

# An unfair share

Local Housing Allowance  
is failing young people



**citizens  
advice**

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# Summary

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For many young people, the benefits system is based on a fiction. It is asking them to rent homes that literally do not exist.

In this report, we consider the design, operation and impact of the Shared Accommodation Rate (SAR), ie the rate of housing cost support available to benefit claimants under 35 years old, if they are single and do not have children.

The SAR funds people to rent a single room in a house or flat of multiple occupancy (HMO) in their local area, up to the 30th percentile of local rent costs for this type of accommodation. But there are far too few HMO rooms available: demand outstrips supply, almost everywhere, especially in terms of affordable properties priced at or around the SAR. People are being forced to live beyond their means.

And the SAR is itself an unreliable guide to the price of an affordable home. The government uses very few data points (ie surveyed rents in payment) to calculate the 30th percentile in each local area. One of the consequences is high volatility in rates, both over time and across different areas.

We see the consequences among the people we support. Our debt clients reliant on the SAR have much higher monthly shortfalls than people eligible for other rates of housing cost support. The SAR is contributing to homelessness among young people. It is a barrier to living independently, and to finding work.

The expectation that young people should live in shared housing creates other problems too. Young people with issues around mental health and neurodiversity are negatively affected. Young people who have been granted refugee status find it difficult to identify suitable accommodation. The SAR makes it difficult for separated parents, and single pregnant people, to establish suitable family homes.

We believe that the government should abolish the SAR. At the very least, the upper age eligibility limit should be reduced to 25 (in line with the original policy). Whether the upper age limit is 25 or 35, the government should consider introducing mechanisms to increase the SAR, such as setting payments at the halfway point between the SAR as calculated and the 1-bedroom rate of housing cost support. Additionally, the government should widen the range of exemptions to the application of the SAR, and ensure Discretionary Housing Payments are more available to people affected by the SAR.

# Introduction

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The Local Housing Allowance (LHA) system determines the level of housing cost support for Housing Benefit and Universal Credit claimants in the private rented sector (PRS).<sup>1</sup> The Shared Accommodation Rate (SAR) is the lowest rate of support in practice, applicable to all claimants aged under 35 years old, if they are single and do not have children (or do not have primary custody of their children).

This report considers the design, operation and impact of the SAR. In this introductory section, we outline the history of the policy, estimate the number of young people affected by it, and situate problems with the SAR in the context of wider cost-of-living and housing problems faced by young people today.

## The Shared Accommodation Rate: a history

After first being introduced in 2008, the LHA system soon became less generous as in 2011 support was set at the 30th rather than 50th percentile of local rents (across 5 categories of accommodation: shared housing, 1-bedroom, 2-bedroom, 3-bedroom, and 4 plus-bedroom properties). National caps on Housing Benefit and the Universal Credit housing element (UCHE) were also introduced at this time, diluting the link between LHA rates and local rental market conditions (payments are also subject to the general benefit cap).

The SAR has a slightly longer history, having first been introduced within Housing Benefit in 1996 as the Shared Room Rate (SRR), set at the 50th percentile. The SRR, and then the SAR when LHA was introduced, was applicable to only claimants under 25. It may of course be a reasonable assumption that living in shared housing, which tends to be cheaper, reflects a transitional lifestage between living with immediate family to fully established adulthood (or that people aged under 25 are content to live with their family for longer, meaning many will not require housing cost support at all even if receiving other benefits).

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<sup>1</sup> The authors are grateful to Rebecca Rennison, Morgan Wild and various other colleagues for their support with this research, and especially to the many local advisers, housing stakeholders and government officials who have shared their time and expertise.

### **Box 1. The Shared Accommodation Rate**

Local Housing Allowance (LHA) is the mechanism by which Housing Benefit or UCHE awards are calculated for private renters. If you receive income-related benefits, LHA determines how much support with rent you will receive. The calculation is based in part on rental costs in the area where a person lives; that is, the 30th percentile rent cost within the distribution of rents in a given 'broad rental market area' (BRMA), as surveyed by local valuation offices.

The calculation is also based on the number of bedrooms a household is assessed as needing. For single claimants aged up to 35 without children, the LHA system dictates that they require a single bedroom in a house where all other facilities are shared with other tenants. Their LHA rate – known as the Shared Accommodation Rate – is therefore the cost of renting a single room in a house or flat of multiple occupancy (HMO), at the 30th percentile of rent costs in their local region.

Arguably, however, the same lifestyle assumptions cannot be applied to people aged 25-34 – yet the upper age eligibility limit for the SAR was increased to 35 in 2012. This meant new and existing single claimants aged 25-34 who would previously have been able to access the 1-bedroom rate of LHA can now only access the lower rate, unless they have main custody of children (or qualify for other exemptions). It was expected to save the government around £215 million in its first year of implementation.<sup>2</sup>

The SAR has also been affected by changes to the way LHA is uprated. LHA rates were decoupled from actual rent costs in 2013/14, when they were instead tied to the Consumer Prices Index (CPI). They were then uprated by only 1% (ie below inflation) for the next 2 years, before being frozen altogether for the next 4 (with exceptions for some areas<sup>3</sup>). They were relinked to the 30th percentile in 2020, and then frozen for the next 3 years.

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<sup>2</sup> See Wendy Wilson and Frank Hobson (2021) 'The rent safety net: changes since 2010', House of Commons Library, available at:

<https://researchbriefings.files.parliament.uk/documents/SN05638/SN05638.pdf>.

<sup>3</sup> See Department for Work and Pensions (2013) 'Local Housing Allowance Targeted Affordability Funding', available at:

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/262080/lha-call-for-evidence-response.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/262080/lha-call-for-evidence-response.pdf).

## **Box 2. Broad rental market areas**

A broad rental market area (BRMA) is a geographical area in which it is assumed a single rental market operates. They do not correspond substantially to any other administrative system – for example a single BRMA may cover a single or several local authority areas, and a single local authority area may be split across more than one BRMA.

There are more than 150 BRMAs in England alone, and some will have experienced higher rent increases than others; more generally rental market conditions for low-income households will vary considerably across different BRMAs even if average rent increases are similar. Other things being equal, however, providing housing cost support at the 30th percentile in the BRMA where a claimant lives should mean they can access a range of properties around this level, whereas the same cash amount would not be equivalent to the 30th percentile in a different rental market.

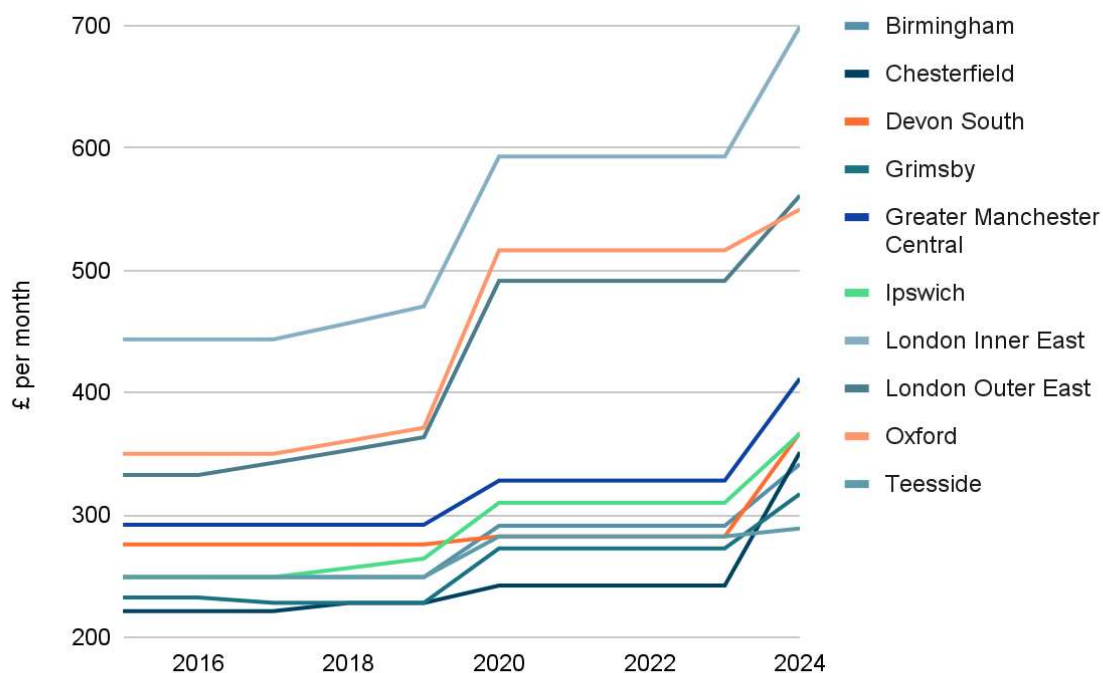
As outlined in a previous Citizens Advice report, there are concerns that some BRMAs are too large, creating a distorted 30th percentile amount by encompassing rental markets with different characteristics. There are also concerns that awareness of differences between BRMAs is low, meaning some claimants can experience unexpected financial detriment if they move from one BRMA to another.<sup>4</sup>

LHA rates will be relinked to the 30th percentile of local rents in April 2024, but only for a single year – they will then be frozen again. It is also worth noting that, as well as being the lowest LHA rate in practice, in most areas the gap between the SAR and the 1-bedroom rate is larger than the gap between any other 2 adjacent LHA rates. Figure 1 below shows SAR rates in various parts of the country in the previous decade. The calculation of the 30th percentile for shared housing rental costs also tends to be volatile, in part reflecting limitations in data collection explored later in this report.

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<sup>4</sup> Craig Berry (2023) The impact of freezing local housing allowance, Citizens Advice, available at: <https://www.citizensadvice.org.uk/Global/CitizensAdvice/welfare%20publications/The%20Impact%20of%20Freezing%20Local%20Housing%20Allowance.pdf>.

