



HOUSES OF PARLIAMENT

House of Lords Select Committee on Economic Affairs

and

House of Commons Select Committee on Work and Pensions

Corrected oral evidence: Reports—*Universal Credit Isn't Working: Proposals for Reform*, and, *Universal Credit: the Wait for the First Payment*

Tuesday 9 March 2021

3 pm

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Economic Affairs Committee—members present: Lord Forsyth of Drumlean (The Chair); Lord Bridges of Headley; Viscount Chandos; Lord Haskel; Lord King of Lothbury; Baroness Kramer; Lord Livingston of Parkhead; Lord Monks; Lord Stern of Brentford.

Work and Pensions Committee—members present: Stephen Timms (Chair); Shaun Bailey; Siobhan Baillie; Neil Coyle; Steve McCabe; Nigel Mills; Selaine Saxby; Dr Ben Spencer; Chris Stephens.

Evidence Session No. 1

Virtual Proceeding

Questions 1 - 24

Witnesses

I: Will Quince MP, Minister for Welfare Delivery, Department for Work and Pensions; Neil Couling CBE, Senior Responsible Owner, Universal Credit, Department for Work and Pensions.

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Examination of witnesses

Will Quince MP and Neil Couling.

Q1 **The Chair:** Welcome to this joint meeting of Lords and Commons committees. Our witnesses are Will Quince, who is the Parliamentary Under-Secretary and Minister for Welfare Delivery, and Neil Couling, who is the senior responsible owner for universal credit at the Department for Work and Pensions. Welcome to both of you, and thank you for making time for this meeting with the two committees of both Houses, which is a unique occasion for us.

I will ask you the first question, Minister. Why have the Government extended the £20 uplift for only six months when that is precisely the point in the year when we expect unemployment to rise, following the end of the job retention scheme?

Will Quince: Thank you, Chair. It is a pleasure to be before both committees.

It is a fair question. I know that both committees, and indeed numerous stakeholders, have asked in advance of the Budget for a six-month extension or a 12-month extension, and some were calling for the UC £20 uplift to be made permanent. The Government have always been clear that the £20 uplift per week to universal credit was a temporary measure to support households that were facing the most financial disruption or experiencing the biggest financial shock as a result of the Covid-19 pandemic. The Chancellor was clear that any decision on whether to extend support would be made based on the economic, societal and health picture as it became clearer over time.

Over the past few months we have seen a significant number of positive developments in the public health situation since the increase was first announced nearly a year ago. As you all know, we now have a very successful vaccine rollout that is gathering pace. In that context, the Chancellor of the Exchequer's view is that extending the uplift by a further six months—or, in this case, a further 12 months—would be premature and of course would also come at a very significant cost of about £6.4 billion for the year.

The view of the Chancellor of the Exchequer, which is one that I support, is that it is right that the Government should now shift their focus to supporting and empowering people back into work and progressing in work. As you know, Chair, we have a comprehensive £30 billion plan for jobs, which the Chancellor built on further in the recent Budget.

The Chair: But the Chancellor's own advice is that unemployment is expected to increase by 500,000 between now and peak at the end of the year. Is that really a sensible moment to cut the income of people, who are among the poorest in the country, by 7% when it will be harder for them to find jobs?

Will Quince: There is a couple of points to make here. First, that is a forecast, and we know ahead of the Budget that the OBR revised its forecast and was far more optimistic based on the vaccine rollout. There are lots of variables here, of course. We very much hope that the vaccine rollout will continue at pace and be as successful as it looks like it will be, but we do not know about other things such as new variants.

I think it is right that the Chancellor of the Exchequer continues to look at the economic, societal and health picture going forward and is able to take a view at the end of the summer, or perhaps as we approach the last quarter of this year, on how best we continue to support some of the lowest paid, most vulnerable, poorest and most disadvantaged in our country. Ensuring that the Chancellor and the Treasury have the agility to do that without casting in stone the measures that they want to take is very important.

The Chair: Is that a hint that the £20 a week might be extended?

Will Quince: That sort of decision is well above my grade as a Parliamentary Under-Secretary of State. All I would say is that I make recommendations to the Secretary of State, who has ongoing discussions with the Treasury and No. 10 about how we continue to support people. We are still very much in the depths of the pandemic. Yes, we have the road map out, and we have light at the end of the tunnel with the vaccine rollout. I hope that in the coming months we will be able to reopen our economy fully, sooner rather than later, as the road map progresses and that we will have a strong bounce back in our labour market.

To be frank, we do not quite know where we will be in the third and fourth quarters of this year. That is why it is important that we continue to have those conversations with Her Majesty's Treasury and the Chancellor of the Exchequer, conversations that are based on the health and broader economic outlook, on how we can continue to support some of the poorest and lowest-paid people in our country.

The Chair: The 500,000 figure that I quoted was the revised OBR figure.

Q2 **Stephen Timms:** Thank you very much for inviting us all to this, Chair, and thank you, Minister and Mr Couling, for joining us.

I will begin by reading a couple of sentences from our two reports. The first is from the House of Lords report: "The five-week wait is the primary cause of insecurity in Universal Credit. It entrenches debt, increases poverty and harms vulnerable groups disproportionately". In our report in the Commons, we said, "Some of the evidence we heard suggested that people on Universal Credit are more likely to need a food bank ... than people on the legacy benefits that it replaces, and that moving to Universal Credit may lead to a rise in psychological distress".

Minister, you have obviously rejected those findings. Why do you think that the members of both committees have, from your point view, got this so badly wrong?

Will Quince: First, Chairs—as we have two—as we discussed previously, I have looked at this at some length and we have looked at the numerous potential options, including the option that you put forward, which is a payment after two weeks. We have also looked at the Nick Timmins option.

However, fundamentally we have a system that I genuinely believe works for the vast majority of people, and works well. It is a system that is based on advances, so anybody who needs support while they are waiting during their first assessment period can get it quickly, very often within 24 hours, but certainly in two or three days. They can get up to 100% of their indicative award interest free. At present, it is repayable over 12 months but, as announced in the Budget, from next month that advance will become repayable over two years. That will be 25 payments over a 24-month period after next month.

Stephen Timms: Let me interrupt, if I may. I think all members of both committees concluded that the five-week wait is increasing demand at food banks. Is it conceivable, in your view, that there might be some truth in the committees' findings, or do you think that is completely inconceivable?

Will Quince: I think, Mr Timms, that there are people who do not have an issue with waiting for their first initial assessment period. That is why there are many people who choose not to take an advance. It could be, for example, that they have their final pay cheque, because sadly they have been made redundant or they have been laid off, and then they apply for universal credit. They use that payment over the four weeks and then have a short waiting period, a handful of days, before receiving their first universal credit award. We know that there are some people, for all sorts of reasons, who are not able to do that, or are in crisis or do not have the financial resilience. That is why we have the system of advances in place to be able to get money quickly to people who need that support.

Stephen Timms: All members of both committees reached the clear conclusion that these arrangements are increasing demand at food banks. Is it conceivable, in your view, that the committees might have a point?

Will Quince: From the evidence that we have seen presented by some of the charities, organisations and stakeholders that have given evidence to this committee and which support some of the poorest and most vulnerable in our country, there is no question that some people struggle while waiting for their first assessment period. That is exactly why we have the advance payment option.

Stephen Timms: What I cannot understand in the Government's response to the Commons Select Committee is the blank refusal even to consider any of these points. Let me read a sentence in the Government's response: "The Department will not be conducting nor commissioning any research". That is a fairly contemptuous dismissal of the points in the two

reports. Is that because research would reach the same conclusions as the committees have?

Will Quince: No, I do not think that is a fair assessment, and perhaps that response was a tad blunter than was intended. We have seen nearly a doubling of the number of people on universal credit over the best part of this year, over which the system has performed admirably, supported by thousands of DWP staff up and down the country. But at present we do not have any capacity to initiate research, and in fact we have had to cease a lot of the department's ongoing research. Understandably, all our focus—rightly, I think—has been and will continue to be on ensuring that claimants get the support that they so desperately need on time and in full. So far, our record in that regard has been very strong, with over 94% of people paid in full and on time.

Stephen Timms: When the pandemic recedes, will you commission, or at least consider commissioning, research into whether these two committees might have a point about the five-week delay forcing people to use food banks, putting them into rent arrears and creating psychological distress? Will you do some research at that point?

Will Quince: We certainly keep all our policies under very close review. As I said to you, I have looked at this issue in some detail. I have found only one potential solution that is workable in theory, and that is very similar to the proposition that has been put forward by Nick Timmins at the Institute for Government. But as you will also see, that comes with a price tag of about £2 billion to £2.5 billion per annum. It would be a significant overhaul of the system and could take two years, maybe even a bit longer, to implement.

I keep all the policies under review and I meet very regularly with a number of the organisations that have given evidence to the Joint committees. I encourage the organisations that have given evidence to provide that to the department wherever possible so that we can look at it in detail.

