearly talking about false economies, because they will be moving into somewhere more expensive. Housing benefit is an average of £95 a week, but SMI for pensioners is £20 a week. That speaks for itself and shows the benefit of making social policy on the basis of evidence rather than rhetoric.

Part of my problem in understanding the Government's intention is that the proposal seems to fit poorly with the values that they claim to hold. We have recently been through an election campaign—as the Minister was telling us—in which the Government repeatedly claimed that welfare reform would protect the most vulnerable. It was not always clear exactly what they meant by that, but what seemed never to be in doubt was that pensioners would be included, and it was certainly hoped that disabled people would be as well.

As the Government are well aware, the overwhelming majority of those who receive SMI are the very same people whom the Government had promised to protect. Almost half of those who receive SMI are pensioners, and about 40% are disabled. Only 15% are claiming JSA, which is a clear reflection of the fact that, in the majority of cases, the people who rely on SMI support will have fallen on hard times because of increasing age or disability and are therefore unlikely to return to work. A disproportionate number of them are single women.

Again, it is important to look at the evidence, and the evidence is that a disproportionate number of the people who are getting the very small sums of money that keep the roof over their head are single women. I do not know this, but I will make a leap and say that I presume we are talking about poor widows—women who have fallen on hard times and whose partners have died. The Government are taking £20 a week away from poor widows, and that might well result in those women losing their homes. Perhaps those women took their mortgage into retirement after their husband died, or perhaps they had to leave a well-paid job after developing long-term health problems. As we have heard, 40% of them are people with disabilities.

Whoever those people are, however, they are taxpayers. They have spent their entire life working and paying income tax and national insurance. They paid stamp duty when they bought their home, and they might be subject to inheritance tax when they die, although recent announcements suggest that that is less likely to be the case in future. People who receive SMI will have paid into the system and are entitled to expect that there will be a safety net for them when they need it. The Government's proposal sets a disturbing precedent by turning a benefit to which those people will have contributed into a loan that could be clawed back at some future point. Adding insult to injury, they will be charged for the privilege.

The Prime Minister said yesterday:

"We are very proud to have kept all our promises to pensioners".—[*Official Report*, 14 October 2015; Vol. 600, c. 314.]

That is not right. I cannot imagine what he means by that. The other point that my hon. Friend the Member for Oldham East and Saddleworth made is important. The Government have also failed to keep their promises in relation to social care and to what Dilnot called catastrophic costs, and have refused to give assistance to people who will need long-term care. People need to have a home to be able to sell it to pay for their social care.

The Government's rhetoric again flies in all sorts of different directions. We hear high-flown talk from the Chancellor of the Exchequer about how important it is for people to be able to pass their savings and their

[Emily Thornberry]

money on to the next generation, and to be able, when they die, to hand over to the next generation without being clobbered by inheritance tax. There really does seem to be one rule for the rich and another for the poor. Widows who need £20 a week will have that taken away from them. They will be expected to take out a loan in order to pay off the interest, and will be charged to do so. It is cruel.

Amendment 138, which is consequential to amendment 137, provides that SMI will continue to be paid to low-income pensioners as a non-refundable benefit.

Neil Coyle: My hon. Friend is making a really solid point about the Government's rhetoric. It is typical of the Government to create a false divide between taxpayers and those in receipt of benefits, as we have discussed in Committee previously. The Government seem to assume that the two do not overlap at all. As my hon. Friend has already pointed out, those who have put into the system for many years will find that the system is not there to support them, and we will now be charging them to draw down what they have contributed over the years. It is typical of a Government who are out of touch with ordinary working people.

Emily Thornberry: I could not agree more, and I thank my hon. Friend. I would go even further: I think that the welfare state and the principles on which we built it are one of the things we should be proud of about being British, and that is being fundamentally undermined by nasty little clauses such as this one. The Government should be ashamed. The Opposition will certainly fight it.

As I have said, amendment 138 is consequential to amendment 137, which will provide for SMI to continue to be paid to low-income pensioners as a non-refundable benefit. If the Government wish to go ahead and convert the benefit into a loan for working-age people, that is an idea that we can debate separately, because that is a different matter, but for pensioners who are unable to work there should be different considerations. If someone is coming to the end of their life and is not expected to work any more—that is what being a pensioner is—or if they are disabled, circumstances ought to be different. If someone is of working age and on jobseeker's allowance, there might be a different argument—I have yet to be persuaded, but I appreciate that they might be a different group. However, as we have heard, most of the people affected by this nasty little clause will be pensioners.