**Figure 1: Monthly value of the Shared Accommodation Rate in selected areas in England, 2015-2024**



(Source: DWP)

## How many people are eligible for the Shared Accommodation Rate?

One of the curiosities of the SAR is that we do not know how many people are eligible for only this rate of housing cost support.<sup>5</sup> In November 2023, there were 18,000 individual Housing Benefit claimants in receipt of the SAR. However, Universal Credit has been gradually replacing Housing Benefit since the mid-2010s, so it is worth noting that a decade earlier, in November 2013, there

<sup>5</sup> The government has so far declined requests by parliamentarians to release this information. The authors have therefore submitted a Freedom of Information Act request, but at the time of publication the deadline for responding had not yet passed. It seems that at least part of the reason for this lack of data is the differences in design and administration between Housing Benefit and Universal Credit, leading to different formats for the publication of caseload statistics. This means that information about SAR caseload has been lost from the public domain as UCHE has overtaken Housing Benefit as the primary source of housing cost support for younger claimants.

were 198,000 Housing Benefit claimants in receipt of the SAR. This was 14% of the total in receipt of LHA (ie Housing Benefit claimants in the PRS).<sup>6</sup>

The government does not release information about the different LHA rates that UCHE claimants are eligible for. However, we know that there were 1,394,000 *households* in receipt of UCHE in the PRS in November 2023. The discrepancy in reporting between individuals and households makes extrapolation difficult, but if 14% of these households were eligible for the SAR (note that a single room in a house or flat shared with people outside your immediate family would count as a 'household' in this regard), the number eligible would be quite similar to the Housing Benefit figure from 2013, that is, around 195,000.

We also know that, among household types in receipt of Universal Credit, there were around 520,000 households consisting of single adults with no children in the PRS.<sup>7</sup> Many of these will be people aged under 35 eligible for the SAR, but there will also be people aged above 35 who do not have children, or whose children no longer live with them. In short, the 195,000 estimate for UCHE claimants eligible for the SAR seems intuitively reasonable; adding this to the Housing Benefit figure for 2023 would produce an overall, cautious estimate of between 150,000 and 300,000 benefit claimants in receipt of housing cost support who are only eligible for the SAR.<sup>8</sup>

## Young people and housing hardship

There is little doubt that a large proportion of benefit claimants in the PRS dependent on housing cost support are experiencing significant hardship due to

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<sup>6</sup> Housing Benefit data is from Stat-Xplore, available at: <https://stat-xplore.dwp.gov.uk>. The Housing Benefit caseload now has a much older profile than the UCHE caseload, because new claims for housing cost support must be to Universal Credit; new claimants are more likely to be younger, and therefore eligible for the SAR. Note that, under current plans, virtually all Housing Benefit claimants will be compulsorily migrated to Universal Credit by the end of 2024.

<sup>7</sup> Universal Credit data is from Stat-Xplore, available at: <https://stat-xplore.dwp.gov.uk>. Note that there were more than 1.5 million people aged 16-34 in receipt of Universal Credit in November 2023. Many will have no entitlement to housing cost support due to their living arrangement (many will live with their parents), and many will have children and/or be claiming as part of a couple, so will be eligible for other LHA rates.

<sup>8</sup> This caseload estimate includes a very wide margin of error, given the lack of publicly available information on LHA rate eligibility among UCHE clients. We believe that it is reasonable to assume the proportion eligible for only the SAR is similar to the proportion in Housing Benefit before Universal Credit was fully rolled out for new claimants, but we also recognise that the Housing Benefit data is from a decade ago.



the prolonged freeze in all LHA rates, and flaws in the LHA system as a whole. However, those eligible for only the SAR in particular seem to be the worst affected.

For example, among Universal Credit claimants Citizens Advice supports with debt advice, those in the PRS eligible for the SAR have an average monthly shortfall between their housing cost support and rent costs of £246.70. This is nearly £100 higher than the average monthly shortfall for all Universal Credit claimants in the PRS that we support.<sup>9</sup>

According to the latest available official statistics, almost half of people in England who were assessed as homeless or threatened with homelessness in 2022/23 were aged 16-34: 1% (2,340) were aged 16-17, 18% (52,910) were aged 18-24, and 30% (88,560) were aged 25-34.<sup>10</sup> Office for National Statistics analysis of the Opinions and Lifestyle Survey found that, alongside disabled people and people with very low incomes, people in the PRS and people aged 25-34 were most likely to be financially vulnerable as a result of the cost-of-living crisis.<sup>11</sup>

This is reflected in the people who come to see Citizens Advice for support on homelessness issues. The numbers have risen steadily across all age categories since the pandemic, and people aged 35-44 remain the most likely to seek our support. However, people aged 25-34 are close behind: we supported nearly 2,000 people in this age group with homelessness issues in January 2024 alone.<sup>12</sup>

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<sup>9</sup> Citizens Advice (2024) The national red index: how to turn the tide on falling living standards, available at: <https://www.citizensadvice.org.uk/policy/publications/the-national-red-index-how-to-turn-the-tide-on-falling-living-standards/>.

<sup>10</sup> See <https://www.gov.uk/government/statistical-data-sets/live-tables-on-homelessness>.

<sup>11</sup> See <https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/expenditure/articles/impactofincreasedcostoflivingonadultsacrossgreatbritain/februarytomay2023#financial-vulnerability>. People in the PRS are more financially vulnerable than people with other forms of housing tenure, and people aged 25-34 are more financially vulnerable than people in other age groups.

<sup>12</sup> Citizens Advice data is available at: <https://www.citizensadvice.org.uk/policy/publications/cost-of-living-trends/#h-record-numbers-of-people-helped-with-homelessness>. Note that figures for the number of people helped with a homelessness issue combine people who are threatened by homelessness, actually homeless, and who need help from a local authority homelessness service. People aged under 25 are less likely to seek our support with homelessness issues, but this picture may be changing: we helped more than 650 people aged under 25 with homelessness issues in January 2024, compared to less than 150 in January 2019 and only 3 (three) in January 2014.

## Structure of the report

This report argues that the SAR is part of the problem. The first section of the report considers the relationship between the SAR and local rental markets for shared housing, outlining the flaws of the SAR. Local rental markets do not operate as the policy seems to imply, and one of the consequences is that data collection methods for the purpose of calculating the SAR are unreliable.

The second and third sections detail the impact of the SAR on the people Citizens Advice supports, with attention to equality, diversity and inclusion (EDI) issues. In most places, the SAR is too low for young people to be able to find a suitable home at an affordable price. Even if shared housing were available, it is clearly unsuitable for many – there are exemptions from the SAR for some, but they are too narrowly drawn.

The fourth section explores options for reforming the SAR or mitigating the impact the currency policy has on many claimants, and the final section summarises our main findings and key policy recommendations.

# The flaws of the Shared Accommodation Rate

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The idea of basing housing cost support around the concept of sharing has long been controversial: for example Citizens Advice campaigned against the original SRR, back when it applied only to the under-25s and was set at the 50th percentile of market rents.<sup>13</sup>

In this section, we consider some of the key flaws of the current SAR and its operation. In many ways, these flaws relate to the principle of the expectation of sharing accommodation conflicting with the reality of HMOs in practice. Firstly, there is insufficient shared housing to meet the demand of people whose housing cost support is set at the SAR, and secondly, the evidence collected by the government to determine the SAR is not reliable enough to uphold the assumption that support limited to the SAR enables people to meet their housing costs.

The section also argues, thirdly, that the SAR is flawed in principle. There are many benefit claimants – a large proportion of which are only eligible for the SAR – for whom a single room in an HMO is not a suitable living arrangement.

## Shared housing scarcity

In 2023, Citizens Advice provided support to more than 5,000 people under the age of 35 with problems they were facing with the level of housing cost support provided via UCHE. Of those who provided us with information about their living arrangements, 39% were single with no children, so in all likelihood were eligible for only the SAR.

The SAR is based on an unrealistic picture of the housing market. Shared housing is provided very unevenly across the country: in cities and university towns it is relatively abundant, whilst in many rural areas or smaller towns, there is extremely limited provision. In those places where there is provision of shared

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<sup>13</sup> Citizens Advice (2006) 'Single room rent - the case for abolition' available at [https://www.citizensadvice.org.uk/Global/Migrated\\_Documents/corporate/singleroomrent4-final.pdf](https://www.citizensadvice.org.uk/Global/Migrated_Documents/corporate/singleroomrent4-final.pdf).

housing, much of it is aimed exclusively at students, making it inaccessible to other groups. The non-student market for HMOs has had a reputation for poor conditions and management standards.<sup>14</sup> Whilst licensing has partly addressed these issues for larger HMOs (ie in relation issues around health and safety, and overcrowding<sup>15</sup>, some of these problems have migrated to smaller HMOs.<sup>16</sup> There also remain issues with unlicensed landlords working in the sector.

Results from a recent survey of Citizens Advice advisers shed more light on the picture across the country. When asked about issues faced by SAR clients in accessing affordable and appropriate accommodation, 96% of respondents who answered this question felt that there were too few properties with rent at or around the SAR in their area. 60% also felt that any properties that were available at the applicable rate were of poor quality.

Alarming, 78% of those who answered a question on whether the SAR was contributing to homelessness among young people felt the policy was a significant cause. This response reflected views across the country, with advisers from 133 of our 249 local offices across England and Wales responding to the survey, representing more than half of our network.