Q3 Lord Bridges of Headley: Minister, I come to the issue of rent and rent arrears. In their response to the Work and Pensions Committee report, the Government said that a link between universal credit and rent arrears is "simplistic and not borne out by the evidence". This suggests that the Government have done an analysis of whether people on universal credit are more likely to be in arrears. Can you tell us whether that research exists, when it was conducted, and whether it has been updated in light of the pandemic?

Will Quince: They are fair questions, Lord Bridges. Thank you. We do have some data on this, and I will hand over to Neil Couling in a moment, who may be able to talk to that in a bit more detail. All our analysts and others have been diverted over the past few months into our pandemic response, so understandably we have not been able to do the analysis that we would otherwise do. No doubt we will want to do that in due course.

The broad response to the data that we have to hand at the moment is that, more often than not, rent arrears are historic, as people move from legacy benefits on to universal credit or, interacting with the benefit system for the first time, they come on to the system with rent arrears. We see a slight increase during the first assessment period, but on universal credit we see rent arrears decreasing or declining over time. Neil, do you want to add anything to that?

Neil Couling: Yes. The response is set out in the Commons report and quotes our research, which the National Audit Office published in its 2020 report, looking at the initial assessment period. It is as the Minister sets out. Some interesting research has been done by Community Housing Cymru which shows that claimants are managing their arrears and that their arrears move down over time.

We also saw in the legacy that you get almost a debt-creating event that goes on, and then arrears clear over time. I think there has been a misunderstanding about the nature of universal credit's impact on all this. Landlords can only see what they see in front of their faces, which is that somebody is in debt. As an example, when the East Lothian Housing Association started with universal credit, it had 18% of universal credit cases in arrears. That is now down to 4.75% of cases with arrears.

Lord Bridges of Headley: Sorry to interrupt, Mr Couling. Can you clarify how up to date all this data is? Does it reflect the impacts of the pandemic?

Neil Couling: The department does not gather data on rent arrears. We asked eight housing associations and local authorities to share their data with us. We matched it against universal credit data and then looked at the arrears position pre, during and after the claim process. That has not been updated for the pandemic, so it is early days for the pandemic.

Lord Bridges of Headley: Can I jump to where we are now? This is what concerns me. Citizens Advice says that half a million people in the UK are behind on their rent. I quote: "For the majority struggling with their rent, this is a new challenge—58% of those behind on rent had no rent arrears in February 2020. For people already struggling with rent before the pandemic hit, their arrears have got worse for 40% of them. On average, people who have fallen behind on rent now owe £730, which would mean around £360 million is owed across the country".

Minister, how much of a concern is this for you? If it is a concern, what are you doing about it, or do you think this will just going to fade away and you do not need to be concerned about it? Can you answer that?

Will Quince: Of course not, and I do not think we would ever take such a flippant approach to people who are facing financial disruption in that way. The figures I think you are quoting relate not just to people in receipt of either housing benefit or the universal credit housing element, but to the broader private rented sector. Let us not forget that the Department for Work and Pensions supports those in receipt of benefits,

but there are a lot of people out there who are facing severe financial disruption as a result of the pandemic, who have seen a significant drop in income or have lost their jobs. The first group may not be eligible for support via the DWP.

Nevertheless, we have ongoing discussions with my counterparts at the Ministry of Housing, Communities and Local Government. We have also taken action such as the moratorium on evictions, and we have supported with mortgage holidays. We put an extra £1 billion last year into the local housing allowance, increasing it to the 30th percentile, and we have protected that for the next financial year in cash terms.

We have taken action, but of course we keep this under very close review. Primarily the approach and strategy behind this will be driven by MHCLG, but I meet regularly with my counterpart there, because, of course, people in rent arrears concern us and we want to keep a very close eye on that going forward.

Lord Bridges of Headley: I want to clarify one point. I have in front of me an article dated 23 February that says: "New figures from the Department for Work and Pensions revealed that in November 2020, 715,326 households in Great Britain could not cover their rent in full with the Local Housing Allowance they received as part of their Universal Credit claim. This is an increase of 45% since February 2020".

Those are obviously figures you recognise, do you not? They are your figures.

Will Quince: We certainly do. Lord Bridges, you have hit on a major issue. We talk in this department of benefit adequacy issues and we have certain levers in our control. The two key levers for reducing poverty are paying people more benefits or supporting and empowering people into work, but when we look at the adequacy of benefits I think it is a fair question for this committee to ask. We have the local housing allowance into which we have just pumped an extra £1 billion, with a further £1 billion next financial year, topping it up to the 30th percentile.

The LHA was never designed to cover all rents in all areas, but we have an issue across this country of very high rents, and in some parts of the country they are becoming unaffordable. We regularly meet with our counterparts at MHCLG, because you are right to point out that, even despite putting an extra £1 billion into the local housing allowance, the serious issue that we have to tackle as a country is more affordable homes for social rent. I know that MHCLG take this very seriously and we are working very closely with it to tackle the housing issue that is the driver of so much of this.

Q4 **Viscount Chandos:** I want to return to the issue of the link between the introduction of universal credit and the rise in the use of food banks, which Stephen Timms has already referred to. We heard on the Economic Affairs Committee that there are now more food banks than branches of McDonald's in the UK. When will the department publish results of the

internal review into the drivers of food bank use that was due to be completed in October 2019?

Will Quince: Viscount Chandos, thank you for that question. We do not want to see anybody in this country having to use a food bank, and we are looking at various ways in which we can better understand the drivers of food insecurity. That involves working with some of the providers of food bank charities, including the Trussell Trust and some of the other big charities, but some of the smaller charities too.

There is a little confusion on this issue. First, there was the external research project proposal looking at food bank growth. I believe it was initially considered in March 2018, long before my time, but did not get past the initial planning phase and was never commissioned.

I think the piece of work you might be referring to is the literature review, which was designed to use internal resources and to assess publicly available research on the drivers of food bank use. As with other research projects, we had to reallocate resources to prioritise work to support people through the Covid-19 pandemic and the effort there, so it was paused. The literature review is derived entirely from external literature already available in the public domain, such as research published by the Trussell Trust. Analysts in the department will of course continue to keep track and review all research on food banks and food insecurity.

We are doing what I think will be a very valuable piece of work. In April 2019, we started including in the Family Resources Survey questions on food insecurity, and that has run for the past year. We will be able to publish our first data and results on that a little later this month. I think that is significant, because it is not driven by food bank providers or organisations; it is from the Family Resources Survey. I hope we will have some very interesting data there that will be put into the public domain in due course.

Viscount Chandos: Pending any further work being done and published, do you accept that, while it may not be the only cause, the wait for a first payment in universal credit is a factor behind rising food bank use?

Will Quince: It is a fair question, and we have to look at it all in the round and assess whether it is a matter of causation or correlation. Having visited food banks, I know that there are many drivers of food bank use, and I know from some of the claimants or customers that we look after on universal credit that there are individuals—sorry, excuse us for one moment.

A Covid-19 announcement was played in the Department for Work and Pensions.

Will Quince: You will be pleased to know, Chair, that we take being Covid secure very seriously at the department, with regular audio announcements, but I apologise for the interruption.

Viscount Chandos, of course we will look at this. I will continue to work with food bank providers. We are very keen to do a proof of concept that we had ready to go. I do not want to go into too much detail on it, because we are still working on this with the Trussell Trust and others, but it is based on a pilot and is all about close working with food bank charities to better understand the drivers, working with the food bank providers and getting a better understanding of whether the individuals who are visiting food banks have particular vulnerabilities and complex needs that we might be able to support them with, but it is also about making sure that they are getting all the benefits that they are entitled to. Collaboration and closer working are part of that, and I am very keen to get that up and running as soon as we can once we are able to, pandemic allowing.

The Chair: Thank you, Minister. I do not know if you could hear me trying to interrupt you, but we have quite a few questions to get through and we will ask for a yes or no answer to the last question. I know that Neil Coyle wants to come in with a supplementary on this.

Q5 **Neil Coyle:** Can the Minister tell us exactly when resources were reallocated for the review into the drivers of food bank use, please?

Will Quince: As a result of the pandemic, it was the most mammoth undertaking—Mr Coyle, you will know this as well as anybody, because I have been in front of the Work and Pensions Select Committee and answered all the questions on this—to ensure that the system stood up to the task—

Neil Coyle: Sorry, Minister, can you just say when were the resources reallocated, bearing in mind the time?

Will Quince: We had to move resource across the organisation. I cannot tell you exactly when the analysts or data researchers working on that piece of work—

Neil Couling: In April last year we started moving about 10,000 people from various roles across the department into processing universal credit.

Neil Coyle: That is a useful date. The report was originally due out in 2019, before Covid was identified. Neil Couling has just suggested that it was April last year. In June last year, Minister, you told Parliament that this work was still under way. Have you inadvertently misled Parliament about this work at all?

Will Quince: No, because it is an external literature review. It is an ongoing process, because we are taking research that is out there in the public domain, largely from food insecurity charities and organisations that are supporting food insecure households, and analysing it, in effect. That work is ongoing, and of course it continues. I am sorry, but I cannot apologise for the fact that we prioritise making sure that people got paid in full and on time. That is the number one priority of this department, as clearly set out by the Secretary of State. Getting support to people who desperately needed it had to be our priority and continues to be so.

