

## **TENANCY FRAUD INITIATIVE UPDATE**

Report of the Acting Chief Executive

### **1. SUMMARY**

Derby Homes Board received a report on 25 November 2010 advising Board Members of a national initiative to tackle tenancy fraud and Derby Homes' proposals to reduce the problem within the City. The Board approved the proposals and an update was presented to the Board on the 24 November 2011. This report is an update of the current position.

### **2. RECOMMENDATION**

The Board notes the report.

### **3. MATTER FOR CONSIDERATION**

- 3.1 The Government launched a national tenancy fraud initiative in November 2009 to crackdown on tenancy misuse and fraud. Social Housing is a valuable asset for which there is great demand. At the time of the launch the Audit Commission estimated that up to 50,000 homes may be occupied fraudulently.
- 3.2 In September 2011, Experian analysed more recent research and estimated that the instances of fraud could be three times higher than originally thought. Based on a total housing stock of 5.06 million, they estimated a potential fraud of a minimum 157,000 properties (3.1%).
- 3.3 The impact of fraud is far reaching and prevents housing providers making best use of stock. This means that waiting lists are longer and those in the greatest need are unable to access tenancies. This decreases the ability to reduce homelessness and increases the use of costly temporary accommodation.
- 3.4 Tenancy fraud can present itself in many ways and can occur at any stage during a tenancy lifecycle, from obtaining a tenancy by deception to failing to notify the landlord when the tenant moves out or passes away. Some instances of illegal subletting have generated lucrative profits for tenants. The following list is not exhaustive:
  - Illegal subletting
  - Non occupation by the tenant as their main or principal home
  - Succession fraud
  - Unauthorised assignment of the tenancy
  - Fraudulently obtaining housing through misrepresentation of identity or misrepresentation of circumstances

- 3.5 Following the report in November 2010 Derby Homes has implemented a number of measures to prevent, detect and tackle tenancy fraud, including:
- Improved identification and verification checks when properties are offered
  - Provision of photographic identification at sign up. If the tenant does not have photographic identification, another form of identification must be verified and a photograph taken
  - Further verification of the occupants at post let visit and introductory tenancy reviews
  - Publicity
  - Tenancy audits.
- 3.6 Derby Homes has carried out tenancy audits which are a practical route to validate the occupancy for existing tenants. Flats were highlighted as properties most at risk of fraud. As a result over 4,000 flats have been visited and the tenants verified. Many of the flats were visited up to 3 times before the information was secured.
- 3.7 The results showed few cases where tenancy fraud was identified. The nine cases where fraud was suspected have resulted in the occupants voluntarily returning keys to Derby Homes, following threats of recovery action.
- 3.8 The tenancy audits have continued but this is a very time consuming process with some occupants still refusing access. To streamline the process and detect fraud more effectively, Derby Homes consulted with credit checking agencies that can quickly provide a reliable indication of illegal occupancy and subletting. This means that we can prioritise and deal with fraudulent cases more swiftly.
- 3.9 In May 2012 Callcredit were chosen to complete the data matching exercise. They provided us with some invaluable information which allowed us to target the cases where fraud is most likely:
- Tenants were identified as living at the property or not. We also received information on additional occupants that we were unaware of
  - Tenants with an alternative address were identified and that address was provided
  - A list of tenancies where the tenant is deceased.
- 3.10 The data was prioritised and there were 225 cases that required further investigation. The majority of cases were not necessarily tenancy fraud but an administration exercise for us to make sure our records are correct and up to date. This was a valuable exercise as it helped us to identify those who are under occupying and will be affected by the welfare reform bill.
- 3.11 Two of these cases have resulted in extensive investigations and legal action being taken:

### **Case One**

- 3.12 The Callcredit check for a tenant in a 2 bed room house in Osmaston identified illegal subletting, since 2003, to various different occupiers. Subletting appeared to start a year after the tenancy commenced. The check linked the tenant to two mortgages on properties in Northampton and London, totalling almost £500,000.

