

Work and Pensions Committee

Oral evidence: Benefit Levels in the UK, [HC 1126](#)

Wednesday 13 September 2023

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Members present: Sir Stephen Timms (Chair); Debbie Abrahams; Shaun Bailey; David Linden; Nigel Mills; Selaine Saxby; Dr Ben Spencer; Sir Desmond Swayne.

Questions 268 - 305

Witnesses

I: Tom Pollard, Head of Social Policy, New Economics Foundation; Katherine Hill, Research Fellow, Centre for Research in Social Policy, Loughborough University; Emily Holzhausen OBE, Director of Policy and Public Affairs, Carers UK; and Brian Dow, Deputy Chief Executive, Rethink Mental Illness.

II: Adam Butler, Public Policy Manager, StepChange; Jane Tully, Deputy Chief Executive (Acting), Money Advice Trust; and Duncan Shrubsole, Director of Policy, Communication and Research, Lloyds Bank Foundation for England and Wales.

Written evidence from witnesses:

- New Economics Foundation ([BPI0082](#))
- The Centre for Research in Social Policy, Loughborough University ([BPI0036](#))
- Carers Trust ([BPI0031](#))
- Rethink Mental Illness ([BPI0084](#))
- StepChange Debt Charity ([BPI0067](#))
- Lloyds Bank Foundation for England and Wales ([BPI0048](#))



Examination of witnesses

Witnesses: Tom Pollard, Katherine Hill, Emily Holzhausen and Brian Dow.

Q268 **Chair:** Welcome, everybody, to this meeting of the Work and Pensions Select Committee in our inquiry on benefit levels. A very warm welcome to the members of the first panel who have joined us this morning. Can I ask each of you to very briefly tell us who you are, starting with Brian Dow?

Brian Dow: I am the Deputy Chief Executive of Rethink Mental Illness.

Katherine Hill: I am a Research Fellow at the Centre for Research and Social Policy at Loughborough University.

Tom Pollard: I am Head of Social Policy at the New Economics Foundation. Just to flag that I am stepping in at the last minute for Sam Tims who was supposed to be here today. He is sick unfortunately. I will try to contribute as best I can, but I may defer or follow up with notes where I am less clear on things.

Chair: We are grateful to you for standing in. Thank you. And Emily Holzhausen.

Emily Holzhausen: Thank you. I am Director of Policy and Public Affairs at Carers UK, so representing families who care unpaid for their relatives and friends.

Q269 **Chair:** Thank you all. Can I put the first question to you and ask each of you to tell us whether you think the current distinction in the benefit system, between extra costs benefits and income replacement benefits for people with health payments, makes sense? Does it work at the moment? Starting with Brian Dow.

Brian Dow: Would you mind just repeating the question?

Chair: Yes. At the moment, there is a distinction between extra cost benefits, PIP, and income replacement benefits and Universal Credit, assessed in different ways and with different purposes. Does that distinction work, do you think?

Brian Dow: I would say in brief to that is that, for people with severe mental illness—and Rethink Mental Illness is an organisation that represents those very much on the severe end—that distinction is probably very unhelpful. That is principally because the ability to access those extra benefits is very difficult, in terms of the signposting to them and people's capacity and confidence to then acquire them, but also the appropriateness of the way that some of those extra benefits are actually assessed. There is a great deal of evidence that some of the assessment programmes—indeed, some sanctions programmes—illustrate that the system as a whole does not really understand the particular nature of severe mental illness in its various different forms.



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Katherine Hill: I suppose it depends on what they are both aiming to do and what they are aiming to cover. I think, in reality, when people are living their lives, the difficulty is because the main living cost benefits are fairly low, as you have heard lots of evidence on already. They are actually intertwined in reality, because people are perhaps using the additional cost benefits to survive on, so they are not necessarily being put towards their additional costs.

It also depends on the level that additional cost benefits are set: is the aim for them to contribute towards or to cover additional cost, which is a policy decision? If they are just to contribute, the implications are that, if they wanted to meet their additional cost needs, they would have to use the basic benefits, which were already low. They are intertwined that way; otherwise, they are not meeting their costs, so I think they are intertwined.

Tom Pollard: In principle, the idea should be that the income replacement benefit, for disabled people and people with health conditions, is recognising that, because of disability or health conditions, you are likely to be out of work for longer if not permanently. The basic rate of UC is not intended as a long-term income replacement, but if you are likely to be out of work for longer you will need a higher amount of support to cover your basic living costs, because you cannot fall back on savings in the same way. Those costs are going to increase over time.

For me, that is the key distinction. One is about recognising that in many cases disability and health conditions lead to being out of work for longer. Then the PIP side of things is about recognising that, on top of that, regardless of whether you are in work, you are likely to face additional costs because of disability. There is a kind of theoretical split that makes sense. As Katherine was saying, the question then is: are each of those sides adequate to meet those needs? We would argue on both fronts that they are not.

Chair: Emily Holzhausen, from the carers' point of view.

Emily Holzhausen: From a carers' point of view, they feel very strongly about the adequacy of carers' allowances and income replacement benefit. I am sure that all of you as MPs have heard from carers in your constituencies, because it is only £76.75 a week for providing a minimum of 35 hours of care. That is effectively just over £2 an hour for the unpaid care that they provide.

On the challenge around the adequacy of that benefit, what we see is that carers are much more likely to be in poverty the longer they are on that benefit. The additional cost benefits do not really incorporate the additional costs that they have. For example, they don't always live with the person they care for or they take them to hospital. They have additional transport costs, additional heating costs if people come into their home when they don't live with them, and the disability benefits that do not cover those additional costs then put pressure on that



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family—for example, specialist foods for diabetes or perhaps for children who are autistic who have very particular food needs.

We have seen the adequacy and the additional costs be a real problem for carers. That impact is distressing to see and quite shocking, because it is loading pressure on to their health and wellbeing when, effectively, they are doing one of the most important roles in society in caring for disabled and older relatives.

Q270 Chair: Can I ask you about a very specific thing? Concerns are being raised with us about the Department's pursuit of Carer's Allowance over payments. Is this something that is on your radar?

Emily Holzhausen: Absolutely, and the Committee did a fantastic report on this in 2018. I think in the last year there were 145,000 overpayments of Carer's Allowance. There were 26,000 overpayments of Carer's Allowance just relating to earnings. There are only 175,000 carers with earnings. That is a huge proportion of the people with earnings and carers—and modest earnings, I might say. The earnings limit for Carer's Allowance is only £139 a week after certain deductions. If you just go £1 over that earnings limit, you have to pay back all £76.75. The impact of that on people is incredibly shocking. It takes weeks and months to pay back just one set of Carer's Allowance.

Q271 Chair: Were there any improvements after that 2018 Committee report?

Emily Holzhausen: Chair, I think that is a very good question to ask the Department for Work and Pensions. The DWP has also done a piece of work looking into the interaction of the earnings limit. It has not published that report and you have requested it, and I would welcome that being requested again and a review of that work that you did on overpayments, because it doesn't look like any of those statistics on overpayments are improving at the carer end.

Q272 Debbie Abrahams: My question is specifically to Tom. In your previous answer, you said that you believe that the current arrangements for disabled people, in terms of the adequacy of the support they receive through the social security system, is inadequate.

Moving on, I know that NEF has done a lot of work that complements what we heard before recess about the Essentials Guarantee, about a living income. Could you expand on that, particularly in terms of how it would support disabled people?

Tom Pollard: Yes. The living income policy is specifically around the income replacement side of things, as opposed to the additional cost side of things, but we do touch on that. Essentially, what we are saying is that at the moment there is no meaningful benchmark at which benefits are set. It is not pegged to anything meaningful. It is essentially just, "What were the rates before?" and then the annual debate about whether we update them, which at best gets them back to where they were in real terms, but it does not do anything about the underlying adequacy.



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Our argument is that there are objective measures out there of what people need for a decent standard of living, and we think the MIS—the minimum income standard, which Katherine and colleagues have worked on—is the best example out there of that, both because there is a very detailed process behind it and because it involves a degree of public deliberation and the gaining of public consent.

Therefore, we have said, “Well, if you did peg the system to those levels, what would that look like?” Our argument is that you peg the basic rate, 50% of the minimum income standard, so someone who is just out of work on a transitional basis would get that, which would be a significant increase from where it is at now, which is around 25% of the minimum income standard.

Q273 Debbie Abrahams: More than the Essentials Guarantee, which is a step in the right direction.

Tom Pollard: Yes. The Essentials Guarantee lands around about 42% to 43% of the minimum income standard. We have said that should be the starting point, so we are definitely in agreement on that. We have said we think it ultimately should go further, but when it comes to disability and health—coming back to that principle that I was talking about earlier of if someone has a disability or health condition, they are likely to be out of work for longer—those who are in the limited capability for work group, what used to be the WRAG group in ESA, should get 75% of the MIS, rather than just 50%, because that group is expected to return to work at some point but certainly will be out of work for longer.