Neil Coyle: Minister, you have just said with regard to the departmental alarm sounding that you take being Covid secure very seriously at the department. If this work had been done and universal credit had been improved, many of the people who have been forced to breach the lockdown, who have been unable to stay at home, who have been forced to rely on the food banks for food, nappies, toothpaste, tampons, whatever it might be, might not have had to.

When will this work be done? Will it be the three prongs of the original literature review, the quantitative surveys and the qualitative work? Will it fully cover all the costs for government of getting this wrong? There is an argument that the Covid winter grant scheme and all the rest of it might not have been needed if universal credit was fixed and if people had money in their pockets.

Will Quince: I do not recognise the picture that you paint, Mr Coyle, but as I said, this is all data that is already available in the public domain. It is nothing that you would not be able to find yourself, either on an internet search or by collecting the data from some of the food insecurity charities. That is exactly what a literature review is.

Neil Coyle: That was not the only element of the study. Minister, your excuse seems to be that you did not need to do the work anyway.

The Chair: We have to move on to Nigel Mills now.

Q6

Nigel Mills: Minister, we started this session debating whether the £20 uplift should remain in place, and whether it was needed permanently to give people the standard of living that we think they ought to have. The way the five-week wait works is that it gives new claimants the invidious choice of somehow trying to get through five weeks with nothing or taking an advance and having to live below that amount for the rest of the year, or slightly longer now, because they have to repay the advance out of their monthly claim after that. Is that not an impossible situation to put people in that will only lead to hardship?

Will Quince: Thank you for the question, Nigel. I do not think it is, because in effect you will now receive 13 payments over a 12-month period. As of next month, that will be 25 payments over 24 months. It is interest free. We have not seen the very latest data because, as I said to Mr Coyle, our analysts are largely engaged elsewhere, but we do know that about 60% of people take up an advance. I suspect that dropped a bit during the pandemic, because people potentially had more financial resilience because they were coming directly from employment or had small amounts of savings, and of course they applied at the point at which they became eligible.

One of the biggest problems that we find is that people are not making their application for universal credit at the point at which they become eligible but delay until they have exhausted their own financial resource and they hit crisis. At that point, it makes an advance far more important, which is why we have it available.

I understand the point that you are making and I recognise the calls from both committees for a starter payment of some description. As I said to Stephen Timms, the Chair of Work and Pensions Select Committee, we have explored this. There is no option that is quick, easy or does not involve huge financial cost and also huge fraud risk. If there were, and I had that magic bullet solution, trust me, at nearly two years in this job I would have introduced a change of this nature.

Nigel Mills: It sounds at least like you would like to do something different, but either you do not have the money or you do not have the system. However, if you could fix both of those, you would introduce a starter payment. Is that a fair summary of what you just said?

Will Quince: That is a very difficult question. Say we were to look at a starter payment. Even if you managed to park the £2 billion cost, and even if you parked the fraud risk—by the way, Treasury would not allow us to park either of those two, but let us just imagine in an ideal world that it did—you would also have to question a £2 billion to £2.5 billion spend into our welfare system, if this is the place you would spend it, based on the need but also on the fact that you have advances in place. We have just made two significant changes by doubling the amount of time people have to repay the interest-free advance, and we have reduced the deduction cap from 30% down to 25% as of April.

I think that we need to see the impact of those two changes first, but of course I keep this under very close review. I know that the Chair of the Work and Pensions Select Committee has a passion for this issue, and he will no doubt be coming up with potential options and ideas. As I said, the only one that we have found so far that could work in theory is something similar or akin to the Nick Timmins model, but it does come with a £2 billion or £2.5 billion price tag.

Nigel Mills: We have heard that. Can I check whether the fact that you are making these changes to reduce the maximum that people can lose and to lengthen the period means that you accept that having to repay an advance was causing claimants hardship—that for months when they were losing part of their standard benefit level they were struggling to make ends meet?

Will Quince: What I accept is that I will always look at ways in which we can make the experience better for our claimants and keep more money in their pockets monthly to spend on the cost of living. In these two particular cases, very often, as you will know, Mr Mills, I ask Treasury for very large sums of money. It is very rare that I ask for figures that do not have seven zeroes at the end of them because of the nature of what we do in this department. With those two asks, I was not asking for money per se; I was asking for amounts of money to stay on the Government's books for longer because it is interest free. I am always very keen to explore ways in which we can tweak the system to improve the experience for claimants.

Q7 **Lord Haskel:** I think we are all agreed on the need for advance

payments to alleviate hardship. The Lords committee recommends that the DWP should provide an initial grant as an advance payment and then write it off once the claim is established as genuine. The Government rejected this because of the risk of fraud and indeed the Minister mentioned that just now. Why will this raise the risk of fraud? Surely it would reduce it.

Will Quince: I think there is a mixed question there in that there are two options. There is a starter payment, which I think is the Work and Pensions Select Committee proposal, which is after ID verification after two weeks. That particular model is fraught with fraud risk. I will give you one example that was documented last year. We had a very high-profile ID hijack in which 100,000 applications were made, all using bona fide or real, verifiable ID details, but they had been stolen. Thankfully the department picked up on that and we managed to stop a huge amount of potential fraud in the system.

The model that I think you are referring to, Lord Haskel, and which the Lords committee potentially recommends is the Nick Timmins model of taking an advance, and after three months turning it from an advance into a grant once there has been a check. We believe that is possible in theory, but there are two significant impediments. The first is, of course, the cost, which is significant—at our calculation, around £2.2 billion to £2.5 billion. Also, it would require a significant structural redesign of the universal credit system, so even if we did secure the money and we were minded to do it, it would be a significant tack in the integrity of the system. Neil, do you want to add more on that?

Neil Couling: The volumes on universal credit now—50% to 60% of people are claiming advances every month—are such that it needs to be automated to be deliverable. If you make it known that, if people stay on benefit for three months, the advances will be wiped away, so they represent a cash gain, you will get nearer to 100% of claimants electing to take them.

We were already dealing with some big-volume activity. At the time your reports came out, we still faced potentially another increase in unemployment; the committee has alluded to this. I have been saying very clearly but sweetly to Ministers that the last thing I need right now is to make more changes to the system, because it needs to be able to take what might get thrown at it as successfully as it took what was thrown at it last spring, as the evil of Covid appeared.

Q8 **Chris Stephens:** Minister, I am going to ask you some questions about deductions and advance repayments. You will know that I have asked many parliamentary questions on this. You will recall that the Select Committee heard evidence from many organisations that suggested that lowering the deductions to 10% or seeing repayments at individual rates would help people and support people who are struggling with repayments. The department said that this “would not be an effective way to protect vulnerable claimants”.

Minister, where is the evidence base, and what evidence is there, for the department to suggest that it is not effective in protecting vulnerable claimants?

Will Quince: That is a fair question. Deductions as an issue have worried me for some time. Certainly the Chair of the Work and Pensions Select Committee knows how strongly and passionately I fought for the universal credit advances doubling period and the deductions reduction maximum cap to be accelerated from October this year, when it was due to come in, to April. We looked at this, and let us not forget that it has come down over the past two years from 40% to 30%, and now we are reducing it further to 25%.

This is always about getting the balance right, about people not being stuck in perpetual debt. Let us not forget that some of these deductions are for things like rent arrears, and it is very important that they are repaid over time. It is about getting the balance right. Of course I keep this under close review, and if we have to go further, based on the evidence, I will look at that and put any evidence and recommendations to our Secretary of State and the Chancellor of the Exchequer for further review.

Chris Stephens: Is there any evidence to suggest that lowering the rate of deduction would harm vulnerable claimants? I am sure both committees would expect some evidence based on that and for evidence to be based—

Will Quince: I will bring in Neil, if I may.

Neil Couling: Mr Stephens, there is, because if you look at what deductions are for and you constrain the ability to take them, there might be bad outcomes for individuals from that. Some obvious ones are electricity and gas, which are not covered by the 25% cap, but court fines are. If you do not pay your court fine, eventually the court will chase you down and say, "It's time for you to go to prison".

There is a whole series of things. The Minister alluded to rent arrears, and landlords, particularly private landlords, do not have to rent to benefit claimants. They will carry on renting if they think they will get any arrears back. If by reducing the cap we remove landlords' ability to get rent arrears paid, they might stop renting, which would not be in the interests of some vulnerable claimants.

There is a difficult balance to strike with 40%, which was the original level and the level of deductions across the old legacy system. I am often criticised about universal credit next to the legacy system. That was the actual level of deductions taken in total across the legacy system. They have come down to 30%. They are coming down to 25% in April, and I think we are reaching the limit of how far you can take those without tipping the balance the other way and putting claimants at different forms of risk—of being imprisoned or losing their homes and so on.

Chris Stephens: I think I will ask both Chairs to consider the answers to

these questions about how we support vulnerable claimants.

