HOUSE OF LORDS

Select Committee on Financial Exclusion

Corrected oral evidence: Financial Exclusion

Tuesday 11 October 2016

11.45 am

Listen to the meeting

Members present: Lord Empey (The Chairman); Viscount Brookeborough; Lord Fellowes; Lord Harrison; Lord Haskel; Lord Holmes of Richmond; Lord Kirkwood of Kirkhope; Lord McKenzie of Luton; Lord Northbrook; Baroness Primarolo; Lord Shinkwin.

Evidence Session No. 8 Heard in Public Questions 79 - 89

Witnesses

I: Alison Garnham, Chief Executive, Child Poverty Action Group; Sumi Rabindrakumar, Research Officer, Gingerbread.

USE OF THE TRANSCRIPT

1. This is a corrected transcript of evidence taken in public and webcast on www.parliamentlive.tv.

Examination of witnesses

Alison Garnham; Sumi Rabindrakumar.

Q79 **The Chairman:** Good morning. We are delighted to welcome Alison Garnham, chief executive of the Child Poverty Action Group, and Sumi Rabindrakumar, Research Officer at Gingerbread. You have in front of you a list of interests that have been declared by members of the Committee. The meeting is being broadcast live on the parliamentary website. A transcript of the meeting will be taken and published on the Committee website and you will have the opportunity to make any corrections to it where you feel that is necessary.

Perhaps I may open the questioning by asking you about the nature of the financial exclusion experienced by low-income and lone-parent families and whether policy interventions to tackle exclusion have been effective.

Sumi Rabindrakumar: Certainly it is Gingerbread's experience that financial exclusion among single parents is in the main simply about not having enough money. Our research has found consistently that the majority of them struggle to cover basic bills. Around a quarter of them say that they run out of money every month, which paints a clear picture of fragile finances. That means that it is easy, given a financial shock such as the washing machine breaking down or a delay in a benefit payment, to tip into debt.

The second big financial exclusion issue for single parents is a heavy reliance on borrowing to make ends meet. Even for regular payments for things like childcare, we find that single parents have had to borrow to cover those costs. That means that lots of single parents can end up in a cycle of debt, which can cast a long shadow, because it is inevitable on a low income that it is hard to make the repayments, so the interest builds up. That is the big picture. Rather than it being about budgeting on a low income, people know how they are spending their money down to the pounds and pence. It is really the lack of money that is the issue.

On the question of interventions, one of the big flagship projects is universal credit. It is meant to make work pay and ensure financial security for low-income families, particularly single parents. Although not many single families are actually on universal credit at the moment because of the way it is being rolled out—it is a relatively slow rollout—the forecasts show that more single parents are due to lose out rather than gain from universal credit because of the way in which the benefit will be withdrawn. There is a concern that lots of people will be trapped in relatively low-hours jobs that do not provide the financial security they need. A new wave of cuts are also due to come in, in particular a cut to the work allowance, which is the sum of money that you can earn before the allowance begins to be withdrawn. That cut alone is set to cost single parents around £800 a year. There is great worry about whether universal credit will really ensure stability for single-parent finances.

The other issue to touch on is the localisation of emergency welfare support. I am sure that Alison will expand on this, but single parents are finding that they have limited access to state-provided support in emergencies. That increases the reliance on other sources of income, whether it be payday lenders, home credit or food banks.

Alison Garnham: To follow up on what Sumi has just said, there was a lot of publicity about the proposed cuts to tax credits, which were rescued, if you like. It was decided that they would not go ahead. But the same has not happened with universal credit. The cuts have gone ahead in universal credit to the same extent as they would have done in tax credits. As Sumi says, work allowances have gone for many and the disregards for earnings are lower. It will be very difficult to say whether universal credit will make work pay in the way it was claimed originally. It is a much denuded version of universal credit than the one we originally anticipated.

On top of that, low-income families have seen significant cuts to benefits and tax credits. Some have been talked about more than others, such as the benefit cap and the bedroom tax, but the really big cuts have actually been made in the way benefits are uprated. The change from RPI to CPI is where huge savings are being made. You do not receive a letter saying, "By the way, you are going to feel significantly poorer and your money is not going to stretch very far", but people are feeling significantly poorer, because the value of their benefits is on a downward escalator while everyone else's income is starting to increase as wages begin to pick up.

