
REPORT TO:	Housing & Community Services Committee	AGENDA ITEM: 9
DATE OF MEETING:	28th August 2014	CATEGORY: DELEGATED
REPORT FROM:	Director of Housing & Environmental Services	OPEN
MEMBERS' CONTACT POINT:	Martin Guest, Performance and Policy Manager (ext 5940)	DOC:
SUBJECT:	EXPERIAN RENTAL EXCHANGE SCHEME – PHASE 1	REF:
WARD(S) AFFECTED:	All	TERMS OF REFERENCE: HCS01

1. Recommendations

- 1.1 Members approve that we should engage with the Rental Exchange scheme in its first phase to analyse data on our tenant portfolio.
- 1.2 Members authorise the Director of Finance and Corporate Services to sign the Data Processing Agreement as attached in Appendix 1.
- 1.3 To note that any proposal to move forward into the scheme's second phase would come before Members in a subsequent Committee report for approval.

2. Purpose of Report

- 2.1 To outline the Rental Exchange Scheme and the benefits it may bring for the South Derbyshire District Council tenants.
- 2.2 To undertake phase 1 of the project to ascertain how beneficial this would be for the South Derbyshire tenants.

3. Detail

What is the scheme?

- 3.1 Most social housing tenants cannot readily access the better credit deals available in the market place because rental payment history is not currently included in the credit score process used by credit agencies i.e. the Council does not currently share such information.
- 3.2 Big Issue Invest (a social enterprise company linked to the Big Issue magazine) and Experian (the leading credit reference agency in the UK) have

partnered to tackle the financial, digital and social exclusion challenges faced by social housing tenants. Together they are working with housing associations, local authorities and key stakeholders across the public, private and voluntary sectors to collect up-to-date rental payment information on tenants living in social housing and feeding this data into the Experian Rental Exchange.

- 3.3 The impact of Welfare Reform and continued economic challenges make this initiative more relevant than ever before. However, data is required en masse to truly make this work. The more data that starts coming into the Rental Exchange, the sooner that this will start building tenants' credit scores and ultimately enable access to more affordable credit.
- 3.4 The Rental Exchange is a 'ring-fenced' secure database which holds rental payment information. It has been agreed with the Information Commissioner's Office to ensure it complies with the letter and spirit of the Data Protection Act 1998. The information will allow tenants with a 'thin file' - a history of little or no credit – to build a credit score.
- 3.5 The database can be accessed by lenders and other service providers when a tenant applies for a loan or service that requires a credit check or proof of identity, something that is becoming common-place for both private and public sector transactions.
- 3.6 As at 31st May 2014, 85 Registered Social Landlords have signed up and are working through the first phase of the project and so far 19 organisations have progressed to live implementation (phase 2) .
- 3.7 Big Issue Invest's research on financial exclusion reveals that in most cases financial exclusion was a matter of 'missing' information, rather than an actual lack of creditworthiness.
- 3.8 The Rental Exchange Scheme is a two phase project set out below:

Phase 1

- 3.9 Experian will perform an analysis of our tenant portfolio and their payment history to include:
 - **Identification** - An analysis showing the proportion of residents gaining benefit from the increase in the number of electronic identifications held on the credit bureau.
 - **Credit Scores** - An analysis showing the proportion of residents gaining benefit from having their credit score increased by positive rental payment history.
 - **Tenant Support** - An analysis showing the proportion of residents that have impaired credit histories and might benefit from financial support services.
- 3.10 The analysis is free and would be presented back to us after completion. The Council (Director of Corporate services) would be required to sign a Data Processing Agreement as attached at appendix 1. Experian would then work with us, in particular with the ICT team to set out the data requirement and the

data transfer process. Any data that we provide can only be used for the initial evaluation phase.

Phase 2

- 3.11 If we are happy with the data analysis and want to go forward, the data moves forward into their live bureau. In reality the data is left until the point at which a tenant applies for a product where a credit check is required. We are not currently proposing to move ahead with phase two until we can see the results of the first phase, and will assess the potential benefits to customers at that time.
- 3.12 Big Issue Invest role is to ensure that the data has a social purpose.