- 3.13 The tenant was also on the electoral register in three different counties. When challenged the tenant tried to deny the allegations insisting the Northampton address was that of his ex-wife, and that he worked in London during the week and returned to Derby at the weekends. Saturday visits proved that the tenant did not return at the weekends as the illegal occupiers answered the door. The tenant was served with a Notice to Quit at all three addresses. Derbyshire Housing Aid refused to support the tenant when Derby Homes advised them of our situation. To avoid a Court hearing the tenant terminated his tenancy and returned the keys.

#### **Case two**

- 3.14 The Callcredit check for a one bedroom flat in the city centre suggested that the tenant was not living there as his principle home as he has stronger connections to an address in Telford. The tenant has failed to allow access for pre-arranged property inspections and a Notice of Seeking Possession has been served for no access.
- 3.15 Publicity has been used to raise awareness and demonstrate that Derby Homes cares about tenancy fraud and that we will act where appropriate. This has resulted in residents and other agencies coming forward where fraud is suspected.

#### **Case three**

- 3.16 The Police advised us that they had arrested a tenant for drug dealing at another address in the City. We subsequently discovered, as a result of this information, he was illegally subletting his flat. The sub tenants were unaware that the tenant did not own the property and had been paying £520 a month to the tenant. The tenant had been claiming full housing benefit for his tenancy. The occupants provided statements and agreed to give evidence against the tenant and they were rehoused in a property of their own. A Notice to Quit was served on the tenant and the property taken back. The tenant has been interviewed jointly with the Benefits Investigation Unit, under caution, and we are awaiting a Court date. We will be requesting an unjust enrichment claim as we estimate that the tenant was making £3182.40 per year from illegally subletting his two bedroom flat in the city centre.
- 3.17 We are currently investigating 13 cases city wide. We have already investigated 18 cases which are now resolved.

| <b>Local Office</b>    | <b>Number of OPEN cases</b> | <b>Number of CLOSED cases</b> |
|------------------------|-----------------------------|-------------------------------|
| Allenton               | 1                           | 0                             |
| Mackworth              | 5                           | 7                             |
| Sinfin                 | 1                           | 4                             |
| Stockbrook St          | 5                           | 7                             |
| Sussex Circus          | 1                           | 0                             |
| <b>Total city wide</b> | <b>13</b>                   | <b>18</b>                     |

- 3.18 Since December 2012 Derby Homes has an agreement with Callcredit to enable us to do enhanced individual checks where we suspect tenancy fraud. Individual checks provide the most factual up to date information to help us tackle tenancy fraud.

#### **4. CONSULTATION IMPLICATIONS**

Initial consultation took place with Derby Association of Community Partners and through Housing Focus Groups.

#### **5. FINANCIAL AND BUSINESS PLAN IMPLICATIONS**

The City Council received £30,000 funding from the Communities and Local Government Agency in order to tackle tenancy fraud. A proportion of this funding was allocated to Derby Homes to set up the initiative. Other costs are contained within existing budgets.

#### **6. LEGAL AND CONFIDENTIALITY IMPLICATIONS**

There are occasions where it is necessary to share tenants' information between agencies. Landlords have a responsibility to ensure that all data sharing takes place within the legal restrictions of the Data Protection Act 1998. Only necessary information is shared and efforts are made to ensure that the sharing process is secure.

#### **10. EQUALITIES IMPACT ASSESSMENT**

We engage with the appropriate support agencies where we identify equalities issues.

#### **11. HEALTH & SAFETY IMPLICATIONS**

A risk based approach has been developed for staff undertaking tenancy audits to manage the health and safety risk.

The areas listed below have no implications directly arising from this report:

Council  
Personnel  
Environmental  
Risk  
Policy Review

If Board Members or others would like to discuss this report ahead of the meeting please contact:

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Background Information: None

Supporting Information: Derby Homes Board 25 November 2010 – Tenancy Fraud Initiative  
Derby Homes Board 24 November 2011 – Tenancy Fraud Initiative Update