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Work and Pensions Committee

Universal Credit: the wait for a first payment

Third Report of Session 2019–21

Report, together with formal minutes relating to the report

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Work and Pensions Committee

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People claiming Universal Credit for the first time wait at least five weeks for their first regular payment. This is manageable for some claimants, but causes difficulty for many others. We see no reason why claimants moving to Universal Credit when their circumstances have not changed should have to endure the five week wait: the Department should ensure that they can move seamlessly to Universal Credit. For brand new claimants, it should offer their household a starter payment equivalent to three weeks of the standard allowance. For people who move to Universal Credit because their circumstances have changed, the Department should—where possible—make the move seamless. Where that is not possible, they should receive the starter payment for new claimants. Our intention is that these payments should mean that people have the money they need for basic living essentials, like food and heating, during the wait.

Evidence of the impact of the wait

Some of the evidence we heard suggested that people on Universal Credit are more likely to need a food bank or have rent arrears than people on the legacy benefits that it replaces, and that moving to Universal Credit may lead to a rise in psychological distress. This evidence does not prove that Universal Credit, and in particular the wait for a first payment, is the cause of the problems people may face. Further work is needed to understand these findings and what is causing them. But the evidence shows that people on UC disproportionately experience problems. DWP must take these findings seriously and conduct or commission in depth research to understand better the impact of the wait on rent arrears, rising food bank use, and mental health and wellbeing, which all contribute to higher taxpayer and public sector costs through NHS and other public sector demands

Advance repayments and debt

People claiming Universal Credit for the first time can ask for an Advance to tide them over during the wait for a first payment. These Advance payments can be a lifeline for people who would otherwise have no income for at least five weeks. But Advances are effectively a loan, and claimants' future benefits—already set at a subsistence level—are reduced to repay them.

If the Government implemented our recommendations of seamless moves for legacy benefit claimants and starter payments for new claimants, we expect that fewer people would need to ask for an Advance, and some might need a much smaller Advance. A request for a substantial Advance in these circumstances would be a clear indication that someone is struggling with the transition to Universal Credit. The Department should use this as an opportunity to support these claimants at the earliest possible stage.

Advances should be renamed "new claim loans", so that it is clear to claimants that they will need to be repaid. Before a new claim loan is granted in full, the Department

should provide personalised budgeting support—when possible, with a face-to-face option—with a full assessment of the claimant's financial situation and the impact that future repayments of the loan will have on their household finances.

The Department should also take steps to reduce the burden of repaying these loans. It already plans to extend the repayment period for Advances from 12 to 24 months and to reduce the maximum rate of deductions from 30% of the standard allowance to 25%. These changes, however, will not take effect until October 2021. DWP must prioritise implementing them as early as possible, and no later than April 2021. It should also reduce the cap to 10%, in recognition of the fact that deductions are taken from benefits already set at subsistence levels. It is also recommended that the Government introduce measures that ensure the collection of public sector debt reflects best practice standards.

Many people who take out an Advance are also repaying another government debt, most often overpayments of tax credits. Repayments of tax credit debts are also deducted from the claimant's Universal Credit award, which can compound hardship. We recommend that tax credit debts should only be recovered once a person has finished paying off their Advance, if they have taken one out. The Government should also write off tax credit debt that is over six years old, and any remaining deductions should be capped at 10% of the Universal Credit standard allowance per month.

Coronavirus measures

In our first report, *DWP's response to the coronavirus outbreak*, we welcomed the Government's decision to increase the standard allowance in Universal Credit and the basic element in Working Tax Credit by £20 per week for a year, and to raise rates of Local Housing Allowance to the 30th percentile of market rents. Before the coronavirus outbreak, benefit rates had become detached from the real cost of living. The increases to the standard allowance of UC and to the basic element in WTC are scheduled to last until April 2021. The Government should now commit to making them permanent.

Support for claimants

The Department's Help to Claim service, delivered through Citizens Advice, is a valuable source of support for people who are applying for Universal Credit. Help to Claim, however, does not provide support beyond the initial claim—for example, for people who are struggling to repay their Advance. DWP's offer of support in this respect is lacking. It must invest in Help to Claim and expand it so that it can offer support throughout a person's claim, in line with what the architects of Universal Credit envisaged for its predecessor, Universal Support.

Some groups of people are more likely to face challenges when moving to Universal Credit. DWP currently lacks an effective means of identifying and tracking people who are vulnerable or more likely to need additional support. It must prioritise improving the Universal Credit system to allow Jobcentre Plus staff to record claimant needs in a more formalised manner. DWP should also review its approach to how it works with organisations that support claimants, such as support workers, housing providers and local authorities.

Payment timeliness

No one should have to wait more than five weeks for their first payment. DWP has made strides in improving the proportion of Universal Credit claims paid on time, but more than 200,000 people have received their first payment after five weeks so far in 2020. We welcome the announcement that the Department intends to double the number of work coaches over the next financial year, with 4,500 expected to be in place by October. This is an ambitious programme of recruitment, and the Committee would welcome a written update from the Department by the end of the calendar year on how it is progressing and provide further updates each month thereafter.

Many disabled people and people with health conditions must wait much longer than five weeks to receive their first payment in full because of the time taken to complete the Work Capability Assessment—an average of four months. That is too long for someone to wait for their full award. DWP should work to speed up the WCA process as soon as possible.

There is a penalty for claimants who do not provide the necessary documents in time: their Universal Credit is paid late. But there is no equivalent penalty for the Department when it fails to keep its side of the bargain. Where a claimant provides all the information DWP has asked for on time, but DWP has not completed its own processes to verify the claim details, the claimant should receive the full amount of benefit entitlement for which they are claiming. For people whose WCA is delayed, they should be paid at the highest rate until their entitlement has been decided.

Backdating

Not everyone makes a claim for Universal Credit as soon as they become entitled or when it is best for them to. DWP recognises that this is a problem: it must now take steps to understand why some people delay making a claim, and publish its findings. People can apply to have their Universal Credit claim backdated in limited circumstances, but this process can be intrusive and bureaucratic. The Department should identify ways to make this process less burdensome for claimants, and allow people to have their claim backdated, in specified circumstances, not only to a month before, but to the point when the event that triggered a Universal Credit claim occurred.

Improving payments

The monthly payment structure in Universal Credit is intended to mimic the world of work. However, this simply does not work for everyone, especially people who were paid more frequently in their previous job. Alternative Payment Arrangements (APAs) offer a good option for claimants who need to change how they receive their Universal Credit award, but some people are not aware that they exist, or are put off applying by a bureaucratic application process. The Department must ensure that it is easy for all claimants to opt into twice-monthly payments so that strict criteria do not prevent more flexible payment options. In Scotland, a quarter of people have reverted from More Frequent Payments to monthly payments; we heard suggestions that this was because the option was offered only after the first payment of Universal Credit. The Department should analyse why people may choose to revert from More Frequent Payments and use this to better advise claimants and improve the policy. DWP should also work with HM Treasury to see if it can expand its use of Faster Payments.

Improving the assessment system

The Department says that the monthly assessment structure and payment in arrears works for most claimants as it says the majority come from monthly paid work, as has been seen with new claimants in the pandemic. However, a rigid assessment system disadvantages people whose wages and outgoing costs do not match the Universal Credit assessment dates. Experts in benefits systems have proposed different models for assessment which may work better for claimants. The Department should assess the possibility of estimating a daily calculation of people's earnings with which it could assess people more flexibly. The Department must integrate its policy, operational and technical staff when building improvements to Universal Credit systems.

1 Introduction

1. Universal Credit is the Government's flagship programme of welfare reform. Introduced from 2013, it replaces six older 'legacy' benefits—Employment and Support Allowance, Housing Benefit, Income Support, Jobseeker's Allowance, Child Tax Credit and Working Tax Credit—with a single monthly payment. As of 9 July 2020, the latest date for which figures are available, the total number of people claiming Universal Credit stands at 5.6 million. This figure has risen sharply as a result of the coronavirus outbreak; from 13 March to 14 May 2020, the two months following the introduction of lockdown, the Department received 2.4 million new Universal Credit claims.[1]

2. After being rolled out on an area by area basis, Universal Credit is now available across the country. It has undergone many welcome and needed changes during the seven years in which it has been rolled out. DWP intends to move households who are still receiving legacy benefits over to Universal Credit through a process called "managed migration", which was scheduled to finish in 2024. People on legacy benefits can also transition to Universal Credit through 'natural migration', where they experience a change in circumstances—such as losing a job, becoming ill or moving to a different local authority area—which triggers a new benefit claim.

3. Universal Credit is paid monthly and in arrears. This is a deliberate design choice: Universal Credit was intended to mimic the world of work, in line with the programme's aim of supporting more people into employment. The Department considers the claimant's earnings over a monthly period, known as the assessment period, and at the end of the month makes a payment based on their assessed income. For new claims, the Department requires an additional week to process the payment.

4. The consequence of this is that most first payments of a Universal Credit award are made after five weeks, though some take longer. In April 2020, the most recent month for which statistics are available, 36,763 households did not receive their first payment in full, on time. This number represents 4.1% of new Universal Credit household claims for the month. Organisations that support claimants have previously expressed concern about the impact that the initial wait, often referred to as the "five-week wait", can have on people who are already struggling financially. The Trussell Trust, which represents a network of over 1,200 food banks, has spearheaded a campaign—Five Weeks Too Long—which calls on the Government to abolish the wait.[2] DWP has introduced mitigations to combat the effects of the wait; for example, offering Advance payments—an advance of a claimant's expected award, which must then be repaid—and 'run on' payments for people moving from legacy benefits. The Department's view is that, because Advance payments are available straight away, no one needs to wait five weeks for their first payment. We heard evidence, however, that these measures have not fully addressed the issues that people face and that repayments of Advances leave people with an amount below their assessed need for their repayment period.

5. Our predecessor Committee conducted a series of inquiries into Universal Credit, including *Universal Credit: the six week wait*, in which that Committee recommended that DWP should reduce the initial waiting period, then a period of six weeks, to one month.[3]

1 DWP, Universal Credit Statistics: 23 April 2013 to 9 July 2020, 11 August 2020
2 The Trussell Trust, Five weeks too long, accessed 3 September 2020
3 Work and Pensions Committee, First Report of Session 2017–19, Universal Credit: the six week wait, HC 336

The Department has since reduced the wait to five weeks, but evidence suggests that the problems experienced by claimants persist. We therefore decided to make the wait for a first payment the focus of our first inquiry into Universal Credit.

6. Our predecessor Committee called repeatedly on the Government to eliminate the wait for a first payment of Universal Credit. In a report on the managed migration of existing benefit claimants to Universal Credit, published in November 2018, it called on the Government to eliminate the five week wait for all claimants moving to UC via managed migration, and to "use this as a basis for considering how the wait could be reduced for claimants migrating naturally, and for new claims".[4] In a report on natural migration to UC, published in July 2019, it encouraged the Department to look at "practical options to eliminate the five-week wait". It suggested that these might include "the Department making advance payments to claimants non-repayable".[5] The Government did not accept these recommendations.

Our inquiry

7. We launched our inquiry on 9 March 2020, shortly before the imposition of lockdown in response to the coronavirus outbreak. Upon launch, we invited written submissions not only on the impact that the wait has on claimants, but on the most effective ways of mitigating that impact. The inquiry's terms of reference asked for views on a number of potential policy solutions, including: replacing the system of Advance payments with a one-off non-repayable grant; reducing the rate at which Advances and other debts are repaid; restructuring the assessment period so that people are paid more frequently than monthly; and taking a more flexible approach to backdating.

8. Almost 100 organisations and individuals submitted written evidence to our inquiry. We also heard oral evidence from support organisations and charities, academics, think tanks, housing providers, and technical experts with experience of the Government's IT systems. Towards the end of the inquiry, we heard evidence from the Minister for Welfare Delivery and the Senior Responsible Owner for Universal Credit at DWP, and then from the National Audit Office and the Financial Conduct Authority.

9. We are grateful to everyone who has contributed to our inquiry and helped build a picture of the problems that people are still facing during the wait for the first payment. We also considered a number of policy proposals for removing the wait, or at least mitigating the impact that it has on claimants. As Christians Against Poverty, a charity that supports people in financial difficulty and debt, said in evidence, there is no "silver bullet" for addressing the wait.[6] This report, however, sets out the measures that we believe DWP can take to prevent people falling into further hardship.

4 Work and Pensions Committee, Twentieth Report of Session 2017–19, Universal Credit: managed migration, HC1672

5 Work and Pensions Committee, Twenty-Seventh Report of Session 2017–19, Universal Credit: natural migration, HC1884

6 Christians Against Poverty (UCW0075)

2 The impact of the wait

10. Our inquiry's call for evidence invited submissions on people's experiences during the wait for their first Universal Credit payment. We received evidence from both organisations and individuals, including claimants, which suggests that a significant proportion of people face financial difficulties during the wait. StepChange, a charity that supports people with problem debt, said that 92% of its clients affected by the wait said that they had experienced some form of hardship as a result.[7] Citizens Advice said that half the people it helps during the initial wait are "unable to keep up with bills, rent or are forced to go without the essentials such as food and heating".[8]

11. The National Audit Office (NAO), in its report *Universal Credit: getting to first payment*, said that, while the wait for a first payment is not the sole cause of the financial difficulties experienced by people claiming Universal Credit, it can exacerbate them.[9] Minesh Patel of Citizens Advice acknowledged that there are multiple reasons why people may face hardship, but said that the wait is a contributing factor:

> There will be a range of factors here, but we think the five-week wait for Universal Credit is often a contributing factor to people being unable to make ends meet, to meet essential costs. With people we support at Citizens Advice, often we are seeing people who are already facing financial difficulties. They may have lost their job, they may have had a relationship breakdown, and then having to go for five weeks without any money can be really challenging.[10]

Savings and financial resilience

12. Many people do not have any savings that they can fall back on during the wait for their first payment, though they can ask for an Advance payment if they need one (for more detail about Advances, see chapter 5). The Department's own data, highlighted by the NAO in its report, revealed that 49% of households who claimed Universal Credit in the four year period to mid-2018 had no income in the three months before their date of claim.[11] Citizens Advice found that 45% of UK adults either have no savings or savings of less than £2,000 that they can rely on in the event of an income shock or change in circumstances. Its 2019 report, *Managing Money on Universal Credit*, quoted one of its advisers:

> "[UC] is fine for people who've recently been made redundant, who are used to being employed, who have savings and capital … The vast majority of clients don't fit that model."[12]

Since the beginning of the coronavirus pandemic, however, far more people have moved to Universal Credit from work than legacy benefits. This new group of claimants is substantially more likely to have recent income from work and better financial resilience.