How will this benefit our tenants?

- 3.13 The majority of tenants pay their rent on time so this information will enhance their credit score and help them to access more affordable mainstream credit/services.
- 3.14 If a tenant is unable to pay their rent, it is unlikely they are suitable for a loan or other payment agreement, therefore the Rent Exchange supports responsible borrowing and lending and helps people avoid becoming over-indebted.
- 3.15 The scheme will enable tenants to build an 'online' proof of identity - increasingly important when applying for a utility supplier, a mobile phone provider, etc.

How have we consulted with tenants so far?

- 3.16 The proposal was discussed with the Tenants' Panel on the 28th January 2014, who asked for a further presentation on the project from Experian.
- 3.17 This presentation was given by Experian to Members of the Panel on the 18th March after which the Tenants' Panel proposed that we move to Phase 1 of this project.
- 3.18 Experian and Big Issue Invest have worked closely with tenants' groups nationally to inform their proposal. They have carried out research and focus groups to see what tenants thought about the scheme. The research indicates that the majority of the feedback was positive, and most people surveyed thought that using data in this way was 'fair'. Older people however were more reticent, as were those who were already in debt, although this group tended to be the 'bad payers' and their credit scores would not have been worsened.
- 3.19 We will work with both Experian and Big Issue Invest to support us in consulting with and communicating to tenants should we decide to go forward in Phase 2.

How will this scheme benefit the Council?

- 3.20 The scheme helps

- tenants to access affordable credit and other services.
- the Rental Exchange could act as an incentive to pay rent on time and this will hope to increase collections and reduce late payments.
- the Council to identify those tenants who are financially vulnerable and it will help get them 'back on track' through the Tenancy Sustainment Service.

Data Protection and ICT requirements

- 3.21 It should be noted that the Council will be passing across personal data which is protected under legislation. Consequently, the Council has to consider carefully how it uses that information and should not, without good reason, pass it on to a third party. The underlying principle is that it is only used for the purposes it was intended, i.e. in this case in connection with the tenancy agreement and for the collection of rent. If it is used for any other purpose, then it would need the express permission of the individual concerned.
- 3.22 Clearly, with this proposal, a database would be shared covering all tenants and it would be difficult to get individual consent. If any data is used outside of its intended criteria, then the Council will need to ensure that it still achieves compliance with the Data Protection Act (DPA).
- 3.23 Experian and BII have both consulted the Information Commissioners Office (ICO) to establish how councils can establish compliance. Their underlying point is that the data is being shared for the benefit of the tenant and not the Council – what is called the “legitimate interests” provision within the DPA. On this basis, the advice from the ICO is that compliance can be achieved (without an opt-out requirement) so long as efforts are made regarding transparency, education, help lines, etc. This means clear notification in language and through a channel that the individual tenant is likely to read, understand and see the real personal benefits to them. The ICO has stated that they would expect to see a specific tenant helpline.
- 3.24 The summer edition of the Tenants Newsletter gave some initial details of the potential scheme. In addition, the South Derbyshire Tenants’ and Residents’ Forum has already received presentations and information from Experian. These channels would help to ensure the Council meets the compliance regulation.
- 3.25 The other point made by the ICO, is the need for data accuracy. They would expect to see that the database passed across is up to date and has been cleansed of any historical tenants, etc.
- 3.26 Besides ensuring compliance, there is a risk that large numbers of tenants will object to the sharing of their data. If this is the case, the ICO may withdraw their support for the scheme. If this happened, the ICO may insist that tenants have to be consulted individually which would make the scheme much more difficult. Therefore, it is important that all tenants understand the benefits to them, but if they still wish to opt out, then they must be excluded from the scheme.

3.27 Experian would need to work with our housing systems team to extract the relevant data. They are working closely with Orchard (our Housing management system software supplier) on data sharing for many other organisations, so this should ease the process and ensure that there is no large burden on ICT.

4. Financial Implications

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

5. Community Implications

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

6.0 Background Papers

Appendix 1 – Data Processing Agreement