The maps below corroborate what our advisers are seeing on the front line. Across many parts of the country, shared accommodation can be almost entirely unavailable. Both use data from the 2021 census, which recorded the number of households occupied by multiple, unrelated individuals, thus meeting the definition of an HMO. Note that data captures where people actually live in shared accommodation, rather than its availability in terms of listings (but there

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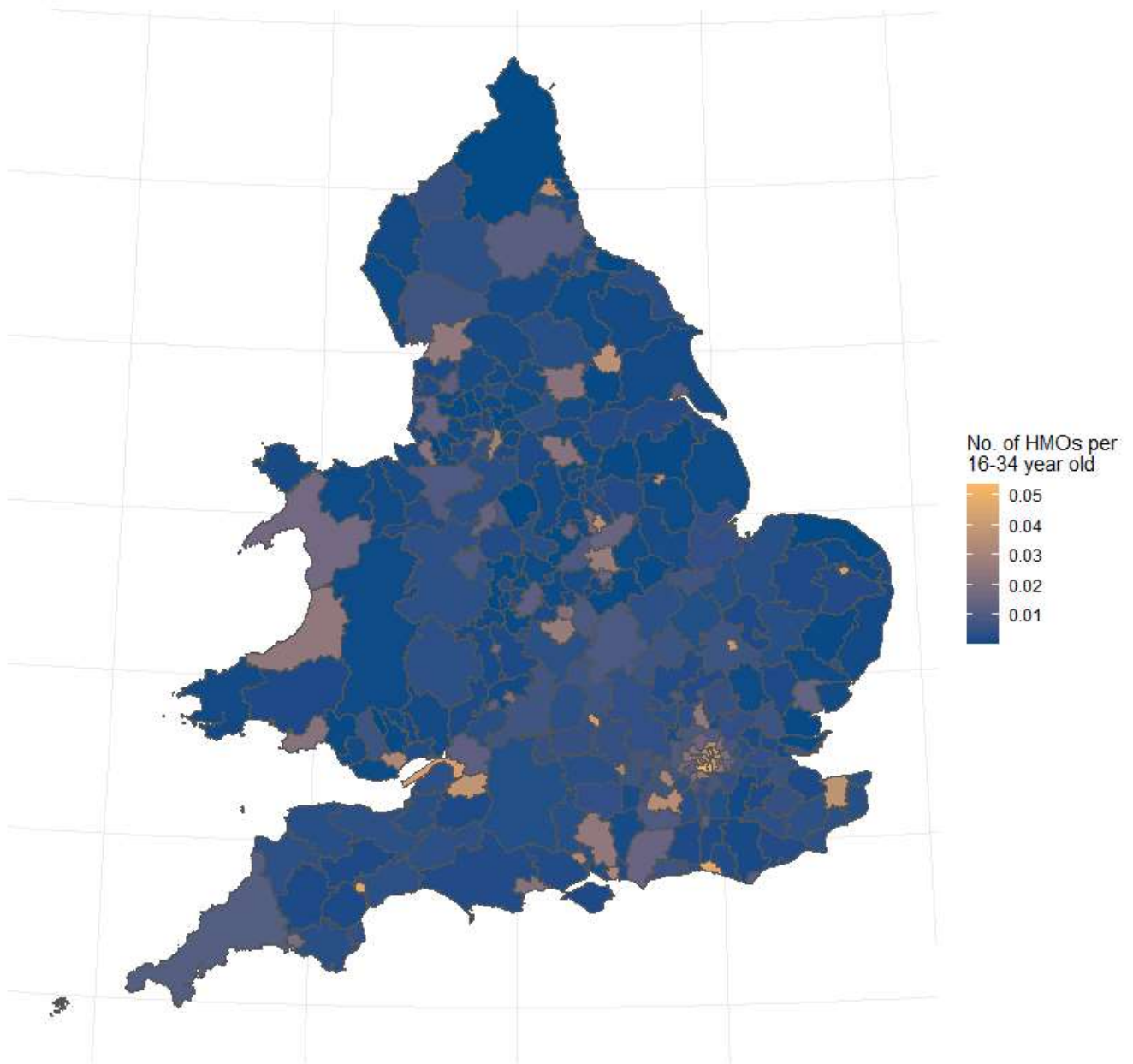
<sup>14</sup> These conditions were cited as a key reason for the introduction of HMO licensing in 2006; see the explanatory memorandum' available at:

[https://www.legislation.gov.uk/ukxi/2006/371/pdfs/ukxiem\\_20060371\\_en.pdf](https://www.legislation.gov.uk/ukxi/2006/371/pdfs/ukxiem_20060371_en.pdf). Whilst few studies have been conducted specifically on HMOs, existing work suggests that the non-student HMO market still represents particularly poor quality housing; see for example Adele Irving (2015) 'Housing as a means, not an end: the health and wellbeing of HMO residents in Newcastle-upon-Tyne', Northumbria University, available at: <https://nrl.northumbria.ac.uk/id/eprint/24942/2/HMO%20final%20report%2026.2.15.pdf>.

<sup>15</sup> Wendy Wilson and Hannah Cromarty (2019) 'Houses in multiple occupation (HMOs) England and Wales', House of Commons Library, available at: <https://commonslibrary.parliament.uk/research-briefings/sn00708/>.

<sup>16</sup> Department for Communities and Local Government (2016) Extending mandatory licensing of Houses in Multiple Occupation: a government response document, available at: [https://assets.publishing.service.gov.uk/media/5a80518a40f0b62302692cc4/HMO\\_Tech\\_Disc\\_RES\\_PONSE\\_DOC.pdf](https://assets.publishing.service.gov.uk/media/5a80518a40f0b62302692cc4/HMO_Tech_Disc_RES_PONSE_DOC.pdf).

**Figure 2. Distribution of HMOs in England and Wales by people aged 16-34**



Source: ONS<sup>17</sup>

<sup>17</sup> The map uses the 2021 UK mid-year population estimates, and 2023 estimates of the number of households in HMOs.

is no reason to believe that HMO stock is under-occupied), and that the 2021 census was undertaken when the COVID-19 pandemic was still impacting people's living situations (the rate of HMO occupancy may be understated as a result). Even with these caveats in mind, however, the maps demonstrate both the paucity and variability of HMO provision across the country.

Figure 2 immediately highlights the extent to which HMO provision varies across England and Wales. Easily identifiable on the map are the university towns like Oxford, Cambridge and Exeter, where a high proportion of students means that HMO provision is very high. London is another hotspot, where young people have frequently needed to live in shared accommodation to navigate its inhospitable housing market. Many rural areas and smaller towns report a rate of HMO provision that is equivalent to 1 in every 1000 young people.

The issue looks even starker when we take into account the places where people on Universal Credit actually live. Large cities and thriving towns are places where job opportunities are often more forthcoming, and so much of the HMO provision will cater for people with relatively well-paid jobs. Figure 3 shows the rate of HMO provision against the number of people aged under 35 who claim Universal Credit. Whilst not all of this group will be eligible for only the SAR, the map illustrates a situation in which benefit claimants are expected to live in types of housing that are simply not available to them.

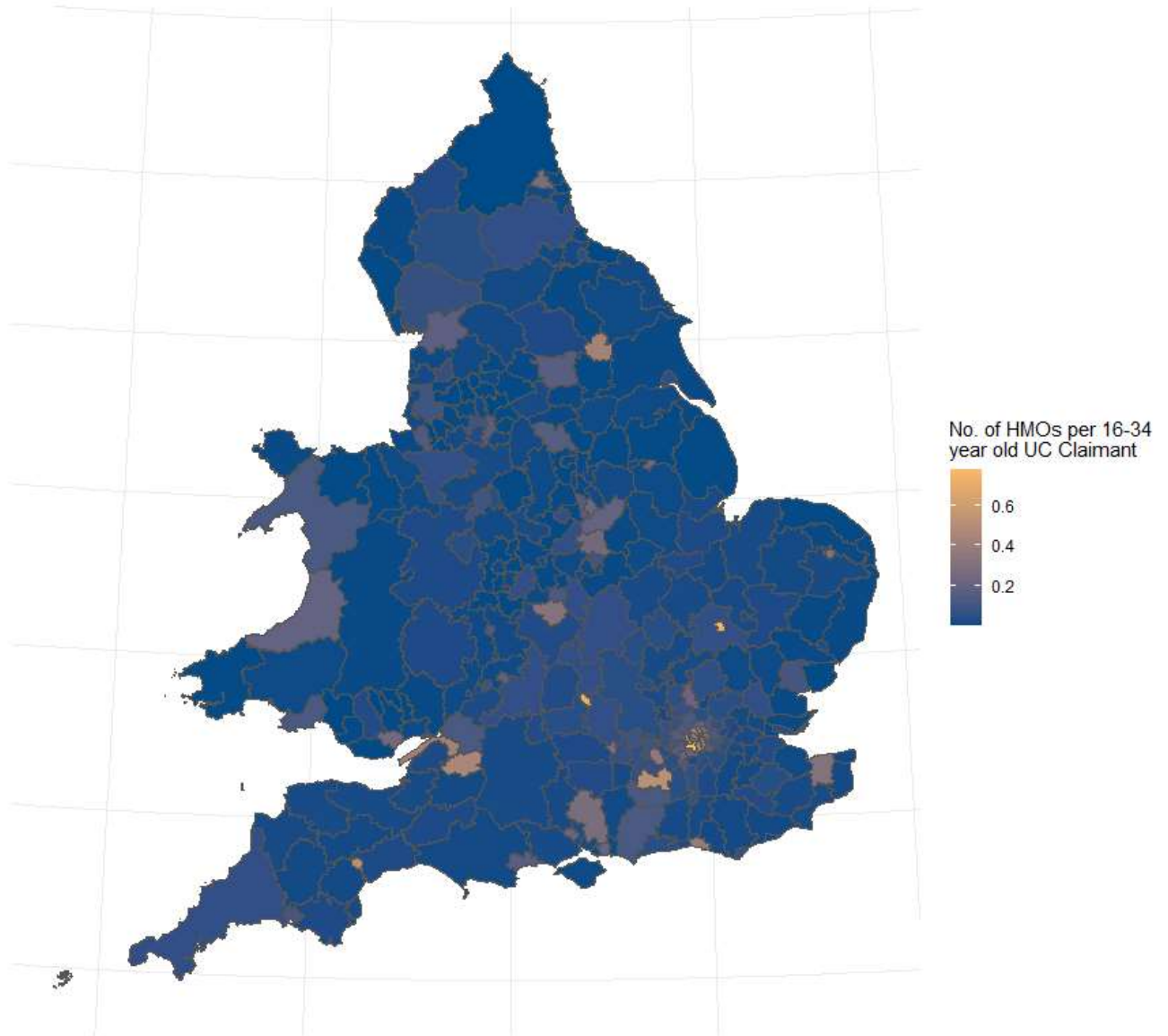
At the same time, both central and local government have introduced measures that have had the effect of restricting HMO provision, such as more stringent regulation of HMO landlords<sup>18</sup>, and planning regulations have been used extensively by local authorities to limit the building or conversion of HMOs.<sup>19</sup> These policies may help to improve standards within shared accommodation, but carry the risk of reducing supply while the SAR generates higher demand.