If pensioners are to consider the Government's promises worth the paper they are written on, Ministers should go back to the drawing board and rethink this cruel and unnecessary proposal. It is unnecessary because, in the great scheme of £12 billion, how much money are the Government really saving? It is an amount of money that is going down and down, and it is a fraction of a percentage point of the money that is to be saved.

The measure is a mistake. I hope that the Minister is listening—we are trying to help and the Government are making a profound mistake. I will press amendment 137 to a vote. If Conservative Members really believe that they cannot bring themselves to find, from a £120 billion welfare budget, £20 a week to help poor widows not lose their homes, the public have a right to know where the Government stand.

12.30 pm

Mr Vara: We have heard a lengthy and passionate speech, the bottom line of which is, "Can we make an exception for pensioners?" As I have said before, we are talking about pensioners who have an asset, probably the biggest and most valuable asset that they have—the biggest asset that most people have is their home. That asset will appreciate in value. There is an element of fairness involved in the measure, as well as ensuring that we make some savings, and it will save £250 million.

I come back to the fundamental point: we are talking about individuals who have an asset that is being subsidised by the taxpayer. Many of those taxpayers do not have such an asset of their own. It is important to recognise that the proposed system is almost the same as the existing system, save that the benefit is converted into a loan that is payable on sale of the valuable asset or, to the extent that there is nothing left in the equity, the Government will write off the balance. All the care, attention and other benefits that pensioners receive will continue.

Emily Thornberry: I hear what the Minister is saying, but his difficulty is that it flies in the face of what the Government are doing for people who are being helped to buy their housing association homes, a measure that will cost £11.6 billion. People—taxpayers—who do not own their own homes are contributing to the £11.6 billion pot that will help housing association tenants to buy. SMI is chickenfeed compared with the amount of money that the Government are using to subsidise that.

Mr Vara: If £250 million is chickenfeed, to quote what the hon. Lady said, I am afraid that people reading our proceedings in *Hansard* will take a deep breath and say, "This is what those people think of £0.25 billion." The consequence of several such chickenfeed decisions is the mess that the country is in now.

Neil Coyle: Given what the Minister has said about the economic competence of the Government before last, will he remind us of the savings projected for employment and support allowance and housing benefit in the previous Parliament and whether they were met?

Mr Vara: I do not have those figures to hand, but I am happy to obtain them and write to the hon. Gentleman. He is seeking to make a name for himself. On Tuesday he sought to do so by calling other Members names. Today he seeks to be clever by asking questions, which are important, but which he knows will get a written answer.

The amendment will not make a difference. This is all about fairness.

Debbie Abrahams: I want to push the Minister again. The context of the clause is so important given that the Government have reneged on their commitment to cap social care costs. There has been no assessment of that. During the summer, the Government said that they would not be pushing forward with the Dilnot figures—actually, slightly different figures from the Dilnot ones—and the cap on care costs of £70,000-odd. That is not going to happen. We can add all that together, but it does not seem to have been considered at all by the Government.

Mr Vara: It has been considered. There will be a minimal overlap between the DWP loans and the Department of Health deferred payment arrangements for social care. Those people expected to avail themselves of a deferred social care payment are likely to be mortgage-free or to have income levels above the benefit threshold and so would not qualify for SMI loans. *[Interruption.]* We will have to agree to disagree. Simply, the bottom line is that the measure is about fairness—fairness for taxpayers. We have to recognise that pensioners have an asset that appreciates, although they are not expected to make any repayment until that asset is sold.

Emily Thornberry: The answers we have heard are profoundly disappointing, and they will be disappointing to the most vulnerable pensioners throughout the country who have paid into a system and who deserve better from the Government.

Neil Coyle: Does my hon. Friend agree that the Minister is making a mockery of the Government's supposed commitment to protect the disabled and pensioners, which is what they claimed? The Government seem to be relying on a low number of people being affected by the measure to hide their false pretence.

Emily Thornberry: That is absolutely right. Of course, for people who are affected, it will not matter whether the number is a low one—their life will be profoundly affected by the changes made in the Bill. A relatively small amount of money is involved. I appreciate that huge numbers of people will not be affected, but that does not change the principle, the justice or the unfairness to the individual concerned. We will not withdraw the amendment and will press it to a vote.

Question put, That the amendment be made.

The Committee divided: Ayes 9, Noes 11.