Two-thirds of poor children live with working parents. When we talk about poverty today, we are talking about working families. The poverty figures show that child poverty rose by about 200,000 at the last count. The Institute for Fiscal Studies has said that child poverty will rise again by 50% by 2020. The net effect of all these changes is a predicted significant increase in child poverty and bigger struggles for these families.

Professor Jonathan Bradshaw has done some analysis for CPAG of where people sit in relation to the poverty line: in other words, how far below it they are—the poverty gap. Since 2008 they have fallen further below the poverty line to a quite significant extent – by 14%. Their incomes have fallen, so they live below the poverty line and even further below than they did originally. So there is even less income as well as more people falling below the threshold. What that deprivation means for children is things like not being able to afford hobbies, leisure activities or going on family holidays. But the most interesting thing is that markedly on the deprivation figure it is parents who are losing out and worse off on every single measure. That includes things like not being able to pay contents insurance, not being able to make any regular savings and not being able to replace furniture or one-off items. So we are talking about very significant deprivation for the whole family, but in particular it is the parents who are going without in order to protect their children; it is the obvious conclusion to draw from that.

If we look at wages, just last month we produced our annual cost of a child analysis, which estimates how much it costs to bring up a child to the age of 18. You will not be surprised to learn that it is a lot of money: at over £150,000 to the age of 18 just at a basic standard of living. Two parents working full time on the national living wage still do not earn enough to achieve that level of income. They are around £50 a week behind, and for single parents it is even worse as they are even further behind. That gives a hint of how people are struggling just to achieve a very basic and acceptable standard of living.

The Chairman: Have you any sense of how many of this cohort are in what we have as our definition of being financially excluded? In other words, how many do not have any accounts or access to accounts, so they are basically operating on a cash basis with all the increased costs that that involves?

Sumi Rabindrakumar: We do not have precise figures for that.

The Chairman: Even anecdotally, what do you think?

Sumi Rabindrakumar: Quite a high proportion would be running on a cash basis, particularly if they are reliant on benefits. That tends to be the way bills are managed, with a reliance on prepayment meters and so on. It would certainly be a significant proportion.

Alison Garnham: It is a very common experience not to be able to afford the basics, as is using prepayment meters. I appreciate what Sumi was saying earlier about how it is often assumed that this is a group that does not manage money very well, but actually I take my hat off to them. Most low-income families are better at budgeting than most of the rest of us. They do it by having cash economies, by keeping money in jars and knowing exactly what every penny is spent on, otherwise they would run out before the end of the week. It is probably the rest of us who are a bit more careless about we manage our money.

Q80 **Baroness Primarolo:** I think that the opening remarks have covered the clear message on the effects of the benefit freeze and cap on low-income households and lone-parent households. Alison, you talked about the study of those falling below the poverty line. Could we have that study? At this stage we are particularly interested in looking at the drivers of that as they fit in with financial exclusion. Obviously there are some increases, which the Government are pointing to, such as the increase in personal tax allowance and a forecast rise in the national living wage, but obviously there is a gap, a time lag, and we would be interested in your thoughts on that.

Alison Garnham: Obviously rises in the national living wage are great. We want people to earn more in wages, and in fact families themselves would rather have money from wages than from benefits. The problem is that those rises are not making up for the shortfall in what has been lost through benefit cuts. We had one huge swathe of cuts to the tune of around £21 billion a year, and on top of those a further £12 billion-worth are being legislated for. That is a huge amount of money to take out of the incomes of people at the bottom. Work done by the Resolution Foundation and the Institute for Fiscal Studies shows that the vast majority, around 80%, of the increased personal tax allowance measure goes to the top half of the income distribution and not to people at the bottom. So it is not a poverty reduction policy, it is more of a tax-break policy. That is either because people at the bottom do not pay any tax anyway, so increasing the allowance does not make any difference to them, or because if they do get an increase it is taxed away through benefit loss. They lose money through cuts in their tax credits or the universal credit taper, while lower housing benefit and council tax benefit means that they are left with very little of what they have been given. So it is not a well-targeted way of getting new money to that group.