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<sup>18</sup> An overview of these policies is provided in Wendy Wilson and Hannah Cromarty (2019) 'Houses in multiple occupation (HMOs) England and Wales', House of Commons Library, available at: <https://commonslibrary.parliament.uk/research-briefings/sn00708/>.

<sup>19</sup> Article 4 directions under the Town and Country Planning (General Permitted Development) (England) Order 2015 allow local authorities to restrict the development of particular types of properties, and has frequently been used to limit HMO development. An outline of the affected areas is provided in Giovanni Patania (2023) 'HMO Article 4 Direction Areas in the UK: a complete guide', available at: <https://hmo-architect.com/blog/article-4/hmo-article-4-direction-areas-in-the-uk>. It should be noted that these measures are typically used to counteract what is seen as excessive concentration of HMOs, so are typically enacted where there is already significant provision.

**Figure 3. Distribution of HMOs in England and Wales by Universal Credit claimants aged 16-34**



Source: DWP & ONS<sup>20</sup>

<sup>20</sup> The map draws upon Universal Credit data published via Stat-Xplore, and 2023 ONS estimates of the number of households in HMOs.

## Data deficits

One consequence of the relative lack of shared housing across the country is that there is less data available to calculate the appropriate level of support. This makes SAR calculations less reliable than other aspects of the LHA system – and we believe that methodological flaws in data collection and subsequent calculations mean that the SAR tends to underestimate the cost of shared housing in most BRMAs.

The purpose of the LHA system is to ensure that the level of housing cost support for benefit claimants is appropriate, both to the needs of the household and to local market conditions. Currently, this is deemed to be support equivalent to the 30th percentile within the distribution of actual rents paid by non-claimants in each local area. Of course, this describes the LHA system's design *in theory*: payments have rarely been set at the 30th percentile *in practice*, due to periods of the rate being frozen, or updated in line with general inflation or other rates unconnected to housing costs.

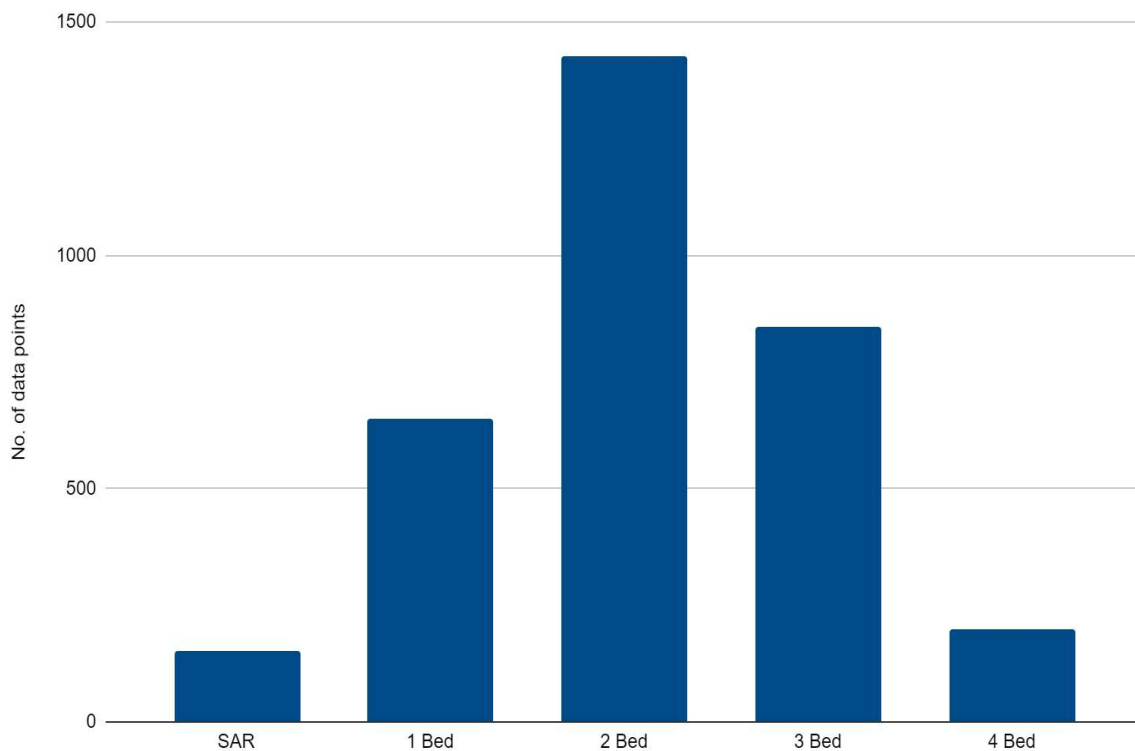
Ultimately, the fairness of the scheme relies on there being an appropriate level of housing relative to likely demand for a particular category. There is reason to think that the data underpinning the calculation of the SAR may be so patchy that it is causing additional hardship to those who rely on it.

### Box 3. LHA rate calculations

Rates are set across different areas of the country using data gathered by the Valuation Office Agency (VOA). Calculations are conducted by local rent officers, who contact landlords and letting agents to establish the contracted rents agreed for houses and flats of different sizes in each area. These are published as a list of rents, with all other contextual information removed, allowing the thirtieth percentile to be calculated for each area. Rent officers are statutorily required to ensure that their calculations capture a fair reflection of the housing market in each area. But their ability to do so is ultimately limited by factors such as the cooperation of landlords, the variation of provision across a given area and the overall size of a given market sector.



**Figure 4. Average number of datapoints used to calculate LHA rates across BRMAs in England in 2023/24**



Source: Author calculations using VOA data

The list of rents published by the VOA is the raw data that feeds into the calculation of LHA rates. It compiles almost 500,000 individual rent values to capture a picture of the PRS across different parts of the country. Whilst this represents a large volume of data, there is a significant imbalance in the number of datapoints captured across the different categories. Figure 4 above demonstrates that, taken as an average across BRMAs in England, the calculation of the 2-bedroom rate is based on almost 10 times as many surveyed rents as the SAR.

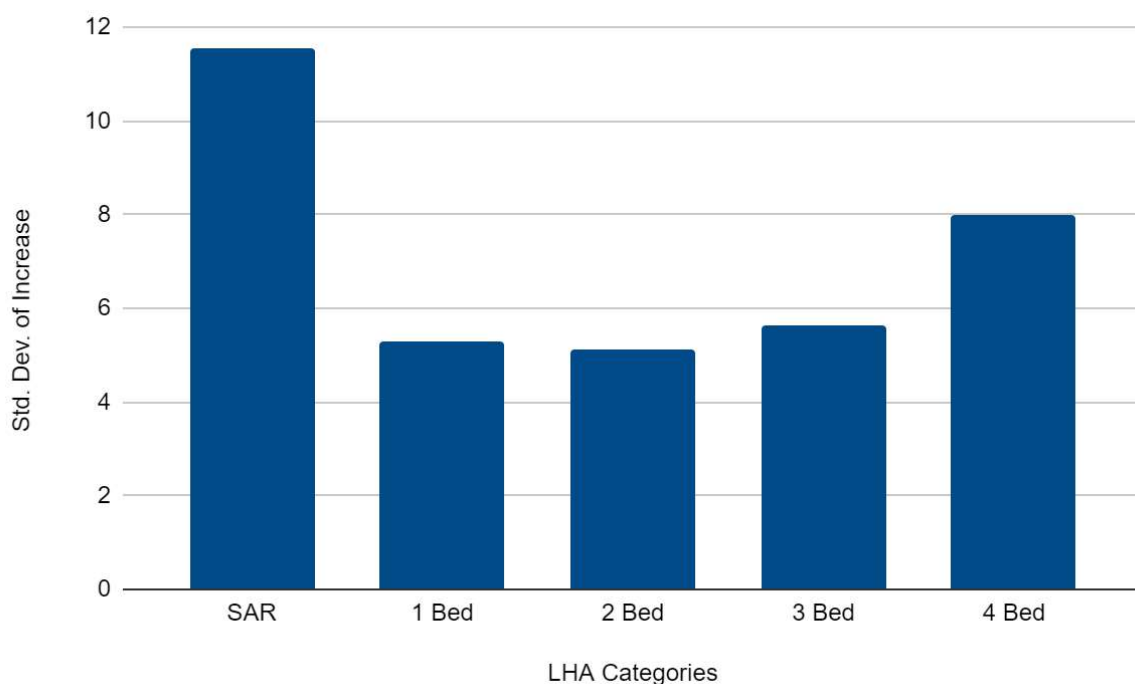
Of course, lack of data alone does not necessarily guarantee that the results are unreflective of market conditions. Yet there are several reasons to suggest that this lack of data is a particular problem for those on the lowest rate.

First, the low overall number of data points increases the potential volatility of the sample, meaning that a single house split into several tenancies represents a

greater proportion of the data going into the calculation of the rent for a given area. A single house entering or leaving the calculation can have an outsized impact on the level of support, meaning that the SAR is more volatile than the other categories. This greater volatility increases the chance that, for a given area, the calculated rate diverges from market conditions actually faced by renters.

This can be shown by looking at the increases to the scheme that are planned for April 2024. Figure 5 below shows the standard deviation of the 2024 increases in the various LHA rates across all BRMAs, that is, the extent to which individual increases differ from the average increase in each LHA category. This is a measure of volatility, and the SAR demonstrates the highest level of volatility, with the standard deviation of 2024 increases being twice the level of the 1- and 2-bedroom rates.

**Figure 5. Standard deviation of LHA rate increases (2023/24 to 2024/25) across BRMAs in England**



Source: Author calculations using VOA data

At the extremes, this means that the SAR for Chesterfield, for example, has increased by almost 50% in the period between 2020 and the 2024 uplift, whilst the rate for renters in Darlington has seen no increase at all. This may in part reflect a greater volatility in market rates in this sector. But the scale of this variation, combined with the much more limited sample used to calculate the level of support, suggests a system where data deficits are distorting the level of housing cost support available to young renters.

