

Abstract

Britain's summer budget of 2015 introduced a little noticed policy extending the use of loans in its social security system. The development relates to support for mortgage interest for social assistance recipients who are buying their own homes. From April 2018 this support will be loaned, rather than granted. Its repayment is to be via a charging order on the homes of benefit recipients and/or from wages when they (re)enter wage work. In this paper, rather than exploring this development as a means of understanding housing-related benefits, it is examined in relationship to the use of loans in British social assistance provision. The paper demonstrates that this development is consistent with the philosophical underpinnings of loaning social assistance – a desire to minimise costs and to engender behavioural change – but it also involves new developments. For the first time in Britain loans of social assistance will attract an administrative charge and interest, and will ultimately be recoverable through a charging order.

Keywords: loans, mortgage interest, poor, poverty, relief, social assistance, social fund;

Introduction

In Britain's social assistance system financial support for people buying their homes has existed since 1943 (Kemp, 2007). In its latter years it was calculated using a standard rate of interest (2.16 percent at the time of writing), rather than the actual interest charged upon claimants' mortgages and had a capital limit of £200,000 upon which such interest would be paid. Rather than being paid to claimants support for mortgage interest (SMI) is paid directly to their lenders.

From April 2018, rather than SMI payments being made as a grant, they will be made as a loan that has to be repaid to the state. An administrative fee will also be charged to claimants for the arrangement. The article primarily focuses upon making SMI a loan. The loan of SMI is to be repaid via earned income once the social assistance claimant (re-)enters wage work or through a charging order being placed upon their home (i.e. repayment would be made on the sale of the property, its transference to another person, or on the death of the last member of the 'benefit unit'). Making SMI a loan is worth examining for several reasons.

First, with a couple of noticeable exceptions (for example, Webb and Wilcox, 1992, Kemp and Pryce, 2002) there is dearth of analysis of provision for the housing costs of the income poorest people who are buying their homes. The overwhelming focus in the social security literature examining support for housing costs is upon housing benefit, which is paid to people who are renting their homes and who are poor enough to qualify¹ (Murie, 1997; Kemp, 2000; Stephens, 2005; Hamnett, 2009). While other literature does focus upon mortgage support for social assistance recipients, it tends to be in the context of, and often gets lost, to a wider concern with housing and its financial support more generally (for example, Forrest and Murie, 1998; Malpass and Murie, 1994; Whitehead, 1999; Kemp, 2007; Murie, 2012).

Second, the changes that the 2015 budget announced in relation to SMI have broader implications regarding the nature and direction of social security policy in Britain. This is because it involves the extension of the loaning of social assistance. This form of poverty 'relief' is regarded as a relatively new in Britain (for example, Craig, 1992; Smith, 2003), but, in fact, it has a two century history at ideational and practice levels. This observation raises

the issue of how the shift in financial support for income poor home owners can be understood in this policy tradition.

Third, Britain is not unusual in relieving at least some of the needs of income poor people in a form that has to be repaid to some scale of the state. In the Netherlands' social assistance scheme, for example, a home being purchased or owned outright counts as an asset. If its value is above a certain threshold benefit can be paid as a loan secured on the collateral of the home. In addition, loans of social assistance can be made in the Netherlands to help pay for 'big purchases', such as a washing machine or fridge.² In Australia advances of a range of benefits can be made that are then recoverable from benefit income.³ In the USA some states incorporate the use of loans into their Temporary Assistance for Needy Families schemes.⁴ In Canada locally delivered advances of social assistance can be made to people awaiting payments of Employment Insurance benefits.⁵ The analysis in this paper relates to the experience of Britain with regards to the use of loans in social assistance policy, but, as these observations suggest, it is not unique in this regard. The analysis in this article, therefore, has potential to contribute to understanding a form of poverty 'relief' that is used in various countries and which is framed by similar concerns in those countries, notably as a means of incentivising individual responsibility, especially through wage work (Handler, 2006; Crookshanks, 2012)

There are various ways in which the replacement of SMI grants with loans might be explored. It could, for example, be examined through a concern with its location in debates about how income poor people might more comprehensively be supported with their housing costs (as, for example, in Webb and Wilcox's (1992) call for 'mortgage interest benefits' and Kemp and Pryce's (2002, p. vii) suggestion of a 'housing tax credit for low-income owner-

occupiers'), or through related concerns with the economic and social dimensions of housing (for instance, Tunstall et al., 2013) and owner-occupation repossession (for example, Ford and Burrows, 1999; Stephens, 2011). However, to limit discussion of the changing nature of SMI to housing issues misses the crucial point that from April 2018 SMI is to be paid as a loan. In this paper, therefore, it is the nature of the payment that is foregrounded, rather than the need it is supposed to help relieve. This is not to argue that making SMI a loan will not have important implications for various aspects of housing policy in Britain. Rather, it emphasises the fact that the changing structure of SMI can help inform understandings of the nature of contemporary social assistance policy, a policy that is located firmly in traditions of the loaning of financial support, most notably expressed in policies such as the Social Fund (see below).