Minister, in the Budget the Chancellor confirmed the changes to advance repayments that will be introduced from April, which I think we all welcome. You have previously suggested that it would be difficult. What has enabled the change from October to April?

Will Quince: It was Neil Couling and the teams that made it happen, so let me hand over to him.

Chris Stephens: Could you also say whether there were any trade-offs with the Treasury.

Neil Couling: No, there were no trade-offs with the Treasury. My teams were in the system to remove the £20 uplift, which did not happen of course because the decision was made to extend that, but we had to go into the system to prepare the software for it. It is a bit like when you open up a car engine. If you are working on the carburettor you can do lots of work around it, and it was that part of the system. We said to the Treasury, "As we are doing this, we could make this change. We would like to put it forward". The Minister had been on my back for a number of months about doing that, for all the right reasons, and we wanted to do it too, for all the right reasons. It was an opportunity to do that while we were doing the uprating and all the changes to that.

I think it is misunderstood by the committee. I think you think that we have a work priority list that we just work through. In fact, we take opportunities as they come, so if we are working on the housing bit of the system, we will try to make as many housing changes as we can. That is how we schedule things, not, "Let's jump to this part of the system and that part of the system and back here to fix that or this". An opportunity came up and we were very pleased to take it.

Q9 **Chris Stephens:** I think, to be fair, that both committees have more understanding than we are given credit for, Mr Couling. I will now ask about the three-month deferral issue.

Neil Couling: Sorry, I take issue with that, Mr Stephens. I have repeatedly been asked to provide this information and I keep going back and saying, "I can't provide this information, because an agile development doesn't do it in this way". If you say that you have now understood all my explanations, we have got to a wonderful place.

Chris Stephens: Well, there you are, Mr Couling. I am going to ask you about three-month deferrals, Mr Couling and Minister. The department says it has no plans to publish any additional data on advances on three-month deferrals. Does the department hold that information and, if it does, can it commit to publishing it if both committees ask the department to do so?

Will Quince: As you know, we do not routinely publish this data, but the department has committed publicly to publishing statistics on universal

credit as soon as the department's statisticians judge that the data meets the standards as set out in the UK Statistics Authority code of practice.

Chris Stephens: We could establish the number of people who have been granted a deferral. I think it would be very helpful to both committees if that is the case.

Are work coaches proactively informing claimants of the three-month deferral option at the time of their claims and during the repayment period?

Will Quince: The honest answer, because I do not look after Jobcentre Plus and the relationship with work coaches directly, is that that is a better question for the Minister for Employment, Mims Davies. I will take that offline and write to you, but I will hand over to Neil.

Neil Couling: Typically it will arise when claimants present themselves as having difficulty. I have seen a few of these cases having some issues about the level of repayment on, say, an advance. By the way, the average level of advance is about £480, so the recent move to 25 payments over 24 months will take that level down to £20 a month. The option of a deferral is put to a claimant when those cases are presented. It is not routinely done when you take out the advance. Of course, much of that is automated.

Chris Stephens: I think it would be helpful if we could get that information.

The Chair: Perhaps you could write to us with the answer to Mr Stephens's question.

Will Quince: I certainly will, Chair.

Q10 **Steve McCabe:** The Work and Pensions Committee recommended an alternative approach for those moving from legacy benefits to universal credit. We recommended that those people continued to receive their existing benefits during their first monthly assessment period and then be offered the option of fortnightly payments.

Did you look at that recommendation, and did you compare the cost of our plans with the cost of the run-ons and the final payments which the department favours, which actually look more expensive to me? Did you look at the proposal, because I notice that you did not comment on it in your response?

Neil Couling: There are two bits to the proposal. Effectively it is a four-week run-on of benefits, which would double the cost of the two-week run-ons that we currently have as a feature in the system. It would then move into a twice-monthly cycle of making payments, which of course we do not want to do. We want claimants, in the main, to be on a monthly cycle of payments, which they can cope with because that is the most likely way in which they will be paid when they get back to work.

We were not attracted to that aspect of it, and the costs would roughly double from the existing system. Neil Coyle and I exchanged at one of many committee hearings about this, and I think from memory that the cost of run-ons is about £700 million. You would double the cost to £1.4 billion.

Steve McCabe: You looked at it, but you did not see fit to mention it. Fair enough.

Neil Couling: We look at everything the committee says to us, Mr McCabe. It might not seem like it when we write back, but we do look at everything.

Steve McCabe: Obviously I have to assume that you do, but if you do not tell us that you did and what you found out, we are left making those assumptions, are we not?

One last point, Mr Couling. I do not know when you last looked at this, but you said that you did not want to have fortnightly payments because most people were paid monthly. There has been quite a lot of evidence suggesting that people in lower paid and less secure employment are not paid monthly. Are you still discounting that?

Neil Couling: I am, because we have the actual data from tax credits to look at, and those are the people in the economy right now in the lowest paid jobs, otherwise they would not be on tax credits. The breakdown in universal credit is exactly the same as it is in tax credits.

Steve McCabe: Okay, we will leave it there. Thanks.

Q11 **Stephen Timms:** I will raise a different subject. I think you will have seen by now that there is some quite compelling evidence that costs for disabled people have risen in the pandemic. People shielding have not been able to shop around for the best deals as they normally do; some have had to start shopping online with a £4.50 a week delivery charge and a surcharge if you buy less than £40. Why was there no increase in the Budget in the rate of employment and support allowance or any of the other legacy benefits?

Will Quince: I understand why you asked the question on the back of the Budget, but I am conscious that a legacy benefit uplift was not one of the asks in the reports of either Select Committee. I think the Government have always been consistently clear about the policy intent, which was that the £20 per week uplift to universal credit and working tax credit was a temporary measure to support people who are facing the most financial disruption or economic shock as a result of the Covid-19 pandemic.

I do not want to diminish in any way what you are saying, Mr Timms, because so many people across our country have faced some increased costs and pressures as a result of the pandemic, but the Government's response from the beginning was to target support as quickly as possible to those facing the most financial disruption. By that I mean that the

Government's clear intent is for those who have seen a significant or dramatic drop in income or who have, sadly, lost their jobs. That is why support was targeted at universal credit and those on working tax credit.

It is also important to stress in the cost argument that, last year at 1.7% and next financial year at 0.5%, legacy benefits are increased in line with CPI. Those in receipt of legacy benefits may be able to have other government support out of the wider package of measures, including the CJRS or the furlough scheme, the self-employment income support scheme, the extra £1 billion on the local housing allowance, which equates to about £600 per year for an average family, the £500 million in local council support, mortgage holidays, the £63 million local welfare assistance scheme or the £170 million Covid winter grant scheme, which has now been extended to the tune of £50 million to cover Easter too. Some in receipt of legacy benefits will also be in receipt of tax credits.

Stephen Timms: Chair, I make the point that we have produced two reports now calling for an increase in legacy benefits. That is a point that we have made repeatedly.

Q12 **Lord King of Lothbury:** Minister, there has been quite a lot of discussion about the impact of historic tax credit debt. The Economic Affairs Committee called for that to be written off in full. Your response acknowledged the problems caused by historic tax credit debt, but it did not really suggest a proposal. What is your view about treating the debt as a sunk cost, writing it off? What do you think should be done about it?

Will Quince: Lord King, you tempt me to act momentarily as the Chancellor of the Exchequer. The reality is that these are very large sums of money. I believe that tax credit debt currently stands at around £10 billion. We think that somewhere between £6 billion and £7 billion is due to transfer over to universal credit. Tax credit debt, as you rightly point out, transfers to the Department for Work and Pensions claiming a claim to universal credit, and it is recovered alongside other DWP debts and debts that it collects on behalf of third parties.

Our policy on the recovery of benefit-related debt is flexible. The important thing to stress, and the element that is in our control and which we do not necessarily need to get the consent of the Chancellor of Exchequer for, is that we take a flexible approach. If a claimant is in financial hardship, they can contact the debt management service to discuss and agree a rate of repayment that is affordable and sustainable. Of course, we have ongoing discussions with the Treasury about tax credit debt, because over the course of the pandemic, as you may know, Lord King, both departments agreed a pause in the transfer of tax credit debts over the summer of 2020. They restarted in late October and are continuing in what I can only describe as a controlled manner. That is really to ensure that the department can manage contact from customers who want to discuss repayment.

Neil Couling: I will add one thing very briefly, which is that name "historic debt" might be a little bit misleading. Tax credits are a debt

creation machine; £3 billion of the debt has been created in the last 12 months as it comes to us. Our colleagues in HMRC are recovering a lot of this debt from previous tax credit years, but it crystallises when it moves over to universal credit. This debt is already there and is already being recovered. It is just visible in universal credit and it is visible to the claimants in tax credits as well.

Will Quince: I agree with Mr Couling that it is a bit of a misnomer because we know that lots of people who move over to universal credit have a tax credit debt that has only accrued in the last year, a debt that they were not aware of. We see some of that.