Second, there is a lack of transparency about how the SAR is calculated. Whilst the definition of a 1- or 2-bedroom property is relatively straightforward, the SAR can in theory encompass a range of different housing situations, not all of which may be captured in the sample in practice. Student accommodation in the PRS, for example, would often meet the definition of shared housing, and the student housing market tends to be relatively low-cost, but this market is unlikely to be available to the typical benefit claimant. Many students have low incomes and do need to access housing cost support, but most young people with low incomes are not studying at university and therefore would find it difficult to access segments of the PRS intended for students. This means the SAR may be calculated based on the rental costs of HMOs that are not actually available to most benefit claimants.

Third, it is apparent that houses or flats that meet the definition of HMOs in an analytical sense are not always directly marketed as such. Any house that is marketed for rent can be leased through a joint tenancy to a group of unrelated adults, who then are all equally responsible for the property. This will be the most common form of HMO tenancy in areas where the provision of individual shared rooms is limited, but there is little public guidance available as to how such situations are accounted for in the SAR calculations.

A lack of data and a lack of information about how this data is collected – and what qualifies as relevant data – are making the LHA system less trustworthy for those only eligible for the SAR. Coupled with the problem of the supply of shared housing invariably being outstripped by demand, it seems highly likely that the SAR underestimates the housing costs of young people who are only eligible for this level of support. The cost of a room in an HMO may be higher than the SAR indicates – and the cost of renting a 1-bedroom property if HMO provision is insufficient almost certainly will be.

## Flawed in principle

Even if shared housing were more available, and the SAR was being set by more reliable methods, there are several reasons to question whether a single room in an HMO represents an appropriate or beneficial living arrangement for young benefit claimants. This is especially the case now that the upper age eligibility limit is 35, meaning the SAR now covers a much larger proportion of people who have already established independent lives.<sup>21</sup>

First, as discussed further below, living with strangers can be difficult for people with mental health conditions, or who are neurodivergent. This may be compounded by, secondly, the possibility that HMOs can represent an unsafe or insecure form of housing. HMOs can have a high turnover of tenants, and there are longstanding concerns around health and safety, arising for example from overcrowding, in HMO provision.<sup>22</sup> The Police Federation reported in 2015 that areas with a high proportion of HMOs tend to see more 'indoor' violence and other forms of criminal activity.<sup>23</sup>

Some of these issues can be alleviated where people make arrangements with a pre-arranged group to rent a larger house as a joint tenancy. However, thirdly, this is a form of housing that can present significant barriers to access for certain people. As Citizens Advice advisers report, this option often relies on having pre-existing social networks through which to establish successful sharing arrangements. Websites like [spareroom.com](https://www.spareroom.com) allow people to search for HMOs that happen to have rooms available, but these more informal routes are subject to gatekeeping from existing tenants, with their residents being understandably keen to ensure a good fit with any new housemates. People's employment status, language fluency and other personal characteristics might

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<sup>21</sup> Beyond the fiscal benefits outlined in the introduction, this change was justified on the basis that young people in receipt of housing cost support through the benefits system should face the same housing choices as those in work (see the explanatory memorandum available at: [https://www.legislation.gov.uk/ukxi/2011/1736/pdfs/ukxiem\\_20111736\\_en.pdf](https://www.legislation.gov.uk/ukxi/2011/1736/pdfs/ukxiem_20111736_en.pdf)). However, the government has offered little evidence to suggest that sharing a flat or house is a sufficiently commonplace living arrangement among 25-34 year-old non-claimants to justify this claim (and of course many benefit claimants are in work).

<sup>22</sup> See Wendy Wilson and Hannah Cromarty (2019) 'Houses in multiple occupation (HMOs) England and Wales', House of Commons Library, available at: <https://commonslibrary.parliament.uk/research-briefings/sn00708/>.

<sup>23</sup> The Police Federation (2015) Safe as Houses? Crime and Changing Tenure Patterns, available at: [https://www.police-foundation.org.uk/wp-content/uploads/2017/06/safe\\_as\\_houses.pdf](https://www.police-foundation.org.uk/wp-content/uploads/2017/06/safe_as_houses.pdf).

represent barriers to accessing this more informal section of the housing market.

Fourth, there are many people only eligible for the SAR who require more private living space than the system assumes. The government recognises this, to some extent, by allowing for access to the 1-bedroom rate for some benefit claimants would otherwise be expected to share, such as:

- Care leavers aged under 25.
- People who have experienced domestic abuse
- People who have lived in a hostel or refuge for at least 3 months since they were 16 years old.
- Disabled people in receipt of a Personal Independence Payment (the daily living component), or Disability Living Allowance (the mid or higher rate).
- Modern slavery victims.
- Former prisoners, if aged 25-34 and covered by multi-agency public protection arrangements.

Yet there are clearly other circumstances that make shared housing difficult. The next 2 sections of this report will highlight the impact of the SAR's narrow range of exemptions in this regard, alongside the impact of low SAR payments and limited HMO availability. Some of those most affected included people who are pregnant with their first child, who are only able to access the 1-bedroom rate after their child is born, and separated parents who are expected to live in an HMO even if their children live with them for part of each week. The definition of disability in this exemptions list is quite restrictive, and reliant upon claims for disability benefits being processed and accepted in a timely manner. There are also a wider range of people who are simply unable to find suitable shared housing, even if they would otherwise be able to share unproblematically, especially when they become eligible for only the SAR at short notice.

# The impact of low housing cost support on young people

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The level at which the SAR is set in most areas means that, too often, people already on low incomes need to meet their housing costs from elsewhere in their limited budgets. The uplift to LHA in April 2024 will go some of the way towards bridging this gap. But flaws in how the SAR is designed and administered – and a shortage of affordable and/or suitable rental properties for young benefit claimants – make it likely that large numbers of people will continue to struggle, even with the extra support.

This section explores some of the impacts that young people are experiencing as a consequence of the SAR not adequately meeting their housing cost needs. The most visible impacts arise when the low level of support drives people into a negative budget, which can result in debt, poor mental health and homelessness. Beyond these most keenly felt impacts, the scheme is limiting the independence and employment prospects of young people, who find themselves stuck relying on the support of family – a safety net not available to all<sup>24</sup> – to compensate for the inadequacy of housing cost support.

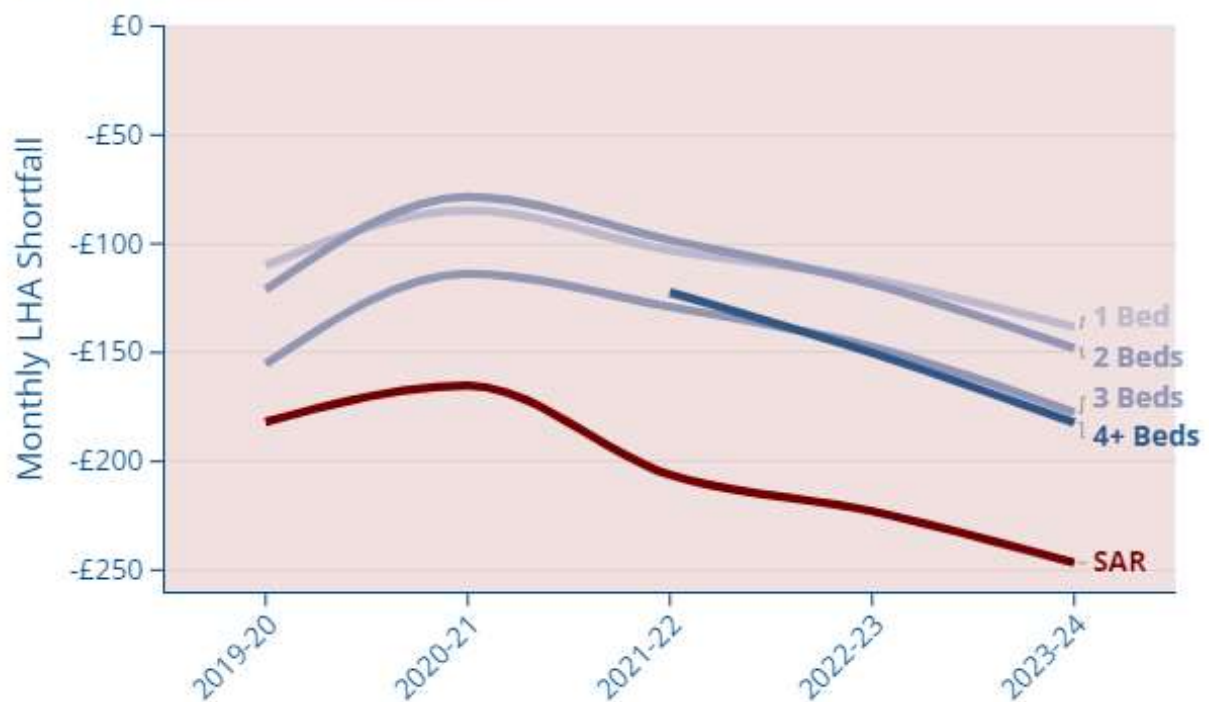
## Negative budgets

Citizens Advice recently established the National Red Index, a unique window into the cost pressures that are driving people into negative budgets. One of the things this detailed breakdown of expenditure and income reveals is that, among Citizens Advice debt clients receiving Universal Credit, the SAR is playing a key role in driving people into a negative budget. In the last financial year, people on the SAR had an average monthly shortfall between their rent and the level of support they received of almost £250. This is nearly £100 higher than the average monthly shortfall (£157) faced by people across other LHA categories.

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<sup>24</sup> For example, young LGBT+ people experience a high rate of homelessness, and in many cases may be less able to rely on support from family members because of abuse or rejection. See Albert Kennedy Trust (2021) The LGBT+ Youth Homelessness Report, available at: <https://www.akt.org.uk/wp-content/uploads/2023/07/akt-thelgbtqyouthhomelessnessreport2021.pdf>.

**Figure 6. Average monthly shortfall between housing cost support and rent for different LHA categories (Citizens Advice debt clients receiving Universal Credit)**



Source: Citizens Advice National Red Index

It is little surprise therefore that, in terms of general advice, the most common issue we see people facing in relation to the SAR is simply not having enough money to cover the cost of their rent. By definition, people receiving support for their housing costs are likely to be on limited incomes, so their capacity to contribute to their rent from elsewhere in their budget is extremely constrained. And as Keira's case above shows, for those under 25, the problems with the SAR are exacerbated by a lower Universal Credit standard allowance, meaning that they have less income to cover any potential shortfall with their rent.