Sumi Rabindrakumar: I should like to echo that. Gingerbread did some analysis of the whole package of reforms. Even taking into account the national living wage and changes to tax allowances, single parents are still be worse off to the tune of around £1,300 a year, and it is the lowest-income working single parents who are losing the most out of all household types. They are not enough to make up for those losses.

Alison Garnham: There are other cuts that can affect people at the local level. The tapers I have described operate at the national level through tax credits, universal credit and housing benefit, but at the local level council tax support has been devolved. We have just looked at this in London and we see that there has been a 51% increase just in the past year in the use of bailiffs. This is happening to families who previously paid no council tax at all. They are now being asked to pay because council tax support was devolved, albeit with a 10% cut, but with a duty to protect pensioners. Most of the money is being clawed back from families with children because they are the only group left to get it from. Rather than being asked to pay 10% of the council tax bill, people are being asked to pay anywhere between 8% and 30%, so more of that cut is being passed on to these families with no preparation for it. There is no compensatory income supply to enable people to pay this new tax, but it is being recovered quite vigorously. We are working with and talking to local authorities about this. Lambeth, for example, has decided to stop using bailiffs in these cases, so important work is going on to try to improve the situation. Needless to say, however, some 300,000 people in London who never used to pay council tax at all are now in arrears.

Lord McKenzie of Luton: As I think you are aware, the Government have set their face against reporting on income data in the future on the basis that it is not a cause of poverty but a consequence of poverty, although I think that the data is still going to be collected. What sort of behaviours do you think that approach will result in? Do you support it?

Alison Garnham: We are happy with a broad life chances approach, which I think was what was envisaged, but we do not actually know what is going to happen because we have not heard what Theresa May's Government plan to do in this area. I think under the Child Poverty Act we had a very good set of indicators in that it was not just the headline income measures; we had relative income, absolute income, deprivation and persistence of poverty. That made up a very full set of indicators that were internationally recognised. These were the measures that academics advised the Government to adopt. Although the new ones being put in place on worklessness and educational attainment at the age of 16 are of course important to children's development—worklessness is strongly associated with poverty—they are not poverty indicators. They do not pick up the whole range of issues affecting low-income families and therefore they are defective in that respect. We know that the department was working on a wider range of indicators, but that work has not been published yet. It was due this autumn but it has not yet arrived.

I would say that whatever range of indicators they come up with, it will be pretty meaningless if we do not know what has happened to family income. We know from extensive academic work that it is low income that is associated with poor child outcomes; there is a clear causal relationship. If you improve family incomes, families spend more on fruit, vegetables and books and less on alcohol and cigarettes. We have that evidence for the UK. Low income is associated with poorer life chances and lower life expectancy, being more likely to die on the road, being nine months behind in education and being more likely to suffer lifelong limiting illnesses. We have very strong evidence about all these things.

Sumi Rabindrakumar: I would echo that. Gingerbread supports a strategy to look at the broader issues related to life chances. It is critical that the indicators should look at poverty, which is lack of income. I would add that the additional indicator of worklessness risks losing sight of some of the real issues of the day given that worklessness is actually at a low level and it is in-work poverty that is now the critical issue. That is what is captured in the low-income data.

Q81 **Lord Holmes of Richmond:** Good afternoon. What impact is the six-week wait for the first universal credit payment having on claimants and levels of debt, and what can be done to ameliorate the effects?

Alison Garnham: A study has been carried out by the Association of Retained Council Housing, which looked at the households on universal credit, for which it is the landlord, as compared with households that are not on universal credit. It found that 79% of households on universal credit are in rent arrears compared with only 31% of other tenants, which is a pretty devastating finding. It puts that finding down to the six-week delay, which is surprising because I thought that it would be more to do with the direct payment of housing costs. However, they conclude that it is to do with the delay. People simply do not get any money for the first six weeks of the claim, so they are automatically in debt before they even start.