If someone is in the LCWRA, the limited capability for work-related activity group, which used to be the support group under ESA, they should get 100% of the MIS, because the Department has assessed them as being not only unable to work right now but unable to move towards work, so we think it is a reasonable expectation that those people should be able to meet the minimum income standard. We peg the rates in that way.

Obviously, under the current system, since 2017, the LCW group—that previously was the WRAG group—does not get any additional payment. There is basically a huge drop off from their LCWRA down to the basic rate, whereas the whole point of ESA when it was introduced was that you had this middle group, where there was recognition that you might be able to move towards work but you face additional barriers to do so. Therefore, you had less conditionality placed on you and you had a rate of benefit that sat between the basic rate and the higher rate.

In 2017 that was stripped away. I have worked on these issues for quite a long time, and I was actually on secondment at DWP around the time that that decision was made. I think it is one of the worst policy decisions I have ever had contact with. It was completely unjustified. Essentially, the argument was: people are not moving into work so it must be the case that the benefit is too high and it is holding them back. For me, that



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is kind of emblematic of the DWP's approach, which is to assume that the thing that drives people into work is low benefit rates and conditionality.

Q274 **Debbie Abrahams:** How does it compare in terms of adequacy, compared with the old ESA and to somebody who has had that supplemented with severe disability premiums?

Tom Pollard: I would have to get back to you on the specifics of the figures. In terms of how the current rate compares to the MIS, as I was saying earlier, at the moment with the cost of living payments the basic rate of UC provides about 30% of the minimum income standard and 24% without the cost of living payments. For people who are in the LCWRA group it provides about 60% of the MIS for that group, so it is substantially higher but it is still a long way short of the minimum income standard.

Then obviously for people in that middle group, it is actually the same as for everyone else, so it is only down around 25%. I can get back to you on the specifics around how the premiums will affect that.

Q275 **Debbie Abrahams:** We know that with the transfer from ESA to UC with a limited capability to work, there was about a 50% reduction from previous support through the disability premiums as well.

Marie Curie recommended introducing a self-care element to UC. Do you think the current system could or should be amended in that way?

Tom Pollard: Is that the self-care amendment, sorry?

Q276 **Debbie Abrahams:** Yes. Marie Curie said, in terms of the current system, it could or should be amended in a way to replicate the best effects of disability premiums. If we are looking at a halfway house with the Essentials Guarantee, is that also something that could be used to support disabled people?

Tom Pollard: I would have to look at the details. My understanding at the moment is the Essentials Guarantee is talking about the core basic rate. I am not sure whether it specifically talks about different rates for LCW and LCWRA. Certainly, within the proposals we have put forward, in combination the proposals would get people to 75% and 100% of the MIS, which is higher than it was previously under ESA and is higher than it is now.

The exact mechanism that you use to get there again depends a little bit on the path of reform you pursue. We have proposed an overhaul of UC to produce a living income, but I think the critical thing is starting from a point of a meaningful benchmark and then figuring out how you get there within the current system. To be honest, I am not as concerned about the exact mechanism as I am about the starting principle of having a peg and saying, "Well this is where we think people should be at." The current system does not have any answer to that question. It is just, "Well, this is what rates have historically been and at times they have been updated



and at times they haven't." What we have seen overall is a degradation of rates across the board, to the point that the basic income replacement rate, without the cost of living payments, will be at its lowest for 40 years.

Q277 Debbie Abrahams: One very final question: in terms of international comparisons, how does what you are proposing at NEF compare?

Tom Pollard: It is difficult to make direct comparisons because lots of other countries will have, for example, higher contributory elements and higher rates of things like statutory sick pay, so there are difficult comparisons.

To take a slight step back, in terms of looking across European countries, there is evidence to show that, essentially, the higher the income replacement rate for disabled people, first of all, obviously, you get a lower rate of poverty, which is intuitive, but that study has also shown that you get a higher rate of employment.

The central argument we want to put forward at NEF is that there is a flaw in the current prevailing wisdom that the way you push people into work is by giving them a low rate of benefit so that it is more attractive to get into work. If you are pushing people to such a low rate of income that they are scrabbling day to day to make ends meet, that has a very detrimental impact on their ability to get to work because all they are thinking about is the day-to-day struggle of survival.

We think there needs to be a more serious debate around: what does someone need as a solid foundation to help them overcome barriers they face and have the headspace and capacity to think about where they might want to go? The debate so far has been stuck in this kind of binary of keep benefits low, keep pressure high. I think, especially for this group but actually across the board, that is just not a very effective way of helping people, especially if you want people to get into sustainable work that is well paid and appropriate for their needs.

Debbie Abrahams: Yes. It is a very negative view of human behaviour, I think. Thank you so much.

Q278 Nigel Mills: Moving slightly on, the same issues arise on how we calculate what the level of PIP should be, because as far as I am aware there is no actual detail of what costs went into what basket for each grade. Is there a better way of working out how much PIP people should get, or are we going to have to stay with a banded system because there is no way of having a more flexible system depending on what condition you have or how severe it is?

Katherine Hill: It is complex. I think I have been invited here because we do the minimum income standard work in the research centre where I work. I have used that to look at additional costs for people with disabilities or health conditions. It was some time ago now, but the principles are that because you have such a lot of fine detail in the



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minimum income standard, a whole range of different aspects of life, we use that as a baseline to have groups of people with lived experience. People who were visually impaired was one example in different degrees of severity of visual impairment. We did some groups with people who had hearing loss, who are deaf, and also a colleague has done some work with families with a child with autism.

In those cases we were able to go through the list of things we have in the minimum income standard and ask: what needs to be different on these particular things? Does this meet your needs at the level it is at? What needs to be different? Does it need to be a different type of thing, a different amount of something, a different quality of something? Does it need to be replaced more often? We were able to get into that detail using the minimum income standard.

We got really clear detail for that particular condition. There are advantages in that. It really gives a good insight, not only into the additional costs but why those are important. It is not just about having things; it is about how people live their lives as well, so there are things around being able to participate in society, which is a fundamental principle of the minimum income standard.

Taking that further, which I am guessing is where we are going, because of the heterogeneity of disability it would be very hard or impractical to try to replicate that across all different types of disability, but I think the principles and the evidence can help to inform when we are thinking about needs and costs, so I think it can be taken on board that way.

Q279 Nigel Mills: Does anybody else think there is a better way than having bands?

Emily Holzhausen: Can I just make a point about the PIP daily living component? Whatever you decide in your deliberations we absolutely need to cover disability costs. That is such an important principle, and not covering those costs has a knock-on to those family members who are caring, which makes life much more stressful in what is already a stressful life.

The daily living component of PIP is one of the gateways for carers to be able to claim Carer's Allowance, so in your deliberations of what you recommend it is very important that we maintain and consider that link. We do not want to disentitle carers when they are providing care to what is essentially a really essential benefit, an income replacement benefit.

Brian Dow: The one thing for me is around the eligibility criteria. There is a lot of evidence that it is far too narrow for people with severe mental illness. The questions that are asked to assess whether or not somebody is entitled to PIP really do not meet the needs of people with mental illness. Questions about using a microwave or chewing food and getting on and off the toilet are not remotely pertinent to the experiences of somebody with a mental illness. As the High Court found, the effect of



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that is discriminatory towards people with mental illness, so I hope that is something that you will consider in your deliberations.

Tom Pollard: If I can say something directly on the question about different ways of assessing, as Katherine was saying, I guess the difficulty is that it cannot just be on the basis of someone's condition and how severe it is, because what we are talking about here is what additional costs someone faces. That is going to be very dependent on their circumstances as well. For example, PIP is paid to people in work and out of work. For some people, if you are in work you might actually face greater costs because of your disability than if you are out of work—if you have to travel a lot more, for example. For other people, staying at home a lot might cost a lot because they have higher energy bills.

It is very dependent both on the specifics of someone's condition and disability and on their circumstances. The one thing that did change between DLA and PIP is not having that lower rate of care. People who were getting that lower rate of care ended up in different places when they were reassessed for PIP, but lots of them ended up not eligible at all. For me, obviously you have to have some degree of gradation because you cannot just have an assessment that ends up with a very personalised sum for everyone that gets assessed.

Having sufficient gradation in there and sufficient levels that you can pick up a broader range of things is really important, because that lower amount of money—it is something like £27 a week that people in the lower rate get—can be really critical. For someone with mental health problems that might mean that they can get out and see a friend once a week, and that makes a critical difference to their health.

The final thing to say is that another complication here is that someone's ability to participate and overcome their additional costs will also be affected by things like other access to support they have. When I was working at Mind years ago, lots of people with mental health problems were using DLA to pay for therapy because they were not getting therapy through the NHS, so if the NHS and social care is better funded, and people are getting better support, it may be that people's additional costs are lower.

There is a whole kind of array of moving parts that impact on someone's ability to be included and participate—and PIP plays a role in that at the moment—but there has not ever been much of a comprehensive look at how all those different bits fit together, if that makes sense.