Kiera\* is 24 and has recently separated from her husband. She now lives alone and has been off work for a period of time with ill-health. Her current rent is £850 a month, but due to receiving UCHE at only the SAR, and despite eligibility for statutory sick pay, Keira's entire available income is still less than her rent. She is already in debt, and this will only get worse for as long as the level of support she receives doesn't cover all of her costs.

Chris\* found housing cost support limited to the SAR insufficient to live on, even in shared housing. To reduce his housing costs, he had moved in with a friend, reducing his monthly rent to around £450. However, he lives in an area of England with the lowest rate of the SAR, meaning that he was paid just £55.02 a week towards his housing costs. Even after taking action to change his housing situation and find shared accommodation, the SAR still left him with a significant shortfall in his housing costs. The rate he is paid will increase in April to £73.35 per week, but this will still leave him needing to find £128 per month to make up the difference. Chris was already in debt, a situation which is likely to worsen as he continues to receive less than he needs to pay his rent.

\*All names have been changed

## Homelessness

For many people, a persistent gap between the level of support people receive and the rent they have to pay will eventually result in rent arrears building up. Even where tenants are just about able to keep their heads above water at a given rate of rent, Section 21 notices can be used to evict those who are unable to keep pace with subsequent increases. As such, in many cases, the difficulty people face in finding affordable accommodation leaves them at a real risk of homelessness. As noted in the introduction, youth homelessness has been rising alarmingly.

For people who are already experiencing homelessness, the low rate of the SAR can be a serious impediment to finding stable accommodation. This can be exacerbated by a reluctance among landlords to let properties to people in receipt of benefits, and other barriers people on low incomes face in the rental market.<sup>25</sup>

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<sup>25</sup> See for example Heather Spurr (2017) The barriers facing low-income people in private renting, Shelter, available at: [https://england.shelter.org.uk/professional\\_resources/policy\\_and\\_research/policy\\_library/briefing\\_shut\\_out](https://england.shelter.org.uk/professional_resources/policy_and_research/policy_library/briefing_shut_out).



Diane\* lives in a bedsit in central London and her landlord has just increased the rent from £650 a month to £1000 a month. What had been affordable within the limits of the SAR is now not, and she has been threatened with eviction as a result. She has struggled to find alternative accommodation that was sufficiently close to her place of work, meaning that if evicted she will have to rely on homelessness support services from her local authority if she is going to maintain her employment.

Michael\* is currently homeless, sofa-surfing with friends whilst he looks for affordable accommodation. He is currently unemployed, as he had been struggling with his mental health and had to leave his previous work. Only being eligible for the SAR, he is finding it extremely difficult to find appropriate housing. With a shortage of social housing in the area, Michael is likely to remain homeless for a significant period of time. This situation is worsening his mental health and harming his ongoing employment prospects.

Theo\* is homeless, having had to leave his previous property once it became unfit for human habitation. He is currently sleeping rough and has been told by the council his only option is to look for private rented accommodation. Under the SAR, he would be eligible for £390 a month for housing but as he lives in a city where there is a competitive housing market and very high rents, there are no properties he can afford and no landlord will even consider him because of his situation. Having no fixed abode is worsening his mental health and seriously damaging his employment prospects, leaving him with very little hope that his situation will improve.

\*All names have been changed

## Barriers to independence

Not everyone eligible for only the SAR will necessarily be at risk of becoming homeless. Many young people will still have some form of family support network, which is able to provide housing if no other options are available. As such, whilst homelessness is one of the most drastic impacts, a hidden

consequence of the low rate of the SAR can be seen among a group of people who do not claim it at all.

Many young people may be in a position where they are stuck living in their childhood home, relying on the support of parents but unable to take the next step into independence. This can be a barrier to finding work, if people are restricted to living in places where employment opportunities are limited for young people. Family homes are not always designed for multiple adults, and people can suffer from overcrowding as a result.

The number of people living with their parents into adulthood clearly reflects a more general long-term trend resulting from a shortage of affordable housing, and more insecure forms of employment.<sup>26</sup> But it also reflects a system of housing cost support that does not provide people with enough support to establish independent lives.

Amara\* is in her late 20s and is currently living at home with her parents. She is experiencing significant mental health problems, meaning she has limited capacity to work. She has found rented accommodation that will allow her to move out, but will have to rely on payments limited to the SAR to cover her housing costs. At the 2023/24 rate, her rent would have been £75 per week more than the level of support she receives. Whilst this will mean her monthly income is stretched thin, she is currently being paid a higher rate of Universal Credit to reflect the fact that her mental health problems are a barrier to work. She now finds herself in a perilous situation where, should her mental health condition improve, she would no longer be able to afford to live independently.

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<sup>26</sup>A report from the Resolution Foundation found that 'between 1996-1997 and 2018-2019, the proportion of 19-29 year-olds living in their parents' home rose from 34 to 43 per cent', equivalent to an additional 1.6 million people in such a situation. See Maja Gustaffson (2021), Boom(erang) time? An analysis of younger adults living with their parents, Resolution Foundation, available at: <https://www.resolutionfoundation.org/app/uploads/2021/06/Boomerang-Time.pdf>.

Miriam\* currently lives with her parents in the Midlands. She has a job in London and wants to be able to move out so she can be closer to work. But having looked for accommodation in London, there is nothing that she can afford at her current wage. She came to Citizens Advice to see if she was entitled to any benefits, but based on her situation her entitlement was reduced to zero due to her earnings. However, if she had been eligible for the full 1-bedroom rate, and despite being subject to the reduced standard allowance for those aged under 25, she would have been entitled to approximately £428 a month. This could have allowed her to move out of her parents' house and live closer to work.

\*All names have been changed

## Barriers to employment

Whilst it was initially envisaged by Department for Work and Pensions (DWP) ministers, when the SAR was extended to 25-34 year-olds, that anyone in work 'should be able to meet any shortfall in rent and remain in a self-contained property'<sup>27</sup>, this has proved not to be the case for many. The low level of the SAR, combined with the steep taper on Universal Credit, means that many people are cut off from housing cost support even when taking on relatively poorly paid work. Being lifted out of the Universal Credit system can also lock people out of other important avenues of support, such as the Household Support Fund or Discretionary Housing Payments (DHPs; these are discussed further in the next section).

People who face difficulties in their housing situation face a level of instability in their lives that can be detrimental to their efforts to find stable employment. A lack of housing support can make it difficult to relocate to a new area to find work and, particularly in rural areas, can mean that transport costs can be a barrier to employment opportunities.

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<sup>27</sup> Comments by Lord Freud, then DWP minister, cited in Frank Hobson (2022) The Shared Accommodation Rate in Universal Credit and Housing Benefit, House of Commons Library, available at: <https://researchbriefings.files.parliament.uk/documents/SN05889/SN05889.pdf>.

Julie\* is 20 and is currently working 35 hours a week, for which she is paid around £1000 a month. She is privately renting a 2-bedroom flat for which the rent is £550 a month. This leaves her with little to cover the rest of her monthly outgoings. Universal Credit is a system that is designed to help people in Julie's situation, but the low rate of the SAR, along with the fact that she receives a lower standard allowance because of her age, means that she is not eligible. Even though she is in full-time work, she has been struggling to pay her rent, council tax and energy bills and has got into debt as a result. Increasing her SAR eligibility to the 1-bedroom rate would have meant Julie would have been given a small income supplement through UCHE, and would have also made her eligible for other forms of support such as DHPs.

Aaron\* had been unexpectedly made unemployed and so had applied for Universal Credit. The low rate of the SAR was insufficient to cover his rent, so he needed to use other benefit income to meet housing costs, while also paying off other debts. To look for work, he needed to continue paying for a broadband connection, and needed to find money for new clothes for job interviews. Aaron ultimately needed to rely on foodbanks to meet his basic needs. Aaron's case shows that, by not paying people enough to cover their housing costs, unexpected periods of unemployment become much more difficult to navigate, and it can become harder to find appropriate work.

Peter\* is unemployed and lives in a very rural part of the country. Having been living with his parents, a disagreement meant that he had to move out and is now homeless. He is currently 'sofa-surfing', staying with a friend on an informal basis. Being unemployed has made it very difficult to find somewhere to rent in the local area, with many landlords refusing to let to him on this basis. As well as being stressful in its own right, the lack of affordable housing is making it difficult to attend appointments at the Jobcentre, as public transport is expensive and unreliable. The low level of support under the SAR has placed him in a situation that is harming his mental health, whilst increasing the barriers to finding a route out of this situation through work.

\*All names have been changed

# The impact of the requirement to share on young people

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The previous section argued that there is an insufficient supply of shared housing affordable for and available to young benefit claimants eligible for only the SAR. This section shows, however, that even if there were ample shared housing to meet demand, there are a number of reasons why people might be unable or unwilling to minimise their housing costs by sharing their living space with others. For many people, living in shared housing is not appropriate, no matter how strong the financial incentive for them to do so.

## The Shared Accommodation Rate and family life

The SAR is designed for single people without children. Yet real life is often not this simple.

### ***Shared care***

One group of people who can find life particularly difficult on the SAR are those who have shared care arrangements for children from previous relationships. It is only possible for one parent to claim child-related benefits, including help with housing costs, even when they split their time between 2 households. This means that the 'non-resident' parent is only eligible for the SAR if they are under 35 and single.

This can have significant implications for family life. Even if an arrangement is in place that means their children can stay with them for a certain part of each week, it might be impossible for that to happen if the parent lives in shared accommodation. Shared housing, especially where strangers have access to the kitchen, bathroom and other shared spaces, is unlikely to be appropriate.

