National Audit Office

The UK's independent public spending watchdog

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Suzanne Muna
Social Housing Action Campaign

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Dear Suzanne Muna

BENEFITS AND SERVICE CHARGES

I am writing further to my letter of 5 May, which responded to your letter dated 13 April in which you set out your request, on behalf of the Social Housing Action Campaign (SHAC), for the National Audit Office (NAO) to carry out an investigation into service charges and the housing benefits system.

I am aware that the Ministry of Housing, Communities & Local Government (MHCLG) carried out a consultation last autumn on proposals to implement aspects of Part 4 of the Leasehold and Freehold Reform Act 2024, with a view to strengthening leaseholder protections over charges and services. These measures include increasing transparency of service charges to help tenants scrutinise charges and challenge if they consider the charges to be unreasonable. The government has not yet published its response to the consultation.

I know that you are aware that the NAO does not audit, or have any rights to access information from, housing associations or local authority or private sector landlords, who are responsible for levying service charges. The new information you provided reinforced my view, however, that the use of public money to cover service charges raises some interesting questions. As I set out in my last response, I asked my team to follow up with the Department for Work & Pensions (DWP) to find out in more detail what relevant data it collects and to establish whether there have been any changes to its approach since we spoke to officials last year.

We have now completed those inquiries and the key points arising are as follows.

- The regulations, responsibilities and processes that DWP uses to assess, validate and pay claims for Housing Benefit or the housing element of Universal Credit have not changed since we spoke to officials in spring 2025.
- DWP has reported that in 2025-26 it paid an estimated £39.9 billion in housing support through Housing Benefit and the housing element of Universal Credit but did not separate the cost of rent from service charges. It confirmed to us that it does not hold data on the total cost to public funds of meeting service charges through benefit payments.
- DWP has no mechanism to test the reasonableness or accuracy of service charges and reiterated to us that it would be impractical to expect its staff to determine whether the amounts cited for services were reasonable. DWP told us that this would require a detailed examination of the charges and of the accommodation to which they pertain, and its staff have neither the skillset nor the capacity to do this.

- The analysis you shared showed that of 233 cases challenging service charges that were determined in 2025, the courts removed or reduced all of the disputed charges in 67 cases (29%) and some of the disputed charges in 103 cases (44%). While these judgements suggest there are known instances of landlords levying unreasonable service charges, I am mindful that it is not reliable to use Tribunal data to estimate the likely extent of overcharging or the impact of overcharging on the benefits system, since the number of judgements represents a very small proportion of all tenancies and not all tenants will be in receipt of benefits.

In light of these further inquiries, I have again thought carefully about whether there is anything further the NAO should do to take this issue further. Since we have no powers over landlords and no audit rights to examine service charges, my conclusion is that there is little new information that we can realistically provide. The NAO does not have the access rights that would be needed to independently quantify the potential impact on the benefits system of any potential over or under charging. Ultimately, it is for the courts to determine whether the service charges levied by individual landlords are valid and reasonable.

I recognise, however, that there are risks to public funds paid through the benefits system, although we cannot quantify the extent of this risk. You will understand that we have no power to compel government to take action, but I am proposing to write to DWP and MHCLG to press them on whether there are further steps they can take to protect tenants from unreasonable service charges and to reduce the risk to public funds in a cost-effective way.

I hope this is helpful and thank you again for taking the time to share more information with me on this matter.

Yours sincerely



GARETH DAVIES