7 StepChange (UCW0047)
8 Citizens Advice (UCW0060)
9 National Audit Office, Universal Credit: getting to first payment, July 2020, p13
10 Q2
11 National Audit Office, Universal Credit: getting to first payment, July 2020, p8
12 Citizens Advice, Managing Money on Universal Credit, February 2019, p16

13. In its report, Citizens Advice highlighted that, for many people, their claim for Universal Credit will have been triggered by a life event such as losing a job, falling ill or breaking up with a partner. Citizens Advice said that life events such as these, especially when unexpected, "often reduce people's income and can be common triggers for unmanageable debt".[13]

14. We heard evidence from representatives of housing associations: The Riverside Group, Community Housing Cymru, the Scottish Federation of Housing Associations and the National Housing Federation. When asked whether their tenants typically had savings to last them during the wait, all four witnesses were clear that the majority did not have sufficient savings that they could fall back on. Sue Ramsden of the National Housing Federation referred to a survey of 3,000 tenants in England which found that many people struggled during the wait:

> 84% of people said that they did not have the equivalent of a month's wages to tide them over the five-week period. There were quite significant levels of hardship in terms of people reporting struggling to pay for essentials: 55% were struggling to pay for food, gas and electricity; 27% were accessing food banks. That is a very strong indication that people do not have anything to fall back on in terms of their ability to manage across those five weeks without borrowing, so very high instances of borrowing, particularly people borrowing from friends and family. Obviously, that has a wider impact across a community.[14]

Food banks

15. The question of whether there may be a link between the rollout of Universal Credit and increased food bank use is not a new one. The NAO's report *Rolling out Universal Credit*, published in June 2018, found that there had been "an increase in the use of foodbanks in at least some areas where Universal Credit full service has been introduced".[15] The former Secretary of State for Work and Pensions, Amber Rudd, told the House in early 2019 that the reason for the rise in food bank use "could have been the fact that people had difficulty accessing their money early enough", and said that DWP had introduced Advances and run-ons of legacy benefits to address this.[16]

16. The Department has since rejected the suggestion that there is a link between Universal Credit and rising use of food banks. In a letter to the Committee dated 31 March 2020, Will Quince, the Minister for Welfare Delivery, said that it was "unhelpful" to attribute food bank use to Universal Credit:

> While Trussell Trust have claimed that there is a 52% growth in Food Bank demand in areas where Universal Credit has rolled out, their evidence also shows that in 2018/19 only a small minority of referrals were due to benefit delays caused by UC. This shows that Food Bank use cannot be

13 Citizens Advice, Managing Money on Universal Credit, February 2019, p22
14 Q130 (Sue Ramsden; see also Hugh Owen, Laura Courtney and Jeremy Hewer)
15 National Audit Office, Rolling Out Universal Credit, 15 June 2018, p8
16 HC Deb, 11 February 2019, col 593 [Commons Chamber]

> linked to a single cause. It is unhelpful and an oversimplification however to attribute foodbank usage to UC and the first assessment period and fails to acknowledge the many reasons somebody may make use of a foodbank.[17]

Evidence from stakeholders

17. During our inquiry, we heard evidence from organisations that support claimants about the link between Universal Credit and food bank use. The Disability Benefits Consortium, a network comprising charities that support disabled people and people with health conditions, surveyed claimants and found that 31% of people who responded said they had turned to a food bank.[18] We also heard from Emma Revie, the Chief Executive of the Trussell Trust, which supports a network of over 1,250 food banks. She said that the Trussell Trust's data shows that Universal Credit claimants are more likely to need to turn to food banks than people on legacy benefits, and that the wait for a first payment is likely to be a significant factor behind this:

> Our most recent analysis at the end of last year showed that, in areas where Universal Credit had been rolled out for 12 months, we saw a 30% increase in foodbank use. […]
>
> We also commissioned a piece of research with Heriot-Watt University, which looked at our foodbank data over the last eight years and also collated data from DWP and ONS. Our analysis shows that those claiming Universal Credit rather than legacy benefits were far more likely to need to turn to a foodbank, with 27 more parcels distributed per 100 people on Universal Credit than on legacy benefits. Although, as Minesh said, we cannot say that that is entirely down to the five-week wait, we know that this is a significant contributing factor as to why people on Universal Credit are more likely to come to foodbanks than those on legacy benefits.[19]

18. The NAO referred to the Trussell Trust's data on food bank use in its July 2020 report, *Universal Credit: getting to first payment*. It found that it is not possible to determine whether the rise in food bank use is directly caused by the wait for a first payment. The NAO, however, noted the Trussell Trust's finding that, of the 1,000 people involved in its research, 27% said that they had turned to food banks because of "a long wait for Universal Credit".[20] Gareth Davies, the Comptroller and Auditor General, told us that the Trussell Trust's work was "the best research we have seen on the link between UC first claims and use of food banks", noting that "they establish an association—it doesn't prove causation, but it establishes an association".[21] He said that, in the NAO's view, "there is enough evidence to raise this as an issue for the Department to carry out further research on because it does need to understand better exactly what the link is and why it is cropping up in the research so far".[22] Joshua Reddaway, Director for Work and Pensions, Value for Money, at the NAO described the Trussell Trust's research as "a fairly sophisticated and good piece of research showing correlation".[23]

17 Letter from the Minister for Welfare Delivery dated 31 March 2020
18 Disability Benefits Consortium (UCW0061)
19 Q4
20 National Audit Office, Universal Credit: getting to first payment, July 2020, p9
21 Q288
22 Q288
23 Q291

19. We asked the Minister again, when he gave evidence on 15 July, about the evidence suggesting that people on Universal Credit are more likely to need a food bank than people on legacy benefits. He said that the Department is taking steps to improve its understanding of food insecurity, including food bank use:

> […] We do not want to see anybody having to use a foodbank in this country. I certainly do not want to see that. We are taking huge strides to better understand food insecurity in this country. That is why we have put in place new questions on the Family Resources Survey as of April of last year and that will be hugely informative for our future work. It is also why we work very closely—and I have held numerous roundtables—and meet regularly with the Trussell Trust and the Independent Food Aid Network to better understand their issues. If we were to have better understanding of their data, Chair—and we have asked, for example, the Trussell Trust for that—we would be able to take a more evidence-based approach to them.[24]

20. It emerged in August 2018 that DWP had commissioned a review of the evidence on foodbank use, which was intended "to identify any areas of DWP policy or operational practice that may have contributed to a rise in demand for food bank services".[25] It was due to be published in October 2019. In answer to a recent written question, the Minister for Welfare Delivery did not give a date for publication of the review, but said that "the literature review on the drivers of food bank use will be published in due course".[26]

Rent arrears

21. Universal Credit has also been linked to a rise in rent arrears. Citizens Advice said that, based on its research in 2019, around 40% of people on Universal Credit struggled with rent and mortgage costs compared to 23% of people on legacy benefits.[27] During our inquiry, we heard evidence from representatives of London Councils (which represents the 32 London boroughs and the City of London), Harrogate Borough Council, Highland Council and Cornwall Council. All four witnesses told us that their tenants who receive Universal Credit are more likely to be in arrears than tenants on Housing Benefit. For example, Noel Duke of Harrogate Borough Council, the location of DWP's pilot of the managed migration process, told us that 56% of its tenants on Universal Credit are in arrears, compared to around 30% of Housing Benefit claimants.[28]

22. The Department has cautioned against comparing statistics that are derived from local authority level data on levels of rent arrears held by people on Universal Credit and people on legacy benefits. This is because, in its view, "they do not compare groups with the same characteristics"; where a person has been on legacy benefits for some time, the Department says that their arrears are more likely to be under "long-term management", and therefore will have been given time to clear. In contrast, a person claiming Universal Credit may have just experienced a destabilising life event, meaning that their arrears are less likely to be under management.[29] When asked about the comparison between arrears

24 Q209
25 The Guardian, Revealed: ministers' plan to research effect of policies on food bank use, 1 August 2018
26 PQ 9079, answered 5 February 2020
27 Q2 (Minesh Patel)
28 Q98 (Noel Duke, see also Councillor Muhammed Butt and Sheila McKandie) and Q100 (Jacqueline Hickmore)
29 Letter from the Minister for Welfare Delivery dated 27 August 2020

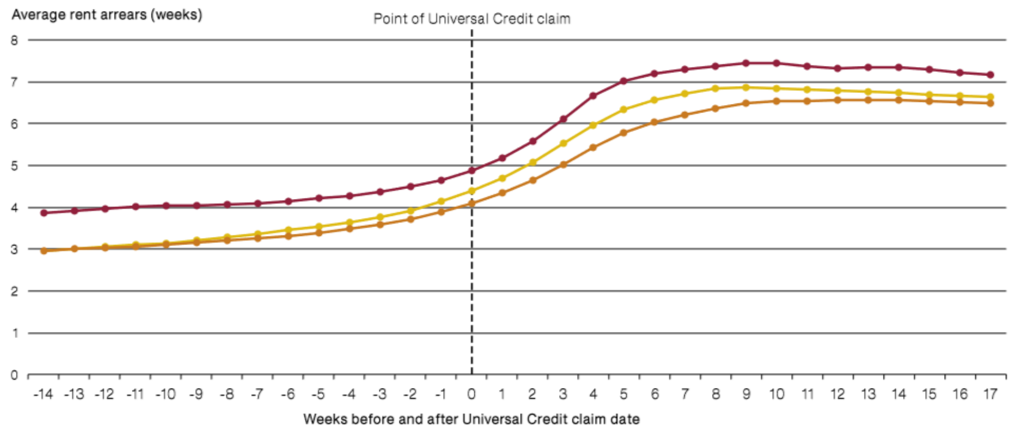
in Universal Credit and the legacy system, Neil Couling, the Senior Responsible Owner for Universal Credit, said that it was not possible for him to create a counterfactual, and that comparing the two involves "looking at new claims after a potentially debt-creating event with claimants that have been on benefits for a long time".[30]

NAO's findings

23. For its report *Universal Credit: getting to first payment*, the NAO looked at data held by DWP on levels of rent arrears, which the Department obtained through research with eight housing associations. It tracked the average level of rent arrears for the period before and after a person lodges a claim for Universal Credit, and found that there is a rapid increase in the level of arrears after the date of claim, peaking at 13 weeks after that point.

Figure 1: Four-week moving average: average tenant arrears across all tenants for three annual cohorts

Tenants' rent arrears increase in the weeks before they make a Universal Credit claim. They continue to increase until around seven to eight weeks after the claim, when they begin to decline. Average arrears have improved over time



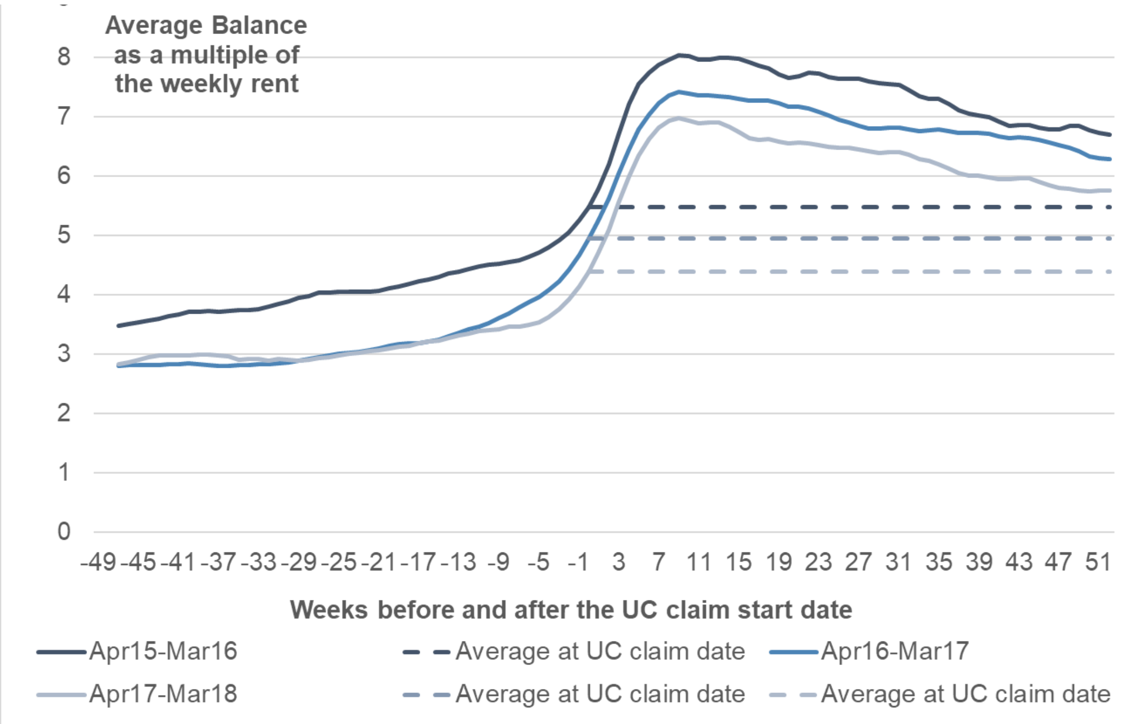
	-14	-13	-12	-11	-10	-9	-8	-7	-6	-5	-4	-3	-2	-1	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
April 2015 to March 2016 cohort	3.9	3.9	4.0	4.0	4.0	4.0	4.1	4.1	4.1	4.2	4.3	4.4	4.5	4.7	4.9	5.2	5.6	6.1	6.7	7.0	7.2	7.3	7.4	7.4	7.4	7.4	7.3	7.3	7.3	7.3	7.2	7.2
April 2016 to March 2017 cohort	3.0	3.0	3.1	3.1	3.1	3.2	3.3	3.4	3.4	3.5	3.6	3.8	3.9	4.1	4.4	4.7	5.1	5.5	6.0	6.3	6.6	6.7	6.8	6.9	6.9	6.8	6.8	6.8	6.8	6.7	6.7	6.6
April 2017 to March 2018 cohort	3.0	3.0	3.0	3.1	3.1	3.2	3.2	3.3	3.3	3.4	3.5	3.6	3.7	3.9	4.1	4.3	4.7	5.0	5.4	5.8	6.0	6.2	6.4	6.5	6.5	6.5	6.6	6.6	6.6	6.5	6.5	6.5

Source: National Audit Office, Universal Credit: getting to first payment (Figure 7)

24. We asked the Minister and Neil Couling, the Senior Responsible Owner for Universal Credit at DWP, about the NAO's findings. Neil Couling told us that, had the graph above continued beyond the 17-week point, it would show a decline in the level of rent arrears.[31] The NAO's report says that, after the 13-week peak, rent arrears begin to decline, and reach the level they were at the start of the claim after around one year.[32] The following graph, provided by the NAO and based on the Department's data, shows that while rent arrears do not quite reach the same level they were at the start of the claim for any of the three cohorts, there is a noticeable decline:

30 Q284
31 Q213 (Neil Couling)
32 National Audit Office, Universal Credit: getting to first payment, July 2020, p25

Figure 2: Four week moving average: the average rent balance across all tenants for three annual cohorts



Source: Letter from the Comptroller and Auditor General dated 5 August 2020

25. In a letter to the Committee of 5 August, Gareth Davies, the Comptroller and Auditor General, said that the decline in tenants' rent arrears is likely down to the fact that many have an Alternative Payment Arrangement (APA) in place, where the housing element of their award is paid directly to the landlord:

> […] the Department's research notes that the majority of people with rent arrears with social landlords put an Alternative Payment Arrangement in place whereby the social landlord is paid directly by the Department. This tends to lead to social renters' rent arrears reducing while they are on Universal Credit.[33]

26. When we asked the Department about the evidence we heard which suggests that Universal Credit claimants are more likely to have rent arrears than people on legacy benefits, the Minister said that he had "not seen evidence in that regard".[34] Neil Couling said that, rather than Universal Credit itself being the cause of rising arrears, the life event or change in circumstances that could have triggered a Universal Credit claim may be the main factor:

> You are looking at new claims after a potentially debt-creating event with claimants that have been on benefits for a long time. If you look at figure 7 [of the NAO's report; figure 1 in this report] , you can see that there is an increase of four-week arrears to six-and-a-half-week arrears, but if they had continued that chart on you would see it coming down.[35]