However, having said that, the committee is right to point to the fact that there is some historic tax credit debt that is very old. There may be a case—again, you are tempting me down a road; I am a Treasury Minister and I cannot give any commitments in that regard—for a potential write-off of some historic debt over a certain period. But they are decisions for the Chancellor of Exchequer, no doubt in consultation with our Secretary of State.

Lord King of Lothbury: It is a decision ultimately of the Treasury, but what criteria would you use to make such a recommendation to the Treasurer?

Will Quince: To be honest, Lord King, I would have to give that question some significant thought, which I am happy to do. If you would like a one-to-one session on this, I would be very happy to do so at a later date.

The Chair: Evidence we had from Iain Duncan Smith, who many regard as the father of universal credit, was that this historic debt should be written off completely. The thing that struck the committee was the point that you have just made: the number of people who do not even realise that they have this debt and the level of deductions. You mentioned people who had to pay fines. No court would be allowed to take such a large slice of people's income in respect of a fine, for example. Do you honestly think that this is a fair system?

Will Quince: This is one of the fundamental design flaws with the legacy benefit system, and the tax credit system in particular. It was a system where in effect you had to guesstimate your entitlement and it required you to inform very quickly of any changes of circumstances to avoid accruing quite significant debt. Incidentally, those are issues that you do not tend to see under the universal credit system. I say this very gently, but some of the recommendations in the report push us back in that direction, so we are conscious of that.

I completely understand the point that you are making. I think there is a fairness argument about whether people have received additional support from the state that would be written off. There are other taxpayers who would take issue with that. I think a balanced and proportionate approach, perhaps starting with some of the real historic debt, would be

the most sensible approach. These are not only above my paygrade; they are primarily decisions for Her Majesty's Treasury.

Q13 Siobhan Baillie: I think we have covered quite a lot on the historic debt issue, but in your response to the committee you said that you would encourage HMRC to reduce historic debt. What conversations have you had with HMRC recently about that?

Will Quince: I have had none, but I know that the Secretary of State has regular meetings with the Chancellor of Exchequer. I am not privy to those, so I cannot tell you exactly what is covered, but knowing the Secretary of State as I do I would be amazed if she has not discussed that issue, among many others.

Neil Couling: At official level, the Permanent Secretary and I have impressed upon our opposite numbers in HMRC that any work that they can do to keep the debt that is coming over to us at the lowest possible level will be very helpful. I want people to understand that the historic bit of this historic debt is not very big. It is happening this year. The Treasury will say that we have taken away HMRC's ability to recover this debt over time, so DWP should collect it. That is essentially what Iain Duncan Smith signed up to in 2014, because he effectively turned off the ability of HMRC to recover the debts that it was creating inside the tax credit system. I do not think it is an easy ask to change some of this. Clearly you might make a case for very historic debt, but that is not a very big amount within the £6 billion total.

The Chair: Do you want to follow up on that or ask your next question?

Q14 Siobhan Baillie: I will move on to the next question. Our committee recommended that you should invest in expanding and developing Help to Claim, but the government response did not provide a specific recommendation for that. What plans, if any, do you have to expand the service that is currently offered?

Will Quince: That is a great question, thank you. Although I signed off on the response, it is always very difficult. I am constantly thinking about how I can improve our support for claimants, particularly the most vulnerable and disadvantaged. Help to Claim has been hugely successful. I am pleased to announce to the committee that, starting again in April, we will continue to provision our partnership with Citizens Advice and Citizens Advice Scotland, which we commission to the tune of £39 million a year.

The last year has been challenging because of the inability in so many cases to provide face-to-face support, which we know is so important for some of the most vulnerable of our claimants. However, the web chat and the telephony service have still been running. Over the past year, Help to Claim has supported around 250,000 claimants, which is brilliant. I am hugely grateful for the partnership.

You tempt me to go into detail, and I will not do that, but I will say that I am very keen to expand the Help to Claim service and see what more we

can do to support people more in the round with a one-stop shop, supporting other issues, such as disability support or financial inclusion. I am very keen to look at ways in which we can explore that. My ambition was to have done that this year, ahead of commissioning the service, but a lot of that work had to be paused because of the pandemic; pretty much the entire Help to Claim team had to be moved to supporting claim processing. The work will start again soon. I think we have a very clear idea, working with Minister for Pensions and the Minister for Disabled People, about where we want to go. We have to develop the idea and work out the strategy and then make a bid to Treasury accordingly.

Q15 Siobhan Baillie: May I follow up with a brief question about the Money and Pensions Service? Does the department collect data on how many universal credit claimants have access to support through MaPS? I understand that there is a drive to consider the policy of automatic referral into the service for budgeting support. Some information and an update on that would be helpful.

Will Quince: I know how much you like detail. I am not the Minister responsible for this area. It sits with the Minister for Pensions. I will ask Neil Couling if he wants to add anything, but other than that I would suggest we pick up again with Guy Opperman, the Minister for Pensions, because he will be able to give you chapter and verse about our plans in this area and about data collection. I do not want to mislead you or give you a fudge. It is not within my remit.

Neil Couling: I do not think we count referrals at present, but MaPS counts the number of people they are helping. We can ask MaPS for that information.

The Chair: Perhaps we could get a letter about that.

Q16 Lord Monks: I would also like to ask about Help to Claim, but outside Help to Claim and the link with the Citizens Advice organisations north and south of the border.

In the light of current pressures and the likely prospect of rising unemployment, has the department given any consideration to providing funding to organisations outside the Help to Claim partnership? Help to Claim helps claimants to navigate the system, but many other needs have to be met by local authorities, community organisations, housing providers and so on. Do they have any chance of getting some support? The committee recommended that the department should establish a fund that people could apply to if they were very hard pressed. What do you think of that?

Will Quince: That is a very good question, Lord Monks. Help to Claim has worked very well. Our partnership with Citizens Advice has been great for us and I think that is mutual. One of the areas you will not see is the huge work that currently goes on in communities, sometimes just down at the level of individual Jobcentre Plus offices, and at other times at a regional or city level between Jobcentre Plus and local organisations that are funded by the flexible support fund.

I know that a lot of partnership work has been going on, recognising that over the course of the past year people have faced some difficult challenges and organisations have stood there to support them, and that is why we increased the flexible support fund this year by £150 million. We encourage more outreach work and collaboration with local organisations because, as you rightly point out, they best understand the local communities and some of their needs.

Ahead of last year, I was very excited about something that the Economic Affairs Committee and the Work and Pensions Select Committee know about. I secured £10 million for a transition fund. It was a fund to support in particular organisations that support vulnerable and disadvantaged groups—care leavers, prison leavers, survivors of domestic abuse, veterans and so on, for example—to access universal credit and support to make a claim and into work.

Unfortunately that work had to be paused because of the pandemic. We do not have the money secured to do that again, but rest assured, I am very keen to get that piece of work back up and running as soon as we are able. As you rightly point out, often it is about trusted local partnerships and organisations that we know are trusted partners of some of the claimants, in particular some of those with complex needs and vulnerabilities. I am very keen to explore that again as soon as we are able.

Neil Couling: It is worth adding, because this is important, that 1.4 million people on legacy benefits would be better off today on universal credit, notwithstanding the £20 uplift, so that is before the £20 uplift. I would like to explore with many of the groups that you have spoken about, Lord Monks, whether they might have a role in encouraging people to at least check on the various websites whether they would be better off on universal credit and could benefit from the extra money they could get for themselves and their families. You will see some developments in this area. We are just not quite ready yet.

Lord Monks: You have both basically said that the whole system is putting a lot of strain not just on the Help to Claim project but on a lot of adjacent organisations that are involved in all this. I encourage you down this line and hope you will be able to do something soon.

Q17 **Baroness Kramer:** My question is about monthly assessments. If I could paraphrase some evidence that was received by the Economic Affairs Committee, the calculation of universal credit in each monthly assessment period is based on the circumstances that apply on one day in each month. When a claimant's circumstances change, such as changes to their housing costs or to the number of people in their households, those circumstances are treated as though they applied to the previous month as a whole.

Minister, do you accept that this is a very arbitrary system? If you do, are you willing to consider the recommendations that were made by each of the committees? The Work and Pensions Select Committee focused on

the daily pay rate. The Economic Affairs Committee looked at a fixed three-month payment. Many other alternatives were also brought before the committees. Do you recognise that this is an arbitrary issue and that it would be sensible to consider what alternatives could be used?

Will Quince: Thank you, Baroness Kramer. I do not accept that it is arbitrary. I will hand over to Neil Couling in a moment to talk through why we have the monthly payment cycle, but before I do so I want to touch on how we have been able, over the course of the pandemic, to support the number of people who we have supported, unprecedented numbers of people, frankly. It is because we have a modern, dynamic, agile benefit system. I think we all know, and most of the charities, some of which may even be critics of universal credit and will have given evidence to this Committee, would accept that the legacy benefit system would have collapsed under the weight of applications. We would have seen queues in the street outside jobcentres. The fundamental principle is that a system like universal credit can only work if the rules are kept simple and that is because it is hugely complex.