The paper is divided into three sections. The first examines arguments made by the government for changing SMI from a grant to a loan. It places these arguments in the context of the developments in SMI policy from the late 1980s. The second section provides an overview of the philosophical basis of the use of loans using the ideas of the classic liberals, Jeremy Bentham and Nassau Senior, whose ideas were central to the development of Britain's poor law in the 19th century. This section argues that concerns with the potentiality of loans for constraining expenditure and encouraging what were held to be desirable character traits among indigent poor people have had a lasting impact upon social assistance in Britain. The third section examines how making SMI a loan can be understood in this historical context by focusing upon the enduring issues of self-sufficiency, the (self-) financing of poverty relief, and the uniqueness in social assistance terms of interest being charged on SMI loans and the imposition of charging orders to guarantee repayment. The paper concludes that making SMI a loan is consistent with classic liberal understandings of

the importance of loaning to poverty relief, but that it marks a new departure in social assistance policy in Britain through the imposition of interest (and an administrative charge) on the loans of SMI. This development has the potential to establish new principles of social assistance that fundamentally challenge social assistance policy.

From a grant to a loan: changes to support for mortgage interest in the 2015 summer budget

Britain's variants of social assistance since the 1940s have only ever made a contribution towards relieving the interest costs of people buying their homes. It has not, contrary to the impression given by reference to 'homes-as-assets' arguments which have helped to frame reductions to SMI over the past three or so decades, offered relief for the capital element of mortgages. There is little indication in the extant literature as to why this was the case, but it is likely to have been related to ideas that have recently been expressed in regard to SMI – that the responsibility for owner-occupation should lie with individuals, rather than the state. This would have been consistent with the traditional liberal ideas upon which social assistance was premised (c.f. Thane, 2000).

From the 1940s to the late 1980s the rules governing SMI essentially remained unchanged. However, for two decades from 1987 the trend in SMI was towards ever-greater restriction. Measures included limiting the proportion of mortgage interest paid in the first 15 weeks of a claim; the introduction of a 'waiting period' of 39 weeks before any SMI was paid; the introduction and then lowering of an upper limit of a mortgage upon which the interest could be relieved through social assistance, and the introduction of a standard mortgage interest rate (rather than the claimant's actual interest rate) used to calculate the amount of SMI payable (see Kemp, 2007; Department for Work and Pensions [DWP], 2011;

Stephens, 2011; Kennedy, 2013). There are specific reasons for the introduction of these policies. Kemp and Pryce (2002), for example, argue that restrictions to paying only half of mortgage interest in the first 15 weeks of a social assistance claim in 1987 were a consequence of Conservative government concerns with the levels of benefits paid to striking owner-occupiers. The introduction in 1993 of an upper limit of capital upon which interest was paid is argued to be the consequence of the increasing cost of SMI in the late 1980s and early 1990s (see Forrest and Murie, 1994).

These observations suggest that it was material concerns with qualifying criteria and the costs of SMI that from 1987 drove its retrenchment. However, as Harris (1992) argues a focus upon material pressures only gets social policy analyses so far and that equally important are ideational issues. In the case of the two examples above it can be argued that the commonality was an ideological concern with markets. In the case of striking owner occupiers, there has been a long-standing concern with the state being 'neutral' in industrial disputes. Such concerns have led at various moments to restrictions in the financial assistance paid to people involved in industrial disputes and changes to the basis upon which the payments were made (Ryan, 1976; Grover, 2011). The issue here has been a view in various governments that the state through social assistance policy should not be seen to be interfering with labour markets by potentially extending industrial disputes to the advantage of working people.

In the case of the introduction of the upper capital limit upon which interest on outstanding mortgages was paid, there was a desire to privatise support for mortgage interest through encouraging individuals to purchase market-based mortgage payment protection insurance (MPPI) (Ford and Kempson, 1997; Burchardt and Hills, 1998; Kemp and Pryce,

2002; Kemp, 2007). This approach, however, failed to encourage the widespread purchase of such insurance, with only about a third of mortgages by the early 2000s being covered by MPPI (Kemp, 2007).

