

Debt Death and Deadweight

CHAPTER 1

Land grabbing, income inequality and state-sanctioned debt

Paul Nicolson

STATE-sponsored intimidation of low-income families is now a routine practise. Local authorities intimidate people who default on their council tax payments with threats of prison. The threat of sending round the bailiff wastes the time of council officials, wastes taxpayers' money, and worst of all it damages the health of vulnerable people. This is a crisis in our communities whose cause must be traced back to the inequality in income which blights the lives of millions of people in the UK. That crisis is inextricably linked to pressures arising from unaffordable housing, which in turn can be traced to the failure of the state to administer the nation's land bank on behalf of the welfare of everyone.

It is unlikely to be a coincidence that about one third of households in England are renters (7m households) while, and at the same time, about a third of the UK population, or 20m people, live in poverty and rely on benefits granted by the state. Those benefits are not administered in a humane way. When low-income people fall into arrears, their treatment by the debt collection system evokes memories of the 19th century Dickensian debtor's prison.

For many families, state benefits are a lifeline. But these benefits have been shredded by national government since 2010 and taxed by local government since 2013. The inadequacy of the Jobseeker's Allowance can be traced back to 1979 and the onset of the Thatcher era.

It was not supposed to be like this. Unemployment benefit was created by a Liberal Government which intended to raise the finance out of the land tax proposals contained in the People's Budget (1909). The benefit came

into operation in 1912 at 7 shillings a week – about 22% of average male earnings in manufacturing. By 1979 the benefit rate was still about 21% of average earnings (Bradshaw and Lynes 2009). By 2008, however, the renamed Jobseeker's Allowance had been halved to an all-time low of 10.5% of average earnings. This was the result of tying benefits to the price index while real earnings increased. Understanding the forces that created the crisis should lead to a more human resolution for the nation's low-income and vulnerable families.

Homes into financial assets

Infrastructure improvements, often paid for by the State, increase the value of property, most of which goes to home owners. Ask those who live near the Jubilee Line or Crossrail in London. National and international speculators buy British land as an investment and pocket this increase in value for personal gain. In the highest echelons of personal wealth they park the profits in overseas tax-free banks. This is an affront to morality, but there has been little or no moral leadership from Church or State about the possession and use of land.

The inequality that exists between home owners and renters festers due to a tax regime which is biased towards owners. Families who own homes can pass them on from one generation to another free of capital gains tax and inheritance tax. Home owners become wealthy not just because land is in limited supply, but also because of the privileged treatment accorded to owners by a Parliament composed of home owners and buy-to-let landlords. The 1979 Thatcher government deregulated lending, abolished rent controls and allowed the free flow of money in and out of the UK. This created a bonanza for land owners and an ever increasing inequality of wealth and income.

To the humanist, land is a gift of nature. To the Christian faith, land is a gift of a generous and loving God. To both it exists to provide shelter, food, fuel and clothes for all. The Church Commissioners, I am sad to note, administer their land portfolio as a commercial enterprise with little regard to the impact on the poorest British tenants or for the Christian preferential option for the poor. This tragedy has been long in the making. I have seen it at work at close quarters when I worked as a pastor in the English countryside (see Box 1). I am now confronted with a similar state of affairs in its urban context.

I live in the London Borough of Haringey, whose council is teaming up with an international property developer to regenerate up to 15,000 council tenancies and 508 small businesses on council land. Yet again, acres of public land, which have been bought and paid for by council tenants, will move into the market to the detriment of the tenants. This is a colossal policy failure. 100% of those acres ought to be reserved for truly affordable housing.

Life as a landless tenant

For the UK's 7m landless tenants, the housing crisis is worsening. They possess no equity to fall back on. No escape from council tax, income tax or VAT. Since April 2013 council tax has been charged at 8.5% to 30% against state benefit incomes by 264 councils out of 326 in England. And they add court costs and bailiffs fees to the arrears which cannot be paid out of a single adult unemployment benefit of £73.10 a week. Since April 2013, rent also has to be paid out of that £73.10: that was when government started to cut housing benefit. A cut in housing benefit is an increase in rent for the tenant on top of the ever rising rents due to the chaotic UK housing market.

