

Alternatives to high interest rent to own stores

Helen Middleton, Furniture Poverty Hub, November 2018

Background

Furniture Poverty is an inability to afford or access the basic furniture that provides a household with a decent quality of life.

It's not difficult to see why the Rent to Own retail option is popular with many low-income families. Their stores are bright, attractive and they provide customers with many of the essentials of modern living, that many of us take for granted.

Rent to Own is an expensive way to buy goods – so expensive that many customers never even get to own the goods they pay for but see them repossessed for non-payment as arrears build up.

Not only are the prices of Rent to Own goods inflated, but customers are often required to pay an additional premium for a bundle of services such as extended warranties and insurance. With a high interest rate added to that, customers of Rent to Own can easily find themselves paying three times as much for goods and services than they would from more conventional retail outlets.

Ethical alternatives exist

The Furniture Poverty Hub estimates there are 25 charities, social enterprises and housing associations in Greater Manchester who are providing affordable furniture to low income households. By re-using good quality furniture, electrical appliances and other household goods which are ordinarily destined for landfill, furniture re-use organisations help to minimise household debt, alleviate material poverty, and reduce the amount of household bulky waste in the region.

Unfortunately, their numbers are dwindling. For example, in March 2018, Stockport's Furniture Station closed after 24 years providing affordable goods to low-income households. The organisations who continue, are struggling to provide the same levels of affordability awarded in pre-austerity times.

The full impact of austerity has hit these organisations in two significant ways:

- Local authority budget cuts and the loss of other support (e.g. ending the discretionary Social Fund, peppercorn rent deals and reuse creditsⁱ) occurred at a pace which prevented them from implementing alternative and sustainable business models.
- Demand for their services has increased significantly, and from a new cohort of client. Historically, furniture re-use organisations supported people on benefits, i.e. teenagers leaving the care system, women and children fleeing domestic violence, ex-offenders, refugees, asylum seekers. The Social Fund (E.g. Community Care Grants; Crisis Loans), later to be replaced by local authority run, generically-titled 'Local Welfare Assistance Schemes' (LWAS), was the last social security net for people in crisis. Furniture re-use organisations were essential partners for the Department of Work & Pensions and local authorities in the support of individuals and families. Low-cost, emergency provision of furniture and smaller starter packs of items (e.g. bedding, towels, cooking utensils) was and remains a small part of the wide range of support, counselling, advice and workplace opportunities they provide.

The impact of austerity and changes in welfare policies (e.g. housing and other benefit changes; cost of living increases) means these organisations have experienced a significant

increase in demand from those defined as the 'working poor' and those not eligible for LWAS support. From a national survey of re-use charities and social enterprises in 2014, each one reported that on average, 80% of their client base now falls into this category.

Furniture reuse organisations have been forced to increase prices to cover operating costs. For those on low incomes, the rent-to-own option can seem more attractive when the price differential between a pre-used furniture item and a brand new one is now so narrow.

Environmental Benefits

These organisations intercept reusable waste destined for landfill and energy-from-waste plants, bringing important benefits to the local and global environment.

Nearly 615,000 tonnes of material that currently finds its way to landfill or incineration in the UK could instead be repaired, resold or donated. Diverting 615,000 tonnes of material away from landfill or incineration would save the tax payer more than £60 million each year.ⁱⁱ

Reusing 1 tonne of double mattressesⁱⁱⁱ would:

- Save a local disposal authority £89.95/tonne^{iv}
- Provide 2.7 tonne reduction in CO₂ emissions.

Currently, the Furniture Poverty Hub is supporting some individual organisations with new sustainable business models and partnership opportunities, but on their behalf, we ask GM's policy makers, decision makers, businesses and other organisations to consider:

- A new, GM-wide social fund, providing vouchers to low-income households in exchange for re-used furniture, electrical appliances and small starter packs of goods;
- The reinstatement of reuse credits (a useful form of unrestricted funding);
- The continuation of peppercorn rent deals/arrangements for local charities and social enterprises;
- Providing greater access to household bulky waste streams.

The furniture re-use sector is an important and quietly effective social movement providing social, economic and environmental benefits to the region; it has ambition to provide much more but can't do it alone. Voluntary, private and public sector partnerships and support are key.

Written by Helen Middleton for Greater Manchester Poverty Action.

For further information about the Furniture Poverty Hub please visit:
www.furniturepovertyhub.org.uk or contact info@fphub.org.uk.

ⁱ Reuse credits were paid to furniture reuse charities who removed items from the municipal waste stream to reuse them. The value of the credit recognised the saving to the waste disposal authority made by the reusing activity.

ⁱⁱ Local Government Association: 'Routes to Reuse – Maximising Value from Reused Materials', March 2014.

ⁱⁱⁱ On average, 1 tonne = 34 double mattresses.

^{iv} Landfill tax 2018/19. The quoted figure does not include additional gate fees at disposal sites.