At first glance, there was some respite in 2008 to the general trend of retrenching state support for mortgage interest. Fears of the impact on housing markets of the North Atlantic economic crisis led the then Labour government to reduce on a short-term basis the ‘waiting period’ before SMI was paid from 39 weeks to 13 weeks and to double the upper capital limit for mortgage interest calculations from £100,000 to £200,000 (HM Treasury, 2008). Such measures were welcomed (House of Commons Treasury Committee, 2009), but they were accompanied for Jobseeker’s Allowance (JSA) recipients (unemployed, working age people) by the introduction of a maximum period of SMI receipt of two years. This development was criticised by the Social Security Advisory Committee (2009, p. 5, original bold) for being **‘the first time, a benefit... included an element that would be subject to an arbitrary cut-off point’**. However, the government argued that it was the responsibility of individuals, rather than the state, to pay mortgages and that such a restriction would only affect a very small proportion (about one percent) of workless people who remain so after two years (Social Security Advisory Committee, 2009).

Soon after being constructed following the 2010 General Election the Conservative/Liberal Democrat Coalition government announced the temporary changes introduced in 2009 to the waiting period and the increase in eligible capital for SMI calculations would be kept in place. However, it also announced a 40 percent reduction in the standard interest rate upon which SMI was calculated (from 6.08 to 3.63 percent) and an ‘informal call for evidence’ related to SMI (DWP, 2011). For the purposes of this paper, the

most important proposal in this call for evidence was the possibility of putting a charge on the properties of people receiving SMI in order to recoup the financial support they had received for their mortgage interest once the property had been sold. It was suggested that this measure would apply to only those people who received SMI ‘on a long term basis’ (i.e. for older people receiving Pension Credit and for sick and disabled people receiving Employment and Support Allowance) (DWP, 2011, p. 22).

The call for evidence argued that such a change was required to SMI for two reasons. First, the introduction of Universal Credit (UC) as a replacement for six means-tested benefits (Child Tax Credit, Housing Benefit, Income-Based Jobseeker’s Allowance, Income-Related Employment and Support Allowance, Income Support and Working Tax Credit) was administrative. There was concern that in the shift from the extant benefits to UC that SMI should not be available to people in low paid wage work. Low wage workers receiving tax credits had been excluded from receiving SMI and the government argued that they should remain excluded from it. The government suggested that such workers did not require SMI because of what it described as the ‘generous [earnings] disregard levels’ of UC compared to what went before. Since 2010 though, those disregards have been severely curtailed and for many UC claimants abolished (Keen and Kennedy, 2016). Despite one of the main justifications for making SMI a loan being eroded, it is still going ahead. In this case there is a disconnect between justification and policy development.

The second broad reason for making SMI a loan was related to what was described in the *Call for evidence* as ‘fairness’ (DWP, 2011, p. 7). ‘Fairness’ is a concept that has multiple meanings, but in this instance it was being used to juxtapose the imagined feckless and irresponsible ‘welfare’-dependent ‘other’ with the ‘independent’, hardworking taxpayer.

Through such notions, financial support provided by social security policy has been redefined away from being concerned with the needs of the poorest people, to a concern with the ‘rights’ and financial struggles of low to middle income working households (Wiggan, 2012). This can be seen, for instance, in the argument in the *Call for evidence* that claimants whose entitlement to SMI was not restricted to two years were benefiting from the state paying for an ‘asset’ from which either they or their children would financially benefit:

They [benefit recipients] can either sell their property and potentially make a profit from any equity that has built up over years or decades after SMI started, or leave the valuable capital asset to their heirs after death, with nothing paid back to the State for the help that was provided by the way of SMI. *This is unfair to taxpayers, many of whom are struggling to service their own mortgages or cannot afford to become owner occupiers* (DWP, 2011, p. 9, emphasis added).

Such arguments came in a period of falling home ownership (Burton, 2017) and suggested that social assistance recipients should not be able to gain from increases in the equity of their home without the state being able to recoup what it perceived as being its contribution. This was arguably inconsistent with broader housing policy. It ignored, for instance, the subsidisation of private rental markets, one of the main beneficiaries in recent years of the increasing housing benefit budget.⁶ Shelter (2012, p. 2) pointed out that making SMI a loan on the basis of the argument that individuals should not benefit from increasing equity in their homes was at odds with the fact that ‘[p]rivate landlords do not need to repay their tenants’ housing benefits, but clearly gain from both the yields and capital gains that housing benefit helps to enable’.