Sumi Rabindrakumar: As I have said, relatively few single parents are on universal credit, but learning from the experience of HMRC delays in paying tax credits, that would certainly have a significant impact on their incomes and their lives. We have lots of calls from single parents about weeks-long delays. For example, a call came recently where a single parent experienced a 12-week delay. It meant that she could not pay her childcare and because she was in a lower paid job, she felt that she had no option but to give up her work. Delay has a real and tangible impact. The other point to mention is that there seems to be something of a reluctance in some government departments to signpost single parents to short-term help.

The Chairman: A reluctance to do what?

Sumi Rabindrakumar: To signpost parents to where they can get help in the interim period. HMRC can signpost people towards hardship payments, but it does not always do that. The DWP and jobcentres have what is called the short-term benefit advance, but there is not much awareness, signposting or publicity around the availability of that support. We have had single parents in those circumstances directed to Gingerbread to deal with delays rather than to the state-provided support which is actually available.

Lord Haskel: Who is the "they" doing that?

Sumi Rabindrakumar: For tax credits it would be HMRC and for benefit payments like jobseeker's allowance it would be Jobcentre Plus under the DWP.

Alison Garnham: Just to follow that up, there has been a significant fall-off in the proportion of people getting this kind of help. The previous system was operated through the Social Fund. People could get something called an alignment payment. At the last count in 2012 around 834,000 payments were being made, but from 2013 onwards only 169,000 short-term benefit advances have been given, which represents a fall of 80% in the number of people getting this help when there is a delay in the payment of benefit. That can only be because people do not know that they can ask for it; there can be no other explanation. If previously they knew that they could ask for help from the Social Fund, there is no reason why the same number of people would not go and ask about the benefit advance. That brings up an additional problem. When they ask, are they being deterred in some way? Is there discouragement from doing that?

The same applies to hardship payments. This is where you have been sanctioned and you have no money. Work we have done jointly with the Trussell Trust, the Church of England and Oxfam on food banks shows that one third of people were there because of delays in payments for the reasons just described, and another third were there because of sanctions. Again on the hardship payments side, the problem is that the letters do not tell you that although you are being sanctioned you can apply for a hardship payment. There is no volunteering of information about the payments. If you want one you actually have to go in person to the office and have an interview. Barriers are being put in the way of people getting these payments. We think they should be considered automatically, particularly when there are children in the family rather than people having to run the gauntlet trying to find out about them in the absence of any information being volunteered.

Q82 **Lord Northbrook:** My question has been partially answered. How effective are the support services designed to assist claimants with the transition to universal credit? Is further support required, and might products such as jam jar and/or budgeting accounts be of use to claimants?

Alison Garnham: They might well be useful. Something I would highlight is the loss of advice services in the UK. Most people's first port of call for this kind of advice is a citizens advice bureau or the local authority welfare rights service. They have been significantly underfunded over the past few years, mainly because they are funded by local authorities, which have experienced significant cuts. We have seen these services close down altogether in many areas, and services such as the CABs providing less specialist welfare rights and debt counselling services than they used to. People are on a falling tide, if you like, in terms of the help that they can get with these problems.

Sumi Rabindrakumar: The DWP has just published some research on jam jar accounts and there seems to be some appetite among low-income households for that sort of account, but it is highly dependent on the costs such as whether the banks will charge fees and issues of flexibility.

Lord Northbrook: So these flexi accounts are not as flexible as they might be.

Sumi Rabindrakumar: Exactly. I would also echo Alison's point about local advice. One of the issues with the transition to universal credit is that there is also a push for local delivery in the form of co-location of local support with the jobcentre. Actually there is very little local advice to go alongside that where a local family can either negotiate or challenge the decision to ensure that they get the support they need.

Lord Haskel: Continuing with the theme of budgeting, of course housing benefit is the biggest payment that most families make. Concerns have been expressed that the payment of housing benefit directly to the claimant could lead to an increase in arrears, presumably because they do not know how to budget. Do you subscribe to this view, and can you see the conditions under which payments could be made directly to tenants in social housing as they are to those in private rented accommodation?