Katherine Hill: It is really important you mentioned that because in the work that we did some of the higher costs were recurring costs. You might think about high cost items, like a Braille reader or something like that, which are very expensive, but when you cost that over time it reduces in cost. There are things like extra transport costs in terms of social participation. The people we spoke to were very aware of the risk



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of social isolation and the sensory impairment that we were talking to people about, and I am sure that applies more broadly.

It is things like being helped to get out, to maintain social relationships. Those sorts of costs were on a regular basis, which actually add up quite significantly. If somebody needs help, even if it is informal help, they could be taken out for a coffee as a means of reciprocation, because it is about their dignity and being to feel they could accept help and not feel needy, as people said to us. That is really important. It is quite hard to understand but it meant a lot to people in that situation.

Q280 Nigel Mills: Thank you. The Government in their written evidence to us said, "There is no objective way of deciding what an adequate level of benefit should be...Every claimant's requirements vary and to attempt to base rates upon personal expenditure...would produce an unfair and unsustainable system". You agree with that, basically—there is no way of personalising it beyond having certain bands that you get assessed into.

Tom Pollard: Yes, it is on a sliding scale. You could have a system that is binary and you either get it or you don't, and then you could go some way towards a system that is very personalised. An interesting comparison is probably Care Act assessments in the social care system. There has not been a lot of work that I am aware of to look into how those two things interact, but there are some interesting interactions. One is that a Care Act assessment in some ways covers some similar things to what PIP/DLA looks at, in terms of the ability for someone to be included. I am talking about Care Act assessments of working age disabled people here.

It is done in a very different way. It is much more subjective and flexible, and then a funding and support package is allocated at the end of it. There are lessons that could be learned. The difficult thing at the moment is, when someone gets a Care Act assessment the money they get from PIP is costed in, so if the Care Act assessment says, "You need to make X, Y and Z adaptations," or, "You need this equipment," the assessment of how much support someone gets from the local authority will say, "Well, actually, you could pay for it out of your PIP".

I think there is some overlap between the two but at the moment that overlap is probably being taken for granted. Again, it comes back to the issue that there has not been much work to comprehensively look in the round at how you meet people's needs through these different systems. I think more broadly there is a lot you could learn from the Care Act assessment about how you have a more personalised assessment. I agree that probably at the end of it you do need to have some system of banding. I think it could be more graded than it is now.

Q281 Selaine Saxby: Thank you and good morning. To what extent does the PIP assessment process capture the extra costs that are incurred by households with a disability or health condition, and how do you think it could be improved?



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Brian Dow: I think I have spoken to this earlier on. As far as people with severe mental illness are concerned, the principal problem is that eligibility criteria. One of our beneficiaries went through the process recently, and I am going to read this to you. It is very short, fortunately, but the assessor's view on whether or not this person was entitled to PIP, and fundamentally whether their mental illness demanded that, was that that wasn't the case because this client, and I quote, "wasn't rocking backwards and forwards". So I think there is still an awful lot of stigma in the system of assessing people and a lack of understanding about how, particularly with fluctuating conditions, it affects people's ability to move into work.

I should say that for people with mental illness we draw a distinction between severe mental illness and being severely affected by mental illness because, clearly, all of those other facts, such as your housing situation, your financial situation, will all have a determination on your ability to either remain on benefits or move into work. The distinction, in general terms, is that about two thirds of people with diagnosed severe mental illness want or are able to move into some sort of meaningful work, whereas a third need to be supported long term by the benefit system, including PIP. Therefore, it is really important that the system is designed to meet those needs.

Q282 **Selaine Saxby:** Thank you. Would anyone else like to add anything?

Emily Holzhausen: I would just add that when these assessments do not adequately cover costs, that then falls on to other family members, so it is not a surprise that we see people's incomes decline over time, the longer that they provide unpaid care. It is very important to see this in the round and in the context of family and a broader caring situation.

Tom Pollard: It is also worth saying that in many ways the PIP assessment is trying to be a proxy measure for the additional costs you might face. It does not look explicitly directly at the additional costs you might face. It does not ask people what additional costs you face. It asks whether you struggle to carry out activities around daily living and mobility and makes a proxy assessment as to whether that might mean you incur additional costs.

You can argue whether a more direct assessment might be viable and desirable. But also what happens in reality is people are using money from different parts of the social security system to try to eventually get to a point where they have an adequate income to get by. People are not putting this money into different pots and saying, "Well, that is my PIP and I will spend it on this and that is my UC, I will spend it on this".

Often when someone in Government steps back and says, "This benefit is intended for this and this is intended for this", what they are failing to recognise—the point that was made earlier—is that people are often essentially using PIP to supplement the fact that their basic income from UC is too low and they are trying to piece together a reasonably adequate



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income. If we step back and say, "This should just be about assessing additional costs," but fail to recognise the role that benefit plays in supplementing income more broadly, the risk is then we say, "This person does not face that many direct additional costs, so let's take it away from them", and then they end up on an inadequate income that not only makes it hard for them to make ends meet, but has a negative impact on their health.

Katherine Hill: I cannot comment too much on is the ins and outs of all the different criteria in PIP, but I know from speaking to people who have been applying or trying to apply for PIP that the process is an issue. It is very daunting. People have said that, in general, they treat their situation as looking at what they can do and being positive—"What can I do?"—whereas with the PIP process you are having to look at it more negatively and think of the worst-case scenarios. It is understanding for people how that works.

For people I have spoken with—just in small-scale work—having somebody who can help them, who understands that way of thinking on the forms, is beneficial because it is quite hard to get through for people going into it without that understanding. As we can see from the number of appeals that are successful, there seem to be some issues—and that is if people go forward and have the energy, inclination and ability to go through the process and stick with it.

Q283 **Debbie Abrahams:** This set of questions is about passported support. First, I wondered whether you felt that people were adequately aware of it and made use of it. If not, who are the particular groups that are missing out? You will be aware that what I am talking about is things like Motability and so on.

Secondly, are there any alternative mechanisms that might be used to make sure that disabled people and their carers receive the support that they need?

Emily Holzhausen: Thank you for that question, Debbie. On passported benefits, Carer's Allowance does not passport to any benefits. We have people who are receiving the £76.75 pounds a week and that means they cannot get things like free eye tests or free prescriptions. We have carers telling us that they are going without eye tests and they cannot afford new glasses. There are really important things that they cannot get because it does not passport you to other benefits like warm homes discount and things like that. So, 40% of carers in receipt of Carer's Allowance did not get that additional help that other people on means-tested benefits did.

There is an added complexity for carers about overlapping benefits—I apologise for this and I can provide an additional note—because you cannot get Carer's Allowance and another income replacement benefit because of the overlapping benefits rule. But you can have underlying entitlement, which then might give you an additional means-tested



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element, which then does passport you. You have to apply for the benefit only to be turned down in order to get your passported benefits. That affects working age people, but it also affects people who are older, who get pensions. It is incredibly difficult to explain to people the complexity of getting housing benefit, council tax benefit or these other additional benefit. You can imagine what they say when you say, "You will get turned down for it, but this will allow you to then apply for something else".

We have consulted them using the distributed dialogue and they feel very strongly that this system needs to be far more integrated, with the repeating of information. They do not understand, "Why, if I give this information, does that not automatically happen?"

The bottom line is that Carer's Allowance, although it is an essential benefit, is very outdated. The last major changes were made around 2000. The Scottish Government have reviewed Carer's Allowance and are introducing their own system. They have already introduced carer supplement because they recognise the additional costs.

It is high time that this benefit was reviewed. I can say something later about the interaction that carers have on the digital platform. That is not there, but I will let colleagues come in now on passported benefits.

Brian Dow: First, there is no question that those benefits are incredibly helpful for people. I will not tell the Committee what they already know, but there is the prepayment certificate for people who are on long-term medication. I absolutely agree that there is a lot of evidence that it takes a long time for people to realise that they are entitled to that.

I think the principal onus has to sit with the DWP to explain those benefits to people more clearly. Certainly, in the voluntary sector, there is a rich tapestry of organisations out there, such as ourselves, Citizens Advice and many others, who are providing money and, in our case, mental health advice to people. We can do that, providing we have the funding to do that. There are also other touch points, such as the healthcare system, which people are usually coming into as well if they are on benefits.

I agree that there needs to be a more rounded approach to it but I would strongly say that the DWP needs to be the first point of contact for people and strongly agree with Emily that carers, who are often the ones going along to appointments in the health system or potentially through the benefit system, can play their part in it. I will bow to Emily's far superior knowledge, but even there I think it takes a carer about five years to realise that they are a carer. I think it is about better integration into the system.

Debbie Abrahams: Is it that long?



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Emily Holzhausen: Yes, we have examples of carers who take even longer. It is coming down slowly over time with activities like Carers Week. We asked them this year whether they recognise themselves as a carer; 77% did not and around half said they missed out on financial support as a result.