Making SMI a loan is also arguably inconsistent with policies supporting home ownership since the coining of the notion of the ‘property owning democracy’ in the 1980s. The Right to Buy, for example, resulted in the heavily discounted sale of 1.57 million council houses between 1981 and 1985 (Wilcox, 1996). More recent Help to Buy policies include public spending subsidies for savings for house purchases, the state guaranteeing of mortgages and the provision of state-backed equity loans that are interest free for five years. In all of these examples, the policies socialise in various ways the risks of paying for home ownership, while allowing individuals to benefit from increases in equity for which SMI was heavily criticised. While the government also benefits from increases in the value of residential property in the case of equity loans, it does not benefit in such a way in all Help to Buy policies.

Hence, it is difficult to understand government concerns with SMI as being located in principled objections to using public expenditure in a way that means in the longer-term individuals might profit. Or as a principled concern with ‘fairness’ between people struggling to pay their own mortgages and those who do not have a mortgage, and individuals who will benefit from state supported increases in residential property equity. If there were such principled objections Help to Buy policies would not exist in the form that they do. They, however, dwarf SMI. It is estimated, for example, in 2016/17 that SMI cost £224 million (Murphy *et al.*, 2016, p. 26). In contrast, to March 2017 the government had accrued guarantee liabilities of £2.3 billion under the Help to Buy mortgage guarantee scheme (HM Treasury, 2017, p. 3). And it loaned £5.86 billion under the Help to Buy equity loan scheme between 2013 and 2017 (Department for Communities and Local Government, 2017, Table 1).

The comparison of the changes to SMI with Help to Buy demonstrates what Harrison and Sanders (2014, p. 11) describe as the ‘social division of social control’. In this conceptualisation they point to differing strategies – coercion for the poorest people and the ‘nudging’ of the middle classes – and consequences (for instance, greater poverty and conditionality-controlled access to financial support for the poorest people and access to ‘superior resources and enabling infrastructure’ (Harrison and Sanders, 2014, p. 10) for the better off). Both the changes to SMI and Help to Buy also highlight the importance and operationalisation of ‘asset-based welfare’, which in a broad sense is concerned with the ways in the state (and other possible institutions) act to ‘produce’ people who are ‘able to care for themselves in an open and financialised economy’ (Finlayson, 2009, p. 400). Or as Montgomerie and Büdenbender (2015, p. 388) note, the enabling of ‘households to provide for their own financial security by investing in portfolio funds and/or property markets’. The changes to SMI and Help to Buy neatly demonstrate this. The latter is concerned with ‘nudging’ people to invest in property (a home) as an ‘asset’, while the former is concerned with realising the value of those assets during periods of penury as form of self-support.

With regard to the possibility of replacing SMI with a loan, the responses to the 2011 call for evidence were mixed (Kennedy, 2013). Some organisations supported the principle, but they could see many practical problems with such a development. Others though, had principled objections to the development. Citizens Advice (cited in Kennedy, 2013), for example, argued that the change would erode that part of the housing safety net designed to help prevent arrears and repossessions by encouraging forbearance among mortgage lenders. Meanwhile, Shelter (2012, p. 2) opposed the idea of recipients repaying SMI. Its argument that ‘[r]ecouping benefit costs from claimants is a fundamental policy change that does not currently operate in any area’ (Shelter, 2012, p. 2) ignored the fact that the British state has

had the powers to recoup at least some social security payments for many years (discussed below). It was right though, to argue SMI would ‘in effect, no longer [be] a benefit but a state-funded loan’ (Shelter, 2012, p. 2).

Despite there being a mixed reaction to the idea of making SMI a loan in the 2011 *Call for evidence*, the 2015 summer budget went beyond its proposal to extend the idea of recovering SMI from just ‘long term’ social assistance claimants to include *all* such claimants. By the time of the 2015 summer budget converting SMI to a loan had become part of the drive to secure further ‘austerity’ in social security spending. By 2020 HM Treasury (2015, Table 2.1) estimated that the development would contribute £255 million to this. Making SMI a loan was described by the Council of Mortgage Lenders as being the ‘most significant Budget announcement for the mortgage market’.⁷ For the purposes for this paper, it was also significant because it represented a further extension of the use of loans in British social assistance policy.