Alison Garnham: In a way I agree with the Government that it is claimants' money and so it should go straight to them, but many claimants would like it to be paid directly to their landlord, so we think "on request" direct payment should be available. The problem is that it is quite difficult to do that. You have to be accepted by someone in Jobcentre Plus as being the kind of person who is eligible, and then the request is passed on to a decision-maker who decides whether you can have a diversion of payment. It is by no means automatic that you will get this. It is causing enormous problems on the ground where universal credit is already in place. Many more people would like direct payment than are actually getting it at the moment. Also, the six-week delay is significant here. People are getting into arrears right at the start of their claim, so whether or not passing over their rent money enables them to manage budgeting it, they are already in arrears before they start. That is hugely problematic.

Lord Haskel: Is it not the case that if you are in arrears by two months, the payment can be made directly to the landlord anyway? Is this to encourage people to get into arrears?

Alison Garnham: I do not think that many people would like that. The insecurity and fear that goes with the arrival of bailiffs or other action by landlords is extreme and particularly upsetting for children. Most people would want to avoid that at all costs. I think that it is very unlikely.

The Chairman: It is fair to say that in Northern Ireland we do things slightly differently. We are very keen on paying the benefit directly to the landlord. We have retained that because the sky would darken on payment day with the vultures waiting to pounce on these families, particularly lone-parent families. So we have retained that process. Although technically and legally I think that a tenant still has the right to insist on it being paid directly, we certainly do not encourage it, so it is a slightly different approach.

Q83 **Lord Fellowes:** I gather that the Government are piloting in-work progression at certain jobcentres, which sounds a thoroughly good idea, but there is talk of linking in-work progression and benefit sanctions. Will that not look rather like giving with one hand and taking away with another?

Alison Garnham: We are really worried about this and how it will operate in practice. There is a huge cultural transformation going on here. In the past, when you got a job of 16 hours you moved to tax credits, where you were basically left alone for a year. Under universal credit, you will be treated much more like a benefit claimant who is still in receipt of monthly benefits. That is a big culture change; you are not left alone, and in fact the Government will impose on you and say that unless you take these actions to improve your earnings or your hours you could be sanctioned. The whole thing is extremely problematic. You described it as in-work progression. Everybody wants that. Everybody wants the skills training and the employment support for parents that they need to be able to skill up and move up the hierarchy to get better paid and all the rest of it. That is really welcome. But the sanctioning side I cannot see being very helpful.

Lord Fellowes: It is not very encouraging, is it?

Alison Garnham: It is not, no. In fact, it sends completely the wrong message, in my view. People do not need much encouragement to try to improve their income. They will want to do it anyway. It is a bit like looking at jobseeker's allowance claimants. Ninety per cent of them leave benefit within nine to twelve months without ever coming into contact with the Work Programme. There is no difficulty about people not wanting to work; they clearly do, and they move into work off their own bat very quickly indeed. Once people are in work they will have a very similar motivation to do better for their families, but they need help and support.

Sumi Rabindrakumar: For us, the link between in-work conditionality and sanctions means that the claimant commitment becomes incredibly important, because that is what the single parent will have to sign up to in order to get universal credit. At the moment it is not very clear that that claimant commitment is robust and secure enough to recognise the barriers to work that a claimant, particularly a single parent, might face, because there are structural barriers such as the lack of flexible work and childcare and the need to balance work and care. That is where our real concern lies, particularly given the current evidence that single parents are already at risk of unfair sanctions; they are much more likely to have their sanction referral overturned. That already suggests that there is a lack of understanding about those single-parent barriers to work.

Alison Garnham: Can I make a further point in relation to budgets? One thing that also concerns me is monthly payment and assessment. The change to monthly payments is on the assumption that it is normal for people in work to be paid monthly. However, the Social Market Foundation recently looked at this, and of the people earning less than £10,000 a year only half are paid monthly; more than half are not. It is culturally very different for people to be paid monthly. In the DWP's own survey, about 40% of people were really worried that they would not be able to get to the end of the month, because they were used to budgeting on a weekly or fortnightly basis.

A monthly payment is a massive cultural change. Arguably it helps DWP administration, because the real-time earnings information from HMRC will be passed over monthly, but in terms of your entitlements, any change in the month is counted as if it happened at the beginning of the month, so any fall in your income is backdated for the whole of that month, so you will potentially be a major loser because of that alone. It is difficult to see how people will be able to budget to take account of that.