I will hand over to Neil Couling in a moment, but first I will touch on the point that the committee has picked up. I think it is based on Gareth Morgan's proposal for a daily basis calculation. Yes, of course it is possible in theory to conceive of a daily basis calculation. I say "in theory", because it works on a spreadsheet. The question is whether it would work in reality and on the volume and number of cases that we process.

Hypothetically it could work and would work, but it would rely on very accurate recording of start and end dates—that is the first point—as well as people working regularly within a period. For example, someone may be paid weekly or monthly. That does not necessarily mean that they work a full week or a full month. They may only do one day's work. What if they work for more than one employer or for employers who may have different payment periodicity? What if a person has a partner with a different working pattern and therefore different daily rates?

Such a system as is being hypothesised could work in theory, but it could not be operationalised easily, because while you could describe it for an individual case and could work it out on a spreadsheet, I very much doubt that you could run it at volume, particularly as with daily increases a number of possible changes are brought into account to determine the entitlement. I will hand over to Neil Couling. He will be able to explain it far more articulately than I can.

Neil Couling: That was brilliant, Minister. I would add that you have to have rules in the system in order to make it work. You try to keep those rules as simple as possible so that they can apply to every case, because if they do not you end up adding on and adding on, which is exactly what happened with the legacy systems. Lord Freud asked me 10 years ago, "How did it get like this?" It was because well-intentioned changes were layered on layers on layers. That is why we have resisted some things: because we know that the inevitable consequence is to build a complex

system that nobody stands a chance of understanding. We have simple sets of rules that apply to all cases, and you cannot optimise the system from the perspective of every individual.

It is bit like the old "Junior Choice" song about the old lady who swallowed the fly; you swallow a spider to catch the fly, a bird to catch the spider et cetera, et cetera. That is what happened with the legacy benefit system, and we are determined to stop that happening as much as we can. Lord Freud and I fantasised about having a simplicity rule that future Ministers, like the one sat next to me, would have to satisfy in order to bring in a change. Treasury would not let us do that. But the reason behind it was to try to stop the accretion of decisions on top of the system, because in the end that is what makes a system difficult to understand and run.

Baroness Kramer: Could I challenge you on consistency? Then I will stop, but I would like an answer to this. In earlier questioning, you basically asserted that there should be monthly payments because that mirrors the way the world of work works. I very much doubt that any employer pays an employee for a month on the basis of the number of hours that he happens to work on one particular day.

Neil Couling: Exactly, and neither do we. That is unfortunately what Mr Morgan's system leads to. It is very clever and very attractive, but it just cannot be made to work. We have monthly assessment periods in the service for multiple reasons. One is that you have to bring the weekly and two-weekly paid into account and into the system. You need to decide to what period a change applies. For example, if a baby is born on the last day of your assessment period, you are paid as if that baby had been with you for the entire assessment period. Why do we do that? It is because that baby will need to be fed for the next month and so will need a month's worth of money.

That is why we have changes applying from the last day of the assessment period for the whole of that month. These were the decisions that we made. I can tell you that back in 2010 and 2011 we spent nearly nine months with whiteboards, working through all the possible parameters and outcomes. Many of the witnesses at both committees were there for all that. They might not all remember the meetings as fondly as I do, but we definitely worked through all this in detail. You cannot optimise the system from everybody's individual perspective. There is just no way of doing that.

Q18 **Lord Livingston of Parkhead:** First, I would like to commend the Minister, Neil Couling, and the team at DWP for how well UC has operated during the pandemic. I think that should be said and noted. The system has coped remarkably well.

My question is about something that does not cost money, so I do not think there is any requirement to speak to the Chancellor about it. I think all our expert witnesses were consistent about the issue and that something needed to be done about it, and I do not think it is anywhere

near as complex as some of the previous issues. Despite that, the response was pretty much the same, which is pretty much that the department does not agree that this requires a broader view.

The issue is that of split payments and that changing from the default of paying everything to one party is problematic, particularly where there are issues of domestic abuse or similar, or money not going to the right parts of the family. Can you explain what research and evidence DWP has that this is not a problem and which made you so certain in your responses to both committees?

Will Quince: Thank you, Lord Livingston, for your kind comments, which are really directed at DWP staff, who have done the most incredible job throughout the pandemic.

The first thing to say on split payments is that they are available on request. If people want a split payment, they are able to get one, and people will want them for a variety of reasons. The issue is whether you make split payments by default. As a department, we take the position that most couples can, and indeed want to, manage their finances jointly without state intervention.

Neil Couling: Some 97% of married couples already pool their resources.

Will Quince: I recognise the issue that you raise, particularly with regard to domestic abuse. To be clear, I have had numerous meetings and discussions, some relatively recent, about this issue, because of course we have the passage of the Domestic Abuse Bill. I have met with the charities that support survivors of domestic abuse.

I still pose the question: what if you split payments by default, as opposed to taking the method that we use, which is an approach introduced by the former Secretary of State, Amber Rudd, which is to nudge towards the main carer? I will look to Neil Couling, but I believe the majority of universal credit payments go to the woman in a relationship.

Neil Couling: Yes, 60%.

Will Quince: There we are. However, there is a danger, particularly now, that if you split payments by default, you may make financial coercion and control easier. At the moment, in 60% of cases the whole payment is made to the main carer, who usually in a relationship is the woman. If you split that payment, you give one individual in the relationship the ability, for example, not to pay half the rent. There is a danger that splitting payments creates the unintended consequence of an opportunity for further financial control by one of the parties.

It is not that I do not want to look at this issue. Of course it adds complexity and makes things more difficult, because it is a manual intervention. It would be difficult to automate and it would take a

fundamental structural redesign of the system at a time when we have no capacity to make changes.

I point to Scotland, where they are looking to make split payments by default. To be frank, I think they are struggling. They are struggling to find a way to do it. We work very closely with our counterparts in the Scottish Government, and we will continue to do so to support the Scottish Government as part of the Scottish choices. However, we do not think this is the right way to go, because for the vast majority of people the current system works and we have an option for split payments where people want and require them.

Neil Couling: It is four years since the Scottish Government announced that they would like to do something about split payments. They have yet to find a workable policy, because it is a very hard area to make a workable policy in. If in principle you would like payments to be split, what amounts are you going to split? What are the rules when neither partner has a bank account? Will you stop payments or pay them late while they try to set up a bank account? What if the banks will not let them do that?

There could be a nest of issues to work through. We have said that we will try to support the Scottish Government in setting up such a system in Scotland, and we will look at what they find in their experiences. However, if I am honest, to me it always feels like a solution in search of a problem.

Lord Livingston of Parkhead: The thing is that so many experts are giving evidence to both committees—

Neil Couling: No, people are lobbying for certain things. The committees get lots of lobbying, but none of the lobbyists has to provide the answers, do they? It is, "Make it work, Neil", but I cannot make it work. It is really difficult policy to do.

Will Quince: If I may say so, Lord Livingston, recommendations are often made by very well-meaning organisations, because they look after a very important but nevertheless very small cohort of people—on the scale of the number of people on universal credit. That is why it is very important that where we identify issues of that nature, wherever we can we put in targeted interventions that can make a claimant's experience better.

What we cannot and should not do is overhaul the entire system, which is working for the vast majority of people, because a certain area of it is not working for a smaller number. We have split payments as an option available for those individuals who need them. Is it right that everybody should have to have a split payment by default because a single payment does not work for some?

Lord Livingston of Parkhead: The question is whether it is split payment by default - however people could choose not to. I think both

committees would probably raise the point that this system has been designed for the idealised claimant, who is paid monthly and has a joint bank account, and to somebody who does not wish to be different but is different because of the nature of their domestic circumstances or the fact they are paid weekly.

You say that it is just too complicated. I understand that some of this is complicated, but there is a lack of willingness at times to even consider that witnesses may have a point. There were academics as well as others among the witnesses. I am reasonably cynical about some pressure groups, but there was a consistent theme. Certainly our committee, and I suspect the Commons committee at times, would say that it would be good if some things were more deeply considered, with evidence, rather than, "We don't want to do it, because it is too complicated".

Will Quince: That is a fair challenge, Lord Livingston, but if I could throw one piece of criticism back at this report, the element that is missing is the interaction with work coaches in jobcentres. I encourage all members of joint committees—I know that members of the Work and Pensions Select Committee already do this—to go into jobcentres and speak to work coaches. Also, where you can, speak to claimants about their own lived experience.

Lord Livingston of Parkhead: We did speak to claimants, and this issue came up among claimants. One of the things that people did not feel comfortable about was saying to the work coaches, "I'm the subject of domestic abuse. Please change my payments", because that was not a very comfortable conversation to have. We did get evidence from claimants, who did give their lived experience, and much of our report reflects some of their concerns, but I will hand back to the Chair.

The Chair: Thank you. Minister, if you look at our report, you will find a list in the appendix of all the witnesses from whom we took evidence.

To Mr Couling, I rather resent the suggestion that we are putty in the hands of lobbyists. Certainly our own committee considers evidence very carefully. It is a very experienced committee, and we came up with recommendations.