Loaning poor relief and social assistance

The ideas upon which the view that income poor people should be loaned financial support are important to Britain’s social assistance provision. This is because, as Thane (2000, p. 100) argues, in social security terms the post-WWII welfare settlement ‘was closer to the spirit and practice of its deeply rooted poor law tradition’ than is recognised or acknowledged. It is a little discussed fact that any poor relief given after the 1834 Poor Law Amendment Act could, if Board of Guardians felt it reasonable, be considered a loan. The clause – Section 58 of the 1834 act – that allowed this was the consequence of an amendment in the House of Lords proposed by Nassau Senior, a classical political economist and one of the authors of the infamous 1834 Poor Law Commission report. Bowley (1967) argues that Senior’s

amendment reflected his concern with relationships between poor relief and freedom. For Senior, freedom was inextricably linked to ‘personal responsibility for self-support and the support of a family in ordinary contingencies of life’ (Bowley, 1967, p. 290).

In this context, Senior’s belief was that the existing poor laws were not congruent with freedom, for they ‘were based on the idea that the labouring classes were peculiarly unfitted to look after themselves in a way tolerable with common ideas of humanity or compatible with the safety and welfare of the state’ (Bowley, 1967, p. 290). Senior did not advocate the abolition of poor relief, but he argued it needed to exist in a form that reflected his views about freedom and which, therefore, did not assign the ‘badge of fundamental inferiority’ to labouring poor people (Bowley, 1967, p. 290). Hence, for Senior (cited in Bowley, 1967, p. 293) making all relief recoverable was ‘a most important change in principle, as ... by enabling all relief to be treated as a loan, it amounts to a denial of the right to gratuitous relief’. By removing the payment of what Senior classed as unwarranted relief by making it recoverable labouring poor people would be free to take responsibility for themselves.

Senior’s House of Lords amendment did not occur in an ideational and practice vacuum. The idea of loaning poor relief can be traced to the earlier writings of his ideological bedfellow, Jeremy Bentham, and to the policies of the Sturges Bourne Act 1819 that allowed relief to be afforded on loan on the grounds of ‘‘Extravagance, Neglect or wilful Misconduct’. For Bentham, indigent poor people would be best relieved in houses of industries run on a self-financing basis through the labour of inmates and ‘in lieu of the *personal* security afforded by the detention [of paupers]’ the taking of ‘*real* security, by

goods of adequate value, received and detained in the footing of a *pledge*' (Bentham, 2001, p. 81, original italics).

Such an approach reflected Bentham's view that people should not be relieved if they had any property of value. In other words, poor relief should only be for those who were 'utterly ruined' (Bahmueller, 1981, p. 47). For Bentham, it was only in such circumstances that indigent people faced the fear that made them work. Bentham's argument, therefore, was that *all* relief to indigent poor people would be a loan secured upon their material collateral. Bentham, however, also envisaged circumstances whereby those who had no material collateral to guarantee the repayment of their poor relief were nevertheless in need of it. In such instances Bentham (2001, p. 77) argued that relief on loan would be important:

Cases may exist, where misfortune may have left a man [sic] nothing to pledge, or nothing that he could spare, without plunging still deeper into distress, at the same time that his character might, in the estimation of those to whom the opportunities of being acquainted with it have presented themselves, warrant the trusting him without pledge to the amount of his demand.

For Bentham, in these circumstances loans to indigent poor people were a means of relief when the recipient had little to offer as 'compensation' for the relief they were to receive. In other words, relief on loan would enable 'a man who has a character, and nothing else, *to pledge his character*' (Bentham, 2001, p 78, original emphasis). Bentham's idea that all relief should be guaranteed by the work of paupers and the lodging of collateral, even if of a reputational kind, made paupers 'literally self-maintaining ... the financial burden of indigence finally devolves upon the indigent themselves' (Quinn, 1994, p. 92).

The evidence suggests that for various reasons, outside of particular events (such as industrial disputes), relief on loan was not widely used (Grover, 2011). However, Bentham and Senior's views suggested loaning poor relief would be central to a society informed by classic liberalism. It would help make paupers 'self-maintaining', and help to finance poor relief as close to nil-cost as possible. This is what the idea of loans of poor relief did, and loans of social assistance does, because rather than granting people additional money, a loan merely allows access to money at a particular moment of need, and its repayment allows a limited budget to be recycled many times over.

The ability of affording income poor people support on loan was not completely abolished by the introduction of the National Assistance Act 1948 that pronounced (in name at least) the end of the poor law. Its use, however, was restricted to the relieving the 'urgent needs' of those people excluded from the receipt of national assistance because they were in full time wage work. Beyond an extension of loans of social assistance in 1971 to people awaiting their first wage payment following an industrial dispute, it was not until the introduction of the social fund in 1988 as a replacement for single payments for 'exceptional expenses' that loans were to once again take a central role in social assistance in Britain.

