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**To: Housing and Community Safety Policy Board**

**On: 25 August 2015**

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**Report by: Director of Development and Housing Services**

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**Heading: The Rental Exchange Project**

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**1. Summary**

- 1.1 Big Issue Invest (BII) ( the social investment arm of The Big Issue) partnered with Experian, a large, national credit reference agency and initiated a project called 'The Rental Exchange' to use rental payment data to build a credit score for Social Sector tenants.
- 1.2 The primary purpose of the project is to assist financially excluded tenants, by helping them to build a profile with the credit reference agency and access mainstream/cheaper finance and avoid unregulated lending. The Rental Exchange also takes tenants' rent data to create an electronic identity, which is essential when applying for direct debits and other credit based services.

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**2. Recommendations.**

Members are asked to:

- 2.1 Agree to participate in the 'Rental Exchange Project' following tenant notification.
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### 3. Background

- 3.1 A lot of companies/organisations rely upon credit scoring to decide whether to give customers access to mainstream financial services such as mobile phone contracts, a bank account or a loan at an affordable interest rate. The Big Issue Invest (BII) which is the social investment arm of The Big Issue, have led on a great deal of research on financial exclusion. BII found that many social housing tenants are excluded from affordable credit and other services due to the lack of a credit history. This means they are more likely to be refused or pay more for credit, goods or services, putting extra pressure upon already challenging finances
- 3.2 Experian, a large, national credit reference agency were chosen as partners for 'The Rental Exchange' by Big Issue Invest (BII) to use rental payment data to build a credit score for Social Sector tenants. In the same way that mortgage history can count towards a credit history, the partnership aims to enable rental payment history to be used as proof of financial standing and reliability. Sharing rental payment history will also help create an online proof of identity, a good credit history can make it easier for tenants to open or change bank accounts, shop online, receive better mobile phone rates, receive better gas and electricity rates, or obtain cheaper credit.
- 3.3 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. If a tenant is unable to pay their rent, it is unlikely they are suitable for a loan or other payment agreement, therefore the Rental Exchange supports responsible borrowing and lending and helps people avoid becoming over-indebted. Tenants on full housing benefit would see no effect to their credit score but will benefit from digital authentication.
- 3.4 To help illustrate this, Experian provided the 2 examples below:
- When sourcing online to purchase an item of furniture (corner sofa) the difference in having a positive credit score and not was significant. If a positive credit score was held customers could purchase the corner sofa over 36 months with 0% APR charged to the purchase price from a mainstream store. If a poor or no credit profile was held customers would likely only be accepted at higher cost stores and although would still have the opportunity to purchase over 36 months the APR offered was 64.7%.
- In an online search for car insurance, an individual who can be digitally authenticated received 108 quotes, with a £26.50 deposit and £177.30 per annum. The same search where the individual changes their house number only, and therefore cannot be firmly digitally authenticated (no proof of address) received 98 quotes, with a £31.80 deposit and £212 total.
- 3.5 Experian have developed a system to ensure that 'one off' missed payments do not have an impact upon an individual's credit score. Arrears will be reported but the scoring is set up so that only payments missed across a 2 month/8 week period will adversely impact a tenant's credit score. This should help to address concerns of individuals who have accidentally missed a payment or have had an unforeseen problem.

- 3.6 One of the benefits of the scheme is that it will reward tenants for paying rent on time and helps them access affordable mainstream credit and services. The Rental Exchange could act as an incentive to pay rent on time which could increase collections and reduce late payments. The scheme can also help identify those tenants who are financially vulnerable and enable the service to provide an appropriate support strategy to help.
- 3.7 In setting up the project Experian sought the advice of the Information Commissioner's Office (ICO) who have confirmed that there is 'legitimate interest' and no explicit consent is needed to use rent account information for this purpose. However, in terms of the Data Protection Act 1998, the Council has an obligation to notify the Service Users and provide the opportunity to opt out, by communication addressed to the individual household rather than part of a newsletter or equivalent. Tenants will therefore be notified and given the opportunity to opt out before we proceed with the scheme.
- 3.8 There is no cost involved in participating in the Rental Exchange. Experian would need to work with our housing systems IT team to extract the relevant data. They are working closely with Northgate on data sharing for many other organisations, our IT team have assessed the data requirements and have no issues with the process required.
- 3.9 Across the UK, 36 landlords have now signed up to this project.

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## Implications of the Report

1. **Financial** - There is no cost involved in participating in the Rental Exchange Project
2. **HR & Organisational Development** - The activity is consistent with developing systems within the organisation.
3. **Community Planning**  
**Community Care, Health & Well-being** - The activity is consistent with supporting the most vulnerable in the community.  
**Jobs and the Economy** –  
This activity supports financial inclusion.
4. **Legal** – An Agreement is in place between the Council and Experian to regulate any data sharing or data processing. Legal and Democratic Services have reviewed the agreement.
5. **Property Assets** – None
6. **Information Technology** - implications are in relation to electronic data transfer and there is no significant resource implication

7. **Equality & Human Rights** –  
No negative impacts on equality groups or potential for infringement of individuals' human rights have been identified arising from the report. If required following implementation, the actual impact of the recommendations and the mitigating actions will be reviewed and monitored, and the results of the assessment will be published on the Council's website.
8. **Health & Safety** - None
9. **Procurement** – None
10. **Risk** – The Legal Agreement in place mitigates any information risk. All data is protected on secure server.
11. **Privacy Impact** – The Information Commissioner has confirmed that there is 'legitimate interest' and no explicit consent is needed to use rent account information for this purpose. A full privacy impact assessment has been carried out.

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#### **List of Background Papers**

BII Rental Exchange White Paper

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