As Brian is saying, for carers it is not just about recognition but about the complexity of their lives. They are already providing care and they already have the daily living that we all have, and all of this form-filling and finding out is time consuming and emotionally challenging—and that is on top of caring and looking after the person that they care for. Of course, we would love to see Carer's Allowance to passported benefits, and seeing those linkages much better.

Debbie Abrahams: Very briefly, Katherine and Tom, do you want to add to that?

Katherine Hill: The point about awareness is relevant. For somebody on PIP, it means that they are exempt from some other things. This point is sort of related: I did some work with families who have an adult child living with them, and they are living on benefits, which is getting more and more common, as we know. In several cases, the young person who was not working was reluctant to claim any benefits themselves because they feared it would affect their parents' benefits. Actually, the parents were on PIP and they would have been exempt, but they were not getting what they were entitled to.

It was a real fear because it could have severe implications for rent levels, and so on, or help with housing costs. It is complicated, and I think they had even been advised by Citizens Advice or another organisation and they were not sure about it. On things like that, there is beneficial help available, because it means that they did not get a non-dependent deduction.

On a point related to means-tested benefits, I have been doing some work on digital living standards. The cost of broadband is something that social tariffs are not taking up. There is a lot of lack of awareness about social tariffs, some of which you need to be on benefits to apply for. There is another question about the adequacy of the social tariffs for people in terms of the level of broadband they provide. That is something that also needs to be relevant.

Tom Pollard: Not a huge amount to add, but very quickly, the more we can look to automate access to things, the better. I know Policy in Practice and some local authorities are doing some work around trying to ensure people get access to the things they are eligible for. We did some work at NEF around could you more automate the process of enrolment on to Universal Credit, for example.

That is because, first, there are a lot of people not taking up support they are eligible for, and secondly, wherever you have friction in the system—



so, whether it is difficult to apply because it is complicated or you might not know about it—those things are likely to disproportionately impact disabled people, people with mental health problems, people with English as a second language. Groups who already face discrimination and are disadvantaged will be doubly disadvantaged by any bit of the system where it is difficult to access.

Brian Dow: Could I just come back very quickly, if I may, with two points? First, on the social tariffs issue, obviously one of the problems—again, I am speaking particularly for people who have mental illness, but I know this is true elsewhere—is that it is often a long and tortuous journey to get a diagnosis, as some of the Committee members will know very well. People do not recognise themselves as having the right to access those benefits, and there is a fairly long delay to get those.

Secondly, I want to alert the Committee to some work that we and some other organisations are doing around money navigators. Attached to primary care and recognising that debt and financial problems are such a driver of mental health problems, what they do is effectively navigate people to the various sources of help that they are entitled to get. There is some interesting evidence emerging from that. If the Committee would like to look further, I would be happy to give more evidence on that.

Q284 **Dr Spencer:** The benefit system and all the different pots of funding from all different sources clearly is incredibly complicated. Genuinely it makes my head hurt when I look at it and go through in terms of all the moving parts. We are lucky locally to have some fantastic services in my constituency, from the Citizens Advice at Runnymede and Elmbridge, our jobcentre based out of Weybridge and Addlestone, charities like the Richmond Fellowship, and a whole host of others, who do great work in terms of advocacy in helping people navigate the system. What everyone on the panel has said has been interesting. I thank all of you, particularly Rethink and Carers UK, for the work that you do in terms of supporting people navigate through it.

My question is about adequacy, something that we are thinking about very carefully. What is your appraisal of those who are receiving all benefits or financial support that they are eligible for and entitled to? How would you perceive the adequacy of that full package? What proportion of people you come across from your research do you think are not in receipt of what is the full gold star package, in terms of where that is hitting in adequacy? Fundamentally, are we talking about a problem with adequacy of allowance or is it with adequacy of application?

Brian Dow: I feel the silence. I always feel duty bound to fill a silence, possibly to my mistake. But I think it is both in reality. We have done some research. We did it last year so this is prior to the full impact of the cost of living crisis.

I will give you some figures from that, and these are people who are on benefits. I am not sure to what extent they are accessing all that they are



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entitled to, but essentially these are people in that position. So, 32% of people did not have enough money to pay for transportation; 34% did not have enough money for water, gas or electricity; 40% did not have enough money to buy food; and 50% did not have enough money to repair or replace an essential item.

Going back to the point I made previously, the example you gave in your constituency, the more we can mobilise the voluntary sector and others to support people, particularly when they do not have the confidence and capability to access what, as you say yourself, is an incredibly Byzantine system, the more that you are likely to ensure that people are accessing all that they are entitled to and therefore ameliorating what are unprecedented financial pressures that people are experiencing.

Emily Holzhausen: Adequacy or application? It is both. In terms of application, if we look up the take-up rates for Carer's Allowance, no research has been done on that for many years to see where people are missing out. There are very old estimates of about 40% of people potentially missing out. As I have said, Carer's Allowance in itself is not passporting to particular benefits or discounts, but the stats that Brian is quoting are very similar to ours in terms of people who are cutting back on food and struggling to make ends meet.

What we see is that the longer somebody is on benefits, they are much more likely to be in debt and using credit to pay basic bills, which of course is incredibly stressful and shows that we are not looking at adequate systems.

I want to come back to broadband because a lot of these systems are predicated on online information, finding information online. People's ability to engage with the system now is so heavily dependent on internet access and the costs of internet and digital poverty, and that needs to factor into the adequacy of benefits now that there should be almost a right to digital access, if you see what I mean. That is something we would like to see be built in.

We will be further pushing people into social exclusion if they are not on an even playing field. If they have to make trips to the library to go online, for example, that can be extremely difficult for carers. Libraries are an essential community service, aren't they? They are fantastic but not everybody can get there at the time, and that is what we would like to see.

We have to continuously promote access to benefits and that understanding. But the complexity of the system means that you sometimes need very sophisticated advice to understand the interactions as well. The investment of local authorities in welfare rights advice also is incredibly important. The better we can get those processes linked—Tom talked about automation—and the more that systems are built on user experience, the better and the closer we will come to application, but there is absolutely a case to answer on adequacy as well.



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Tom Pollard: I would say that you might find some people who are getting the full range of support at the higher rates and for whom that comes closer to meeting the costs they face than for other people. First, there is definitely an issue around take-up. Secondly, there is an issue around threshold. It might be that you have one person who just qualifies for the higher rate of UC, just qualifies for even the lower rate of PIP. Then you have someone else who does not face significantly lower costs but falls just below those thresholds. Because the grades are quite stark, especially without the middle rate of the LCW rate anymore, there is a risk that people who are not that far apart in the costs they face get a significantly different settlement in terms of the benefits they receive.

On top of that, the underlying issue running the whole way through the system is that because the basic rate is not pegged to a meaningful measure, it is inadequate. So all other rates that top it up are doing a backfilling job of topping that basic rate up to a reasonable level, and 45% of people have a deduction from that basic rate. I know you are going to hear more about deductions later, but for people in the LCW group, 56% of them face a deduction from their basic rate, and it's 53% of people in the LCWRA group. Disabled people are facing a greater level of deduction from their core rate than the non-disabled population.

The final thing to say is there is a lot of debate at the moment about uprating. What is important to recognise about uprating is if there is a gap between the benefits you are receiving and the actual costs you face, even if they are uprated in line with inflation, that gap will grow. If my costs are £120 a week and I get £100 a week, and then over time those costs go up by 10% and my benefit goes up by 10%, my benefit goes up to £110, but my costs go up by more than £10. The gap between what people are getting and their costs, even with uprating, is getting wider over time. That does not get recognised adequately in the debate around uprating.

Katherine Hill: I would agree that both of those things are critical. In terms of the work we did, thinking about the cost with visual impairment, for people who were severely sight-impaired, so have little or no sight, the PIP would just about cover it if they were getting both the elements at the enhanced rate. But that is just visual impairment. But obviously people have a combination of conditions a lot of the time. We were just looking at one condition. When you factor in other conditions, there will be other costs. Even where that was the case, it looks like they perhaps are meeting their needs or are able to. Then, if you take in other considerations, maybe not.

I completely agree with the support needed. In the qualitative work that I have done with people, it comes up time again as being crucial to have support to apply for things, and not just online. There is lack of online access, but in-person support has made a huge difference to some people.



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Q285 Shaun Bailey: Obviously, the Health and Disability White Paper talks about the plan to scrap work capability assessments and introduce the new health elements for UC. I am keen to get your take, particularly when developing broader proposals around support for people that need PIP or support for people with long-term conditions. Where should that thinking land? That is my question more than anything else. What should be the factors that should be considered? Clearly, we are in this state of a little bit of flux at the moment as a result of the White Paper. Where should the Government be trying to land in terms of the balance it is trying to strike?

Tom Pollard: There is a positive core idea within the White Paper, which is something that I talked about when I was on secondment at DWP. It is the idea of making the additional component you get on UC stay with people even when they move into work. The reason that is important is I do not think the reason people struggle to move into work is because there are not sufficient incentives or pressure on them to do so. If anything, it is the opposite. It is the fear and insecurity of, first, I might lose the additional support I get, and secondly, it will be very hard to get back on to the system if that does not work out.