33 Letter from the Comptroller & Auditor General dated 5 August 2020
34 Q209
35 Q284

Mental health and wellbeing

27. The impact of the wait is not purely financial. During our inquiry, we heard evidence suggesting that, while it is not possible to establish whether the wait for a first payment—or a change to a different benefits system per se—is the source of claimants' mental health issues (in terms of levels of psychological distress), the introduction of Universal Credit can have an adverse effect on levels of psychological distress. Dr Sophie Wickham, a Wellcome Trust research fellow at the University of Liverpool's Department for Public Health, Policy and Systems, works on a team that looks at the impact of welfare reform on health inequalities. This team conducted a study, the findings of which were published in The Lancet Public Health, a medical journal, which examined the impact of the introduction of Universal Credit on claimants' mental health.[36] Dr Wickham said:

> We found that the introduction of Universal Credit led to an additional seven people experiencing worse mental health for every 100 people affected by the policy. When you put this back out into a population level, so back out at the national level, we estimate that the introduction of Universal Credit led to an additional 64,000 unemployed people experiencing psychological distress and of these individuals, we estimate that around 21,000 reached a diagnostic threshold for anxiety or depression.[37]

28. Dr Wickham told us that this study looked at Universal Credit as a whole, rather than focusing on the wait for a first payment. We heard from other organisations, however, that highlighted the specific role that the wait can play in affecting mental wellbeing. The Trussell Trust said that the wait for a payment itself can create anxiety for claimants:

> The wait itself caused a high level of anxiety, as people did not know how much they would receive and when exactly they would receive it. Individuals also experienced intense anxiety related to accruing rent arrears and multiple debts. Many households reported receiving many debt notifications, threats of eviction, and court action.[38]

29. Anvar Sarygulov of Bright Blue told us that, based on its research, which included interviews with claimants and focus groups with charities that support them, people with pre-existing mental health problems are more likely to experience problems during the wait. He also told us that the wait can have a negative impact on overall mental wellbeing, which can arise not just from anxiety about rent arrears and bills, but from the stigma of having to borrow money from family and friends.[39] Dr Mark Simpson of Ulster University and others looked at the experiences of a group of claimants in Northern Ireland, some of whom experienced feelings of "shame and inadequacy" after having to rely on food banks or charities for support. The same research highlighted that many people who are claiming Universal Credit for the first time are doing so following a traumatic life event, such as the loss of a job or death of a relative, and "having to deal with the five-week wait only [compounds] the impact of these events on wellbeing".[40]

36 Dr Sophie Wickham and others, Effects on mental health of a UK welfare reform, Universal Credit: a longitudinal controlled study, The Lancet Public Health, 1 March 2020
37 Q43
38 Trussell Trust (UCW0093)
39 Q48
40 Dr Mark Simpson, Dr Ruth Patrick, Dr C Fitzpatrick, K Logan and UC:Us members (UCW0040)

30. **The wait for a first payment of Universal Credit is not the only source of the problems people face, but it can exacerbate them. For people who may already be going through a difficult time, enduring five weeks—or longer—without any income can push them into crisis.**

31. **DWP has previously adopted a sceptical attitude towards the evidence linking food bank use with Universal Credit. The Minister has now recognised that the Department needs to do more to improve its understanding of the what causes food bank use to increase. This is a welcome step. The Department has still not published its own analysis of the drivers of foodbank use, which it commissioned in 2018 and which it originally planned to publish in October 2019.** ***We recommend that the Department publish this work without delay.***

32. **The Trussell Trust's data, described by the National Audit Office as the best research it has seen, establishes an association between Universal Credit and food bank use. We share the National Audit Office's view that the Department should conduct further research to understand these findings better. We would also encourage the Trussell Trust to contribute to this work by sharing its data with the Department.**

33. **We also heard evidence which suggests that people on Universal Credit are more likely to have rent arrears than people still claiming legacy benefits. The Department's own data show that, while some people who come onto Universal Credit have pre-existing rent arrears, the level of these arrears rises much more sharply after they make their claim. Even after a year, they have not fully returned to their pre-claim levels. That too is a worrying finding which deserves investigation by DWP.**

34. **There is also research which found evidence of an increased prevalence of psychological distress, following the introduction of Universal Credit, among people affected by the policy. The research was not able to delineate whether a change of benefit system in itself—such as moving to Universal Credit—was a driver of the rise in psychological distress in the sample of people studied. Further research and evaluation would be needed to understand the drivers behind this rise and its clinical impact. In addition to this, there are wider reports of the impact of the wait for a first payment on claimants' mental wellbeing. Again, the connection between these findings and the wait for a first payment is not yet clear. But the Department ought to seek to understand this evidence.**

35. ***DWP should conduct or commission research, before the end of this financial year, to develop its understanding of the impact of Universal Credit, particularly the wait for the first payment, on the rising use of food banks; on claimants' levels of rent arrears; and on claimants' mental health and mental wellbeing. While the evidence we heard falls short of establishing a causal link between the wait and these experiences, that is no reason for the Department not to take these findings seriously. It should use them as a starting point for a concerted effort to understand the full impact of the wait for the first payment, and how this may differ for claimants who are moving to Universal Credit from legacy benefits and for those who are making entirely new claims. DWP should more thoroughly consider the evidence linking Universal Credit to increased use of food banks, rent arrears and psychological distress and should use this in its overall strategy for protecting claimants' safety and wellbeing.***

36. ***DWP should publish details of the meetings that it holds with stakeholders, like the Trussell Trust, to ensure that the public and Parliament know that important and well-regarded research, such as that produced by the Trussell Trust, is considered when policy and operational decisions are made. The publication should include the topics that were discussed and any actions that the Department decided to take following the meeting.***

3 Moving to Universal Credit without a change in circumstance

"Managed migration" to Universal Credit

37. "Managed migration" is the Department's term for the process by which people claiming legacy benefits, but whose circumstances have not changed, will move to Universal Credit—at a time determined by DWP. The group of people moving to Universal Credit via managed migration will include people with particularly complex needs. It will include disabled people (including severely disabled people), people with chronic health conditions, and people who are long term unemployed.

38. The Department has not yet finalised its plans for exactly how managed migration will work. It began a pilot of the process in Harrogate in July 2019, under the Universal Credit (Managed Migration Pilot and Miscellaneous Amendments) Regulations 2019. Those Regulations allowed for a pilot of up to 10,000 claimants.

39. This pilot, however, was paused in March 2020 because of the coronavirus pandemic. Will Quince, the Minister for Welfare Delivery, told the House on 27 January that just under 80 households were participating in the pilot, and that 13 had been moved on to Universal Credit since July 2019.[41] It is not clear how many households had moved by the time the pilot was suspended in March.

40. Under the process set out in the Regulations, people claiming legacy benefits will be sent a "migration notice", which will tell them that they need to apply for Universal Credit by a certain date. They are then effectively required to make a new claim for Universal Credit in the same way as brand new claimants and people who are moving to UC because their circumstances have changed. They are expected to make a new claim, verify their details and identity, and then wait for five weeks for their first payment.

41. The key difference is that people who move via managed migration are entitled to transitional protection if their UC award is lower than their legacy benefits. This will be paid as a "transitional element"—a top-up to each month's Universal Credit award. The Department has made a commitment that "no one on existing benefits whose circumstances remain unchanged and has entitlement to the same support will lose out in cash terms as a direct result of managed migration."[42] People can lose transitional protection if their circumstances later change.

41 HC Deb, Oral Answers to Questions: Work and Pensions, col 521, 27 January 2020
42 Letter from the Secretary of State to SSAC, 5 November 2018

Run-ons

42. The Department plans to mitigate the impact of the five week wait for a first payment of Universal Credit by offering "run ons" of some legacy benefit payments to people who move via managed migration. Claimants who are receiving Housing Benefit, income-related Jobseeker's Allowance, Employment and Support Allowance and Income Support will receive an additional payment of two weeks' worth of those benefits when they make a claim for Universal Credit. In response to our predecessor Committee's report on managed migration, the Department said that claimants would also receive a final payment of their legacy benefit.[43]

43. Run-ons will be paid to people who move to UC by both managed and natural migration. The Department previously estimated that run-ons will cost £750 million between 2018–19 and 2023–24.[44] DWP has previously estimated that around 42% of people moving from legacy benefits will move via managed migration.[45] Assuming that this proportion will remain roughly the same, run-ons for people moving via managed migration are likely to cost the Government around £315 million.

44. People claiming tax credits will not, however, receive a run-on payment. Our predecessor Committee recommended in 2018 that the Department should provide run-ons of tax credits to people moving to Universal Credit. In response, the Government explained that it had considered doing this, but decided not to do so because:

> By definition, these claimants are in work and will have other income to help support them while moving to Universal Credit. Child Tax Credits claimants who are in-work will similarly have their own income to support themselves through the transition, while those who are not working and do not have private means of supporting themselves will benefit from receiving a run-on of the income-related legacy benefits that they may be claiming. Claimants with children will also have continued access to Child Benefit, as well as access to up to 100% Universal Credit advances.[46]

45. We heard from witnesses who disagreed with the Government's assessment. The Trades Union Congress told us that most low paid workers "do not have savings to get them through this wait".[47] The Joseph Rowntree Foundation (JRF) echoed our predecessor Committee's call for run-ons to be extended to people moving from tax credits. Iain Porter, Policy and Partnerships Manager (social security) at the JRF, said:

> It is unjustifiable that there is not a similar run-on for Child Tax Credit. Families with children are more likely to be in poverty anyway. They are one of the groups likely to face bigger problems as they move on to Universal Credit and go through that transition.[48]

43 Govt response to managed migration report
44 National Audit Office, Universal Credit: getting to first payment, July 2020, p22
45 Letter to the previous Work and Pensions Committee from the former Secretary of State, 24 April 2019
46 Work and Pensions Committee, Eighteenth Special Report of Session 2017–19, Universal Credit: managed migration: Government Response to the Committee's Twentieth Report of Session 2017–19, HC 1901
47 Trades Union Congress [UCW0078]
48 Q24

46. Will Quince, the Minister for Welfare Delivery, told us that run-ons have not been extended to tax credits because “traditionally on legacy benefits people are used to a fortnightly payment cycle” and that “tax credits, for a very large number of people, are paid monthly”.[49] People on tax credits can choose to receive payments either once a week or once every four weeks.[50] HMRC does not publish data on payment frequency across the entire tax credit caseload, but analysis of the April 2020 Personal Tax Credits statistics shows that at least 55% of in work tax credit recipients receive their payment once a week rather than once every four weeks.[51]

More flexible payments

47. One of the challenges of moving from legacy benefits to Universal Credit is that, for most claimants, the frequency with which they receive their benefits will change. Many legacy benefits are paid weekly or fortnightly, while Universal Credit is paid monthly in arrears.

48. Not all Universal Credit claimants are paid monthly, however. In Scotland, the “Scottish Choices” option allows people to choose to receive their Universal Credit payments twice a month and for their landlord to receive the housing element directly. In Northern Ireland, the default is for people to receive twice-monthly payments and for rent payments to be made directly to landlords. In England and Wales, claimants can apply for “Alternative Payment Arrangements” in limited circumstances which, if successful, allow them to receive More Frequent Payments.

49. In Scotland, take up of twice-monthly payments has been low. We heard evidence, however, that this may be because of the way in which these more frequent payments have had to be implemented: they are offered only after the first payment of a Universal Credit award has been made. Jeremy Hewer, Policy Lead, the Scottish Federation of Housing told us that this approach meant that this option had not yet “achieved its full potential.” He explained:

> … the twice-monthly payments are only offered in the claimant’s journal after their first payment, so they have already, if you like, endured the first five-week wait before they get that money. It may not be that attractive. Particularly with the onset of managed migration, if that twice-weekly payment were asked for from the get-go, it would smooth the process for many claimants who would be among the most vulnerable.[52]

49 Q253
50 Gov.uk, When is your next Tax Credit payment, accessed 27 August 2020
51 HM Revenue & Customs, Personal tax credits: provisional statistics April 2020, accessed 14 September 2020
52 Q137

50. For most claimants, the Department argues that it cannot offer twice-monthly payments from day one of a claim because it does not know their entitlement until the end of the first monthly assessment period. For people moving via managed migration, whose circumstances have not changed, we believe that it would be possible for the Department to have assessed their entitlement while they are still claiming legacy benefits. It would therefore be possible for twice-monthly payments to be offered as an option from the beginning of a claim.

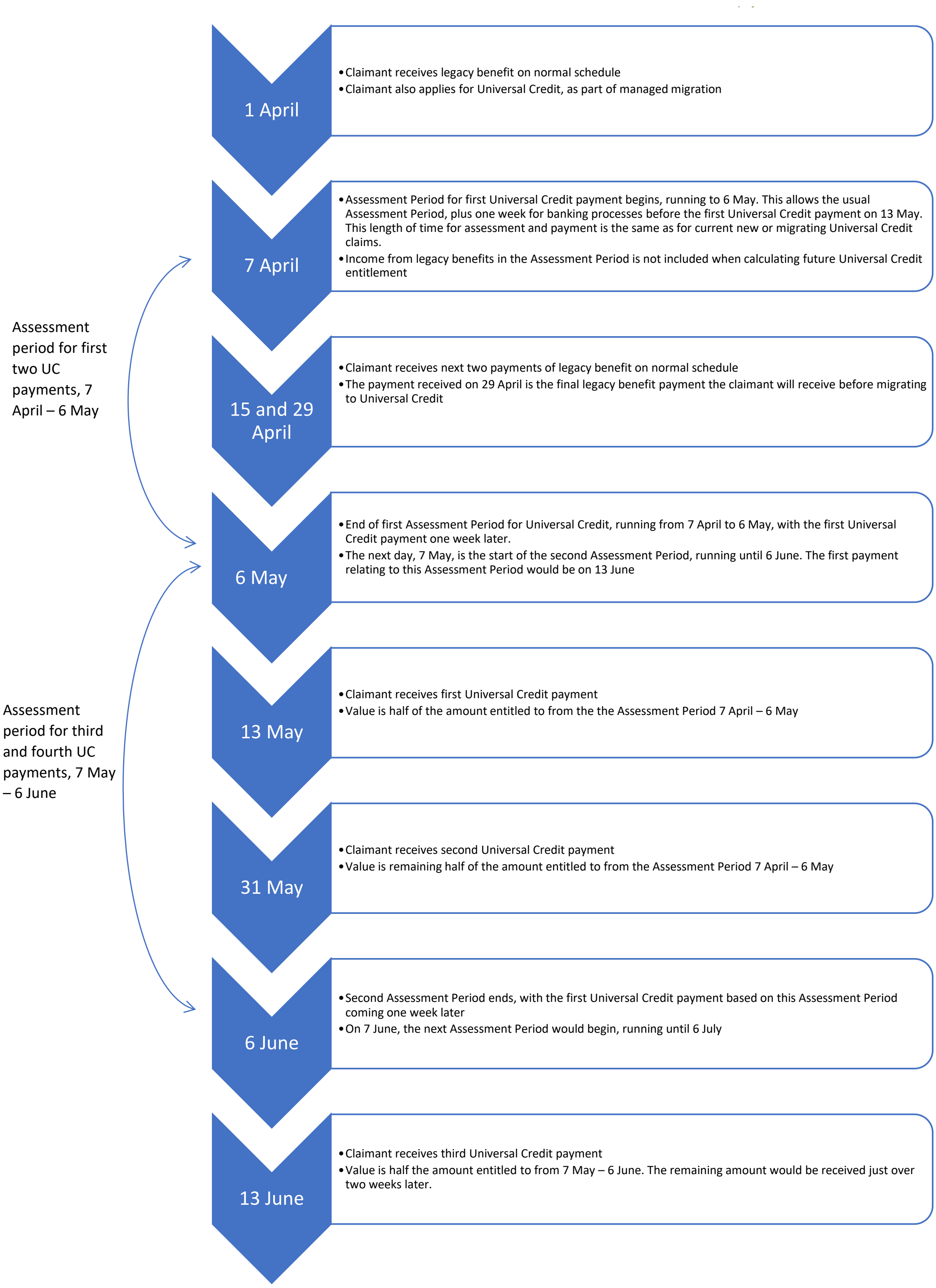
Our proposed solution

51. **People who are moving to Universal Credit through managed migration are doing so because of a decision by the Government. Nothing in their own circumstances has changed. Under the Government's plans, however, they would have to wait at least five weeks for their first payment of Universal Credit. We see no reason why their transition to a new benefits system should not be seamless.**

52. **At present, the Government plans to mitigate the impact of the five week wait on this group of claimants by offering two week run-on payments of some, but not all, of the legacy benefits they are currently receiving. That is a sticking plaster, which costs public money, leaves claimants with a gap between payments, and unnecessarily disrupts their budgeting schedules. The delays to the pilot of managed migration give DWP the opportunity to develop something better.**

53. ***We recommend that DWP should eliminate the five week wait for all claimants moving to Universal Credit through managed migration, including for claimants moving from tax credits. Those claimants should continue to receive their existing benefits during their first monthly assessment period. They should then be offered the option, from day one of their Universal Credit claim, of choosing fortnightly payments of their award. This would ensure a smooth and seamless move from legacy benefits to Universal Credit for people whose circumstances have not changed.***

54. To explain how we envisage that this might work in practice, we set out a worked example below. The diagram shows a simplified scenario in which the claimant was in receipt of only one fortnightly legacy benefit payment, applied for Universal Credit on the same day as they received their most recent legacy benefit payment, and opted for twice-monthly payments of their Universal Credit award. In practice, we recognise that claimants' circumstances may be more complex.