That £73.10 remains the wobbly bottom building brick of the Universal Credit paid to 4m people. It is below the Joseph Rowntree minimum income standard for food, fuel, clothes, transport of £91.80 per week (Joseph Rowntree Foundation 2017). It is insufficient to cover rent and council tax. Before April 2013, the £73.10 was supported by 100% housing and council tax benefits.

Box 1

The Privatisation of Sacred Acres

The rich and powerful began their land grabbing after the Magna Carta. The land which once belonged to the King was common land on which the people of Britain survived. The enclosures by the barons took that land from them. The Church and State were not slow to catch on, as I discovered when I served as Parish Priest in the Hambleton Valley Group of Churches in the beautiful Chiltern Hills.

Much of the land was once owned by the monks at St Albans Abbey. It was often used for the common good as well as the survival of the monks. Henry Burgersh, the grandson of a baron became Bishop of Lincoln; he claimed authority over the Abbot of St Albans Abbey. In March 1130 the Abbot made over to the Bishop the manor of Fingest (co. Bucks) in return for a renunciation of all episcopal rights over the monastery. The Bishop promptly enclosed 300 acres of common land on which 60 families depended for survival; it is recorded that they starved.

Then in the 1980s the sale of council houses in the Chiltern villages to the tenants for £25,000 led to them being sold into the market for £250,000; now they sell on for £600,000 plus. The poorest tenants are being priced out of the Chiltern Hills.

Too often employment is inhibited by the inability to find a job near an affordable home. When people are driven to outlying areas in search of homes at lower rents, they discover that the cost of traveling to work becomes yet another burden on low incomes.

The value of that £73.10 per week has not been increased since April 2015. It is the income the disabled are left with if they fail the Work Capability Assessment. It is removed by a benefit sanction for one month, three months or three years, leaving no money to pay for essentials or outstanding debts, the enforcement of which continues. This Jobcentre administered procedure inflicts punishment greater than a fine for theft. At least the thief is left with enough money by magistrates to buy food and other essentials or he will be fed in prison. The policy of starving people into work hits a scandalous depth of injustice not seen since the 1920s. It is impossible not to speculate whether the impact on the well-being of tenants of increasingly unaffordable rents and of uneconomic state benefits have not contributed to the steady rise in the cost of mental illness to the economy, now estimated at an annual £113bn.

An Act of Civil Disobedience

The state-sanctioned intimidation of vulnerable people undoubtedly affects their health, which prejudices their ability to find employment. The evidence that low income and debt affects health is undeniable but ignored by local and national government. This then becomes a transmission mechanism for conveying poverty through the generations. Research by Prof Michael Crawford, the Director of the Institute of Brain Chemistry and Human Nutrition, confirms that poor maternal nutrition affects foetal growth, and low birthweight is the strongest predictor of poor learning ability, school performance, behavioural disorders and crime (Cunnane and Crawford 2014). The last thing that vulnerable people need is to be hounded through the courts by debt collectors.

To expose this unconscionable system of intimidation, I have refused to pay council tax. I will publicly report on each stage of Haringey Council's enforcement of the council tax against me to highlight the intimidation that is directed against our poorest fellow citizens, whose benefits should never have been taxed. Many of them are in arrears with their rent, and they rely on visits to food banks.

Highbury Corner Magistrates granted Haringey Council a liability order against me on Tuesday 13 July, 2017, adding £115 costs. The magistrate signed a computer print-out granting another 510 liability orders, with no idea of the personal circumstances of the Haringey residents, while also adding £115 costs to each of them.