The core idea is to let people keep that additional amount of money, because it is about the additional barriers they face, not just about the fact they are out of work. I think that that could be introduced within the current system. You could say you keep your LCWRA rate even if you move back into work. The problem with the proposal is that it says, "We are just going to passport eligibility to that based on PIP." I think that is problematic because those assessments are not looking at the same thing. PIP is not looking at your barriers to work. Secondly, the biggest risk of all of this is that part of the motivation for proposing this reform is to essentially subject people to conditionality based on work coach discretion.

I think it is really risky to do that. First, because I do not think that is the path to help in that group. I do not think applying pressure to that group is going to be effective at all. If anything, it is going to be counterproductive. Secondly, you are putting a lot of responsibility on work coaches to make an assessment of what is appropriate to require someone to do without any assessment to aid or guide them. We know at the moment that when people are waiting to be assessed, the demands put on them might expect them to engage in a whole bunch of activities or apply for jobs, but then they get assessed and it is decided that that is not appropriate. But for that period in between, essentially we are going to make that period indefinite.

My experience of being at DWP is that part of the problem is that there is one big lever at their disposal, which is pull the conditionality crank because that is what they think is the way to help people. When they were thinking about—this was a live question when I was there five years ago or so—how do we do something about the fact there are loads of



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people out of work who are not subject to conditionality and do not seem to be moving back into work, the thought process always goes back to how do we get them into a space where we can apply conditionality? I think it is the wrong diagnosis and the wrong solution.

Katherine Hill: I am not quite sure if this was what you were getting at, but there was a consultation put out last week that was framed in a way to help people because of more working from home. They were talking about some of the criteria. I want to raise a concern about assumptions about people being able to work from home, having suitable space to work from home, a suitable environment, having suitable digital skills to be able to work from home. Can they do this all the time? Would an employer suddenly turn around and say, "I want you in the office now once a week", which would put a spanner in the works for people?

I think from evidence of studies where people are working from home, it can be more pressurised for some people, especially perhaps emotionally, like mental health conditions. What goes with working from home, people can put more pressure on themselves.

Q286 **Shaun Bailey:** Dovetailing on that, that was a point I was going to raise as well. Do you get the impression that the Department almost views work from home as a bit of a panacea in this space? Certainly from some of the background reading I have done, the way it is talked about gives the impression that it might not be a fix all but has suddenly become this component that means, "Okay, work from home—that eases some of the pressure and the burden." Diving into what you said there, have you got that impression from the interactions you have seen?

Katherine Hill: For some people it would be positive and it would be transformative for people who want to work who cannot commute. But the danger is that if it becomes not a carrot but a stick-type thing, it could have implications. If they then change the assessment and say, "Oh, actually you can", will that mean that they lose money if they do not? There is a danger there. That is what I am saying.

Brian Dow: What I would say to that is akin to the realisation that we all had during the pandemic that, again, for people with mental illness, there were a greater number of people who would benefit from digitally-driven interventions. That was probably a surprise to all of us, but I completely agree with Katherine that it does not fit everyone. So the same goes in this situation.

Coming back to the WCA consultation point, I am with Tom. There is something good in this and it is good that it is open to consultation. I would come back to a first principles point, which is we need to design these things with the people who are affected by it. I know there is a lot of scepticism and people use words like "co-production" and think, "There's no way we can possibly do that because people will want all sorts of extraordinary things." But if you draw a health comparison, as I have just done, we have been doing some interesting work down in



Somerset with a range of different partners working in the ICS and with the voluntary sector and social care and local health system. In short, what it has meant is that people are able to access the care that they need in a way that suits their needs. Some of the data that is beginning to flow from that, bearing in mind that we are all struggling to meet the rising health costs, shows, I think, a 22% reduction in urgent accident and emergency admissions. That is because people are getting to the care that they need much quicker.

If we can think about the same principle when designing or redesigning any kind of WCA process, what you will end up doing is testing people on the things that need to be tested and getting the outcomes. Going back to that point I made at the start, lots of people do want to go into work and then you will be getting to the right people at the right time.

Q287 Shaun Bailey: On the point on outcomes, do you think the Department is clear on what its outcomes should be?

Brian Dow: Isn't our evidence session about to finish? *[Laughter.]* I have to say—I might regret this since it is being recorded—that I do see a shift in the last few months. For example, we had a really good meeting with Tom Pursglove last week who, after much lobbying on our part to ask one of the Ministers to meet people whose families had experienced a loved one dying as a result of benefit sanctions. He met the family and he was very sympathetic and very open to learning from those mistakes. The extent to which the external engagement teams are beginning to reach out is positive.

However, I agree with everything that has been said earlier on. The complexity that is built into the system makes it very difficult to drive a singular agenda. Ultimately, this comes from the top, does it not? Is there an adequate balance between the safety net on the one hand, and the support to move people into work who should be able to? Although those interests are aligned, I do not think they are happening in the way that they ought to be.

Shaun Bailey: Emily, I am conscious that I have not heard from you yet.

Emily Holzhausen: We are considering our position at the moment. I think the points made about home working and ability are very well made. Carers' main role in terms of the Work Capability Assessment or the PIP assessment is quite often the application on behalf of somebody, or supporting somebody to go through that process. Their main concerns are their ability and the ease of getting together cases, the paperwork, the stressfulness and the impact of that process on the mental health and physical health of the person that they are caring for. Those are main considerations for us and we support our colleagues in the mental health and disability sector around their work on this, which is quite brilliant.

Q288 Chair: Emily, we have concluded our questions but you said earlier that you wanted to make some further points to us. I wanted to make sure



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you have had the opportunity to make those further points.

Emily Holzhausen: Thank you. It is about the customer experience of Carer's Allowance and the fact that it is not really classed as a legacy benefit. The way it is conducted is very outdated. They do not have a journal and it is not a digital platform. If people have earnings, they have to ring up or I believe they can email the Department. It is a very antiquated system and it means that the Department, equally, can only get in touch with carers about once a year.

You referred to overpayments before where people have earnings, and this is again one of the issues that we have. We really need to improve that customer experience and interaction with the Department and modernise the system on which Carer's Allowance is based. There are increasing numbers coming on to Universal Credit as people have changes of circumstances, and the numbers have doubled, approximately, from 2020 to 2022, but there will always be a number of people who are outside that system.

Alongside a review of Carer's Allowance, we need to see an improvement. I think it would allow DWP to be more responsive and pull through some changes to the benefit. With UC it was possible to give an uplift during Covid but that was not possible for legacy benefits and not possible for Carer's Allowance either. That was my only point, and I can provide more information on that.

Chair: It is an important point. Thank you all very much indeed. You have given us some very interesting information and we are grateful to you. We will ask you now if you can step down, and we will welcome the second panel. Thank you very much.

Examination of witnesses

Witnesses: Adam Butler, Jane Tully and Duncan Shrubsole.

Q289 **Chair:** Thank you all for joining us. Can I ask each of you just very briefly to tell us who you are, starting with Duncan Shrubsole?

Duncan Shrubsole: Thanks very much, Committee. It is great to be here. I am the Director of Policy, Comms and Research for the Lloyds Bank Foundation for England and Wales. We are an independent charitable foundation funded by the profits of Lloyds Banking Group. We invest in more than 500 frontline charities, some of which are in your constituencies, and we seek to influence on issues affecting them, one of which is the benefit system and deductions within that, hence our interest here. Also, personally, I am a trustee of the Trussell Trust and deductions are obviously a key issue for their network of food banks. Thank you.

Jane Tully: I am acting Deputy Chief Executive at the Money Advice Trust. The Money Advice Trust is a UK-wide charity that runs services known as National Debtline, which helps consumers in debt, and Business Debtline, which helps small business owners and people who are in self-



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employment in debt or financial difficulty, and trains debt advisers right across the UK. Our organisation came from a partnership between public sector, private sector and charity many years ago, bringing together in particular the creditor sector and the advice sector and helping to find those points of synergy. Our expertise and our interest in this area in particular, on deductions, is understanding what we can learn from other sectors and how they approach debt management.

Adam Butler: Good morning. I am Public Policy Manager at StepChange Debt Charity. We are a national debt advice charity and we advise around 200,000 people each year.

Q290 **Chair:** You have indicated wanting to focus on deductions. Can I just ask each of you to tell us how you see the current approach that is taken to benefit deductions affecting benefit claimants, starting with Duncan?

Duncan Shrubsole: Thank you. We did a research report last year, "Deductions: Driver of Poverty", and I think that sums it up. The challenge is that they are confusing, unmanageable and directly driving people into hardship and poverty. The key thing to note is that often it is largely through no fault of their own; it is about the system itself.

Three key principles are really important to land in terms of hardship. The majority of people with deductions are going without key essentials. We have had a lot of debate in Parliament and we are going to have more soon about the headline rate of benefits, which rightly is a key issue, but if 45% of people are not ever getting that headline rate, or not for very long periods of time, with up to 25% of their income having gone, we need to be worried about that.