Q84 **Viscount Brookeborough:** Can you tell us something about credit unions and crisis loans, which have become more locally based? Is sufficient provision available, and what might be done to expand the supply of these or other forms of affordable credit? Credit unions presumably have to operate like banks, so they will not always lend if they do not see security in lending, so the two things are really totally separate.

Alison Garnham: You need to be a saver to be a borrower. That means that for a lot of the people in the situations that we are describing, where you have a huge gap in your income, it will not help you.

Viscount Brookeborough: You cannot be a customer.

Alison Garnham: No. Where they exist, they are hugely useful and welcome, but they do not exist everywhere. It is patchy. What is supposed to exist everywhere are the local welfare assistance schemes—

Viscount Brookeborough: —which came in instead of community care grants.

Alison Garnham: Exactly. The Social Fund, community care grants, crisis loans and so on were devolved to local authorities. In the first year, the funding was about £144 million. It then fell in the next year to £130 million, and it disappeared from local authorities' funding line, which we are really worried about, because unless it is earmarked for this there is a danger that it will disappear altogether. There was a bit of an altercation, and a legal test case, and the Government were made to carry out a consultation. We got this back, but it is less money and we now know that eight local authorities have stopped running a scheme altogether.

Viscount Brookeborough: We have been given a figure and told that local authorities spent less than 40% of their allocation, so this is the common policy of, "If you don't use it, you don't continue to get it". Why was it 40%? Where did the fault lie?

Alison Garnham: There are a number of reasons. The uncertainty about funding was one; they were scared to spend it because they did not know whether it would be continued.

Viscount Brookeborough: Were the applicants there, or were the applicants not properly informed?

Alison Garnham: I would say that the applicants were not properly informed. Many local authorities set their schemes up in a very restrictive way. They worked on the assumption that, "We'll have this money handed over to us. There will be hordes of people. We have to manage it and make sure that it does not get overspent". The reality in many cases was that they put application guidelines online, where not many people knew they existed. They put many restrictive rules in place, such as residency requirements—if you had not been in the area for a certain period of time you were not entitled.

Viscount Brookeborough: Was that legal?

Alison Garnham: No. In fact, it is being challenged. For example, if you are escaping domestic violence, you may well go over a local authority border. That is precisely the circumstance in which you want a crisis loan or a community care grant, but you are told that you cannot have it because you have crossed the border and you have not been resident. It is nonsense. This is part of the problem with localisation: that this kind of postcode lottery starts to arise. So we had residency requirements, and we had different rules. In some places they would not make cash payments at all and you could only get goods in kind, or there was a limit on how much you could get and you could only get £30 and you could not get another payment within a year. There are myriad versions of this, because there are so many schemes around the country.

Viscount Brookeborough: Are you saying that the change from the Social Fund sounded good because it would be localised, but actually it has failed miserably because of the reduction in take-up, or for whatever reason?

Alison Garnham: Exactly. For whatever reason, take-up has been very poor, people have not spent the money, eight local authorities have closed it down, it is not properly advertised and it needs to be sorted out.

Viscount Brookeborough: So it is another central government effort that is not joined up and is not working.

Alison Garnham: Yes.

Q85 **Lord Shinkwin:** I know that you have both already mentioned financial fragility—Sumi, I think you said that single parents in particular are vulnerable to getting into a cycle of debt—and an increasing reliance on payday loans. Given that families with children tend to borrow more, do you think there are sufficient measures in place to mitigate the risk of debt becoming problematic? I am particularly interested to hear from both of you whether in your view the regulation of the payday loan sector has been successful and whether any other sectors, such as the rent-to-own sector, require regulatory intervention?

Sumi Rabindrakumar: I will leave aside the regulation point as it is not within our remit, but we would certainly say that not enough is being done to provide debt advice. We get a lot of calls to Gingerbread's helpline about debt, but it is something that needs quite specialist support. There is not enough free or affordable financial advice available to single parents at the moment.