1 April
•Claimant receives legacy benefit on normal schedule
•Claimant also applies for Universal Credit, as part of managed migration
7 April
•Assessment Period for first Universal Credit payment begins, running to 6 May. This allows the usual Assessment Period, plus one week for banking processes before the first Universal Credit payment on 13 May. This length of time for assessment and payment is the same as for current new or migrating Universal Credit claims.
•Income from legacy benefits in the Assessment Period is not included when calculating future Universal Credit entitlement
Assessment period for first two UC payments, 7 April – 6 May
15 and 29 April
•Claimant receives next two payments of legacy benefit on normal schedule
•The payment received on 29 April is the final legacy benefit payment the claimant will receive before migrating to Universal Credit
6 May
•End of first Assessment Period for Universal Credit, running from 7 April to 6 May, with the first Universal Credit payment one week later.
•The next day, 7 May, is the start of the second Assessment Period, running until 6 June. The first payment relating to this Assessment Period would be on 13 June
Assessment period for third and fourth UC payments, 7 May – 6 June
13 May
•Claimant receives first Universal Credit payment
•Value is half of the amount entitled to from the the Assessment Period 7 April – 6 May
31 May
•Claimant receives second Universal Credit payment
•Value is remaining half of the amount entitled to from the Assessment Period 7 April – 6 May
6 June
•Second Assessment Period ends, with the first Universal Credit payment based on this Assessment Period coming one week later
•On 7 June, the next Assessment Period would begin, running until 6 July
13 June
•Claimant receives third Universal Credit payment
•Value is half the amount entitled to from 7 May – 6 June. The remaining amount would be received just over two weeks later.

55. Assessing the possible costs of this option is not straightforward. It depends on the complex interactions between schedules of legacy benefit payments and Universal Credit assessment periods, which will vary considerably for individual claimants. The same is true, however, of the Government's existing plans to pay both run-ons and final payments of legacy benefits to claimants when they move to Universal Credit, which it says could for some claimants mean that they receive as much as four weeks' worth of legacy benefits during the five week wait.

56. ***We recommend that DWP set out, in response to our report, a detailed analysis of how our recommended approach could work in practice. It should also assess how the costs of this approach would compare with the costs of its existing plans to pay run-ons and final payments of legacy benefits to claimants who move via managed migration.***

4 Starter payments in Universal Credit

57. Our inquiry's call for evidence invited views on the most effective ways of addressing the wait for a first payment in Universal Credit. We asked for views on a number of different options, including changing the monthly assessment period, extending run-on payments of legacy benefits and allowing more people to have the start of their claim backdated. Of the more than 90 written evidence submissions we received, some form of non-repayable initial payment to new claimants emerged as the most popular option.[53]

58. DWP has previously rejected calls to introduce non-repayable grants. In written evidence, the Department said that providing grants would "bring into question the fairness of the system and create a significant disparity of overall entitlement between claimants".[54] Will Quince had previously told us, during our inquiry into DWP's response to the coronavirus outbreak, that introducing non-repayable grants would not be possible for operational reasons.[55] More recently, the Minister reiterated that there are operational challenges involved in making changes to the system, explaining that:

> The question is: are you willing to sacrifice the wait that people would have to make? Are you willing to take the risk on fraud? Are you willing to completely fundamentally redesign the system and knock back other things like, for example, the extension to 24 months that is already in the UC pipeline? These are all factors that I have to consider in assessing what changes we make and what we explore.[56]

The case for non-repayable initial payments

59. The National Association of Welfare Rights Advisers (NAWRA), which represents people who advise benefit claimants, surveyed its members on the different options for addressing the wait ahead of its submission to our inquiry. Members who responded were asked to rate each option on a scale of 1–10, with 1 representing 'low effectiveness' and 10 'high effectiveness'. The option of non-repayable grants was rated as high effectiveness by members (in comparison, the current system of Advances was rated as low).[57] Emma Revie, Chief Executive of the Trussell Trust, said that offering grants would effectively remove the wait for a first payment entirely:

> Our preference at this point would be non-repayable grants, because it takes away the issue of the five-week wait entirely. At the very least, we would want to identify those people who are most vulnerable, particularly those

53 See Bright Blue (UCW0023), Centrepoint (UCW0021), Citizens Advice (UCW0060), Child Poverty Action Group (UCW0058), Community Trade Union (UCW0091), Disability Benefits Consortium (UCW0061), Dr Mandy Cheetham, Dr Suzanne Moffatt and Dr Sophie Wickham (UCW0014), Dr Rod Hick (UCW0071), Dr Ruth Cain (UCW0036), London Councils (UCW0054), NAWRA (UCW0039), North Tyneside Citizens Advice (UCW0012), Refugee Council (UCW0019), Salvation Army (UCW0079), StepChange (UCW0047), Trussell Trust (UCW0093), Universal Credit Action Network (UCW0009), Zacchaeus 2000 Trust (UCW0025) and others.

54 DWP (UCW0096)

55 Q77, Oral evidence on DWP's response to the coronavirus outbreak, 23 April 2020

56 Q277

57 NAWRA (UCW0039)

> most vulnerable to ending up being forced to use a foodbank. We would want to identify a way of getting a non-repayable grant to them to provide that support.[58]

60. Nicholas Timmins of the Institute for Government has proposed the option of giving all claimants a payment equivalent to two weeks' worth of their expected monthly award. He suggests that this should be available for first time claimants (that is, people who are not moving from legacy benefits), and people moving onto Universal Credit from tax credits, who are not entitled to run-on payments.[59] Bright Blue, a think tank, recommended that all new claimants be offered a one-off "helping hand" payment equal to 25% of their estimated Universal Credit award. It suggested that:

> This one-off 'helping hand' could alleviate the financial impact of the delay for the initial UC award, improve take-up of UC, generate goodwill when a claimant first accesses UC, and improve impressions of UC during this critical rollout period.[60]

61. The House of Lords Economic Affairs Committee recommended a similar approach in its recent report, *Universal Credit isn't working: proposals for reform*:

> The DWP should introduce a non-repayable, two-week initial grant to all claimants. For claimants moving from certain legacy benefits to Universal Credit, this grant could replace the existing system of run-ons. This would provide some security to claimants and would make repayments of advances more manageable. We were told that this would cost the DWP between £1 billion and £2 billion per year.[61]

Targeted grants

62. Our inquiry invited views on the option of offering targeted non-repayable grants for particular groups of claimants, based on need. The Joseph Rowntree Foundation (JRF) and the think tank Policy in Practice (PiP) have modelled a system where grants would be offered to new claimants who are facing one or more "serious issues" and are particularly in need of financial support. This assessment would be based on a household's responses to seven "pressure points" or "challenge factors":

a) The level of existing debts and savings that a household has;

b) The likelihood of the first payment being delayed;

c) The household's income after costs;

d) Whether the household will receive any run-on support;

e) The level of deductions from the household's Universal Credit award;

58 Q27
59 Nicholas Timmins, Universal Credit: getting it to work better, February 2020
60 Bright Blue, Helping Hand? Improving Universal Credit, March 2019, p16
61 House of Lords Economic Affairs Committee, Second Report of Session 2019–21, Universal Credit isn't working: proposals for reform, HL Paper 105, Para 73

f) For households moving from legacy benefits, whether their Universal Credit payments will be lower than what they received under legacy benefits;

g) Whether the household is 'work ready'. 44% of people on Universal Credit are not expected to look for work because of illness or caring responsibilities (pre-pandemic figures).[62]

PiP and JRF estimate that targeted grants of this kind could cost up to £2.7 billion over the course of the managed migration period.

63. We also considered the option of offering grants to specific categories of claimants. Some organisations suggested that grants should be made available for people with particular characteristics; for example, the Disability Benefits Consortium, a coalition of over 100 charities, says that non-repayable grants should be available for disabled people.[63] Our inquiry also sought views on whether grants should be targeted at people who are considered to be "vulnerable", but some organisations highlighted the drawbacks of this approach. The Helen Bamber Foundation, a charity that works with asylum seekers, refugees and torture survivors, said that there are "significant gaps" in the way vulnerable people are identified, and that some people may not feel comfortable disclosing possible vulnerability to DWP.[64]

Non-repayable initial payments: possible drawbacks

64. Some witnesses identified an increased risk of fraud as a possible drawback to introducing non-repayable grants for all claimants. Mike Brewer, Chief Economist at the Resolution Foundation, said the risk of fraud could arise from people claiming Universal Credit "when they are clearly not entitled to it by virtue of their income".[65] A person in this scenario could make a claim for Universal Credit, knowing that they do not qualify, and receive a grant, which they would not have to repay, before the Department has had a chance to assess their income. Neil Couling said that, while it would be possible in theory to design a system of grants, it could risk "creating a honey pot for foreign criminals".[66] The House of Lords Economic Affairs Committee suggested that the risk of fraud could be mitigated by administering the grant as an Advance to begin with:

> To reduce the risk of fraud, the DWP should initially administer the grant as an advance payment. The two-week payment should then be written off after two months once the DWP knows that the claim is genuine.[67]

65. Cost is another obvious challenge in introducing non-repayable grants. DWP estimates that the cost of converting Advances into grants to all claimants over the remaining implementation period (to 2024) would cost between £1.9 billion and £2.7 billion per year.[68] A system of targeted grants would clearly cost less, with the precise cost depending on the method of targeting. We are, however, concerned about the risks of introducing new administrative burdens to the Universal Credit process. Targeted grants,

62 Policy in Practice, Financial Resilience and the transition to Universal Credit, September 2019, p7
63 Disability Benefits Consortium (UCW0061)
64 Helen Bamber Foundation (UCW0032)
65 Q89
66 Q242
67 House of Lords Economic Affairs Committee, Second Report of Session 2019–21, Universal Credit isn't working: proposals for reform, HL Paper 105, Para 74
68 DWP (UCW0096)

while having the attraction of being potentially cheaper than a payment offered to all claimants, would be difficult to administer quickly and accurately. They would therefore carry a significant administrative cost: both in the changes needed to adapt the Universal Credit system, and the time spent by Work Coaches in making the necessary checks.

66. **The evidence we received was overwhelmingly in favour of some form of initial, non-repayable payment for new Universal Credit claimants. That would give new claimants the money they need for basic living essentials like food and heating, without requiring them to repay a debt to the Department from their future Universal Credit payments. We agree that new claimants should receive a form of "starter payment" when they first apply for Universal Credit. But we heard a wide range of proposals for how such payments should work and the level at which they should be set.**

67. **We have considered the various options carefully. In recommending a course of action, we have chosen an approach which offers simplicity: a simple amount of money, so it is clear to claimants what they can expect, and a simple process, which does not require the Department to carry out any additional means-testing or assessment of a household's needs. The benefits of simplicity seem to us to outweigh any possible cost savings offered by more targeted approaches. It would also address the Department's concerns that targeted grants could risk creating an unfair system with significant disparities of entitlement between claimants.**

68. ***We recommend that the Department pay all first time claimants of Universal Credit a "starter payment" equivalent to three weeks of the Standard Allowance of Universal Credit. This payment should be made two weeks after the initial claim, and only once the claimant's identity has been verified, to mitigate the risk of fraud. The starter payment should also be given to people who move to Universal Credit by "natural" migration, in cases where it is not possible for them to be moved seamlessly to Universal Credit.***

69. We recognise that this proposal will have a significant cost. We have made an initial assessment of what those costs might be, though this is subject to a great deal of uncertainty. The impact of the coronavirus pandemic means that past projections of the numbers of people expected to claim Universal Credit in future are likely to be significantly lower than the reality.

70. A three-week grant per person would be worth up to £287.18 in 2021/22 (based on the standard allowance for a single person over 25), and for a couple up to £416.20 (if at least one partner is over 25). For those under 25, the amounts would be lower. Our estimate also assumes that everyone moving through natural migration would receive a grant; in practice, we believe it should be possible for at least some of those claimants to move seamlessly to Universal Credit.

71. These costs would be offset, at least in part, by removing the need to pay run-ons of legacy benefits to people moving through natural migration, which is expected to cost £750 million between 2018–19 to 2023–24.[69] The Department has said that around 58% of people moving from legacy benefits will migrate naturally.[70] Not paying run-ons to this group could, on that basis, save the Department around £435 million.

69 National Audit Office, Universal Credit: getting to first payment, July 2020, p22

70 Letter to the previous Work and Pensions Committee from the former Secretary of State, 24 April 2019

Table 1: Estimated costs of Universal Credit starter payments

	2021/22	2022/23	2023/24	2024/25
Estimate of pure new claims[71]	2.7 million	1.9 million	1.7 million	1.5 million
Estimate of natural migration claims[72]	550,000	550,000	550,000	550,000
Max three week grant: single adult (80% of claims)[73]	£287.18	£292.64	£298.49	£304.46
Max three week grant: couple (20% of claims)[74]	£416.20	£424.11	£432.59	£441.24
Total amount: single adults	£747m	£574m	£537m	£499m
Total amount: couple	£271m	£208m	£195m	£181m
Total annual cost	**£1,018m**	**£782m**	**£732m**	**£680m**

72. There might be ways to reduce these costs further, by operating a form of targeting using the Department's existing systems. At present, the Government's guidance for claimants explains that they may be refused an Advance of their Universal Credit in certain circumstances, namely if they:

- have not had their identity checked at the Jobcentre;
- have enough money to last until their payment of Universal Credit;
- live with parents, relatives or friends;
- have any final earnings or redundancy payments;
- have any accessible savings.