The second key principle we need to think about is that deductions result from how the social security system is being set up. It is not "debt", often, as commonly understood, in terms of something an individual has accrued. It is, first, something that is hardwired in because of the system needing advance payments; secondly, DWP overpayments and errors; thirdly, previous tax credit debt that comes on to you once you move on to UC; and fourthly, some issues around council tax. Government themselves are playing a key role in creating that debt and the way that they collect it has a key role to play in the experience of people facing deductions.

The third key thing is that just as Government have created that debt, they also have the power to help change the system to make it better and reduce the burden on the individual. That is first about being much more understanding and proactive about the impact that it has. People have to ask for help and work really hard to get that, often relying on charities to help them.

Government have made changes, reducing the headline rate to 25% as well as other changes they made during Covid. They can make change and they could make change again. There have always been issues with



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deductions but when we are thinking about the cost of living crisis, when the headline rates of benefit are not enough and, as we are saying, people can have up to 25% less, action on deductions is a quick and easy way to get real cash into people's pockets at a time when they need it most.

Jane Tully: As Duncan said, the real issue here is that we are in the midst of a cost of living crisis. What the benefit system is there to do is to help and support people, to ensure they have their essential living costs. We are seeing people experiencing an extended period where they are not receiving the full entitlement that they would have through the benefit system.

Our particular concern, as I said, about the DWP's approach to collecting debt is that it lags behind best practice that we see in other sectors, both in terms of assessing affordability and also considering the vulnerability of people who are affected. We know from what we see at National Debtline and Business Debtline that deductions cause significant hardship. Our debt advisers are on the phone lines every day working through a budget and income and expenditure with people and understanding what they have left over for essentials. When they do not have enough left over to pay their gas, their electricity or their rent because there have been deductions from their benefits, that is a shameful and poor position to find someone in.

We think there are relatively easy and low-cost steps that the DWP could take to reduce the risk of people facing unaffordable deductions. This could be reducing the headline rate. Government have already reduced it from 40% down to 25%. That could be reduced further to 15%. Government have described, themselves, the impact of reducing that maximum cap from 30% to 25% as negligible. It comes to a total of £10 million over a four-year period from 2021 to 2025. That is something that is easily within Government's remit to reduce. Again, that would put money back in people's pockets, which we think is fundamental.

Other areas they can change are bringing in greater flexibility and reducing the maximum cap on the total amount that can be deducted. Government debt is really the bit that Government have control over, and when we look at them as a debt collector, they are the poorest performer in terms of how they consider, as I said, affordability and vulnerability.

We know the people who are affected by deductions are, by and large, people who come from more vulnerable households. We see that about 53% of households where somebody was ill or disabled have had deductions, as opposed to 42% of households without those. We know that this regime, this system as it currently stands, is negatively impacting the most vulnerable of households, who are already on low incomes. This is an easy way, in the midst of a cost of living crisis, for Government to alter and change the regime to be putting money back in people's pockets.



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Adam Butler: Witnesses to this Committee have highlighted how the level of UC support often falls below an adequate level. The consequences of that are very serious in terms of, for example, hardship and food insecurity. That echoes the experience of our debt advice clients. For example, around half of our clients who are receiving working age benefits cannot make ends meet every month. One in four have recently used a food bank, and over half have recently experienced indications of destitution like going without a healthy diet. Any further reduction in Universal Credit from those headline rates needs to be considered very carefully.

The evidence from our clients is that the Government's approach to deductions policy is not safe or proportionate. Nine in 10 of our clients who have a deduction in place have experienced hardship. That echoes national evidence. The Joseph Rowntree Foundation published polling based on a nationally representative sample last year showing that nine in 10 people with a deduction went without essentials.

The Government have made a welcome commitment to responsible debt collection principles through the Breathing Space scheme. Those principles are essential to achieving good outcomes for people, including outcomes the Government champion like progress in work, good health outcomes, and good educational outcomes for children and households.

The deductions system clashes with those principles by making deductions automatically, without an assessment of affordability, and by prioritising the repayment of Government debts like UC advances over people's ability to repay priority debts that have potentially serious consequences for them, like rent arrears, council tax arrears, energy tax arrears and so on.

As a sector, we have made recommendations to the Committee for reform of the deductions system. Jane has just touched on those. The one point I would add to that is that by reforming the deduction system, we can make it easier for people struggling with debt to deal with priority debts and priority arrears, which have those severe consequences for them.

Q291 **Nigel Mills:** What changes do you think the Government should make? Jane, you have said to reduce the cap down to 15%. Duncan, Adam, do you have any asks that you think the Government could do?

Duncan Shrubsole: Yes. Reduce the overall deduction rate to 15% and, within that, the Government debt rate to 5%. Those are things that you could do more or less immediately.

Looking at the whole question, at the moment deductions are very poorly communicated to people as to where they have come from and what they are for, and the process for asking for help is pretty poor as well. It also undermines the principle of Universal Credit, which was that you were supposed to have a clearer sense of what your income was so that you



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could plan and budget against it, if you suddenly get a deduction and no one is clear where it is coming from. There are a range of measures that could be taken to improve the information.

There is a thing called the waiver process at the moment—at the Lloyds Bank Foundation we have been supporting some research by Public Law Project into it—which is where you can ask for debts to put aside or changed. It is a very cumbersome process and very few people know about it. In the calendar years 2021 and 2022 there were only 338 registered applications, which is tiny, and only 32 of those were granted. DWP will say this process exists but it is tiny and the burden of evidence needed is very high. There are processes, as Jane said, which most private sector and other lenders are now using to reach out proactively to assess if people are vulnerable and to provide help, which DWP could be looking for.

But there are bigger changes. I said this was hardwired into the system. If you look at advance payments for the five-week wait, if you look at the extent of DWP error and if you look at the historic tax credit debt, clearly you need some action on those.

Government have other examples that they can draw from. In terms of historic debt, in other areas Government are writing off historic debt. Look at some of the Covid loans and some other issues, where Government are saying that they need to write it off or reduce it. They should look at that with tax credit debt.

They should look at practice elsewhere in terms of how individuals are treated. Colleagues have talked about Breathing Space but if you look at the student loan system, the student loan system accepts that you do not pay back until your income reaches a certain threshold and then eventually it is written off, whereas with debt deductions we do not take any consideration of what we leave people to live off before we take something off.

Then there are other bits of DWP which are doing some positive practice in trying to support people. You have had pilots around better supporting people who are homeless in terms of how work coaches work with individuals, or people who are affected by domestic abuse, but that does not carry across. A work coach may be being proactive and reaching out to local charities but the work coach cannot do anything about what happens with deductions and sanctions. It is DWP helping with one hand, but with the other hand taking away. The ability to put flags on the system that there is a vulnerability there, which would carry across to how deductions are treated, would be really helpful.

In the end, we have to get that headline rate of deduction down at the moment and it would be a relatively simple thing to do and for Government to lead. It is Government's debt that they have created, and they can act to reduce it and reduce the burden that it is putting on people.



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Adam Butler: The three changes we think would make a big difference in the short term are to reduce the cap on deductions for Universal Credit advances and benefit overpayments to 5% of the standard allowance, in line with other third-party deductions; to bring the overall level of the cap down to 15%, which would still allow for last resort, priority deductions where they are in the interest of claimants; and to reform the priority order in which deductions are made so that priority debts like rent arrears, council tax and energy arrears are first in the priority order, before deductions for UC advances and benefit overpayments. That would better ensure that the system operates in the interests of the people receiving support.

Jane Tully: It is worth adding, if I may, that the wider debt advice sector operates on a basis of priority and non-priority debts. When we work with all creditors across the system, we look to prioritise things. A priority debt is, effectively, identified as something where there are quite extreme consequences for an individual. They risk eviction. They might risk losing their home. They risk a disconnection. They risk court action, ultimately. They are the types of essential spending and essential services that we look to prioritise payment on.

Ensuring that we can get that prioritisation correct while perhaps having other deductions made, where it is Government debt, at a lower level that is repaid over a longer period of time, means that ultimately we would have people having less taken from their benefits at this particular point.

Q292 **Nigel Mills:** What are the counterarguments? Seemingly, one risk is that you make the Department less likely to give benefits in the first place, or they become much more stringent or whatever else, to try to avoid any debt building up. The second argument is: does it create some jeopardy or reduce some jeopardy that if I can claim too much and get away with it for a bit I will never have to pay it back, because the rates of deduction are so low it will never get cleared? Might that incentivise me to try to get more than I am entitled to? Do you believe any of those risks are really there?

Duncan Shrubsole: There was a freedom of information request that 75% of overpayments were the result of DWP error. The primary driver is within the system from the DWP end rather than from the claimant end. That is on the errors point.

