

Homeless crisis: how the state pays the rich to exploit the poor

Landlords carving up a home into micro-flats can net £50,000 a year. And it's taxpayers who foot the bill

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‘Disgusting’ ... Ian Ford in his tiny flat which is covered in dark mould. Photograph: Jill Mead for the Guardian

Every day 64-year-old former boxer, Ian Ford*, who suffers from crippling arthritis, climbs three flights of stairs to his tiny cell-like flat over a betting shop in south London. “I have to feel my way because loads of times there’s no lighting,” he says. “I’ve fallen a couple of times. If there was a fire I’d never get out.”

Ford’s flat – which at 19 sq metres falls below the government’s minimum space standard of 37 sq metres for one-bedroom flats – is covered in blooms of dark mould. “It’s disgusting. I keep wiping it down but two days later it’s back,” he says.

What were once family homes in London are being converted into tiny flats for single ex-homeless people over the age of 35, in order to extract the maximum amount of housing benefit or universal credit.

Landlords and developers have carved up thousands of houses in at least 20 London boroughs since planning laws were relaxed in 2010 and are thought to be making millions out of the benefit system, squeezing more than £50,000 a year from each home.

Southwark council is paying Ford's rent of £884.35 a month, which is the maximum benefit for a one-bedroom flat in the borough, to a registered social landlord, Green Park [Property](#) Management. If the four other micro-flats in Ford's building are similarly rented, it could be receiving more than £53,000 a year from what was previously a two-bedroom maisonette.

Ford was directed to Green Park by homeless charity St Mungo's last year, after a two-month spell sofa-surfing and bedding down in the open. Ford's house is managed on a day-to-day basis by Manlow Property Management Ltd.

So what do we know about Green Park and Manlow? Green Park operates across 10 London boroughs and says it helps "people live better lives" in affordable homes. It is currently being prosecuted by Haringey council, which is part of a government-backed scheme nicknamed "Operation Lockdown" to halt the spread of micro-flats. It allegedly failing to license a multi-occupied home in the borough. In a test case, the council is arguing an exemption for housing associations should not apply to profit-making social housing firms like Green Park. Green has Park pleaded not guilty. One director, Eliezer Zax, is the former director of BH Property Ltd, which operated a house divided into six bedsits for ex-homeless people in Hounslow. Zax is also the former director of SE28 Estates Ltd, which owns a property turned into six tiny flats below government space standards in Bexley.

It is hard to know exactly where housing benefit goes once it leaves Southwark and Hounslow because detailed accounts of Green Park are not available at Companies House. Nor does the firm reveal how much directors like Zax earn – even though it is required to divulge such details as a provider of social housing.

Green Park told Guardian Money it provided accommodation to people not served by the commercial market. "Room sizes, bathroom and kitchen facilities are well within the legal framework of HMO legislation and sanitary and health requirements, and all fire and safety regulations are up to date," it says.

Green Park added that “alternative housing, such as emergency accommodation, hostel accommodation and shelters, would cost the taxpayer significantly more. We estimate the saving to the taxpayer to be in the region of £8,000 per person per year, which is a huge saving to the Treasury.”

Manlow is a substantial manager of properties in the capital, and was fined last year for converting a family home into micro-flats without planning permission. Evidence it gave during its prosecution for planning breaches shows it manages around 150 rental properties, containing in excess of 750 units, on behalf of investors.

Abraham Low, director of Manlow, says all its properties had up-to-date fire safety assessments and had all the required certification. He adds that it no longer manages any houses in multiple occupation. “As far as I am aware all HMO properties have been removed from our portfolio.”

Manlow is still listed as holding HMO licences, valid until 2022, in Hounslow and Southwark. Low says these are now being managed by another body.

Another registered social landlord in London, managing 1,000 properties, Cromwood [Housing](#) Ltd, has also been subject to action by officers working for the Lockdown project.

In November, Croydon housing officers served Cromwood Housing Ltd and letting firm, Pointview Estates, with an enforcement notice after they found a series of fire safety risks in a property turned into four micro-flats, measuring around 10 sqm.

Cromwood – alongside Pointview Estates - also rented out micro-flats so small they were deemed harmful to tenants in an illegally subdivided home in Brent.

Cromwood CEO, Moses Hirschler, who is a director of 12 other property and real estate companies, says the social landlord helps disadvantaged people. He told the Big Issue foundation last year: “We work hard, day and night, to find them a decent home.”

One of Cromwood’s other directors, Moses Lorincz, runs Southland Investments Ltd, which owns a family home converted into six micro-flats in Bexley. The flats range from between 10 to 13sqm.

Cromwood, which operates in 15 local authorities across London and Manchester, is a much bigger social landlord than Green Park, but it still very difficult to track the millions paid to into its accounts by councils.

Last year, Cromwood Housing Ltd and its sister company, Cromwood Limited, which share the same address and directors, earned over £2.5m by letting properties owned by private landlords to just seven London boroughs, with the firms making nearly £450,000 last year in Bexley alone. But its accounts do not reveal how much its directors are paid.

Cromwood hit the headlines in 2016 when the Guardian found the firm had a Home Office contract to manage a filthy, overcrowded house for more than 30 asylum seekers in Hounslow.

Abdus Saleh, Cromwood's head of investment and development, says the firm could only manage the properties it was offered by landlords. "Landlords are making the sizes and parameters [of the rooms] to maximise the financial gain not the companies managing them. We can only manage what is given," he says. "The money is being made by the landlords."

Saleh says Cromwood was trying to incentivise private landlords to provide social housing and claimed the company was not making much profit. "You are talking peanuts."

Pointview Estates did not respond to requests for comments. St Mungo's says it tries to view properties and "conduct basic visual checks and, where this isn't possible, we advise tenants what to look out for at viewings".

Nigel Wicks, who carries out investigations and appears at planning hearings for councils, says: "It's people that aren't capable of looking after themselves being shoved together in confined spaces and abusing themselves and their neighbours as they haven't got the space or facilities they need."

It's a scandal, he says, that public money is being spent this way. "It makes my blood boil. It's the state paying rich people to exploit poor people."

*Additional research by Jon Knowles. * Ian Ford's name has been altered to protect his identity.*