Influenced by the ideological descendents of classic liberals, such as Bentham and Senior, the social fund was framed by such concerns – a means of constraining the costs of relieving 'exceptional expenses' by recycling its cash-limited budget and of fostering a sense of responsibility among benefit claimants – that they would have approved of. In the inception of the social fund it was constructed as essentially a means of supporting claimants budgeting for 'lumpy items' and unexpected costs. In this context, it was conceptualised as

being similar to the credit facilities offered by banks – a ‘bank budgeting service for claimants under pressures’ as budgeting loans were described by civil servants (cited in Grover, 2011, p. 152). While the social fund was abolished in 2013 many of its existing loans remained, although they were rebranded as various ‘advances’.

Since the 1980s the use of loans in social assistance policy has been extended through the introduction in 2007 of the Refugee Integration Loan (RIL). It replaced grants of back-dated social assistance for people successfully applying for asylum in the UK (Home Office, 2007). The RIL points to the fact that the idea of the state loaning income poor people money has support across political parties. It was introduced under 1997-2010 Labour governments. Prime Minister, Tony Blair, argued that not only did loans ‘allow public money to go further’, but that they could also ‘encourage desirable behaviour’ (Performance and Innovation Unit, 2002, p. 3). Unsurprisingly, therefore, 1997-2010 Labour governments did nothing to abolish social fund loans that its MPs had criticised when in opposition (for instance, Shadow Health and Social Security spokesperson, Michael Meacher, House of Commons Debates, 1985, col. 26) and their support for the idea of loans was expressed in the introduction of the RIL. While the loaning of poor relief and social assistance has a long history in Britain, in the past four decades such loans have flourished in a conducive ideological environment. How can converting SMI to a loan be understood in this context?

Understanding the loaning of support for mortgage interest

In this section three inter-connected issues – individual responsibility, the (self-)financing of SMI, and the charging of interest and the recovery via a charging order – are examined in order to consider how the changes to SMI can be understood in Britain’s historical concerns with loaning social assistance.

Wage work and self-sufficiency

The importance held to exist between making SMI a loan and wage work was outlined in the DWP’s (2011) *Call for evidence*. Extending the arguments of the previous 1997-2010 Labour governments (see Kennedy, 2013), it argued that the:

strategic vision for support for mortgage interest... is that it should provide short-term help to people at a time of personal crisis such as loss of employment or relationship breakdown and *incentivise work*. This is because it is only through full-time work that mortgages can ultimately be re-paid (DWP, 2011, p. 4, italics added).

Such arguments were consistent with what Wiggan (2012, p. 390) describes as ‘story telling’ by the Conservative-led Coalition government. An element of this was a disingenuous critique of 1997-2010 Labour governments for not adhering to the idea that the ‘meeting of immediate social need through the distribution of money is ... at best a temporary measure, [and] ineffective in the long run’ (Wiggan, 2012, p. 390). Such ideas were clearly expressed in the quote above and suggested that only by ensuring that wage workless people receive financial support for a limited period of time can they be encouraged to be self-reliant.

While the length of time it can be received was not restricted further, the government argued that the shift to loaning SMI would reduce the amount of time people with mortgages would be wage workless. In this context, forcing benefit claimants to take on further debt was conceptualised as a means by which wage work could be incentivised: ‘Moving to a loan may also improve work incentives as some people may move back into work quicker to avoid increasing their debt’ (DWP, 2015, p. 2). This approach is consistent with earlier arguments about, and the practice of, using loans in poverty ‘relief’. It was noted of social fund loans, for instance that the ‘recovery arrangements ... could be [an] incentive to leave benefit’ (cited in Grover, 2011, p. 157). Such arguments point to a Benthamite understanding of loans – that people are only spurred to do wage work by their poverty, or, as in the case of loaning SMI, its possible exacerbation by having to take on further levels of debt. It is, however, a theoretical argument. Tunstall *et al.* (2013), for instance, observe that evidence suggests wage workless owner occupiers are keen to be employed, even if at a lower income or grade than before (see, for example, Ford *et al.*, 1995, Munro *et al.* 2010).