Division No. 46]

AYES

Abrahams, Debbie	Phillips, Jess
Bardell, Hannah	Shah, Naz
Coyle, Neil	Thornberry, Emily
Dowd, Peter	Wilson, Corri
Lynch, Holly	

NOES

Atkins, Victoria	Patel, rh Priti
Churchill, Jo	Scully, Paul
Heaton-Jones, Peter	Shelbrooke, Alec
Hinds, Damian	Vara, Mr Shailesh
Milling, Amanda	Whately, Helen
Opperman, Guy	

Question accordingly negatived.

Amendment made: 128, in clause 18, page 17, line 40, at end insert—

'( ) In section 3A of the State Pension Credit Act 2002 (housing credit), in subsection (5)(a), omit the words from "(and," to "payments)".'"—*(Guy Opperman.)*

This amendment adds a consequential amendment of section 3A(5)(a) of the State Pension Credit Act 2002, which is about the meaning of "payments in respect of accommodation". It removes a reference to mortgage payments.

Question put, That the clause, as amended, stand part of the Bill.

The Committee divided: Ayes 11, Noes 9.

Division No. 47]

AYES

Atkins, Victoria	Patel, rh Priti
Churchill, Jo	Scully, Paul
Heaton-Jones, Peter	Shelbrooke, Alec
Hinds, Damian	Vara, Mr Shailesh
Milling, Amanda	Whately, Helen
Opperman, Guy	

NOES

Abrahams, Debbie	Phillips, Jess
Bardell, Hannah	Shah, Naz
Coyle, Neil	Thornberry, Emily
Dowd, Peter	Wilson, Corri
Lynch, Holly	

Question accordingly agreed to.

Clause 18, as amended, ordered to stand part of the Bill.

Clause 19

REDUCTION IN SOCIAL HOUSING RENTS

Mr Vara: I beg to move amendment 141, in clause 19, page 18, line 11, at beginning insert—

"In relation to each relevant year,"

This amendment and amendment 143 make clear that the reduction in rent applies in each year.

The Chair: With this it will be convenient to discuss Government amendments 142, 143, 145, 146, 170, 173, and 163 to 168.

Mr Vara: The social rent clauses relate to the Government's commitment to achieve a reduction in rents for social housing of 1% a year over four years. That will be good for the tenants and for the taxpayer, saving £1.445 billion by 2020-21. The amendments are the consequence of the Government listening to points made since the Bill was published by social landlords, local government and housing bodies, among others. We hope our amendments address some of the issues raised. The amendments in the group are either concerned with issues of clarification or make small drafting changes.

Amendments 141 and 143 clarify that the 1% rent reduction applies in each relevant year, which is to say, each of the four years from 2016. Amendments 142 and 146, taken together, clarify that the reduction relates to the amount of rent that is payable by a tenant in respect of a year—not the amount that is actually paid by the tenant, which is to recognise the reality that those figures might differ. Amendment 145 is a minor drafting point to clarify that the "amount" relates to the "amount of rent". Amendment 170 is to simplify the drafting of clause 19 and amendment 173 is a drafting change to the clause to provide that a relevant year for a private registered provider whose practice is not an April start to a rent year will be determined in relation to the rent practice for the number of tenancies, not tenants.

Amendment 163 deals with the potential failures of providers to comply with the clause. It seeks to give the regulator of social housing the appropriate grounds on

[Mr Vara]

which to exercise monitoring and enforcement powers. With this amendment we have had regard to how the Housing and Regeneration Act 2008 established such powers and the need to avoid any confusion in how the regulator should exercise its power.

Neil Coyle: The Minister mentioned that he had had meetings with or representations from social housing associations. Will he clarify how many housing associations supported the measures proposed by the Government? How many housing associations have outlined to the Minister and the Department the risk that they might have to close some of the housing they provide as a result of the measure?

Mr Vara: Let me put things into context. We have spoken with a lot of organisations—I have a list at the back of my file and am happy to read out some of the names if necessary. The context of the measure is that it is part of the Government's £12 billion welfare reduction. We made that absolutely clear to the country at the time of the general election. The people of the country voted democratically, in their millions, and we have a mandate to make those cuts. That is the reality of the position, which might be something that the Opposition do not like—

Neil Coyle: Will the Minister give way?

Mr Vara: I will not give way for the moment; I will finish my answer. The reality is that that is the position.

We have, however, spoken with a lot of people. I simply refer to the comments made by David Orr, the chief executive of the National Housing Federation, when he give oral evidence before the Committee. Most of us were at that sitting on Tuesday 15 September 2015. In response to a question from my hon. Friend the Member for Sutton and Cheam, Mr Orr said:

"I think that, in truth, there is no sector anywhere that is not still capable of making further efficiency savings. That is as true in our sector as it is anywhere else."