73. If the Department were to apply the same criteria to starter payments, using the systems it currently operates, then the costs could reduce substantially. Before the pandemic, about 60% of claimants took an Advance. Since the pandemic, that figure has fallen to about 32%. It is not yet clear how this will change in the coming years. This approach could therefore reduce the cost of this proposal by between 40% and 68%.

71 "Pure new claims" is the term we have used for claimants who are moving to UC having not previously been in receipt of legacy benefits. It has been calculated from the estimate DWP provided to the previous Committee of UC claimants entirely new to the benefit system in 2019 (1.2m), at the time of the 2019 Spring Statement. The 2019 unemployment rates predicted in the 2019 Spring Statement (4.1%) were then used to calculate the ratio of new claimants expected at different levels of unemployment. This ratio was applied to the latest OBR forecasts for quarterly unemployment rates to reach the annual figures presented.

72 The number of people expected to migrate naturally over the managed migration period is 2.5 million, according to DWP. Assuming that 300,000 people migrate naturally over the remainder of 2020/21, this would mean, on average, around 550,000 migrate naturally over each of the later years. In practice, the number of people naturally migrating each year is likely to fluctuate.

73 DWP's data from May 2020 (the most recent) shows that 80% of claims were from single people, compared to 20% from couples. This proportion has remained broadly consistent across the past year.

74 The value of each grant has been adjusted in line with inflation each year. Levels of inflation are based on the OBR's inflation forecast in its Fiscal Sustainability Report.

We are, however, conscious that the level of verification required to check eligibility for making a payment may be quite different from that which is needed before paying a loan that the Department expects to recoup.

Special Rules for Terminal Illness

74. One particularly vulnerable group that came to our attention during the inquiry was people who live with terminal illness. If someone is living with a terminal illness, and their doctor or another medical professional has provided medical evidence, including a prognosis, which states that they are likely to live six months or less, their claim for certain benefits might be fast-tracked and paid at the highest rate. This is known as claiming under the Special Rules for Terminal Illness (SRTI). The special rules apply to Personal Independence Payment, Disability Living Allowance, Attendance Allowance, Employment and Support Allowance and to Universal Credit.

75. For Universal Credit claimants, the Special Rules mean they do not have to meet work-related requirements, such as attending work-focused interviews, to keep getting Universal Credit in full. The Department will also pay their Universal Credit at a higher rate, as a "work capability amount" is included in the award. However, they must still wait a minimum five weeks for their first payment. Terminally ill people who are expected to live longer than six months must apply under the normal rules and attend work-focused interviews with a work coach.

76. Marie Curie, a charity that supports terminally ill people, told us that exclusion from the fast-track access for Universal Credit claimants can exacerbate already difficult financial circumstances for terminally ill people. It said that, through income loss or the added out-of-pocket costs created by illness, families living with terminal illness can pay between £12,000 and £16,000 per year to cover additional costs.[75] In evidence, Marie Curie referred to a 2007 study which found that, for more than two-thirds of families facing terminal illness, delays to benefits had resulted in financial strain. The problem is further compounded when other schemes and benefits rely on receipt of Universal Credit. Marie Curie said that the five-week wait delays people's eligibility for Carer's Allowance, for non-financial schemes, such as Blue Badge and Motability, and for increased rates of means-tested benefits, such as Housing Benefit, Council Tax reduction or tax credits.[76]

77. Marie Curie told us that Advances are not a practical solution for terminally ill people. It said that they represent another bureaucratic hurdle for people to face and "exactly the kind of process that the Special Rules are intended to avoid for people for whom every moment matters". It told us that "such delays and processes take up time that many terminally ill people simply do not have".[77]

78. Our Chair asked the Minister for Welfare Delivery how much it would cost the Department to give people with a terminal illness a non-repayable advance. The Minister said that the Department would not pay advances automatically "because not everyone needs them". He explained that "some new claimants do require that upfront support, whereas others have been recently paid or are due to receive wages". The Minister said that the Department's review of how the benefits system treats terminally ill people,

75 Marie Curie (UCW0059)
76 Marie Curie (UCW0059)
77 Ibid

launched in July 2019, "remains a priority for the Department". He said DWP has made "good progress" and he expects to be able to "provide an update on the outcome of the evaluation shortly".[78]

79. **Terminally ill people already face thousands of pounds of additional costs because of their illness, and the money provided by Universal Credit counts more than ever. We welcome the fact that the Department has been reviewing how the Special Rules are working, but that review has now lasted for more than a year. We urge the Government to publish its review without further delay, no later than 30 November 2020.**

80. **The starter payments we have recommended would also be available to people making claims under the Special Rules for Terminal Illness.** ***We recommend that the Department consider what further support it could offer to people making claims for Universal Credit under the Special Rules for Terminal Illness. That might include paying the starter payment more quickly on receipt of a DS1500 form; offering a larger starter payment to people making claims under the Special Rules; or proactively offering backdating (beyond the current limit of a month) of claims to people diagnosed with a terminal illness who have, understandably, not made a claim immediately on becoming eligible.***

78 Letter from the Minister for Welfare Delivery dated 27 August 2020

5 Advance payments

81. People making a claim for Universal Credit have the option of requesting an Advance of their expected monthly award, which must be repaid over a period of up to 12 months, with monthly deductions capped at 30% of the standard allowance. From October 2021, the repayment period will be extended to 24 months, and the deduction cap reduced to 25%. DWP estimates that around 70% of people who receive an Advance take out the maximum entitlement—that is, an amount equivalent to all of their expected award.[79] Will Quince, the Minister for Welfare Delivery, told us that the option of taking out an Advance means that no one needs to wait five weeks for their first payment:

> Where we do have a fundamental difference of opinion with a number of stakeholders is that we do not accept that anybody has to wait five weeks for a payment under Universal Credit. That is because an advance of up to 100% of someone's indicative award is available and that is interest free, repayable over 12 months.[80]

82. The recommendations we have made for new "starter payments" of Universal Credit would mean that far fewer claimants would need to take out an Advance. This chapter examines the evidence we have heard about how Advances have been working in practice, and recommends how they could work in combination with starter payments.

Who takes out an Advance?

83. Before March 2020 around 60% of new claimants took out an Advance.[81] Since the coronavirus outbreak, the proportion has fallen to around 32%. Organisations have told us that this is likely to be because a larger proportion of the new cohort has recently left work, meaning that they are more likely to have savings to fall back on.[82] In its July 2020 report, *Universal Credit: getting to first payment*, the National Audit Office (NAO) found that disabled people or people with health conditions and low income households are more likely to request an Advance: 80% of low income households and 67% of people with a disability or health condition had at least one deduction from their first payment.[83]

84. Not everyone takes out an Advance. DWP may refuse a request for an Advance in certain situations—for example, where the claimant has savings they can fall back on or are living with friends or relatives who can support them.[84] On the other hand, some people may choose not to ask for one. Bright Blue, a think tank, interviewed claimants for its report, *Helping Hand? Improving Universal Credit*, published in March 2019, and found that the most common reason why people did not take out an Advance was nervousness about falling into debt, rather than a lack of need.[85]

79 PQ 24333 , 2017–19 Session
80 Q208
81 Letter from the Permanent Secretary to the Chair, dated 3 April 2020
82 DWP, DWP Management Information, last updated 30 June 2020. This figure reflects the proportion of new UC claimants from 16 March to 23 June who received an Advance (the total number of new claims during this period stands at 3.2 million)
83 National Audit Office, Universal Credit: getting to first payment, July 2020, p9
84 DWP, Universal Credit Advances, last updated 1 April 2020
85 Bright Blue, Helping Hand? Improving Universal Credit, March 2019, p62

Are Advances helping claimants?

85. We heard evidence that Advances, in their current form, help to address some of the problems that people face during the wait for their first payment, especially people who do not have any other source of income. Will Quince, the Minister for Welfare Delivery, told us that, through the Advances system, the Department can get money to people "very quickly, often within 24 hours where they need it".[86] In the November 2017 Budget, the Government announced welcome improvements that the repayment period for Advances would be extended from six months to a year, and that claimants could request an Advance equivalent to 100% of their estimated award (it was previously capped at 50%). Citizens Advice found that, following the introduction of these changes, the proportion of people it helped who had to go without essentials such as food and heating during the wait fell from 60% to 46%, and that the proportion of people who fell behind on bills fell from 58% to 48%.[87]

86. Despite this, Child Poverty Action Group (CPAG), an anti-poverty charity, said that some households—particularly families including one or more disabled people—are unable to take out an Advance that covers their day-to-day needs. CPAG says that this is because Advances must be repaid over a period of 12 months, with monthly deductions capped at 30% of the standard allowance, meaning that the amount people can take out as an Advance is effectively capped at just over £2100.[88] It argues that families with high housing costs where a member of the household is disabled could easily have costs higher than the maximum amount.[89] A member of the public who responded to our call for evidence said that they were left without enough money to cover the waiting period, even after they had taken out an Advance:

> I was given an advance payment of 600 pounds. By the time the rent was paid etc. I had no money left for 4 weeks.[90]

The impact of Advance repayments

87. Many organisations that we heard from were clear, however, that Advance repayments can create additional hardship further down the line. StepChange, a charity that supports people with problem debt, quoted the experiences of people it supports who had faced hardship because of Advance repayments. These people said:

> "Repaying the money back each month left me in great financial difficulty, I've had to attend food banks and felt very low as I had to cut back on things for my son."

> "[It] caused my depression to get worse which affected my children. I fell behind on my bills and now have debts being pursued by debt collectors which is causing more stress and anxiety."

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86 Q208

87 Citizens Advice (UCW0060)

88 The maximum rate of the standard allowance in Universal Credit is £594.04 (for a couple where both people are over 25). See DWP, Universal Credit: what you'll get, accessed 1 September 2020.

89 CPAG (UCW0058)

90 Name withheld (UCW0005)

> "They [DWP] are deducting about £65 from my monthly benefit to pay back the advance which is leaving me even more short of money. I asked them if they could reduce the monthly repayment amount so that I pay it back over a longer period, but they said they were unable to do that."[91]

88. StepChange also found that people on Universal Credit are more likely to be in problem debt than people on legacy benefits or the general population (25%, compared with 11% and 8%, respectively). 54% of Universal Credit claimants surveyed by StepChange also had at least one deduction to their award in place, compared to 36% of people on legacy benefits.[92] The Trussell Trust found that being in debt to the DWP was a common problem amongst people referred to food banks. Some 40% of people referred said that their benefit income was subject to deductions; of this group, 80% said that their deduction was repayment of an Advance or other DWP loan.[93] In answer to a written parliamentary question, the Department revealed that in May 2020—at the height of the lockdown—more than 1.6 million claimants (40% of all UC claims) had deductions from their Universal Credit. The average deduction was £60, and the proportion of the deduction relating to advance payments averaged 86% across all parliamentary constituencies.[94]

Advance repayments and other debts

89. Advance repayments do not exist in a vacuum. Many people on Universal Credit face other deductions to their monthly payment; the Trussell Trust found that, as of May 2019, 440,000 (52%) of people repaying an Advance were also repaying other government debts.[95] The think tank Bright Blue found that a "significant minority" of claimants it interviewed for its *Helping Hand?* report were in debt before claiming Universal Credit.[96]

90. Although Advance repayment deductions are capped at 30% of the standard allowance per month, not all deductions are subject to a cap. These include Last Resort deductions (such as for rent or fuel arrears to prevent claimants from being evicted or having their fuel disconnected) and benefit sanctions. This effectively means that some claimants are facing monthly deductions that exceed 30% of the standard allowance. Nicholas Timmins, a senior fellow at the Institute for Government, estimates that almost 20% of claimants are in this position.[97] Christians Against Poverty, a charity specialising in debt counselling, shared a case study of a claimant who, after facing multiple deductions to his award, was left with less than £14 per week to spend on basic costs:

> He had deductions from his Universal Credit Standard Allowance for rent arrears and an Advance payment, with a budgeting loan stacked for repayment next. He also had gas, electricity and Council Tax arrears and eight other debts totalling over £4,000 to pay. […] As a result of the deductions, he could only afford to spend £13.77 a week on food and little else, aside from basic household bills.[98]

91 StepChange (UCW0047)
92 StepChange, Problem debt and the social security system, January 2020, p7
93 The Trussell Trust, State of Hunger: A study of poverty and food insecurity in the UK, November 2019, p70
94 PQ 883 1, answered on 17 September 2020
95 The Trussell Trust (UCW0093)
96 Bright Blue, Helping Hand? Improving Universal Credit, March 2019, p61
97 Nicholas Timmins, Universal Credit: getting it to work better, February 2020, p13
98 Christians Against Poverty (UCW0075)

The changes announced in the Budget

91. In the March 2020 Budget, the Chancellor announced two significant changes to the system of Advance repayments: firstly, that the repayment period would be extended from 12 to 24 months (instead of 16 months as originally planned); and that the monthly cap on deductions would be reduced to 25% of the standard allowance. These changes are scheduled to come into force in October 2021. DWP estimates that 1.3 million people will benefit from the extension to the repayment period.[99]

92. While this announcement was broadly welcomed, some of the organisations we heard from questioned why these changes could not be introduced sooner. The Riverside Group, a housing association, recommended that DWP should bring them forward by six months, to April 2021.[100] When he appeared before the Committee on 15 July, the Minister for Welfare Delivery told us that, although he would like to introduce these changes sooner, he could not promise that this could be delivered:

> I would love to be able to deliver the doubling of the time to repay advances ahead of October next year. I would desperately like to do so, but I cannot promise to do so because we do not have the time available, especially because of Covid-19, in the build programme within UC.[101]

93. We wrote to the Minister after the session to ask for more detail about the build programme. In his response, the Minister said that, when considering the schedule of changes to Universal Credit, the Department must consider the overall stability of the service, and that it cannot bring changes forward if there are other priorities that it is committed to delivering.[102] Joshua Reddaway, Director for Work and Pensions, Value for Money, at the NAO, said that the speed at which changes can be introduced depends not just on the availability of staff to implement them, but on the "capacity of the system to absorb change".[103] The NAO expanded on how the Department makes changes to the Universal Credit system in its report, *Universal Credit: getting to first payment*:

> There is a limit to how many changes the Department can make to the Universal Credit system at any one time without overloading its digital development capacity and front-line teams. To prioritise planned changes, the Department gathers feedback from its staff, external stakeholders and claimants. It then considers the impact of any changes to Universal Credit systems and processes on the timeliness of payment, fraud and error, and cost-efficiency.[104]

Support for people who are struggling with repayments

94. In its written evidence to our inquiry, DWP says that it takes a "holistic approach" to supporting people on Universal Credit, including through signposting people to other support services where required.[105] The evidence we heard, however, presents a mixed

99 Letter from the Minister for Welfare Delivery dated 27 August 2020
100 The Riverside Group (UCW0063)
101 Q254
102 Letter from the Minister for Welfare Delivery dated 27 August 2020
103 Q309
104 National Audit Office, Universal Credit: getting to first payment, July 2020, p10
105 DWP (UCW0096)

picture of the quality of support on offer for people who are struggling with repayments. StepChange said that many people are not aware of the available support: 42% of people who were surveyed for their report, *Problem debt and the social security system*, said they did not know that they could discuss repayments with a DWP official.[106] Peter Tutton of StepChange told us that, while some claimants have been able to negotiate lower repayments through DWP, this is not the case for everyone:

> Some of our clients will contact DWP and will be able to negotiate lower repayments and deductions, but very often not. There is some help there. It is not that there is none, but it is not necessarily effective and it is not always applied. […] The key point here is all the bits of help that have been talked about today tend to be discretionary. People have to ask for them. If they do ask for them, they do not get them. If we start from the principle that people coming on to Universal Credit are going to be highly financially vulnerable, in debt or at risk of falling into debt, then what you would do is you would set your system up to work with that, rather than work against it. The help would be available. People would not have to ask for it.[107]