On the other point that I made earlier about hardwiring in, as we have seen UC play out with the five-week wait, advance payments may have been conceived as extra help but in reality they are core to the majority of people moving on to UC in order to help them bridge a gap in affordability. I do not think there are people who do not need an advance payment who are taking one out as an extra bit of cash to have, thinking they would be able to get away if they did not have to pay it back over time. It is an essential tool that people are using to bridge that gap from wherever they were before to moving on to UC.



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Similarly, on tax credits, the challenge is that many of the decisions that led to a so-called debt building up are many years ago, and so any direct connection to people's behaviour that would encourage them to play the system has long gone. I think the risks of that are small and minimal.

The benefit system and deductions are a way of paying back debts where there are genuine debts but, as Jane said, the issue has to be priority debts. That is the thing that should be the focus of any debt collection system, not just that Government has said they want that money back come what may.

The Government have had a number of judicial reviews in the last couple of years about the system of deductions. In each one they have been very reluctant to act and very reluctant to be, as I say, proactive to claimants. Often you might get one line on a letter that just says, "An overpayment"; it does not say on what basis, for what, or how. If any of us were approached by a water company that said, "You owe £500.32", we would be on the phone saying, "On what basis? At what time? But I did pay", or, "We weren't living there". If you do not have that information it is very hard to challenge.

I think the risk that the system could be played is very minimal.

Q293 David Linden: You have outlined some of the changes you want to see in terms of last resort deductions. It was put to me on a visit to Fife Gingerbread, when we were looking at the impact of the child maintenance system, that when you prioritise debt and deductions, child maintenance does not feature very highly. Is that true?

Adam Butler: It is true that deductions for UC advances are taken in the priority order before child maintenance, and those deductions are usually sequential. If there is a child maintenance debt queued behind it, someone will repay the full advance before deductions begin for a child maintenance debt. It is true.

Q294 David Linden: Is that fair?

Jane Tully: Child maintenance is about 12th on the priority list at the moment. We would say that child maintenance payments are crucial and are key, but the action that can be taken around this is moving them up the priority order on the list: you still keep child maintenance within the 15% overall cap, but you put a priority on the child maintenance payment over and above repaying Universal Credit advances, for example, or long-standing historic benefit overpayments.

The challenge at the moment is that the system prioritises the DWP or the Government debt over and above the likes of, as we said, housing-related debt and energy-related debt, and child maintenance is in that basket or that bracket.

Q295 David Linden: Would I be right in thinking, if I am inclined to believe Mr Shrubsole that 75% of these overpayments are as a result of DWP error,



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that the Government's priority is to go back and fix the mess that it has created itself, rather than to focus on putting food in the mouths of children of single parents?

Jane Tully: The priority at the moment is Universal Credit advances, making sure that payment comes back for those and making sure that, as Duncan said, that benefit overpayment corrections are made in the system. If those things are prioritised above and beyond what we see as third-party deductions, or child maintenance, the quick fix for Government is to ensure that they are prioritising the right types of debts, that have a different type of impact on people's livelihoods.

Q296 **David Linden:** That is very helpful. Mr Butler, you in your written evidence cite some upcoming research that indicates that landlords often accept lower rent repayments than 10% to 20% outside the deduction system. Can you just elaborate a little bit further on that? We are starting to look at income, affordability and what we can learn from what you have cited in your evidence.

Adam Butler: Sure. Within the deduction system, a third-party deduction can be made for rent arrears. The default rate for that is 20% of the standard allowance. That may be between, I believe, around £60 and £120. When we look at the repayment agreements landlords have entered into with residents outside the deduction system, they are often willing to agree lower repayment amounts from that.

From our perspective as an advice provider, good practice is to ensure any repayment agreement you come to is based on a robust assessment of income and expenditure. That means the agreement will be affordable and sustainable. We think that third-party deductions for housing arrears can be a good thing but we are concerned that the rate at which those deductions are set is blunt. We would like to see more flexibility there.

We would also like to see the Department for Work and Pensions take steps to ensure that landlords have supported tenants who are struggling with rent arrears before they have a deduction attached to a benefit. There is no consent required for that deduction and it is quite a big step to take, to reduce the support someone lives on without their consent. In terms of that checklist, it would simply include things like making sure that someone has been referred to free debt advice, making sure they have had the chance to apply for any additional benefits that they are eligible for, and showing that they, the landlord, have made reasonable efforts to agree an affordable repayment plan before that mandatory fixed deduction is allowed within the system.

Q297 **David Linden:** Back before I came to Parliament, I had a real job in a real office. I used to work in a credit union and we had to look at people's debt ratios, do income and expenditure checks. What are the benefits of having an effective affordability assessment policy for deductions? What would that look like, in the eyes of our witnesses? We will start with Mr Shrubsole.



Duncan Shrubsole: You have said it yourself that in most practice, whether that is with landlords, banks or private sector lenders, you would seek to offer help, seek to sit down with someone and say, "What are your incomings and what are your outgoings? What are the things that are really essential that you cover? How can we help you meet those? What are the other things that we might reschedule, consolidate or provide another solution to?" Deductions from UC are a very clunky, cumbersome tool that jump in and take the amount. The bucket by which the different debts come in is quite complicated but it does not prioritise, as Jane was saying, around the key things that matter for an individual.

Clearly, the idea would be that you would have better communication and you would have some kind of affordability assessment that takes place to recognise that. DWP officials would probably say that is very complicated for millions of people. First of all, how do you get better information to work coaches, who someone is already having a conversation with, so that they can understand it? There can be a real disjunct between the work coach, the UC team back office and the debt management team in how they interact. They often do not know what is going on, so better communication in the system. But if DWP says it is too complicated to do affordable assessments, focus on the most vulnerable people—again, you will know those from other circumstances—or if people have flagged an issue. I talked about the waiver process. The burden of information that is needed is huge in terms of medical evidence and other things that, again, with another debt agency, they could see you in trouble and would take a response.

But the actions that we have all talked about on reducing the headline rate to 15% and Government debt collection rate within that to 5%, and changing the priority, you are going to be responding to those drivers without needing to do millions of individual affordability assessments.

Yes, we want a system that is more sympathetic to individuals but some bigger, quicker changes in the system will also make a real difference and should happen now.

I was saying this outside: if you go back 15, 20 years ago, Government used to convene conferences and think about financial inclusion and try to encourage the private sector and others to improve how they collected debt and managed it. There are still problems but other practices have moved on in leaps and bounds. Government practice has not. Now it is the prime creditor and it is now a prime driver of financial exclusion and hardship. That surely should be something that we should be looking to change.

Q298 **David Linden:** You have answered many of the other questions that I had, but just to round off, for many other members of the Committee and my constituents in Glasgow, it is the cost of living crisis that is the thing that is driving the concerns that they have. If you can answer in one word—either help or hinder—does the Government's policy on debt



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and deductions in the height of the cost-of-living process help or hinder people at this time?

Jane Tully: It massively hinders people. Again, we see it, our debt advisers see it because they are working through income and expenditures. They are looking at people's budget through what is universally recognised from most creditors, except Government creditors, a thing called the standard financial statement that is used to assess affordability and understand people's affordability for what they are able to pay, what they are in a position to repay.

When advisers are working through that and they are looking at people's benefit levels and seeing the deductions that are there, and recognising that that means they are not able to pay for other essentials, then that is something that is absolutely, massively hindering people.

The fact that it is always unclear to individuals and it is unclear how you can go about negotiating a bit more flexibility on that, how you can get a pause perhaps on those deductions for a period of time, all of those practices are absolutely commonplace in financial services now. It is all set out in expectations from the Financial Conduct Authority. Ofgem apply those ability-to-pay principles. Perhaps not to the degree that we would expect but the regulator certainly has them there for all commercial companies, and we can point and refer back to them. We do not necessarily even have that same mindset or approach when it comes to Government debt.

David Linden: Mr. Butler, help or hinder?

Adam Butler: Hinder, definitely. Just very briefly on affordability, if nine in 10 of those with deductions in place are experiencing hardship, it speaks to the need to do that affordability assessment up front before deductions begin.

A system that relies on people receiving support to challenge those deductions is not going to work that well. It does not work well here. It also does not work well in other areas of consumer protection policy. In terms of the volume of people receiving support, we work with creditors who put in place individualised repayment agreements. They have millions of customers and put in place those agreements for thousands of people every month. So there are solutions to those challenges around practicalities.

Duncan Shrubsole: Yes, it hinders. But often issues around poverty sound big and complex. This is an issue where change can be made fast to get real money into— The 45% of people on UC who have deductions are also those people who are struggling the most. So easing the burden of deductions on them would make a difference. Yes, we need to look at the headline rates of benefits. We need to look at things like the Essentials Guarantee, which JRF and Trussell Trust have been promoting. We must do that. It is not an either/or. But there is some stuff that could



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be done. In the autumn statement onwards, make an immediate change to reduce the burden of deductions and therefore get cash to people who need it now.

David Linden: I could not disagree.

Q299 **Debbie Abrahams:** I think you have probably answered much of this set of questions. I wanted to ask about support for claimants who may be requesting some consideration in their deductions, so if you would like to add anything to what you have said in terms of how easy it is to request a change, what the reasons are for being refused that change. Again, I think Duncan mentioned it in terms of the co-ordination between work coaches and the arrears department and so on. What else could be done to try to sort this out and support people?