12.45 pm

He went on:

"Ten years ago, when the Government put in a pound of public money, housing associations were generating £1.60 of private investment. Now, the Government put in a pound of public money and housing associations generate £6 of private investment; I think that is a pretty impressive efficiency gain. To be able to do that, housing associations have to be financially robust and be able to generate surpluses that give confidence to the investors in our sector."

With reference to the surpluses—remember that housing associations had a surplus of £2.4 billion in 2014—he said:

"In our sector more than anywhere else, surpluses are not paid as dividends to shareholders; they are reinvested in building new homes and providing services."—[*Official Report, Welfare Reform and Work Public Bill Committee,* 15 September 2015; c. 91-92, Q144.]

Although there have been utterances of disagreement with what we are doing, let me be absolutely clear that housing associations are robustly managed, have robust financial bottom lines and have a £2.4 billion surplus.

Neil Coyle: Riverside Housing Association has said that

"a year on year rent reduction would make this element of our business loss making."

St Mungo's has said that

"the requirement to reduce rents in social housing in England by one per cent per year for four years will result in the loss of supported housing schemes for homeless and vulnerable people."

The Homes and Communities Agency has estimated that those services save the taxpayer £640 million per year. Where is the saving in the longer term if those services do not exist?

Mr Vara: I am sorry that the hon. Gentleman was so keen to ask his question and so busy thinking about it that he paid no attention to what I was saying. He referred to one organisation. I referred to the comments of the chief executive of the National Housing Federation. We have done our homework, and estimate that we will save nearly £1.5 billion, as I have said.

Amendment 163 provides that a failure or risk of failure to comply with clause 19 is not to be, of itself, a ground for exercising certain monitoring and enforcement powers under part 2 of the 2008 Act, by removing clause 22(1) and (2) from the Bill as introduced. The practical effect of the amendment is that, before exercising those powers, the regulator must satisfy the specific grounds relevant to each power in chapters 6 and 7 of the 2008 Act, as amended by clause 22(3) to (8) of the Bill. Amendments 164 to 168 insert the correct title of the Bill into certain provisions.

Debbie Abrahams: This is my first opportunity to say that it is lovely to see you in the Chair today, Mr Owen. I will speak more fully on the clause when we discuss the Opposition amendments, but I will comment on this first group of amendments. With respect to the Minister, the Government have tabled 42—I have just counted them—amendments, so we can hardly say that they have done their homework. I am afraid that that reflects the nature of the Bill as a whole, which has been made up on the hoof. There has been no thorough assessment. I will go through my concerns about the lack of assessment and the evidence we have heard about today on the impact the Bill will have not just on the viability of housing associations but on their ability to provide affordable housing.

The Minister quoted the National Housing Federation. Housing associations have been working incredibly hard to ensure that they have a going concern and are able to afford to invest in the development of affordable housing. One issue with the clause is that it would threaten their viability and ability to borrow at low interest rates. Moody's, the credit rating agency for the 44 social landlords, has said:

"A traditional credit strength of English [housing associations] has been the predictability of the policy environment…This stability has been eroded by the sudden removal of the rent-setting formula, which was preceded by limited consultation."

If anything, the measure will make it even harder. I will speak more fully on the implications, not just for housing associations.

Peter Dowd (Bootle) (Lab): My hon. Friend referred to the fact that this 1% reduction will have a significant effect. Is she aware that Riverside Housing Association has estimated it will lose £3.9 billion nationally?

Debbie Abrahams: My hon. Friend makes a very good point. I am indeed aware of that. When preparing for this part of the Bill, I was inundated with concerns from my local housing associations about what it will mean for their bottom line and how it will affect their ability to build. Later this afternoon, I will go over what the potential loss of income means for housing associations and local government.

Mr Vara: I simply say to the hon. Lady that we have done what Governments are often accused of not doing: we have listened. Since the Bill was published, we engaged with the relevant communities and stakeholders and listened to their concerns. As will become apparent as the debate progresses, we have made changes that will clarify the position better for those concerned.

I am sorry if the Government, in listening to communities with a view to making the Bill better, are now being accused of doing wrong.

Amendment 141 agreed to.

Amendments made: 142, in clause 19, page 18, line 12, after first "in" insert "respect of".

This amendment and amendment 146 make clear that the rent in question is the rent due to be paid in respect of a given period.

Amendment 143, in clause 19, page 18, line 12, leave out first "a" and insert "that"—*(Guy Opperman.)*

Mr Vara: I beg to move amendment 144, in clause 19, page 18, line 12, after "is" insert "at least".