What this means in practice is that many parents do everything they can to try and maintain a home that is appropriate for children, with extra space for them to sleep and the additional privacy that comes from not sharing a home with others. This can take a heavy toll on a parent's finances. Whilst the principle at the heart of this approach is that the state should not have to pay for 2

Isaac\* has 2 young children, aged 1 and 2, from a relationship that had come to an end. The relationship had involved domestic abuse on the part of his former partner. A recent court agreement allowed him to have the children to stay with him from Tuesday to Thursday each week, as well as every other weekend. He was privately renting a 3-bedroom house, but his landlord had issued him with a Section 21 notice, threatening him with eviction, as he wanted to raise the rent from £525 to £750 a month. Isaac's outgoings were already greater than his income, leaving him in debt. He has been unable to find a property with cheaper rent that allows him to maintain a home for his children. With the help of Citizens Advice, he has been able to use a recent change in legislation to challenge his eligibility for the SAR because of his status as a victim of domestic abuse; whilst this should ensure he is paid the higher 1-bedroom rate, at time of writing his eligibility has not been confirmed by DWP. Living with a negative budget and uncertainty about his housing situation has been impacting Isaac's mental health. Poor awareness of SAR exemptions, a delay in responding to an update about his circumstances, and the fact that Isaac was paid the shared rate by default despite having caring responsibilities for his children, have all contributed to a very high level of anxiety.

Matthew\* had been living in a 1-bedroom flat, but had recently moved to a 2-bedroom property after being told by social services that he needed more space if he wanted to be able to have his children from a previous relationship stay with him. He came to Citizens Advice for help because the amount he was receiving each month from Universal Credit was less than his rent, meaning he had to rely on support from family and friends to make ends meet. Without this support, he would be liable for eviction and threatened with homelessness, making an ongoing relationship with his children difficult. The situation was impacting his mental health, exacerbated by the sense of unfairness he felt from being put in what felt like an almost impossible situation.

\*All names have been changed

bedrooms for the same child, its consequence is a system that is driving people into financial distress in order to maintain a relationship with their children.

People in this situation are listed as a priority group for DHPs in the guidance given by DWP.<sup>28</sup> But as our advisers often report, DHPs can have a lengthy application process and are by no means guaranteed to be offered.

Furthermore, this is only ever a temporary form of support, so cannot be relied upon to cover the cost of a suitable, long-term home.

#### **Box 4. Discretionary housing payments**

DHPs are the means by which people facing immediate housing crises can be given additional financial support. These are administered by local authorities, who are given funding by central government each year to cover the cost of making these payments. DHPs offer temporary relief, and are not necessarily designed to address a long-term imbalance between income and housing costs.

To be eligible for a DHP, a household must be in receipt of Housing Benefit or UCHE. Guidance is provided as to which groups should be prioritised in these decision-making processes. But DHPs are discretionary rather than an entitlement, and are subject to review by local authorities.

The system is also under pressure as the level of central government support has fallen in recent years. In 2013/14, the level of support for councils in England and Wales was £180 million, but it was only £100 million for 2023/24.<sup>29</sup> Accordingly, DHPs have become more difficult to obtain.

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<sup>28</sup> See

<https://assets.publishing.service.gov.uk/media/62960c8ed3bf7f0371a9b06a/discretionary-housing-payments-guide.pdf>.

<sup>29</sup> See

<https://assets.publishing.service.gov.uk/media/5a80d23e40f0b62305b8d560/use-of-DHPs-apr-to-sept-2016.pdf> and <https://www.gov.uk/government/publications/housing-benefit-subsidy-circulars-2023/s12023-discretionary-housing-payment-government-contribution-for-english-and-welsh-local-authorities-for-financial-years-ending-march-2024-and-march>

## ***Pregnancy***

Another situation where the SAR can have an unintended impact on the lives of children is in the case of single pregnant people. If they are under 35, they are only entitled to the SAR up until the day their child is born, at which point they immediately become entitled to the 2-bedroom rate. This presents people with the added complications of finding somewhere to live while they are already going through a significant upheaval, rather than being able to plan in advance for the arrival of their baby.

Kelly\* is 21 and 15 weeks pregnant. She rents a 1-bedroom flat for £550 per month, but a health condition has meant she recently needed to leave her job. Under Universal Credit, she has a lower standard allowance because she is under 25, and is entitled to only the SAR because she does not have a partner. This situation is leaving her with a significant monthly shortfall between her income and her essential living costs. She has some support from her family and the father of her unborn child, but even with this she has found herself getting into debt. Her pregnancy is already considered high risk because of her health condition, which is being exacerbated by the stress of her financial situation. Despite this, she was refused a DHP from her local authority.

At the time of seeking Citizens Advice support, Jade\* was due to give birth in a couple of weeks. She has very little support from her family and is relying on Universal Credit, and therefore the SAR, to cover her living costs. Due to the low level of housing support she receives, she currently lives in shared accommodation that would be completely inappropriate for a child. Her room is so small there is no space for a cot, and the level of noise, fighting and drug related activity within the house makes it completely unsuitable for a newborn. Her entitlement will increase on the day her child is born, but with little support from others, she will find it very difficult to go through the upheaval of moving to new accommodation whilst she has a young baby to support. Her midwife is very concerned about the situation but the way the benefit system is currently designed means that there is little additional support she can call on until the moment the child is born.



Bethany\* is single and lives in an HMO with 7 other people. She is 18 weeks pregnant, and desperate to move as the house is completely unsuitable to raise a newborn child. She has no control over the building's thermostat, meaning that it is freezing cold for much of the winter. The fire alarms do not work, there is mould in the bathroom, and the stair carpet is worn – causing her to slip and fall. She worries that reporting the poor state of accommodation to the authorities will lead to a retaliatory eviction, and the lack of other housing would leave her at risk of homelessness.

\*All names have been changed

The current system creates a huge amount of stress and uncertainty for people who are already going through a potentially difficult time in their lives – exacerbated by the poor quality of many HMOs. A relatively small change to the LHA system, such as exempting pregnant people from the SAR, could help reduce the stress and disruption faced by expectant parents as they prepare to provide a life for their children.

## **The unsuitability of shared housing**

Much more than other categories of housing cost support, the SAR imposes not only a minimum property size, but also an entire *way of living*. The existing system of exemptions does not capture the full range of reasons why people might find shared housing difficult to cope with. A system that expects people to share by default will always leave some people struggling, either with inappropriate and detrimental living arrangements, or with a significant gap between their income and expenditure as they seek more suitable housing.

### ***Disrupting stable situations***

Some people choose not to live in shared accommodation if they are already settled in housing arrangements that it would be disruptive to leave. Whilst it might be reasonable to expect benefit claimants not to consistently maintain housing that is well outside their budget, people may be unwilling to go through the upheaval of moving to a smaller property when they have a reasonable expectation that their reliance on Universal Credit might only be temporary. There are also costs associated with moving.

Claude\* is an example of someone who needs temporary support from UCHE to cover their housing costs, but is being left out of pocket by the low rate that he receives under the SAR. Having recently started his own design business, he needed support for his income as he built a client base and began to take on work. The rent for his 1-bedroom flat in London was over £1,000 a month, well within the 1-bedroom rate for the LHA in that area. Only being eligible for the SAR, however, meant that he faced a gap of £382 per month between his housing costs and the support he received. Given his reasonable expectation that he would soon have a regular source of income, moving to a shared property on a temporary basis would not be realistic, and would have meant significant disruption when his energies were focused on getting his new business off the ground. Without being able to access a higher level of support, he was forced to meet his housing costs from elsewhere in his limited budget.

\*All names have been changed

Shared housing is often associated with a more transitional life stage. Once someone has already started living independently, accumulating possessions and settling down, the impact of moving back into a single room can be pronounced. They are unlikely to be able to move straightforwardly in order to adapt to a lower rate of housing cost support; what people face instead is simply a shortfall in the level of support they need to get through a difficult time.

### ***Mental health and neurodiversity***

Living with other people can be difficult for some. For people who are neurodivergent, or who have mental health conditions, the pressures of living with others, particularly strangers, can mean shared housing is not a suitable option. Expecting everyone to live in a shared house, regardless of their circumstances, is asking people to live in ways that do not make them feel comfortable, safe or secure.

Young people who have experienced 'trauma' when sharing accommodation are listed as a priority group for DHPs. In the experience of our advisers, however, people with mental health problems, unless they are severe enough to qualify for Personal Independence Payments, are not routinely exempted from the SAR.

Abdi\* has anxiety and depression. He lives in a 1-bedroom apartment and relies on Universal Credit as his sole source of income. He has work lined up that will start in a couple of months, but until that point he has less than £100 a month to live on once housing costs have been taken into account. This has left him having to choose which of his bills to pay and relying on food bank assistance for his basic needs. Asking the Job Centre for help with his situation, they suggested that he find accommodation he could share with others. However, because of his mental health condition he felt that that option was not appropriate for him. The low level of housing cost support he received meant that he was falling into debt and suffering additional stress as a result. If the client had not been able to find work, this situation would have very quickly become unsustainable.

Aiden\* lives in an HMO. He has Asperger's and severe mental health conditions, which had recently led to him being hospitalised. Because of these, he has been granted Personal Independence Payments which mean that he is eligible for the 1-bedroom rate of the LHA. However, because of the low level of LHA payments in his area, he is still only able to afford a room in a shared house. His experience reflects many of the struggles that people who are neurodivergent can face when they have to live with strangers. His Asperger's means that he struggles in social situations, and he has found living in his current house unbearable due to the anti-social behaviour of other tenants. This is exacerbating his stress and anxiety, and has meant he has spent long periods sleeping on his father's sofa rather than in his own home.

\*All names have been changed

## ***Refugees***

People who have been granted refugee status are another group who can struggle to get by on the SAR. They get very little support once their claim has been granted, being liable for eviction from their accommodation once a 'move on' period ends 28 days after their successful claim. As many people in this group are young and entering the UK without dependents<sup>30</sup>, they are often

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<sup>30</sup> See

<https://www.gov.uk/government/statistical-data-sets/immigration-system-statistics-data-tables>.

reliant on the SAR to meet their housing costs. With the government seeking to accelerate its processing of the asylum backlog, the number of people who find themselves in this situation could be increasing.<sup>31</sup>

Without the support of family or other social connections, and facing other challenges that could make sharing difficult, such as language barriers or experience of trauma, there are many reasons why this group might find it more difficult to find appropriate shared accommodation. A lack of such support has increased the risks of this group facing homelessness.<sup>32</sup> Among other things, the very short 'moving on' window given to successful asylum claimants has been blamed for the sharp increase in rough-sleeping among this group.