Neil Couling: It was telling, though, that when the committee clerks were able to visit Poplar Jobcentre, they came back and said, "This isn't the system that has been described to us by the lobby groups". I would urge you to talk to claimants in jobcentres and get a much broader understanding of their experiences. I have a complaint rate on universal credit of 0.01%, and 80% of claimants say they are happy with universal credit. People will talk to you—I do not think you are putty in their hands, by the way—but they are necessarily arguing for their point of view in all this. A broader understanding of universal credit has been seen and has forced its way through during the pandemic.

The Chair: I will not get into an argument about how effective you think our committee is, but I make the point that our committee proceeds on

the basis of the evidence that it receives. The general conclusion we came to was that perhaps there was too much emphasis on making the system work rather than making the system work for the claimants.

Neil Couling: The system has to work, full stop. We are supporting six million people. If you want an example of a universal credit system that does not work, look to Spain, which has four-month delays in its payments of its universal credit equivalent. Administration is important. I have dedicated 36 years of my life to this and making something like this work. It is no good saying, "That's not important". It is extraordinarily important. I am sorry to fight back so hard on this point, Lord Forsyth, but this is an important issue. The system has to work.

The Chair: I think you are reinforcing the view that the committee had of your response to our report. Lord Monks.

Q19 **Lord Monks:** Do you recognise criticisms made by the disability rights organisation, Disability Rights UK, that people with severe disabilities will lose out financially once the transitional arrangements are complete? Do you intend to examine further how to make sure support for people with severe disabilities and on universal credit remains permanently equivalent to the severe disability premiums? There is much concern out there that people who are very disabled and are in a very difficult situation will lose out under universal credit.

Will Quince: Lord Monks, I am not the Minister for Disabled People. I can explain the policy, but if you are happy for me to do so I will hand over to Neil Couling for detail about the creation and the intent behind the support for the severely disabled in particular and its replication in universal credit. He will explain what we have done. In passing, however, I would say that what is vital in this is that we have targeted our support to the most severely disabled to ensure that more people benefit. In cash terms, we took the £1 billion that was previously in the severe disability premium and maintained that sum. I will hand over to Neil Couling, who will explain more.

Neil Couling: Very quickly, because you have probably had enough of me for now, we had to take seven existing premiums across six different benefits and decide which ones we wanted to keep. We decided to sweep away all but two, and we channelled all the money that was being paid into those other premiums in the system into uplifting the LCWRA rate from £171 a month to £343 a month. That means that most severely disabled people on universal credit do better than in the legacy system. You are quite right, however, that those on severe disability premiums did not do better. They of course have transitional protection, and we have introduced arrangements for that.

One thing about the severe disability premium is that it does not go to everybody who is severely disabled. It is a bit of a misnomer for a premium. We wanted all severely disabled people to benefit from as much as we could afford in universal credit, and that is what we did. Not a penny has been cut from the budget in that respect.

Lord Monks: Do you take account of the fact that some of the disability organisations are recommending to some severely disabled people that they do not go on to universal credit, the premium, because they feel that they can lose out if they reach the age of 25 under the severe disability premium and if there is a rent change and so on? Are the organisations giving good advice when they say that?

Neil Couling: Yes, they are. This is why we and the Secretary of State said just yesterday that it is important to check your entitlements. As I said, however, 1.4 million people on legacy benefits now will be better off while 1.1 million people will need transitional protection. That will always happen when you take away six benefits and replace them with a new one. Unless you have unlimited resources, you cannot place everybody's entitlement at the highest point of entitlement in the system.

That is one of the difficult decisions Ministers had to make back in 2010-11. We have transitional protection for those cases. Those people should not elect to come over to universal credit, but 1.4 million people probably should. It would be great if the two committees were to help us work with those people to increase their entitlements and come on to universal credit.

Q20 **Selaine Saxby:** The Work and Pensions Select Committee recommended that DWP should consider what additional support it could offer to terminally ill UC claimants. The government response that we received referred to the fast-track process that is already available. Has the department given any further consideration to what other support it could offer to terminally ill claimants?

Will Quince: That is a very fair question. I will be honest with you; it is not an area of particular focus within my portfolio, because it is a lead for the Minister for Disabled People. Unless Neil would like to add anything in particular, I know that Justin Tomlinson will be very happy to talk through this in some detail.

The Chair: Mr Couling, do you want to add anything?

Neil Couling: No. I am sorry, Lord Forsyth, I was signalling no to the Minister, but you could not pick that up on the video.

Q21 **Shaun Bailey:** I want to look into how the department is collecting data on vulnerable claimants. In response to the Work and Pensions Select Committee, the department said that it was working on looking at the ways it collected data on vulnerable claimants or claimants with complex needs. The NAO highlighted some concerns with the pinned notes system that is currently used. Minister or Mr Couling, how confident are you, if you look at the pinned-notes system, that you will be able to identify claimants with vulnerabilities? What work have you been doing to improve data collection and where are we with that work?

Will Quince: That is a great question, Mr Bailey. This has been an area of focus for me since I was appointed to this job nearly two years ago. Progress has not been as fast as I would have liked, but there has still

been some significant progress. As you rightly point out, there are established protocols for certain groups among the vulnerable groups that we support across the Department for Work and Pensions.

For care leavers, for example, there is a clear handover process. For the vast majority of other vulnerable groups, however, there is a requirement, and in nearly all cases a necessity, for the individual to disclose to the department any of their characteristics that we might want to document and therefore take into consideration, because there may be certain easements and additional support that we could put in place or signpost for them. That is why every universal credit claimant has a dedicated work coach who can establish a relationship and get to know the individual better.

You are right that at the moment we have a system called "pinned notes". The advantage of pinned notes is that they appear on the home page of anybody who logs in for that individual on the universal credit system who will therefore see any particular characteristics, vulnerabilities or additional support requirements that the individual might have.

What the system does not have is something that we have with the legacy benefit system, which is a deficit in the universal credit system, which is a marker so that we are able to track individuals separately and as one of the vulnerable and disadvantaged groups through the universal credit system. I am pleased to say that we are progressing at pace with modelling and piloting a first phase. I cannot give you an exact time for when it is likely to be ready to go live, but I am pretty confident in saying that it will be this year and, I hope, in the first half of this year. We are certainly going great guns now and making good progress.

It is important not just for tracking and supporting those individuals, but for me putting in particular bids for Treasury support. It is important that I and the department can demonstrate clear outcomes of particular interventions, and you can only do that when you have markers and can look at groups of people across the benefit system and not just at individuals. We can do that to some extent with pinned notes, but it is difficult, because we have to do a bit of a data-mining exercise. Having those markers in place will make our jobs a lot easier. We have put a lot of effort in over the past few months and I am confident that we will have something to show you in the coming weeks or short months.

Neil Couling: The Minister is right about the essence of the markers, but we do not have to call them markers; they are claimant profiles.

The other thing we have done is tighten up on the definitions so that the work coaches know which claimant characteristic to record. Long-standing members of the Work and Pensions Select Committee at least will know that a couple of years ago I was very hopeful that a data-mining exercise would produce that national data that the Minister is talking about and wants to have. We went mining, but we did not find any gold because the freedom we had given people to describe things in

the system meant that we could not mine effectively to a level that the statisticians were happy with.

We have tightened up that ruling now. We have built this new claimant profile bit of the system that adds on to pinned notes, which are incredibly useful because they open up immediately when you look at somebody's claim. I think that gives us the basis on which to start drawing information out of the system more effectively to meet that national need to know how many care leavers there are. Locally it is working fine. Nationally, I cannot tell the Minister how many of this type of case or that type of case we are currently supporting. That is what we would like to be able to do, because it would obviously inform policy discussions around Whitehall.

Q22 Shaun Bailey: I am conscious that we have seen quite a lot of hidden vulnerabilities come forward as a result of the pandemic. Minister, you talked about the modelling that you have done and using it to inform conversations with Treasury. Have you done any sort of modelling in the department on the effect of the pandemic on the hidden vulnerabilities that have come to the forefront, and has it fed into your asks of Treasury? How confident are you that the systems will be able to capture that kind of information as we move forward?

Will Quince: That is a very good question. The answer is not yet, but we certainly will. We are also working on the markers, which, by the way, is a descriptive term and just happens to be what I have called them. They are not something that just we are devising. We are working with the charity stakeholders and other organisations. You are absolutely right, Mr Bailey, that they work only if somebody tells us about their particular complex need, disadvantage or vulnerability. We are very deliberately testing the scheme. We are phasing it and we are working with the charities, because if we develop it and nobody ticks the box, it will not work.

For example, we are creating a claimant profile for veterans and former armed forces personnel. That is important for many reasons, but many former Armed Forces personnel might ask, "Why are they asking this?" That is the feedback we have had from charities. It is important that in the process of asking we explain why we want that information. It is because we can target and get support to them that may not be available to other claimants within the system. It is very important that we work with those stakeholders who are the experts on those particular groups.