Jane Tully: It might be worth giving a couple of other examples of where we have seen some of this flexibility across Government. HMRC, for example, in their Time to Pay scheme, have removed the rule that requires that the time limit for repayment plans, for example, is one year, and they are offering a much higher degree of flexibility to people.

We see within DWP, they have created a repay-my-debt pilot for those people who have historical benefit overpayments, but who are no longer within the benefit system. There is quite an irony in that. For those individuals, the system is able to allow them a lot more flexibility to be able to control themselves what the level of repayment might be over time to make those repayments. But that is only offered to people who are no longer in receipt of benefits.

There are ways and mechanisms that we are seeing within Government. There definitely has movement and change on this. But it is about making sure that our debt advisers, where we are handling a case for an individual, we can get through to DWP and negotiate that payment easily. But also that that is signposted much more clearly for individuals who are dealing with a complex benefit system where they think, "I do not know what that overpayment is for. I do not know what that means and why I am not getting the full entitlement that perhaps I thought I was going to receive".

Debbie Abrahams: Duncan, Adam, who would like to go next?

Duncan Shrubsole: As I said, there are examples from elsewhere. Information is a first: explaining what that overpayment is for and why, and how long it is going to last. That is what you would get if a utility company was writing to you to chase you. You should have that similarly.

And how to ask for help. Because, again, it is not just on deductions. In lots of bits of the benefit system, in the end, people get into challenges and they end up beating the door to a charity who sits there and has to unpick and spend a lot of time trying to work out what has gone on there and then do the advocacy bit. If the explanation is better and people know quicker where to go for help, that would make a big difference.



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I mentioned the waiver process, which we are supporting the Public Law Project to look at. There are definitely improvements that could be made to make it more known about and, on the process and the burden of evidence required, to reduce that and improve that. That is certainly something to look at.

But ultimately the system is one based on having to be in grave difficulty and somehow knowing what you are doing in order to ask for help. Then we will ask you for a lot of evidence before we do something. And it is a system where, as I have said, the drivers of that debt are not often from the individual but from the system itself. For them to have to work so hard to be able to challenge it seems another burden that is unfair.

Debbie Abrahams: I could not agree more.

Adam Butler: In terms of challenging affordability, the standard people have to reach is quite opaque. For UC advances, the language in DWP's guidance is that people have to show exceptional circumstances around benefit. It is slightly different for benefit overpayments where people are asked to show significant hardship.

Debbie Abrahams: Sorry for interrupting, but does that mean that the evidence that is supplied is deemed not enough?

Adam Butler: Around one in three of our clients who have a deduction say that they have tried to challenge that. Then 55% of that group say that they do not believe the agreement that has been put in place is affordable. There is only limited flexibility to change deductions for UC advances. Repayment can be extended up to 27 months, so effectively people can get a short payment break. But on the level of that deduction, there is not much flexibility to reduce it.

A point I would make around affordability is that even when people do know there is a route to ask for a reconsideration, relying on people in vulnerable situations to challenge decision makers is not effective, particularly people with debt problems. Financial difficulty is closely associated with mental health problems, anxiety and stress and so on. That affects people's ability to cope with their situation and also their confidence and their willingness to challenge people.

To very briefly give you a quote from a client. One client told us, "Because of my poor mental health, it took me nearly six months to get up the courage to phone DWP. During that time, I was having to borrow money to buy food because my monthly budget was already in minus figures before they started taking the deduction from my UC". Again, that speaks to the need to do the affordability assessment up front rather than relying on people in vulnerable situations to speak up.

Q300 **Debbie Abrahams:** Can I quickly follow up, if that is okay? We produced a report, I think it was last year, on UC and deductions. We made specific recommendations along the lines that you have suggested.



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Chair: It is around our cost of living work.

Debbie Abrahams: It was, yes. Unfortunately, the Government did not take those on board. As I say, it was just over a year ago. Do you sense there is a change in Government attitude, with a different Secretary of State? Do you have a sense that this is being taken more seriously?

Duncan Shrubsole: All of us will have had a number of conversations with different parts of the system, whether with DWP, No. 10 or others, and sometimes there seems to be interest but then it wanes. There are complications in the system. I had a call with DWP where there were about 25 different officials on because of the bits. So it needs a clear steer from Ministers to say, "This is what we are going to do on the headline rate. This is what we are going to do on the bit about Government debt. This is what we are going to do on the longer-term system reform", because it can happen but it needs leadership to make that happen. We all live in hope. The system has long had challenges but the heightened pressures of the cost of living, as we have all said, means that it should be something where easy action, which is relatively cost free and drawing from examples from elsewhere, could happen. But it does need leadership to make that happen.

Jane Tully: Absolutely the same argument. We need to see that steer come from the top. You talk to officials and you get mixed messages about what is achievable, what is not achievable. Government do have a great group called the Fairness Group that runs across different Government Departments and brings in creditors from outside of Government. That is all about trying to create the right principles for debt management practices across Government.

We have seen some progress and it has definitely facilitated quite a lot of good conversations about this issue of Government debt, which is a sticky issue. We in the debt advice sector and debt advisers will tell you that the poorest area of debt management these days is Government, which is recognition of why we have this group.

But getting the change that we need within DWP, as Duncan said, it absolutely needs that leadership and that ministerial support. We look at the efforts that were made last year to put money in people's pockets through the benefit system and when we had the energy crisis. All of this is feasible. It is all doable. It is about having a concerted focus on recognising that this is people on the lowest of incomes and we are making that income lower again.

Debbie Abrahams: Adam, do you want to add to that?

Adam Butler: We wrote to Ministers last year, with a number of organisations, highlighting that these changes to the deduction system would be a way of alleviating cost of living pressures with relatively minimal impact to Government. We were obviously disappointed that that has not happened.



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Debbie Abrahams: Let's hope that this is another way that we can push it along. Thank you very much.

Q301 **Chair:** Duncan, can I just pick up your point about information? I ought to know this, but if you get a deduction you notice it because there is less money going into your bank account. Do you get any other communication about it at all? Is there something in your Universal Credit journal about it?

Duncan Shrubsole: I would need to come back to you about precisely where it does or does not appear, but the level of information, as I said, from this work that we have been supporting looking at waivers can be, "You have had an overpayment". So it can be a simple line. I am presuming that is in the Universal Credit journal but I would have to check that. But you certainly do not get a detailed statement that you would get with other debt.

Q302 **Chair:** Do you sometimes get more than you have had an overpayment, telling you when it was?

Duncan Shrubsole: You can find out more information. Colleagues might know when that more information comes. But sometimes you have to unpick it. Because there is a bucket and debts come in, even if you have paid off one debt you might still have other deductions, so it is also about understanding where that is. Third-party debt can be particularly confusing as well.

There were some issues about how utility companies have sometimes—that has just appeared and not known where it is. I can come back to the Committee on precisely where that information appears.

Chair: That would be helpful.

Q303 **Sir Desmond Swayne:** What can we learn from the Breathing Space scheme and, in particular, what is the impact of having excluded advances and existing deductions from the Breathing Space scheme?

Adam Butler: The Breathing Space scheme provides legal protection against enforcement action and charges for 60 days. The aim of the scheme is to support someone to manage their situation and move into an affordable and sustainable debt solution.

The deduction system does clash with the principles underpinning that scheme because it leaves in place debt repayments that are not affordable to people receiving support, so they may get to the end of the Breathing Space period and not be in a situation where they have that sustainable long-term solution in place.

It is also about where unaffordable debt repayments are collected from people that affects their ability to cope and manage financial difficulty. The purpose of Breathing Space is to give people that space to get advice and to take all the steps they need to take to deal with their situation and get to that long-term solution. When you are struggling with hardship,



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you are struggling with multiple debts, you are struggling with enforcement action, repayment demands, and that undermines your ability to move forward and deal with your debt problems. It is important the deduction system is aligned with breathing space. We have not got to that point yet.

Q304 Sir Desmond Swayne: Do we have any metrics on how often it is invoked and what success rate there is in terms of those who have made use of it?

Adam Butler: StepChange conducted an early evaluation of the Breathing Space scheme after it had been in place for its first year. We found that it was broadly meeting its aims. Our clients who accessed Breathing Space were more likely, than those who did not, to access the sustainable debt solution. They were more likely to report better wellbeing following Breathing Space than those who did not access the scheme.

I would have to get back to the Committee with the latest figures. In the first year of the scheme, I believe around 60,000 people accessed it but we can provide figures.

Q305 Chair: When was Breathing Space introduced?

Adam Butler: May 2021.

Chair: So we have had two years of it now. Thank you, that concludes our questions to you. Thank you for giving us very interesting answers and lots of things for us to think about. If there are any further points that occur to you or you have offered some additional information to us, please do email those through. We would be grateful to receive those. That concludes our meeting this morning.