

How to navigate the UK rent guarantor conundrum



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1. Introduction

When people with limited finances are looking for a home to rent, the landlord often asks for a rent guarantor. This system does not work for unemployed people, refugees, ex-offenders and others. I am looking for examples of schemes that use microfinance or similar community approaches to solve this problem – or someone who has thought about it and would be willing to share a few ideas.

2. What is wrong with the present system

Demand outstrips supply in the rental housing market. Landlords often want at least six months' payslips to prove earnings. Applicants who cannot offer this are either rejected out of hand or asked for a rent guarantor since the guarantor is legally obliged to pay if the tenant does not. Those who have no access to wealthy family members or affluent friends are unable to find a guarantor. Even those who do have a wealthy relative or friend may find that the potential guarantor is reluctant to sign a blank cheque. There is no way for a guarantor to release themselves from the commitment, as this can only be done by the landlord, so the guarantor is tied into the obligation in perpetuity. This is unjust and unacceptably risky for most potential guarantors.

Some Councils attempt to solve the problem with a bond scheme, so that they in effect become the guarantor. The process is administratively complicated and insufficiently agile to support people effectively. Recipients commonly end up in the poorest quality of accommodation and in houses in multiple occupancy, while the Council commonly writes off the funds they have offered, adding to the cost to the Exchequer and denying the tenant the dignity of self-sufficiency.

3. A Guarantor Club

Ten good citizens form a legal entity and donate into its account. The Club then stands as the guarantor for one beneficiary who is therefore enabled to take up a tenancy. Once established, the Club expands by taking on another ten members and adopting a second beneficiary. The problems with this approach include:

- If the tenant defaults, the Club loses its funds.
- There is no standard mechanism to escape from the guarantor arrangement so in the event of a default on rent payments, neither tenant nor landlord have any incentive to bring the matter to a head shut down the tenancy.
- A Club member may leave, but only by finding a replacement. This would be especially arduous if the member wishes to leave because they have lost money.

A potential solution here would be for the guarantor to draft the formal guarantor document and include a cut-off process. This would work if the resulting document was compliant with the law and acceptable to landlords. An acceptable example has not yet been found.

4. Could Credit Unions solve the problem?

Credit Unions invite people to save with them and then offer loans to their members as required at low interest rates. Asylum seekers placed in UK hotels by the Home Office receive less than £10 per week, so their potential for saving is extremely limited and the idea of loaning them six months rent would make the savings/loan ratio untenable even for a Credit Union, one imagines.

5. What about microfinance organisations?

Microfinance arrangements create a relationship-based solution where borrowers can see the merit of repaying a loan and so are less likely to default. This is better than the donor version adopted by some Councils.

Microfinance organisations provide funds to people who would be unable to get credit from a traditional bank and yet they achieve excellent repayment rates. For example, [Lendwithcare](#) achieve 99% repayment, despite lending to entrepreneurs who live in unstable parts of the world. They offer a mechanism for donors to get their money back out of the system as and when they wish to, encourage wealthier people to help with providing funds, but do not need to apologise that joining in will cost them money.

6. Organisations that have been approached for advice

The following individuals and organisations have been approached for advice:

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| <ul style="list-style-type: none">• Citizen Network• Fair4All Finance• Just Money Movement | | <ul style="list-style-type: none">• Kingdom Bank• People Focused Group |
|--|--|---|

- [The National Development Team for Inclusion](#)

7. How this paper is being written

The investigation that generated this paper is driven by simple curiosity. The work is unfunded and is conducted as a piece of citizen science rather than under the control of any organisation.

Accountability is achieved by following the *Writing in Public* framework¹. Many people have been approached for advice, and I am grateful to the people who have contributed to this evolving resource². Please send me your suggestions for further improvements.

¹ Bates P (2024) [How-to-write-in-public.pdf \(peterbates.org.uk\)](#).

² With grateful thanks to the following people who have responded to my inquiry: Nic Crosby at NDTi, Kelly Hicks at People Focused Group, Alison Maiden at Kingdom Bank. All errors and omissions are the sole responsibility of the author. The information is provided in good faith, and so readers engage with the contents at their own risk and undertake not to hold the author liable for any injury, loss, or damage arising through reading or acting on its contents.