95. People who are struggling to repay their Advance can have repayments deferred for three months in exceptional circumstances "that were not foreseen when the Advance was first taken out"; the Department's guidance for work coaches gives the example of a child being taken into hospital.[108] The decision to grant someone a deferral is at the discretion of their work coach. The Trussell Trust, however, said that although Work Coaches can suspend repayment of Advances for three months, this "appears not to be widely used or communicated to claimants as an option".[109] In response to a Parliamentary Question in June 2019 on the number of people who have applied for a deferral, DWP said that the information requested "is not centrally collated and could only be supplied at a disproportionate cost to the Department".[110]

The Breathing Space scheme

96. In February 2020 the Government announced its intention to introduce a new scheme, Breathing Space, in 2021. The scheme is designed to support people with problem debt by granting them a 60-day 'breathing space' period, during which they will not face enforcement action from creditors or interest on their loans. People facing problem debt can also access professional debt advice during this period.[111]

97. The Government has confirmed that public sector debts, including Advances and third-party deductions from Universal Credit, will be covered by the scheme. However, because of IT constraints, they will be included on a "phased basis" from introduction.[112] In its recent report, *Collecting Dust*, the Centre for Social Justice recommended that Universal Credit-related debts should be included in the scheme from the outset.[113]

106 StepChange, Problem debt and the social security system, January 2020, p7
107 Q39
108 Letter from the Minister for Welfare Delivery, dated 27 August 2020
109 The Trussell Trust (UCW0093)
110 PQ 2636 5, Session 2017–19
111 HM Treasury, Breathing Space to help millions in debt, 6 February 2020
112 HM Treasury, Breathing space scheme: response to policy proposal, June 2019, p12
113 Centre for Social Justice, Collecting Dust: a path forward for government debt collection, April 2020, p65

Learning from the private sector

98. The Department says that Advance payments are not loans. Minister Will Quince explained this when giving evidence on 15 July:

> It is, in effect, an advance of your first indicative award, and it is up to 100% of your indicative award, and it is interest free. It is quite clearly an advance and, therefore, not a loan.[114]

We find the Department's reasoning on this difficult to follow, and in the course of our inquiry we have reflected on the terminology used to describe Advances. We have also considered whether the Department could usefully learn from good practice in the private sector.

99. DWP's latest financial statements show that it is owed £992m in Advances. Advances, unlike loans in the consumer credit sector, are not regulated by the Financial Conduct Authority (FCA). Under the FCA's regulatory framework, lenders in the consumer credit sector should carry out an affordability assessment—consideration of whether the borrower will be able to afford repayments without this having a significant adverse impact on their financial situation—before lending money, so that people do not take on debts that they cannot repay. We asked DWP whether it would be feasible to conduct a similar assessment before allowing people to take out an Advance. Neil Couling told us that this would involve sacrificing the ability to get money to people quickly:

> I get where you are coming from, wanting to protect claimants. We will make them very aware that they are going to have to pay this money back, but we are trading speed and immediate response to destitution threats against how long such a process you are talking about is going to take to see through.[115]

100. Charities including StepChange, the Trussell Trust and the Joseph Rowntree Foundation have argued that DWP should adhere more closely to accepted private sector standards on lending. StepChange recommends that DWP should comply with three principles, in line with the FCA's regulatory framework:

a) accepting industry-standard affordability assessments, adjusting and deferring repayments where appropriate;

b) introducing a single 'one stop shop' point of contact for those affected by deductions; and

c) improving communications by providing sufficient notice and clear information about deductions, and signposting to free debt advice.[116]

101. Some organisations have called for DWP to take a more flexible approach to Advance repayments. Iain Porter of the Joseph Rowntree Foundation told us that DWP should take a "more individualised" instead of a "one size fits all" approach.[117] Advances are currently repaid at a set rate per month. It is this lack of flexibility, StepChange argues, that can

114 Q272
115 Q274
116 StepChange (UCW0047)
117 Q19

push people into financial difficulty rather than the level of deductions itself. In a joint briefing with the Trussell Trust, *Hardship now or hardship later?*, published in 2019, both organisations said:

> In the private sector, it's best practice for consumer credit firms and debt collectors to complete an income assessment of the person and then set repayments at a level that won't push people into hardship. But that is not how Advance Payments work–deduction levels are set at fixed levels by the DWP and these can be hard to challenge, even if you fall into financial hardship while repaying.[118]

102. The National Audit Office has reported on significant levels of fraud in Universal Credit Advance payments. By December 2019, DWP had detected up to £147m in fraudulent Advance claims, and the NAO identified more claims, suggesting that up to £74m of fraudulent Advances on top of this figure may have been paid between October 2018 and December 2019.

Advances and the housing element

103. People whose Universal Credit award covers their housing costs can request an Alternative Payment Arrangement (APA) where the housing element of their payment is paid directly to their landlord. In contrast, for Advance payments which include the housing element, the whole sum is paid directly to the claimant. We heard that this can lead to an increase in rent arrears, as some claimants use their Advance to cover other essential living expenses, leaving them without enough to cover their housing costs.[119] The Trussell Trust shared a case study of someone in this situation who had been evicted as a result:

> Susie took an Advance Payment, but this did not stop her accruing arrears. She found that she could not make ends meet, as there was not enough to pay her rent, bills and Advance Payment repayments. Susie was evicted and she ended up living in her car for two weeks, before moving in with a relative.[120]

104. Hugh Owen of the Riverside Group, a housing association, said that this could be addressed by paying the housing element of the Advance directly to the landlord.[121] We wrote to the Minister asking whether this approach would be feasible. In his response, the Minister said that allowing part of the Advance to be paid directly to landlords "would inevitably make the process more complex and therefore cause delays". He said that the Department instead opts to make Advances readily available as soon as possible.[122]

A new approach to Advances: new claim loans

105. **Advance payments can provide a valuable lifeline to people who might otherwise face going five weeks—or longer—without any income. The changes that DWP has**

118 StepChange and the Trussell Trust, Hardship now or hardship later? Universal Credit, debt and the five week wait, June 2019, p7
119 The Riverside Group (UCW0063)
120 Trussell Trust (UCW0093)
121 Q141
122 Letter from the Minister for Welfare Delivery dated 27 August 2020

introduced so far, especially allowing people to request Advances equivalent to their entire expected award and extending the repayment period, are welcome. However, there is clear evidence that Advance repayment deductions still leave some people without enough to live on. This leaves claimants facing a difficult choice: five weeks with no income, or the risk of debt and hardship later.

106. **Even with starter payments of the kind we have recommended, we anticipate that some claimants would still need to ask for an Advance to cover their immediate costs. But some claimants might no longer need to ask for an Advance, and others would ask for a much smaller Advance than they currently receive. A request for a substantial Advance in these circumstances would be a clear indication that someone is struggling with the transition to Universal Credit. The Department should use this as an opportunity to support these claimants at the earliest possible stage.**

107. **The Department continues to claim that Advances are not loans, but we find that argument impossible to accept. Advances must be repaid at a set rate, over a set period. The Department risks misleading claimants, and damaging its own credibility, if it insists on denying the obvious fact that Advances are interest free loans. Unlike firms in the consumer credit sector, where the FCA's guidance stipulates that repayment rates should be set at levels that are affordable, there is no equivalent body that regulates public sector lending. While Advances can be a vital source of income for new claimants waiting for a first payment, we are concerned that some people find that they are unable to afford repayments later on.**

108. ***We recommend that Advances should be renamed "new claim loans", so that it is clear to claimants that they will need to be repaid. Before a new claim loan is granted in full, the Department should provide personalised budgeting support—when possible, with a face-to-face option—with a full assessment of the claimant's financial situation and the impact that future repayments of the loan will have on their household finances. We recognise that, for people in acute financial crisis, it may be necessary for the Department to pay part of the loan before this support can be offered.***

109. **For this group of claimants, the burden of future repayments of Advances is likely to be particularly difficult to bear. Given that benefits broadly provide people with a subsistence level of income, any system that reduces that monthly income, including through repaying an advance, is very likely to cause people difficulty. The Department already plans to extend the repayment period for Advances from 12 to 24 months, and to reduce the cap on deductions from an award of Universal Credit to 25% of the Universal Credit Standard Allowance. But even a 25% cap leaves claimants receiving substantially less than a subsistence level of income. And these changes will not happen until October 2021—some three years after they were first announced. The Minister says that he would love to be able to do this sooner, but cannot because of constraints in the Universal Credit build programme: : a clear case of "computer says no".**

110. ***The Department should strive to bring in the extension to the repayment period and lowering of the deduction cap sooner than planned, no later than April 2021—recognising the likely increase in the numbers of claimants over this winter. We also recommend that the deduction cap should be reduced further, to 10%, in recognition of the fact that deductions are taken from an income already set at subsistence levels. If***

this acceleration involves deprioritising other planned changes or developments in the build programme, the Department should set out what these are and provide a revised timescale for their introduction.

111. **DWP has capped the deductions that claimants can face from their Universal Credit award at 30%, and yet in some circumstances, such as where a claimant has rent or fuel arrears, or benefit sanctions, DWP can deduct more than this amount. Nick Timmins has estimated that almost one in five of claimants see over 30% of their Universal Credit award deducted to pay off debts. *DWP should ensure that claimants never face deductions in excess of the usual cap, and should use the data that it has on "last resort" deductions to help claimants tackle their debt problems without reducing their Universal Credit award further.***

112. **The Department says that claimants who are struggling can already defer repayments of their Advance for three months. But the evidence we have heard from charities who work with claimants is that this option is not effectively communicated. Without reliable data on how often it is used, it is impossible to know how well this measure is working in practice. *The Department should collect and publish data on how many people have requested a deferral of their Advance repayments, and how many of these requests were granted. It should also ensure that work coaches are proactively informing claimants of this option both at the time of their claim and during the repayment period. This should form part of the personal budgeting support we have recommended.***

113. **We welcome the announcement of the Breathing Space scheme, which is scheduled to be introduced next year, and the Government's confirmation that Advances in Universal Credit will be covered by the scheme. We find it disappointing, however, that debts in Universal Credit will be "phased in" over time rather than introduced straight away. *We recommend that DWP works with HM Treasury to address any technical barriers in order to ensure that Advances are included in the scheme from its launch, so that Universal Credit claimants can benefit from the support it offers straight away.***

114. **Some people in financial distress during the wait for their first payment can face a difficult choice between using their Advance to pay their housing costs, or to cover other essential costs, such as food or heating. No one should find themselves in arrears—or facing eviction—during this time. *We recommend that anyone claiming an Advance should be given the option, at the outset, of having the housing element of the Advance paid directly to their landlord. This would ensure that claimants' housing costs are covered during the wait for their first payment, and that they will not face the risk of falling into arrears or eviction as a result.***

115. ***We recommend that vulnerable claimants or claimants with specific needs are prioritised for having the housing element of their Advance paid directly to their landlord. This could include people with learning disabilities, people with mental illness, people who have previously been homeless, or people with drug or alcohol addiction.***

6 Increased financial support

Universal Credit standard allowance and Local Housing Allowance increases

116. In response to the coronavirus pandemic, the Government has increased the standard allowance of Universal Credit by £20 per week for a one-year period which expires in April 2021. It has also increased Local Housing Allowance (LHA) rates, which are used to determine how much Universal Credit or Housing Benefit somebody can get if they rent from a private landlord.[123]

117. LHA rates, used to help calculate Universal Credit entitlement, reflect the market rents in the area a claimant lives in and the number of bedrooms needed by a household. The rates have been increased to the 30th percentile, meaning that the cost of the bottom 30% of suitably sized properties in each local rental market will be covered by the LHA. LHA rates were last benchmarked against the 30th percentile in 2011–12.[124] The House of Commons Library calculated that that before the increase, LHA rates were on average 9.6% below the local rental cost needed to meet the 30th percentile.[125]

118. Shelter, a housing and homelessness charity, said that the number of cuts and freezes applied to LHA rates since 2011 means that, prior to the increase in response to coronavirus, the rates of LHA trailed far behind the true cost of renting across the country. In written evidence to the Committee, Shelter said that LHA rates had fallen so far below rents across England that in a third of areas they did not cover the cheapest 10% of the rental market for a two-bedroom home, and that families found it "incredibly difficult" to find suitable accommodation without having to take on a shortfall.[126] Shelter recommends that, beyond the current pandemic, "there needs to be a robust mechanism to keep LHA rates in line with at least the 30th percentile of local rents, regardless of fluctuations in private rents".[127]

119. In addition to these changes, the Government uprated benefits by 1.7% in April 2020, including the Universal Credit standard allowance, to account for the impact of inflation. The 1.7% uprating was the first such increase since the beginning of the benefits freeze which was announced in the 2015 Budget. In the three years before the benefit freeze, inflation-related increases to benefits were limited to 1%.[128] The House of Commons Library has calculated that, had benefits increased in line with inflation throughout the benefit freeze and the limited uprating before it, then Universal Credit standard allowance rates would be 9% higher than they are following the April 2020 1.7% increase, when measures taken in response to the pandemic are excluded.[129] The Library also found, however, that the temporary £20 a week rise in Universal Credit standard allowances in

123 Made SIs: The Social Security (Coronavirus) (Further Measures) Regulations 2020, (SI 2020/371).

124 Coronavirus: Support for household finances, Standard Note SN08893, House of Commons Library, 22 June 2020, p 30

125 Benefits Uprating 2020, Standard Note SN08806, House of Commons Library, 2 April 2020, p 11

126 Shelter [UCW0070]

127 Ibid

128 Benefits Uprating 2020, Standard Note SN08806, House of Commons Library, 2 April 2020, p 8

129 Ibid.

response to the pandemic means that, for the period from April 2020 to April 2021 only, the amounts people receive in Universal Credit payments are in excess of what they would have been with inflation-based increases during the period of limited or frozen uprating.[130]

120. Patrick Spencer of the Centre for Social Justice (CSJ), a think-tank founded and chaired by Sir Iain Duncan Smith that was involved in the design of Universal Credit, suggested to us that DWP could focus on increasing the standard allowance and maintaining the new LHA rates, and that this might be a good way to tackle the problem debt that some Universal Credit claimants face:

> A good use of that money would be increasing the general generosity of the standard allowance. If you increase the overall entitlement, make sure that housing entitlements are actually at the 30th percentile of rents in a market, if you reduce the risk that debt just corrodes your housing entitlement, you begin to tackle the problem.[131]

121. The Joseph Rowntree Foundation has called for the £20 per week uplift to Universal Credit to be made permanent. Modelling by the Foundation has found that withdrawing the uplift "will risk sweeping 700,000 more people, including 300,000 more children, into poverty". It also says that "around 16 million people live in families that will face an overnight loss in April 2021 equivalent to £1,040 per year", and that "Losses will be heavily felt by lower-income families, with almost 60% of people losing out being in the bottom three income deciles".[132]

122. **DWP was right to increase the standard allowance for Universal Credit and support for housing costs as part of its response to the pandemic. Benefit rates, and in particular support for housing costs, had become detached from the actual cost of living—in particular from the cost of private rents—and people were struggling to find a home for their family and to meet the costs of basic essentials.** ***The Department should commit to maintaining the increases in support that have been provided during the pandemic. This should include keeping Local Housing Allowance at the 30th percentile and conducting an annual review of rates to ensure they remain appropriate for each area. It should maintain the £20 a week increase in standard allowance for Universal Credit and Working Tax Credit, with annual inflation-based increases thereafter.***

130 Coronavirus: Support for household finances, Standard Note SN08893, House of Commons Library, 22 June 2020, p 30

131 Q87

132 Joseph Rowntree Foundation, Briefing: Autumn Budget - why we must keep the £20 social security lifeline, September 2020, p 2

7 Support for claimants

123. DWP comes into contact with millions of claimants, including some of the most vulnerable people in society. The Department recognises this, and the fact that vulnerable people without strong family or community networks need extra support.[133] In written evidence, the Department said that it takes a "holistic approach" to supporting people on Universal Credit. It also provides support through Help to Claim, a service delivered through Citizens Advice, that was introduced in April 2019. During its first three months Help to Claim supported over 100,000 people, with 9 out of 10 people saying that they had a good or very good experience of the service.[134]

Universal Support

124. Universal Support was launched in 2013 and was designed to run alongside Universal Credit as a system of support networks for claimants. Sir Iain Duncan Smith MP, who was Secretary of State for Work and Pensions at the time of its introduction, explained how Universal Support had been envisaged:

> The key point about Universal Credit is it was not just a payment mechanism. It was always designed to identify those who would be most in need and would have those struggles. That is why Universal Support was designed to wrap around it, so that for those who have problems with debt and issues concerning the management of their money, for example, you would intervene directly with them to make sure that the money was available for them and also, more than that, that you would work both with local government and with local organisations like Citizens Advice to ensure that they went on to programmes to help them with their debt.[135]

125. Baroness Stroud, a former special adviser at DWP, told us that Universal Support was designed to complement and go "hand in hand" with Universal Credit.[136] However, this vision was never fully realised, and in March 2019 it was superseded by a new service—Help to Claim—which is delivered through Citizens Advice.