This amendment permits a registered provider of social housing to make a reduction in rent of more than the required 1%.

The Chair: With this it will be convenient to discuss Government amendments 169, 171, 147, 148, 150 to 153, and 157 to 160.

Mr Vara: This group of amendments deals with some important elements of the rent-setting process. Amendment 144 provides flexibility to registered providers to set reductions in rent of more than the required 1%.

Amendment 169 provides that the rent reductions must be applied on a pro rata basis if the tenant's tenancy comes to an end part way through a relevant year. The same principle applies if the rent reduction provisions cease to apply to a tenant part way through a year because an exception under clause 20 or an exemption under clause 21 no longer applies. The amendment therefore makes it clear for registered providers that, in the circumstances specified, the rent reduction should apply on a pro rata basis.

Amendment 171 is an essential amendment that clarifies a number of important points. Proposed new subsection (3) provides that the amount payable by the tenant in the preceding 12 months is to be treated as having been the greater of: the amount that would have been payable if the rent at 8 July 2015 had applied during those 12 months; or, if the Secretary of State consents to the use of a different permitted review day, the amount of rent that would have been payable if the rent on the permitted review day had applied during those 12 months. We expect to use the flexibility to grant providers whose normal rent review date is after 8 July permission to use an alternative date as the reference date when calculating reductions, providing there is no evidence that the provider in question has manipulated his rent review date or implemented rent rises after 8 July 2015 in order to avoid the effects of the rent reduction.

Proposed new subsection (3A) clarifies that the Secretary of State's consent for an alternative permitted review date may be for a particular case or for a description of cases. It is likely that the Secretary of State will issue a general consent covering typical cases. Proposed new subsection (3B) clarifies that, if a tenant was a tenant on 8 July 2015 and continues as a tenant of the same social housing until the beginning of the first relevant year, they will be treated, for the purpose of clause 19(1), as if they had been a tenant for the 12 months preceding the first relevant year—whether or not that is in fact the case—in order to establish the baseline of the rent on which the reductions will then apply.

Naz Shah (Bradford West) (Lab): It is great pleasure to serve under your chairmanship, Mr Owen. Will the Minister highlight whether service charges are subject to the 1% cut and explain the process for introducing rent reductions for tenants when rents changes are not usually announced until April?

Mr Vara: I am not sure whether that question is entirely relevant to what I am saying.

Emily Thornberry: You can still answer it, though.

Mr Vara: My answers to those questions will come subsequently. There are other issues at hand and I am more than happy to address the matter raised by the hon. Member for Bradford West. That comes up in another section and I will happily deal with it then.

Amendments 147 and 148 clarify that clause 19(7), which allows an alternative relevant year, applies only to private registered providers. Unlike local authorities, whose budgeting and rent reviews are carried out on a traditional financial year cycle, starting 1 April, the housing association sector practice regarding rent review dates varies. Clause 19(7) therefore enables the use of a different relevant year, where the provider's rent review date for the greater number of its tenancies is not 1 April. The amendments ensure that that subsection applies only to private registered providers, as local authorities do not need that flexibility.

Amendments 150 to 152 on private registered providers, and amendments 157 to 159 on local authorities, provide some important flexibility in the levels of permissible rent once an exemption has been granted by direction. They modify the provision in clause 21 for limited exemptions from the rent reduction requirement, which means that providers will have the flexibility to make a greater reduction in the rent than that set out in the direction.

Amendment 153, which is for private registered providers, and amendment 160, which is for local authorities, deal with circumstances where a registered provider may need to be able to increase rents but it is not appropriate to completely exempt the provider. They allow the regulator and the Secretary of State to issue a direction setting a maximum threshold up to which a provider can increase rents. The amendments give the regulator

[Mr Vara]

and the Secretary of State the tools they need to support registered providers in difficult circumstances while protecting hard-working tenants from excessive increases.

Debbie Abrahams: Again, these are technical amendments, which we have no specific comment on. My earlier remarks apply. It is good that the Government are in listening mode. It is just a shame that that was not done when the Bill was drafted. As I said, I will discuss my particular issues with the clause later this afternoon.

Mr Vara: I take on board the hon. Lady's comments. Clearly, the matter will come in for further debate and I am sure that other members of the Committee will wish to comment. Mr Owen, I ask the forbearance of you and the Committee as a number of technical amendments need to be dealt with.

Amendment 144 agreed to.

Ordered, That further consideration be now adjourned—*(Guy Opperman.)*

1.1 pm

Adjourned till this day at Two o'clock.