The number of summonses issued by Haringey magistrates in 2016/17 was 21,881. They sent out the bailiffs 11,000 times. This onslaught against low-income families is expected to intensify. Local authorities in England and Wales obtained approximately 3.5 million Liability Orders for council tax and non-domestic rate arrears in 2015/16, and because of changes to the benefits system in the pipeline “it is anticipated that this figure is set to increase significantly” (Bailiff Advice Line).

This system is inhuman. Haringey Council has told the High Court that high fees encourage people to pay. This is a pointless argument against debtors who are struggling to survive. Imagine the state of a lone parent who relies on state benefits, one of 450,000, who has just visited a food bank to feed three children. She gets home with the children, having walked several miles because she has no money for the bus, to find a letter from the bailiffs. She is informed that £115 court costs have been added to her council tax arrears, as well as their fee of £75. They demand full payment within a week or they will visit and add another £235 to the bill. If they come to collect goods for sale to pay off the debt they add a further £110.

The same terrible dilemmas face over 900,000 single adults working for agencies on zero hour’s contracts. Some may not have had work for a month. The letter from the bailiffs has the same terrible impact. The same quandary faces people whom the jobcentre has moved on to Universal Credit and then failed to pay out any money for six weeks.

How does someone who is already paying £200 rent a month from the benefit income, which has been capped at £384.62 a week outside London and £442.31 a week in London, manage to pay for food, water, fuel, clothes, transport and other necessities? How do they survive when their housing benefits are cut?

About 1.8m people have had their job seekers allowance stopped (they call it ‘sanctioned’) for one month, three months or three years. Council tax, rent arrears or other debts like utilities pile up and become unmanageable when the sanction ends. How are these people motivated to pay by high court and bailiff fees?

These are some of the human costs of the vicious laws and regulations administered by three powerful government departments, the Department of Work and Pensions, the Ministry of Justice and the Department for Communities and Local Government, pitched against the most vulnerable households. All that to enforce a civil debt against our fellow citizens.

Radical action is needed

There were 3.3m homeless single adults in England in 2015, a rise of 40% since 2008 (Crisis Homeless Monitor). The Ministry of Justice reports that 42,728 households were evicted from rental accommodation in 2015, a rise of 53% in England and Wales since 2008. Landlords of all tenures evict the tenants when their incomes are too low to pay the rent.

Not everyone is a loser in this game of real-life Monopoly, however. In London's 33 boroughs, 56,715 properties are held vacant while their owners clock the rise in the value of their assets. When more dwellings are built they are snapped up by national and international speculators and many are left empty. There are an estimated 610,000 empty homes in England. Radical action is needed to correct the evil nexus of low-value benefits and rising rents.

Rent controls on all tenancies and a land value tax on all unused land and empty housing are needed immediately. Hong Kong, Denmark and several cities in the USA demonstrate that Land Value Tax, or Annual Ground Rent, is compatible with capitalist economics. That can be discovered by a visit to the Harrisburg, Pennsylvania Website "Land Value Tax – the Harrisburg Experience". These solutions are at hand. A Bill ought to be passed rapidly through Parliament before any more damage is done to the health of millions of landless tenants in the UK.

References

Bailiff Advice Line: <http://bailiffadviceonline.co.uk/index/council-tax-national-non-domestic-rate-nndr/council-tax-liability-order>

Bradshaw, Jonathan and Tony Lynes (2009), Letter, "Benefit negligence", *The Guardian*, 9 May. <https://www.theguardian.com/money/2009/may/15/letter-jobseeker-allowance-unemployment>

Joseph Rowntree Foundation: Minimum Income Standards: <https://www.jrf.org.uk/report/minimum-income-standard-uk-2017>

Crisis: The Homeless Monitor 2017: https://www.crisis.org.uk/media/236823/homelessness_monitor_england_2017.pdf

Cunnane, S.C., and M.A.Crawford (2014), "Energetic and nutritional constraints on infant brain development: Implications for brain expansion during human evolution", *J. of Human Evolution* (77).