Universal Support: the reality

126. Our predecessor Committee held an inquiry into Universal Support, culminating in a report that was published in October 2018, shortly after the announcement of Help to Claim. The Committee said that the Government "must ensure that it is funding the right support, at the right time" and welcomed DWP's "commitment to reviewing and improving Universal Support". It concluded, however, that the Government's initial vision for Universal Support had not translated into reality:

> The gap between the Department's original vision for Universal Support, and the meagre offer it now funds, is vast. The Department envisaged providing ongoing help to Universal Credit's most vulnerable claimants, ensuring they can make the most of the new benefit. In reality it offers a

133 Oral evidence taken on 22 July 2020, HC (559), Q1
134 Citizens Advice, Help to Claim: the story so far, 31 October 2019
135 Q146
136 Q153

> single session of Personal Budgeting and Digital Support, restricted to the first three months of a claim. The current service is almost solely focused on getting new claims up and running. The new contract with Citizens Advice will not substantially diverge from this approach.[137]

Help to Claim

127. In its response to our predecessor Committee's report, the Government acknowledged the concerns about Universal Support, and said that this was why it had commissioned a new service—now Help to Claim—to be delivered through Citizens Advice.[138] Citizens Advice says that Help to Claim can support people "in the early stages of [their] Universal Credit claim".[139] Its focus, however, is on supporting people with their initial application rather than providing support throughout a claim. Baroness Stroud told us that Help to Claim "exists to help people gather evidence for their application and to help them prepare for their first Jobcentre appointment", and that the service it provides is not comparable to what was planned for Universal Support.[140]

128. The National Audit Office found that people with limited proficiency in English can struggle to complete their claim form, saying that people in this group may make incorrect declarations, submit the wrong evidence or not take required actions promptly because they do not understand what is expected of them. The NAO has said that inefficiencies in the Habitual Residency Test (HRT) also led to delays.[141] Joshua Reddaway, Director for Work and Pensions, Value for Money, at the NAO, told us that there were problems with the process for this test, saying it is a "long and difficult process" and that sometimes an existing decision can be overwritten, meaning that people have to go through the process again.[142] In July 2020, the NAO reported on the process of getting to the first Universal Credit payment. As part of this study, it noted that stakeholders had expressed concern that some vulnerable groups, such as people with learning disabilities or low digital skills, may struggle to make a claim and provide the required evidence.[143]

Universal Support: what now?

129. Patrick Spencer of the Centre for Social Justice called Universal Support "the unfinished business of welfare reform" that could "really support people to make massive changes in their lives". He told us that DWP could expand on the support it currently offers by increasing the capacity of Work Coaches and Jobcentre staff, so that they can provide a wider range of support to claimants.[144] Sir Iain Duncan Smith has called for the Government to reinvest in Universal Support:

> I cannot stress enough I would advise the Government now to invest in Universal Support. The design is already there. Roll it out and test it. The Centre for Social Justice has already put forward a proposal—which, of

137 Work and Pensions Committee, Eighteenth Report of Session 2017–19, Universal Support, HC 1667, Para 12
138 Work and Pensions Committee, Seventeenth Special Report of Session 2017–19, Universal Support: Government response to the Committee's Eighteenth Report of Session 2017–19, HC 1862, Para 11
139 Citizens Advice, Get help applying for Universal Credit, accessed 6 August 2020
140 Q172
141 National Audit Office, "Universal Credit: getting to first payment", July 2020, p 46
142 Q304
143 National Audit Office, "Universal Credit: getting to first payment", July 2020, p 12
144 Q81, Q73

> course, I am part of—as to how they could do this. It really is vital because it is the critical bit as we go forward after this Covid era. There are going to be people with lots of issues and problems and this is exactly going to be needed, so I would get on with that. That is really the critical issue.[145]

130. We asked the Minister and Neil Couling whether they would consider reinvesting in Universal Support. The Minister explained that, after an unsuccessful pilot which saw inconsistent levels of support offered by different local authorities, a decision was taken to replace Universal Support with Help to Claim.[146] He acknowledged, however, that the Department could do more to build on its offer of support for people with complex needs. Neil Couling said that the Department's current offer of support, while branded differently, essentially amounts to a "de facto Universal Support". He told us:

> I agreed with Sir Iain that we needed to provide that service to our vulnerable customers. It was not possible to do it in that way, so I had to try to bring it in and put the burden, frankly, on jobcentres to do it because we could not get collective Government agreement to a Universal Support as he was envisaging it. We have done it; it is in the service. It is just not branded Universal Support.[147]

131. **Help to Claim is a hugely valuable service for people who are applying for Universal Credit. But its focus is on helping people to complete their initial claim. It does not provide support for people throughout their claim, to help them to manage debt, personal budgeting, and maintaining their claim through their online journal. In that respect, Help to Claim is still a long way from providing the support originally envisaged as integral to the successful rollout of Universal Credit. We cannot agree with the assertion made by Neil Couling, Senior Responsible Owner for Universal Credit, that the Department is currently providing a "de facto Universal Support".**

132. ***We recommend that the Department invests in expanding and developing Help to Claim so that the service can provide support to people beyond the application process. This should include debt advice, support for people who are struggling with Advance repayments, and tailored support for people with complex needs who need additional support throughout their claim. The service should also offer digital support—for example, supporting people to make use of the online journal to maintain their claim. This would bring Help to Claim closer to the original plans for Universal Support.***

Specific claimant groups

133. During our inquiry, we heard that certain groups of people are more likely to face challenges when claiming Universal Credit. These include:

> **Disabled claimants and people with health conditions—**Scope said that the hardships posed by the wait for payments and Advance deductions are exacerbated for disabled claimants because they have higher living costs. Scope estimates that disabled people face additional costs of £583 per month (on average).[148]

145 Q173
146 Q281
147 Ibid.
148 Scope [UCW0081]

Terminally ill people—The Motor Neurone Disease (MND) Association said that, under the Special Rules for Terminal Illness (SRTI), claimants of disability benefits can receive their payment more quickly than those who apply via the standard route. In Universal Credit, however, terminally ill claimants must wait the standard five weeks for their first payment.[149] We describe in Chapter 4 how Universal Credit works for terminally ill claimants.

Refugees—The Refugee Council and Helen Bamber Foundation, organisations that support refugees and asylum seekers, highlighted that many refugees will have recently arrived in the UK and cannot benefit from existing support networks or savings. They may have experienced destitution, making them reluctant to take out a repayable Advance.[150]

Prison leavers—Changing Lives, an organisation that supports vulnerable adults, highlighted that prisoners cannot make a claim before their release, meaning that they must wait at least five weeks from their release to receive their first payment.[151] Some prison leavers do not have a bank account or struggle to verify their identity, making it difficult for them to obtain an Advance.[152]

Young people who receive no support from their household—Universal Credit allowances for under-25s are lower than those for over-25s. Centrepoint, which works with young homeless people, said that this means they are more acutely affected by hardships caused by Advance deductions, for example.[153]

People with addiction problems—Changing Lives says that receiving a lump sum can have a hugely destabilising impact for people experiencing addiction, who will often spend all their award in the course of a few days, which can lead to significant harm.[154]

Tracking vulnerable claimants

134. The NAO also found that "the Department does not have all the information it needs to track vulnerable claimants and ensure its support is effective", and that DWP does not use data 'flags' or markers to highlight claimants' vulnerabilities or complex needs within the Universal Credit system. This means that DWP "cannot produce national-level management information on vulnerable claimants, and its front-line staff cannot use data within the system to easily identify all those people who might struggle with the process".[155]

135. Because of the lack of clear system markers about who is vulnerable, the NAO found that DWP cannot ensure that the support it provides to vulnerable people is effective; for example, it cannot track whether a claimant has accessed the Help to Claim service. This

149 Motor-Neurone Disease Association [UCW0028]
150 Refugee Council [UCW0019] and Helen Bamber Foundation [UCW0032]
151 Changing Lives [UCW0030]
152 Citizens Advice Leicestershire [UCW0038]
153 Centrepoint [UCW0021]
154 Changing Lives [UCW0030]
155 National Audit Office, "Universal Credit: getting to first payment", July 2020, p 13

makes it difficult to measure whether vulnerability has any bearing on outcomes—for example, whether vulnerable people are more likely to be paid late.[156] In its report, the NAO recommended that DWP should:

> Develop a better data-based understanding of the numbers of vulnerable claimants–and any direct or indirect diversity impact of its payment performance–and use this to support the needs of people who continue to struggle with making a claim for Universal Credit.
>
> […]
>
> Prioritise improvements to the Universal Credit digital system to help front-line staff identify and support claimants who need more help.[157]

136. The NAO report noted that DWP staff can use 'pinned notes' in the Universal Credit system to track the needs of vulnerable people. In an August 2019 article, Child Poverty Action Group (CPAG), a charity that supports claimants, welcomed the introduction of pinned notes but described them as "insufficient" to address previous problems with identifying vulnerable people.[158] The NAO said that DWP "cannot currently use [pinned notes] to produce consistent, national-level management information on vulnerable claimants", or to identify all the vulnerable people that it works with.[159] Joshua Reddaway, Director for Work and Pensions, Value for Money, at the NAO, has described pinned notes as "the digital equivalent of a post-it note put on the paper file at the top" and said that while this works operationally, it "does not work from having a data-led approach to understanding what is going on".[160]

137. When asked about collection of data about claimant vulnerabilities, Will Quince MP, the Minister for Welfare Delivery, said that the Department is able to collect some data through pinned notes, but acknowledged that it could do more to identify particular vulnerable groups:

> We have a very good system in terms of our support for the individual through Universal Credit, because it is that personalised, tailored support, so by pin notes we are able to put quite a good amount of detail as to the specific characteristics of an individual and, therefore, able to support them based on them. What we do not have at the moment is a checkbox or something where we can identify particular vulnerable groups, disadvantaged groups or cohorts of people. That is, I think, what the NAO is specifically referring to.
>
> What I hasten to add on that is that I am very keen for us to get into that place. It is quite a significant system build change and it is part of the programme. It is going to take some time, but my ambition is for us to get to exactly that place.[161]

156 Ibid., p13
157 Ibid., p14
158 CPAG, UC and Complex Needs, 1 August 2019
159 NAO, Universal Credit: getting to first payment, July 2020, p51
160 Q316
161 Q221

138. **DWP currently lacks a comprehensive system for recording and tracking claimants' needs. The introduction of pinned notes is a step in the right direction but, as the National Audit Office said, pinned notes are the digital equivalent of a post-it note on a file: they do not enable staff to collect consistent data on who needs additional support. We welcome the Minister's ambition to improve the way the Department identifies people who may need additional support, and his recognition that more needs to be done. We would welcome timely action to address that recognition.**

139. ***DWP must immediately make improvements to the Universal Credit system to formalise how it identifies and defines vulnerable claimants, as part of its overall approach to safeguarding vulnerable people. This will be a substantial piece of work, and DWP should set out when it expects to achieve this. The new mechanism should, as the Minister for Welfare Delivery suggested, include the ability to identify vulnerable and disadvantaged groups and specific cohorts of people. DWP should gather data to identify whether any such groups are more likely to experience problems during the wait for first payment, delays to their payment, or any other issues throughout their claim. DWP should proactively use this information to expedite claims for these people, ensuring that they do not face further delay, and to provide the additional support that they need.***

DWP's work with support organisations

140. Jennifer Harrison, Head of Policy at Changing Lives, said that some people may feel uncomfortable disclosing vulnerability to DWP staff. She highlighted the importance of support workers, who she says play a significant role in helping vulnerable people navigate the system. She also said that, while some support workers have very effective relationships with DWP, this is not always the case:

> What we see broadly is quite a bit of variety in terms of how that is applied. We will have some circumstances where those relationships are very, very strong, and other times where we might find that we have to repeatedly share information with people in DWP to be able to demonstrate that we have the right permissions and so on to help and support people.[162]

141. Universal Credit uses an 'explicit consent' model, where claimants must consent to a third party acting on their behalf each time a request is made. This is different from other benefits, which use an implicit consent model: this means that DWP staff can use their judgement and experience to decide whether the claimant has consented to a third party acting on their behalf. In a report published in September 2020, the Social Security Advisory Committee (SSAC) noted that some support organisations had expressed concern about the operation of explicit consent, saying that it "hinders their ability to help, causes distress for some claimants with mental health problems who rely on the support of an advocate and creates delays". SSAC recommended that DWP should extend the implicit consent model to Universal Credit. In its response, DWP said it would "explore options" for improving the explicit consent model.[163]

142. London Councils, a group which represents London's thirty-two boroughs and the City of London, said that Universal Credit places claimants and local authorities in

162 Q32
163 Social Security Advisory Committee, Consent in Universal Credit, 8 September 2020

a position of financial insecurity. This, the group says, is largely as a result of the wait and a failure to recognise claimant vulnerability and adapt accordingly, arguing that "the government needs to do more to ensure support is available for vulnerable claimants who struggle with UC and that local authorities are best placed to deliver that service".[164]

143. Housing providers argued that DWP should improve its approach to data sharing so that it can identify vulnerable claimants and offer them support earlier in the process. Community Housing Cymru recommended that DWP should use the Landlord Portal to improve two-way information sharing between the Department and landlords. Housing Cymru said that "this could help prevent fraud, homelessness and situations that escalate into crisis".[165] The Minister for Welfare Delivery Will Quince MP, in a letter to the Committee, said that there needs to be "a specific reason either underpinned by policy and/or regulation to allow us to share additional data with landlords".[166] DWP already operates a "Trusted Partner" system. A Trusted Partner is "a social landlord appointed by DWP to identify tenants who are unlikely to pay their rent".[167] The landlord assesses the need for a managed payment to the landlord and arranges support for the tenant. Once a landlord takes on Trusted Partner status, they will then be given access to the Landlord Portal.