Self-financing poverty relief

One of the main justifications for changing SMI grants to loans was related to the argument that there was a need for cuts to the cost of social welfare measures in order to enable the then Chancellor of the Exchequer, George Osborne, to meet his self-imposed target of running a budget surplus in ‘normal times’ by 2020 (HM Treasury, 2015). In this context, the existing system of SMI support was condemned as being ‘unsustainable’ (DWP, 2015, p. 3). This was despite the fact the cost of SMI and the number of people receiving it were falling (DWP, 2015). The government, however, suggested it was looking to the future and the potential consequences of an increase in interest rates. It noted, for example, that if the ‘average mortgage rate were to double so would the cost of SMI’ (DWP, 2015, p. 4). In this

context, it was argued that loaning SMI would help to make the increased £200,000 capital limit introduced as a ‘temporary’ measure in 2009 a permanent feature of the SMI system. This, the government noted, would be good for both it and income poor home owners. Such home owners would benefit by avoiding the social and economic costs of repossession. The government would avoid the higher costs associated with having to help relieve the rental costs via housing benefit of those people whose homes were repossessed (the average cost of SMI in May 2011, for example, was £29.84 per week compared to average housing benefit of £87.46 a week, DWP, 2011, p. 30). Overall, it was argued, that making SMI a loan would ‘reduce the risk of additional costs to the tax payer’ (DWP, 2011, p. 4).

Leaving aside the fact that social assistance recipients pay a range of taxes, what this argument disguises is the fact that loaning SMI makes the income poorest people responsible for their own financial ‘relief’. This arguably Benthamite notion of a self-financing system of poverty ‘relief’ was also reflected in the development of the social fund in 1988. It was noted by civil servants, for instance, that budgeting loans would ‘to a large extent be self-financing’ (cited in Grover, 2011, p. 149). And so they were. In most years of its operation the amount recovered in budgeting loans was over 80 percent of that forwarded to claimants as loans (Grover, 2011, Table 9.4). The repayment of loans though, did not cover its administration costs. Given the fee and interest that will be charged on SMI loans it has the potential to be the first fully self-financing form of social assistance and, depending upon its administration costs, possibly one that creates a surplus for the government.

Interest, charging orders and loans of SMI

The charging of interest and an administration fee in the case of SMI will make it unique in social assistance terms in Britain. The potential for interest to be charged on loans of social

assistance has been debated in the past. When the social fund, for example, was being designed, the possibility of charging its users ‘a fixed interest charged’ was raised (cited in Grover, 2011, p. 154). It was, however, dismissed because of a fear that it would exacerbate the controversial nature of the social fund and concerns with what reasonably could be deducted from claimants’ benefit incomes.

The possibility of charging interest on social fund loans was later raised by 1997-2010 Labour governments (HM Treasury, 1999, 2007; DWP, 2008). In these instances the idea behind charging interest was to incentivise non-government institutions to deliver social fund-type services to social assistance recipients. Initially, the desire was to encourage private sector involvement. Following work by the financial services group KPMG (2008), which could find no commercial interest in providing such facilities, this changed to a focus upon expanding the services offered by credit unions and similar third sector institutions in the ‘provision of credit to social fund customers in their area’ (DWP, 2008, para. 3.3). A proposed interest rate of 26.8 percent, it was argued, would help to do this while ensuring that the expanded provision remained affordable to the income poorest people.

The proposal attracted fierce criticism that highlighted its regressive nature. The proposed interest rate, while being lower than that charged by sub-prime lenders was high compared to high-street lenders. And the 2008 consultation coincided with the British state bailing out the banking system to the tune of £300 billion. The financial risks facing banking were being socialised. The cost of expanding financial services for the income poorest people, however, were to be the responsibility of the individuals using them, a responsibility that would have driven those people deeper into debt and poverty.

While it is not unknown for interest to be charged upon loans in other social welfare areas – for example, on loans to pay for higher education tuition fees – the change to SMI is the first time that loans of social assistance will have interest (and an administration fee) charged upon them. The interest rate will be related to the Office of Budget Responsibility's forecast for gilts (estimated in 2015 to be 2.9 percent in 2018/2019). Social assistance recipients buying their own home, therefore, will be in the unenviable position of having to pay interest upon their original mortgage and upon benefit income that is paid to relieve those costs. The social basis of credit demonstrates the weakness of social assistance recipients in this regard. As Sayer (2016) notes, debt reflects and reinforces unequal economic relationships. The changes to SMI point to the fact that the state has cash to lend, while social assistance claimants do not have the economic resources to service their housing costs. They reflect, in other words, the economically and socially weak position of social assistance claimants caused by their poverty and stigmatisation. In this sense, the use of debt can be understood in Harrison and Sanders' (2016) terms as a means of coercing income poor people to take responsibility for their own financial maintenance through realising the value of their 'asset' (c.f. Finlayson, 2009). The charging of interest is equally disturbing in that it arguably sets a precedent that could result in its extension to other loans of social assistance.