Hassan\* has recently been granted refugee status. He has been given a notice to leave his temporary accommodation, but has not been able to find any permanent accommodation. He is eligible for Universal Credit, but the rate of housing cost support provided is too low to rent anywhere in the local area, even in an HMO. If he is not able to find anywhere to move into by the time he is made to leave his temporary accommodation, his only choices will be rough sleeping or emergency accommodation from the local authority.

Ibrahim\* has refugee status and has managed to find somewhere to live that costs £750 per month. As he is only eligible for the SAR, UCHE only pays £328 per month towards this cost. To cover his rent, he needs to spend more than his entire benefits income. He has been getting by due to a DHP, but this is due to come to an end and he is stressed that this will mean he faces homelessness. He has been looking for other properties, but has not been able to find anything more affordable. Unless another DHP is approved, he will be at risk of falling into debt and possible homelessness.

\*All names have been changed

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<sup>31</sup> See British Red Cross (2023) 'Move-on period: more than 50,000 refugees could be homeless by the end of the year', available at: <https://www.redcross.org.uk/stories/migration-and-displacement/refugees-and-asylum-seekers/move-on-period-more-than-50000-refugees-could-be-homeless-by-end-of-year>.

<sup>32</sup> Ibid.

# Policy options

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How could the impact of the SAR be mitigated? One option would be to simply abolish it. We know that in 2024/25 the gap between the average SAR and the average 1-bedroom rate across all BRMAs (in England) is £230.76 per month, or £2,769.12 per year.<sup>33</sup> If there are 150,000 claimants eligible for only the SAR (in the UK), the cost of abolishing the SAR would be £415,368,000; if there are 300,000 claimants, the cost would be £830,736,000. So we can estimate the annual cost of abolition as approximately £0.4 billion - £0.85 billion.<sup>34</sup>

Short of abolition, the SAR's upper age eligibility limit could be reduced back down to 25. There are uncertainties around estimating the cost of this option. We know that of the 2,410,116 individuals in receipt of Universal Credit aged 16-34 years old, around 30% are aged 16-24, and around 70% are aged 25-34.<sup>35</sup> Of course, many of those aged 16-24 will still be living with their parents, so will not be in receipt of UCHE at any LHA rate; at the same time, many of those aged 25-34 will be living as part of a couple, and/or they are more likely to have children, so will be eligible for the 1-bedroom rate rather than the SAR.<sup>36</sup> If we apply the 70% proportion to our estimated cost of abolishing the SAR, in order to estimate the cost of restricting eligibility to under-25s only, the annual cost would be approximately £0.3 billion - £0.6 billion.

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<sup>33</sup> Calculated using data available at:

<https://assets.publishing.service.gov.uk/media/65ba5f24c75d30000dca0fce/england-rates-2024-to-2025.csv/preview>.

<sup>34</sup> This estimate, and all cost estimates in this section, assume that each claimant receives the maximum housing cost support at the rate they are eligible for. This is considered a reasonable assumption in relation to the SAR, given evidence of how low it is compared to actual housing costs; the higher 1-bedroom rate is less likely to be claimed in full, so our cost estimate is probably an overestimate in this regard. It should also be reiterated that the average represents the mean value of the maximum SAR level across BRMAs, rather than a mean value of the maximum SAR eligibility of each claimant; just as we do not know how many claimants are eligible for only the SAR, we do not know how they are distributed across BRMAs. For this reason, we are providing cost estimates with a wide margin of error.

<sup>35</sup> Universal Credit data is from Stat-Xplore, available at: <https://stat-xplore.dwp.gov.uk>.

<sup>36</sup> Note that this calculation also excludes the small number of Housing Benefit claimants eligible for only the SAR. We do not have any data on SAR eligibility by age among Housing Benefit claimants, but we do know that around 75% of Housing Benefit claimants aged 16-34 are within the 25-34 age band – similar to the Universal Credit figure of 70%.

There are other options for partially abolishing the SAR, while retaining an eligibility range of 16-34 years old. The SAR for each BRMA could be set at the halfway point between the 30th percentile of shared housing rental costs and the 1-bedroom rate. Other things being equal, this would cost half what full abolition of the SAR would cost. As such, we can estimate the annual cost of this option as £0.2 billion - £0.4 billion. Alternatively, a premium of, say, 25% could be applied to the SAR in each BRMA. We can estimate the annual cost of this option as approximately £0.1 billion - £0.2 billion.<sup>37</sup>

It could be that these measures for increasing the SAR are not applied universally to BRMAs, but rather only in BRMAs where it is established that the supply of suitable single rooms in an HMO priced at or around the 30th percentile is insufficient to meet demand from claimants eligible for only the SAR. (DWP has taken action in the past to adjust LHA rates in areas of high housing stress, albeit only on a discretionary basis rather than through a formal framework.) This would obviously involve greater complexity in the operation of the LHA system: it would require both more sophisticated data collection, and consideration of how to prevent SAR adjustments artificially inflating HMO demand in local markets. But it would target support for those most affected by the SAR's flaws.

There are other policies the government could introduce to address some of the impacts of the SAR. Above all, a greater range of exemptions to the SAR could be introduced for, for example, people who are pregnant or have other health conditions that make shared housing more problematic, or parents who need to provide suitable accommodation for their children even if they do not have full-time custody.

The government could also strengthen guidelines to ensure that DHPs are available to people with housing cost support shortfalls associated with low SAR payments, especially where there is a threat of homelessness. (This may require an increase in funding for DHPs to avoid other groups losing access to support.)

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<sup>37</sup> An additional option would be to set the SAR at the 50th rather than 30th percentile of local rents, to reflect known limitations in the collection of data used to plot the distribution of rent costs in each BRMA. Using VOA data for 2023/24, we have calculated that the 50th percentile value is on average 10% higher than the 30th percentile value across all BRMAs in England. This would cost around £0.07 billion - £0.15 billion. It would probably also be necessary to ensure, if this option were taken forward, that the 1-bedroom rate does not fall below the SAR in any BRMA.

The government argued when the upper age eligibility limit for the SAR was increased to 35 that it is not best placed to adjudicate the suitability of different cases, and that the system of DHPs is the appropriate policy tool for people whose situations make it inappropriate for them to share, but who are not covered by existing SAR exemptions.<sup>38</sup> This system, administered by local authorities, does mean decisions are made with a greater appreciation for the specific local context. However, although according to central guidance some groups eligible for only the SAR can access DHPs, Citizens Advice advisers report that in general young people with no dependents are often seen as a low priority for discretionary housing cost support. If the SAR is not going to be substantively reformed, then DHPs will need to become a more significant source of housing cost support for young people, to mitigate the SAR's impact.

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<sup>38</sup> See [https://www.legislation.gov.uk/ukxi/2011/1736/pdfs/ukxiem\\_20111736\\_en.pdf](https://www.legislation.gov.uk/ukxi/2011/1736/pdfs/ukxiem_20111736_en.pdf).

# Conclusions and recommendations

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Hundreds of thousands of young people are having the amount of housing cost support they receive – often the difference between having somewhere to live, and being threatened with homelessness – determined by an LHA system based on the assumption that shared housing is affordable and available for benefit claimants aged under 35 in each BRMA (if they are single and do not have children).

In terms of affordability, the data used in order to calculate the 30th percentile of shared housing rental costs in each BRMA is unreliable. It seems likely that many – if not most – instances of people living in a shared flat or house are *not* being captured by LHA calculation methods. And it seems just as likely that calculations include market segments such as student accommodation that are quite obviously not available to typical benefit claimants.

In terms of availability, in many places there are simply too few rooms in HMOs available, especially priced at or around the SAR. Areas with greater availability tend to be more expensive, and vice versa.

It is not at all surprising therefore that, among Citizens Advice's debt clients, rent shortfalls for people only eligible for the SAR are significantly higher than for any other LHA category. The SAR is contributing to homelessness among young people. Some will be able to continue living with their parents or other relatives rather than face the prospect of homelessness – but in this way, the SAR is acting as a barrier to young people living independently. It also acts as a barrier to employment, either because entering even very low-paid work can, given they are set at such a low level, see Universal Credit payments withdrawn, or because the SAR leads to an instability in living arrangements that can be detrimental to efforts to find stable employment.

Even if it were possible for people to find a single room in an HMO, priced at or around the SAR in their local area, evidence from the people we support suggests that shared housing is not suitable for everyone who is currently only eligible for the SAR.



Many people on the SAR will feel the benefit of an increase from April 2024: across the country, the shared rate will see the largest proportional increase among all LHA rates. Yet even with this increase, this report has demonstrated that many people within this group will continue to get a raw deal. We believe therefore that **the government should abolish the SAR**. It is calculated using unreliable methods, and contributes to preventing benefit claimants from establishing independent lives.

If the SAR is retained, there are a range of things the government could do to minimise its impact:

- **Reduce the upper age eligibility limit back down to 25**, which would reduce the number of people subject to unreliable calculation methods, and focus the SAR on a younger cohort who may be less negatively affected by the need to live in shared housing.
- **Consider introducing mechanisms to increase the SAR**, such as setting SAR payments at the halfway point between the SAR, as calculated, and the 1-bedroom rate: this would help to reduce rent shortfalls for people only eligible for the SAR, and acknowledge problems in how the SAR is being calculated within the LHA system.
- **Review data collection and methodologies associated with the SAR**, including the definition of shared accommodation within the rental markets available to benefit claimants.
- **Widen the range of exemptions to the application of the SAR**, especially for separated parents who need suitable accommodation for their children and pregnant people who will soon become parents, and vulnerable groups such as those who have been granted leave to remain.
- **Ensure that DHPs are more available to people affected by the SAR**, by strengthening guidance and increasing funding: this would provide short-term relief for a group of people who are increasingly likely to be threatened with homelessness while broader problems associated with the SAR can be addressed.

Finally, we should recognise that the LHA system is only one part of the housing puzzle for young people with low incomes. Developing a wider programme of housing market reform to reduce the exposure of this group to unaffordable rent rises, including greater social housing provision and more restrictions on evicting tenants, is essential.

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