Alison Garnham: I am not an expert on the regulatory environment either, but what would be useful would be requiring local authorities to keep track of what is happening with their council tax support schemes and local welfare assistance schemes. Currently there is no requirement to keep statistics on who they are helping and in what circumstances people are getting help. Without that information it is hard to work out what is going on, on the ground. We have had to do our research through freedom of information requests, which seems a bit silly when authorities could be required to retain this information.

Q86 **Lord Harrison:** Is there a link between child maintenance payments and financial exclusion? Would reducing maintenance arrears assist in tackling financial exclusion? I suppose the obvious answer is yes—in which case, what steps would be required for such a reduction to occur?

Sumi Rabindrakumar: There is certainly a link between child maintenance and financial exclusion when maintenance goes unpaid. Single parents and their children often struggle. The cash goes towards food, clothing, rent and essentials. Even in the longer term, if payment arrears are collected, they can make a big difference to life chances. The money can go towards further education costs and so on, which certainly does have an impact. Our analysis shows that maintenance can lift one in five low-income single parents out of poverty, so this is a big issue.

Payment arrears in particular are a significant problem. Something like £4 billion remains uncollected, and while not all of it is recoverable there is obviously much more to do. Our concern is that there seems to be a lack of appetite in the DWP at the moment for strict enforcement action. That might be in part because of the big programme of reforms. A new child maintenance service is up and running, but the focus seems to be more on collecting maintenance now rather than debt collection, which is playing second fiddle. We would like to see some kind of strategy, perhaps underpinned by a clear public target for debt collection, to drive a concerted effort on enforcement.

The second issue is that missing maintenance is not just about arrears and unpaid money, it is also about maintenance that is being avoided. It is similar to tax avoidance. A parent might minimise their income so that they can reduce their payments, which is another issue. The DWP is not without resource here. There are new income fee charges under the Child Maintenance Service and it could make much better use of partnership working with people with expertise like HMRC on things like tax and income.

Lord Harrison: Alison, could anything extra be done to help?

Alison Garnham: One of the things that needs to happen is for the collection and enforcement powers to be used more effectively and more often. It is a worry that the new child maintenance scheme is already showing quite high levels of arrears when with a fresh start you would have hoped that there would be a really high collection rate. One of the things acting as a barrier to parents is the fees that are being charged. As Sumi said, they could be used more effectively, and it is a worry that barriers are being put in the way of parents pursuing formal maintenance and getting it collected.

One of the problems has been that in the mood of the new system, parents with care who already have arrangements in place to have child maintenance collected and enforced, perhaps through deduction of earnings, are being made to apply all over again under the new system. It has taken them years to get the payments in place and now they have to start all over again. If that was easy, it would have been easy the first time. That is putting barriers in the way of people getting maintenance more regularly. The point about child maintenance is that it is no use to you unless it is paid regularly. It is no good getting a lump sum here and there; you need a regular weekly payment so that you can build wages on top of it, add on child benefit and so on, and reach a decent standard of living. If it is not collected or it is collected only intermittently, it is enormously unhelpful for families.

Q87 **Lord Kirkwood of Kirkhope:** I would be interested in hearing what you think about the Money Advice Service, which is obviously a core interest of the Committee's work. We heard on Friday that rather than have two bodies flowing from the reformed Money Advice Service, there will now be a single financial capability unit, folding pensions advice into money advice. What do you think of the work the service has done, and are you supportive of it becoming a single body? The agenda is driving it in that direction in the future. Obviously there will be a consultation period, and I think that this Committee's recommendations may hit ministerial desks in time to have some influence on the response. I would be interested in whether you have any advice for the Committee in its deliberations on the current provision and the future of the Money Advice Service.

Alison Garnham: I must admit that I have not had time to confer with the sector about what it thinks about this move. I should like to do that and perhaps I could get back to you with something on that. We are much more familiar with the welfare rights networks. We host the National Association of Welfare Rights Advisers, which represents a sector that is dwindling in numbers as a result of lack of funding. The money advice sector is slightly different as it provides debt advice, although in some places it may involve the same people depending on where they work. I would have thought that putting something on a national footing is a good idea. I know that there is a proposal to link it to pensions advice. I am not quite sure what the connection is and why they would fit closely together. I am slightly puzzled by that. What would be enormously helpful would be to have a review alongside this proposal of what is happening to advice services in the country in general, looking at what access people have when they need advice on money matters. That would probably help in deciding what kind of service we need.