As noted, the repayment of loans of SMI are to be guaranteed through a charging order being placed upon claimants' homes. There are examples of the costs of social welfare support being recovered from the 'assets' of service users, such as those associated with residential 'care' through deferred payments arrangements. However, the use of a charging order in the case of SMI is unique in social assistance policy. In this instance, the concern of the government is that "people who are relatively 'asset rich' can nonetheless still access financial assistance" (DWP, 2015, p. 3). While it might be an exaggeration to claim that such

concerns represent a contemporary expression of the Benthamite notion that financial assistance should only be available to those people who are ‘utterly ruined’, it nevertheless reflects and reinforces the view that homes are a financial asset that should be drawn upon in times of need. It would be difficult for social assistance claimants to do this via commercial remortgaging as they would be unable to prove their means of repaying the new mortgage. The government, however, make it clear that claimants should be aiming to service their mortgage through either wage work or through ‘other steps, such as selling their homes and downsizing’ (DWP, 2011, p. 8). In this context, people selling their home denotes responsible behaviour, as does, as we have seen, people taking paid work. The danger though, is that the changes to SMI establish a principle that social assistance recipients who own their homes are never in need of support because of the ‘asset’ in which they live, arguably a logical conclusion of asset-based social welfare provision.

Conclusion

The changes occurring to financial support for the income poorest people buying their own homes in Britain from April 2018 are important because of the way that they help inform understandings of contemporary social assistance policy there. The idea of loaning income poor people money to help ‘relieve’ their poverty is rooted in classic liberal political economy associated with Jeremy Bentham and Nassau Senior and is concerned with two main issues – constraining the costs of such relief and encouraging ‘responsible’ behaviour. As loans of SMI will attract both interest and an administrative charge it has the potential to be a self-financing form of social assistance. It is also hoped by the government taking on further debt will incentivise people to (re-)enter wage work as quickly as possible and/or to sell their homes to support themselves. In these senses, the loaning of SMI can be understood as denoting continuity with previous arguments for, and forms of, social assistance loans.

Loans of SMI, however, are also denoted by difference to those policies, most notably the charging of interest and recovery via a charging order on the claimant's 'asset'. Despite government claims to the contrary, this is likely to be problematic because it moves policy further away from the calls for more comprehensive financial support for income poor home owners. The article has shown, for example, that one of the reasons for converting SMI into a loan was to maintain its payment to only out-of-work people in the context of the introduction of UC, which is payable to wage workless people and low waged workers. Loaning SMI is also disturbing in social assistance terms, for it arguably helps to establish two undesirable principles – the charging of interest for loans of social assistance, which until the developments in SMI discussed in this article had been resisted, and the idea that people who are deemed to have adequate housing 'assets' should not receive assistance as a grant. In the current 'austerity' climate it is not difficult to envisage these developments being extended beyond SMI to other areas of social assistance policy. The implication of loaning, charging interest and recovery via a charging order is that support during periods of privation is an individual, rather than social, responsibility and that some income people are never in need of socially organised financial support.

Notes

1. This is perhaps not surprising as in the summer of 2015 167,000 people were receiving SMI (Kennedy, 2015, p. 92), compared to 4.8 million receiving Housing Benefit (<https://www.gov.uk/government/statistics/housing-benefit-caseload-statistics>, accessed 26 October 2017).
2. <https://www.government.nl/documents/leaflets/2011/10/20/q-a-social-assistance> (accessed 18 August 2017).

3. <https://www.humanservices.gov.au/customer/enablers/advance-payment-options> (accessed 18 August 2017).
4. Nevada, for example, provides TANF loans to ‘eligible households... to meet the family's needs when an adult member has a future anticipated source of income and the expectation is the benefits will be repaid upon receipt of the anticipated income (https://dwss.nv.gov/TANF/TANF_FAQ/ (accessed 18 August 2017)).
5. <https://www.canada.ca/en/employment-social-development/programs/ei/ei-list/reports/social-assistance.html> (accessed 18 August 2017).
6. A significant proportion (38 percent, or an estimated £9 billion in 2015/16) of housing benefit expenditure is paid to people who privately rent their homes (<https://www.gov.uk/government/statistics/benefit-expenditure-and-caseload-tables-2015>, accessed 26 October 2017).
7. <https://www.politicshome.com/document/press-release/council-mortgage-lenders/osbornes-radical-change-support-mortgage-interest> (accessed 26 October 2017).

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