Q23 Lord Stern of Brentford: Thank you both very much for coming. All of us on the Lords committee have been involved in running organisations of substance. It is clear that in organisations, the priorities and the culture shape quite strongly the decisions that are taken on the ground and how the thing functions. In this case, it is clear that there are priorities about incentives to work, checks on fraud, the administrative functionality—as you said quite rightly, Mr Couling, the system has to work—and the security of income of the people who are being supported.

It is fair to say that when we go back to Beveridge days, the first on the list was security of income for the people involved. We spoke to the people who designed the current system, people who run the system, people claiming on the system, people working with the people who are claiming on the system. It is fair to say that we have the strong impression that the incentive to work was pretty dominant and ranked above the security of income.

My general question is this: would you like to comment on that strong impression we got from a range of people we spoke to? There is also a specific form of the question, which is to explain the department's unwillingness, or apparent unwillingness, to conduct a hardship assessment before deciding on levels of sanctions.

Could you comment on both versions of the question, please: the overall priorities in the organisation and whether the incentive to work is now ranked much higher than the security of income, and the specific question about sanctions?

Will Quince: I will bring Neil in first and I will come in after, if that is okay.

Neil Couling: We try to do both, because we recognise that for most people the pathway out of poverty is through work; we are trying to provide income security as well as incentivising people into work. When I read the Lords' report, I thought there was a bit of a mentality of, "You secure the benefit income and the earnings are on top".

We take the opposite view in the design of universal credit: that it is your earnings that the benefit system might top up. That is a rather important decision to make, as I think you are suggesting, Lord Stern, but it would be wrong to characterise it as not worrying about people's minimum income. That is essentially how universal credit works.

Will Quince: At the core of everything we do, there are some fundamental principles that certainly drive me and I suspect drive other Ministers in the department. First and foremost is providing support and security for people who need it. The second principle, as you rightly point out, Lord Stern, is about incentivising work, because all evidence shows us that work is the best route out of poverty. We do not have to rehearse the life chances of children growing up in workless households; we know the impact. Also, the system must be fair to the taxpayers who pay for it.

Another principle that is important but is often forgotten is that a system should be stable and sustainable for the future. I completely understand why Lord Forsyth and others would be unhappy about the number of noes—the number of recommendations that we have rejected.

On that last point about sustainability and the broader context—the fact that we currently spend in excess of £100 billion a year on benefits for working-age people—if we add up the asks in the House of Lords report, for example, the committee itself suggests that it comes to around £22

billion of additional asks, which would be about a 20% increase on current spending on benefits for working-age people.

If you take the new cohort of those on universal credit, the estimate could be somewhere between £30 billion and £40 billion. We are fast approaching an addition to the ask of something in the region of 2% of GDP. You can understand why the sustainability of the system is important, as of course is the fairness to taxpayers. Fundamentally what drives me, what is at the forefront of my mind, is the support and security for the poorest, lowest paid and most vulnerable in our society.

Lord Stern, you also mentioned sanctions and conditionality. These are fundamental parts of the system. This is not an area that I am an expert in. It falls under the purview of the Minister for Employment, Mims Davies, and no doubt she would be able to provide you with more detail. I reference the point about visiting jobcentres, because in order to understand the conditionality and the sanctions policy you need to see it in practice at a Jobcentre Plus, as well as in the context of the checks and balances on it, including for example the fact that an individual work coach cannot make that decision. It has to go through at least one other person, as in a customer service manager.

The OECD is quite clear in its evidence that conditionality works and is an important tool supporting and empowering people into work. I will hand over to Neil, who will be able to run through some figures, but I think it is important to stress that conditionality—and, to some extent, sanctions, although we are very much taking a light-touch approach to those at the moment—has been a fundamental part of our benefit system under successive Governments of all political colours for the past 30 years.

The Chair: Sorry, Mr Couling, before you answer, because I am conscious of time I am going to turn to Viscount Chandos. He has a similar issue which I know he wants to raise, and perhaps they can be answered together.

Q24 **Viscount Chandos:** Thank you, yes. With that in the background, Minister, why did you think it was appropriate to reintroduce sanctions and conditionality during the pandemic and at a time when the measures of lockdown were very severe, without first publishing the research on their efficacy?

Will Quince: That is a fair question. The sanctions and conditionality were switched off during the worst of the pandemic. That was really in part about supporting claimants and recognising the challenging labour market, but also so that we as a department could concentrate on processing the unprecedented number of new and existing claims.

It is very important to recognise that the conditionality regime that was switched on is all about the personal relationship between the claimant and work coaches. Work coaches will continue to work with claimants to ensure that any commitments are reasonable. Neil might want to go into this a bit more, but it might be helpful to look at some of the numbers of

sanctions that have been given out, especially in the broader context of the 2.5 million people in the active cohort on universal credit.

Neil Couling: Yes. Viscount Chandos, why did we switch it back on? The labour market was recovering and indeed businesses are adjusting to working in lockdown. I will give the figure: vacancies fell from 800,000 to 341,000 in April. There is little point to conditionality there and asking people to chase jobs that did not exist. As at the last month's figures they had recovered to 600,000.

A very careful, gentle reintroduction of conditionality was worth doing. The number of people sanctioned in October, for example, the last month before the second lockdown, was 101. That is 0.0004% of the people in the conditionality regime. I do know that you get heavily lobbied on conditionality, but I would draw your attention to the National Audit Office's report. In six months in 2015, 1 million people did not turn up for a Jobcentre Plus appointment, and 30,000 people were sanctioned for not turning up. That is 3%.

This is not a sanctions-happy organisation. A lot of checks are done before sanctions are applied. We have the OECD evidence here. There is the fact that by applying increasing conditionality we have seen the lone parent employment rate in the last 20 years rise from 45% to nearly 69%. In the last eight years we have started applying some very light-touch conditionality to disabled people who are claiming benefits. That employment rate from 2013 is up eight percentage points.

These are correlations. There are other things going on as well. There has been a very rich policy response from the last three Governments with regard to help, such as parent employment. An active welfare state is an important part of the system. I recommend that you go to jobcentres and see the care with which work coaches carry out their responsibilities. They will all tell you that none of them wants to sanction anybody. They want to help people into work.

Viscount Chandos: I will press you on the question that I asked. You both said that security of income is at the top of the list of priorities. That is a view I think the committee shares: that is the purpose of the whole thing. Why is there an unwillingness to conduct a hardship assessment before deciding on the level of sanctions if the priority is as you have described it? I do not understand that.

Neil Couling: There is a hardship provision once the sanction is put in place. Most people have some form of hardship payment after a sanction is made on their case. We are doing it the other way around, in effect.

Viscount Chandos: It seems like "Shoot first, ask questions later" to me.

Neil Couling: I do not think we do, because as I said, 1 million people did not turn up for an appointment in a six-month period and we only sanctioned 30,000 of them. That suggests to me that people are making

good judgments about good cause and whether the person is really engaging with the system or not. The system does require the 2.5 million people on universal credit to engage with work search as a condition of receiving universal credit. That is not a new thing. That has been in the legacy benefit system too.

Viscount Chandos: Chair, if I could just respond to Mr Couling, I do not think you need a lobbyist to point out that 600,000 vacancies is still 25% lower than in April, which since that time unemployment has substantially increased. I think it is stretching credibility to say that it was reintroduced at a time where conditions were less acute than they were earlier in the pandemic.

Neil Couling: Yes, but you are not going to get a job unless you look for one. It is just a straight fact. The jobs market is improving. We are doing it in an incredibly light-touch way. As I said, there were 101 sanctions in the whole of the month of October. I think there were 18 in August and 47 in September out of a population of 2.5 million people. We are making over 1 million calls a week now to try to encourage people to look for work. There is no doubt that it is hard at the moment, but the labour market is recovering. Its strength is surprising many commentators.

The committee's first question was about the fact that the OBR's forecasts for unemployment have fallen. This is why I think we have been very well judged in returning this, because we know that some activation, some conditionality in the system works in claimants' interests and helps them to get jobs. You have to look for a job if you are going to get a job.

The Chair: Viscount Chandos or Lord Stern, do you want to come back on that? We have been going for nearly two hours and I think we can probably bring this session to a close now. I would like to thank the Minister. He has answered a number of questions. In fact, he said that a number of questions were very good questions, and quite a few of the answers were about how the Treasury would not agree or the system cannot cope with it. We have had a good discussion about the various recommendations from both committees.

I would like to thank Stephen Timms and his colleagues from the House of Commons for joining us in putting these issues, which have been brought to our attention by witnesses from a wide range of views. We look forward to perhaps receiving answers to some of the questions that you, Minister, were not able to answer because they were not directly within your area of responsibility. Thank you, Minister and Mr Couling. My only regret is that you will not be able to sing to us, "I know an old lady who swallowed a fly". That would have been a highlight for the committee this afternoon.

Neil Couling: I do not think that would have been a highlight, but you are very generous.

The Chair: It certainly would have been noticed.

Stephen Timms: Chair, I would like to express my thanks to the

witnesses, and to you for inviting us to be involved. It has been a fruitful session.

The Chair: Thank you, Stephen. On that note, I declare this session closed. Thank you very much.