Lord Kirkwood of Kirkhope: Presumably that also relates to universal credit locally delivered.

Alison Garnham: Yes, exactly. Any new system has teething problems. We are really anxious to work with DWP to make sure that universal credit lands properly, because we do not want people to suffer poor consequences if it does not. People need to have places to go to help them. Our worry at the moment is that there will not be enough places for them to get help.

Lord Kirkwood of Kirkhope: Could we take up your kind offer so that if something transpires that you think is significant, you would send us a note? That would be most helpful.

Alison Garnham: Yes.

Sumi Rabindrakumar: Similarly, we are not in a position to comment on the structure of what the service would look like, but we are certainly pleased that there is to be a successor because, as I have said, there is such a lack of free and affordable financial advice, which is so important for single parent families, particularly post-separation. We are concerned about the impact of welfare reform being properly understood by the successor, because things like universal credit will have a great impact on single-parent finances.

Q88 **Lord Haskel:** To round off, in addition to the areas that we have spoken about today, are there any further steps that can be taken to tackle financial exclusion and increase financial resilience for low-income and lone-parent families?

Sumi Rabindrakumar: For single parents, beyond the welfare reform issues there are definitely broader structural issues relating to low pay, the lack of progression in work for single parents, the lack of good, flexible work and affordable, and accessible childcare. Those issues mean that single parents are really struggling, particularly when such an onus is being put on them to move into work. It is vital that they get sustainable and good work to ensure financial security for their children.

Viscount Brookeborough: This is a quick question. I may have missed this, but what is the number of single-parent families? Secondly, is a family with one parent in prison considered to be a single-parent family?

Sumi Rabindrakumar: There are nearly 2 million single-parent families. They make up about 7% of all households but a quarter of households with children. There are around 3 million children in those households. We define a single parent as someone with the main care of their child, when that child is dependent, so where they reside is not an issue.

Viscount Brookeborough: That means that families with one parent in prison are not counted.

Sumi Rabindrakumar: No, they are not.

Q89 **The Chairman:** Finally, in considering financial exclusion, where do you think the Committee should focus its attention?

Sumi Rabindrakumar: Obviously welfare reform and its implications are a big issue. There are practical issues to do with delays to payments, but there are also structural issues with how those benefits are set. In particular, we would look at universal credit and some of those cuts that really put single parents' finances in danger.

Alison Garnham: A number of changes need to be made to universal credit, including restoring the work allowance cuts, having proper earnings disregards, including for second earners in couples, and restoring the one for lone parents that has been cut. We also need to look at things such as monthly payments and the lack of payments to the main carer, which are going to be problematic for families. We need to look at the sanctions policy and make sure that people are considered automatically for hardship payments.

We need to look at the direct payment of housing benefit, where a claimant requests it. We need to reduce the delays in the payments of benefits. We would recommend changing the rules, such as that you have a six-week delay to claim universal credit, which is causing problems automatically. We need shorter periods for mandatory reconsideration. A number of people claiming employment support allowance are going without income for considerable periods because they are waiting for a reconsideration of a decision about whether they are incapable of work. That is taking a very long time at the moment and it needs to be sorted out.

We need to look at emergency assistance through local welfare assistance schemes and regularise that, making sure that councils all run one and that they are run along similar rules. That has been done in Scotland, for example, where there is a single scheme, which is working very well. There is also an issue about Jobcentre Plus providing support and advice, making sure that people know about short-term benefit advances and have access to telephones again in Jobcentre Plus offices, which they do not at present. Staff need to make their email addresses known so that, when something happens like a sanction, there is somebody you can talk to in order to explain your side of the story. If the sanction has been imposed for a trivial reason, that ought to be fixable very quickly with the provision of additional information.

Finally, on access to advice, we need to look at what is happening to advice services and to find a way of creating a funding structure for them.

The Chairman: I thank you both very much for an interesting evidence session. As I said, you will be sent a transcript. Please feel free to contact the clerks if you are not happy with it. You indicated that you might wish to make further written submissions. We would be very happy to receive those. Thank you both very much.