144. A 2019 report by the Child Poverty Action Group on the impact of Universal Credit in the London borough of Tower Hamlets highlighted the importance of sharing information between DWP and local councils. CPAG said that in Housing Benefit, which is administered by local authorities, "staff can see when problems have arisen, and intervene to prevent or resolve them." With Universal Credit, CPAG said this is not the case:

> With universal credit, councils do not have access to the same information, meaning that problems may go unresolved for much longer, claimants may accrue arrears, and their homes may be at risk".[168]

145. **Support organisations have expressed concern that DWP's approach to data sharing and consent has had a detrimental effect on their ability to support vulnerable claimants. The Department now says it is exploring options for improving its model of explicit consent.** ***We urge the Department to publish more detail about how this exploration is being progressed, including when the Department expects progress to be visible to observers and experienced by claimants. We echo the Social Security Advisory Committee's recommendation that DWP should consider applying the implicit consent model to Universal Credit, or at least consider what improvements it can make to the model of explicit consent. More broadly, DWP should review its approach to how it works with people and organisations that support claimants, including support workers, housing associations and local authorities.***

164 London Councils [UCW0054]
165 Community Housing Cymru [UCW0084]
166 Letter from the Minister for Welfare Delivery, dated 27 August 2020
167 DWP, Universal Credit: Landlord Portal and Trusted Partner Scheme for social landlords, accessed 28 September 2020
168 CPAG, Worse off: The impact of universal credit on families in Tower Hamlets, October 2019, p 5

8 Payment timeliness

146. Not everyone receives their first payment on time. We heard evidence that a significant minority of people must wait longer than five weeks—in some cases more than 11 weeks—for their first payment, or only receive part of their payment on time. A member of the public who provided evidence to our inquiry said, at the time of submission (March 2020), that they had been waiting seven weeks for a payment:

> I am still waiting for my first full payment […] this is week 7 and there has been no help or sense of urgency to resolve my dispute. I have had only 70 pounds since the 16th of January.[169]

147. From 16 March to 23 June 2020, DWP received 3.2 million new Universal Credit claims.[170] In evidence, the Department told us that 93% of new claimants since March were paid on time.[171] This equates to almost 3 million people receiving their payment on time, but a significant number–over 200,000–were still paid late.

Improvements to payment timeliness

148. In its report, *Universal Credit: getting to first payment*, the NAO said that DWP had been "very effective" at improving payment timeliness, increasing the proportion of people paid on time from 55% in January 2017 to 90% in February 2020. However, while the proportion has increased, the actual number of people being paid late has also risen alongside the overall rise in claimant numbers:

> In 2017, 113,000 claims were not paid in full and on time, out of 162,000. This increased to 226,000 claims in 2018 and 312,000 claims in 2019. Claimants with claims due for payment in 2019, who were not paid on time faced average delays of three weeks in addition to the five-week wait.[172]

149. In our first report of this Parliament, *DWP's response to the coronavirus outbreak*, we looked at the timeliness of payments for people who had claimed Universal Credit from 16 March, following the coronavirus outbreak and the imposition of lockdown. We welcomed the fact that most people (93%) had been paid on time but expressed concern about the fact that 7%—at least 200,000 people at the time—had been paid late. We recommended that the Department set out how it intends to improve on these high standards of timeliness in the long term with fewer staff in front line roles.[173] In its response, the Government said that the high proportion of claims paid on time was because of the "easements" it had made to the application process, such as letting people use their existing Government Gateway accounts to verify their identity. DWP also said that "there will continue to be reasons why payment timeliness will never be 100%", as timeliness also depends on the claimant providing necessary information or evidence on time.[174]

169 Name withheld (UCW0003)
170 DWP, Universal Credit declarations (claims) and advances: management information, 5 May 2020
171 Oral evidence taken on 23 April 2020, HC (2019–21) 178, Q85 [Will Quince]
172 National Audit Office, Universal Credit: getting to first payment, July 2020, p35
173 Work and Pensions Committee, First Report of Session 2019–21, DWP's response to the coronavirus outbreak, HC 178, para 23
174 Work and Pensions Committee, DWP's response to the coronavirus outbreak: Government Response to the Committee's First Report, First Special Report of Session 2019–21, HC 732, p2

150. Since our report was published in June 2020, the Chancellor has announced £850 million of new funding for the recruitment of 13,500 new Work Coaches, double the current number, over the next financial year. Neil Couling, the Senior Responsible Owner for Universal Credit at DWP, said that the Department expects 4,500 to have been recruited by the end of October, and that these 4,500 staff can be accommodated within existing DWP estates and properties. Beyond that, Mr Couling said that the Department will need to acquire additional estates, and that it is "currently in discussions of acquiring them to a rapid timetable".[175] The Secretary of State was asked about whether the Department still expected to meet this deadline on 14 September. She said that the Department is "well on track for making sure that we have the right number of work coaches, and indeed replacement decision makers, on the agreed timescale".[176]

151. **DWP has made substantial progress in improving payment timeliness,. The Department has increased the proportion of people paid on time from just over half in 2017 to over 90% in 2020—a significant feat given the recent upsurge in Universal Credit claims. However, the overall rise in claimant numbers mean that more people than ever are being paid late, and when managed migration begins at scale there is a risk that these numbers will rise. No one should have to wait more than five weeks for their first payment.**

152. **We welcome the announcement of funding for the recruitment of over 13,500 new Work Coaches—double the current number—over the next financial year. This is an ambitious programme of recruitment.** ***The Committee would welcome a written update from the Department, by the end of the calendar year, on how the recruitment is progressing. This should include, but not be limited to: how many of the new Work Coaches are in post; the Department's progress in acquiring new estate to accommodate the new staff; and what impact the introduction of new staff has had on payment timeliness. The Department should then provide monthly updates on this to the Committee thereafter. As part of this, the Department should work with local authorities to identify any additional space that Jobcentres can expand into or share with local authorities. Depending on who space is shared with, DWP may find that it is able to offer better support to claimants through improved communication and collaboration.***

Disabled people and people with health conditions

153. We heard evidence from organisations that support disabled people and people with health conditions which suggests that people in these groups are particularly likely to face delays. The Disability Benefits Consortium (DBC) told us that administrative delays and errors mean that disabled people can wait longer than five weeks for their first payment.[177] The latest figures (released in March 2020) show that 73% of WCA assessments which found the claimant to be "fit for work" were overturned on appeal, which adds to the period of time a claimant faces without full payment.[178]

175 Q231–233
176 Oral questions, 14 September
177 Disability Benefits Consortium (UCW0061)
178 DWP, National Statistics ESA: Work Capability Assessments, Mandatory Reconsiderations and Appeals: March 2020, 12 March 2020

154. The NAO found that disabled people are less likely to receive their full payment on time, with data suggesting that this is because of the time taken to complete the Work Capability Assessment (WCA) process. For March 2019, the latest month for which data is available, the NAO found that, while 84% of claims from people receiving Personal Independence Payment (PIP) and Disability Living Allowance (DLA) were paid the core elements of their Universal Credit claim on time, only 75% of claims were paid in full and on time. This compares with 82% of claims from people who are not receiving disability benefits.[179] Neil Couling told us that the data on whether disabled claimants are paid in full and on time can "overstate" the degree of lateness, as the majority receive the core elements of their award on time and payments relating to the WCA process can only be made after 13 weeks. He told us:

> […] There is a slight quirk in the data, which is that the limited capability work-related assessment payments can only be paid after 13 weeks to severely disabled people, unless they are terminally ill. They all appear as late in the data, even though they could not be paid at the end of the first assessment period, so the data overstate—and the NAO accepts this in the report—the degree of lateness here. Because we do not have a time machine, we cannot go back in time and do a work capability assessment and then get the claim right; we can only ever pay arrears for that. Some of the lateness is artificially created by the way in which we are forced to collect the data, which is much better than the legacy system, I am hastening to add, but clearly still you would like to be able to refine it for that.[180]

The Work Capability Assessment

155. When a person applies for Universal Credit, they are asked if they have either a health condition or a disability which prevents, or limits, their ability to work. If they answer yes, they may be asked to attend a Work Capability Assessment (WCA). In most cases, a person will be referred for a WCA on the 29th day of their claim if they remain unable to work for the first four weeks, although there are some circumstances where a person can be referred for a WCA on the first day of their claim—for example, if they are terminally ill or prevented from working by law.[181]

156. According to the NAO, the average time taken between a person declaring a disability or health condition and their WCA decision is four months.[182] Macmillan Cancer Support said that delays to the WCA process, including the time taken to receive a UC50 (a capability for work questionnaire that claimants must complete), can lead to people receiving their full payment late. It said:

> Delays often occur during the assessment phase of UC and these delays are often complex and difficult to resolve. For example, evidence from

179 DWP does not collect data on whether a claimant is disabled or not; instead, it uses indicators such as whether a person is also receiving disability benefits, such as PIP and DLA, or whether a person is entitled to the limited capability for work element in Universal Credit. The 'core elements' of a Universal Credit claim are the standard allowance, plus housing and child elements (if applicable).

180 Q221

181 DWP, Universal Credit: Health conditions and disability guide, last updated 1 July 2020

182 National Audit Office, Universal Credit: getting to first payment, July 2020, p35

> Macmillan's network of benefits advisers indicates that people with cancer are experiencing delays in referrals to a WCA, including cases of people waiting longer than four weeks to receive a UC50.[183]

157. During our inquiry, we heard evidence about the impact that the wait can have on disabled people and people with health conditions. Scope, a disability charity, highlighted that disabled people already face higher living costs because of their disability—an average of £583 per month.[184] Gemma Hope of Leonard Cheshire told us that, because of the wait, some disabled Universal Credit claimants who also receive PIP have had to rely on their PIP award so that they can afford basic essentials such as food:

> What we are increasingly seeing, and particularly during new claims in coronavirus, is people using their personal independence payment, their PIP, to get them through that five-week waiting period. PIP is there to help disabled people to pay for care, support and equipment, so our concern is people are going without the essential support they need to use their PIP payments to pay for essentials such as food.[185]

158. **We acknowledge that most disabled people and people with health conditions receive the core elements of their claim on time. However, we find it troubling that, because of the time taken to complete the Work Capability Assessment process, people must wait much longer than five weeks to receive their full entitlement. Even beyond this, disabled people experience further delays, waiting on average four months for a WCA decision. Given that disabled or ill claimants face additional costs and challenges during the wait for their first payment, it is vital that people receive their full entitlement as quickly as possible. We have recommended elsewhere in this report that DWP prioritise the changes that are needed to the UC system to allow it to collect data about claimants' characteristics, including impairment or health condition, in a systematic way. It needs that data to understand fully disabled people's experience of making a claim for Universal Credit.** ***DWP should investigate how it can speed up the WCA process. Four months, on average, is too long for a person to wait for their full award. In addition, the Department should continue to monitor and collect data on how long the WCA process is taking, and it should fast track any groups for whom data suggests the WCA takes the longest. Notwithstanding delays to the process, 13 weeks is still a long time. Disabled people and people with health conditions should not have to wait this long to receive the disability element of their award. DWP should commit to reducing the time taken to complete the WCA process.***

159. **The Universal Credit application process requires claimants to provide a great deal of information about their circumstances, to enable the Department to assess their claim. When they have done this, Universal Credit claimants rightly expect that they should be paid the full amount they are entitled to, on time. For too many people, however, this simply does not happen. There is a penalty for claimants who do not provide the necessary documents in time: their Universal Credit is paid late. But there is no equivalent penalty for the Department when it fails to keep its side of the bargain.** ***Where a claimant provides all the information DWP has asked for on time, but DWP has not completed its own processes to verify the claim details and make a timely***

183 Macmillan Cancer Support (UCW0037)
184 Scope (UCW0081)
185 Q30

payment, the claimant should receive the full amount of benefit entitlement for which they are claiming. If the Department subsequently decides that a claimant is entitled to less than they have been receiving, claimants should not be expected to pay anything back to DWP except in clear cases of deliberate fraud. Similarly, where a claimant is expected to complete a Work Capability Assessment to assess how much money they are entitled to, the onus should be on the Department to schedule the assessment and make a decision within the usual initial waiting period for the benefit. If there are delays to the WCA process, through no fault of the claimant, claimants should be paid at the highest rate until their claim has been determined.

9 Tax credit debts

160. A significant proportion of claimants who are repaying an Advance—52%, according to the Trussell Trust—are also repaying another government debt, the most common type of which are overpayments of other benefits. Of these, overpayments of tax credits are the most common, accounting for 58% of all benefit overpayments.[186]

161. Nicholas Timmins, a senior fellow at the Institute for Government, estimates that the total level of tax credit debt stands at around £6 billion.[187] In a letter to the Committee, Jesse Norman, the Financial Secretary to the Treasury, said that there is £4.8 billion of tax credit debt in HMRC, up to and including the 2019–20 tax year. On average, this debt is six years old.[188] DWP's most recent published data shows that, in April 2019, around 570,000 people claiming Universal Credit faced deductions from their monthly award to cover tax credit overpayments, with the mean average of outstanding tax credit debt standing at £1,560 per claimant.[189]

162. The issue of outstanding tax credit debt stretches back to before Universal Credit was introduced. Because of the rising levels of tax credit debt in the early 2000s, the Government at the time increased the income disregard to £25,000 from 2006–07. The income disregard means that households could see their income increase by up to that amount over the course of a year without their tax credit entitlement being affected. Since 2010, however, the income disregard has been reduced: to £10,000 from April 2011, to £5,000 from April 2013, and £2,500 from April 2016. The value of overpayments has increased over this period, from £2.9 billion in 2008–09 to £4.1 billion in 2017–18.

The problem of tax credit debts

163. As Nicholas Timmins explains, as a condition of Universal Credit proceeding, HM Treasury stipulated that tax credit overpayments should be clawed back through Universal Credit.[190] The Financial Secretary told us that the decision to recover tax credit overpayments from people who have moved to Universal Credit through DWP has allowed for "a simpler customer journey"—removing the need for people on Universal Credit to interact with two departments instead of just one, and reducing the risk of dual recovery—and provides a simpler IT solution for both HMRC and DWP.[191]

164. HMRC says that people are informed about any outstanding tax credit debt before moving to Universal Credit. The Financial Secretary said that people who receive an overpayment are informed of this at several points throughout the duration of their claim. If a person then makes a claim for Universal Credit, they will receive a notice informing them of the level of debt, and that it will be recovered through Universal Credit from then on.[192] We heard evidence, however, suggesting that not everyone is told that they have outstanding tax credit debt before they move to Universal Credit. The Trussell Trust said that people may not be aware of these debts when they decide to take out an Advance:

186 StepChange, Problem debt and the social security system, January 2020, p7
187 Nicholas Timmins, Universal Credit: getting it to work better, February 2020, p17
188 Letter from the Financial Secretary to the Treasury dated 2 September 2020
189 DWP, Volumes of Universal Credit claimants with tax credit overpayments, 31 May 2019
190 Nicholas Timmins, Universal Credit: getting it to work better, February 2020, p14
191 Letter from the Financial Secretary to the Treasury dated 2 September 2020
192 Ibid.

> A significant issue with government debt repayments is that claimants are often not informed about these until they transfer to Universal Credit. These debts can relate to payments received more than 15 years ago. This means that claimants are unaware of these further deductions when they agree to take the Advance Payment.[193]

Tax credit debt: what should be done?

165. There is no simple solution to the issue of outstanding tax credit debt. Nicholas Timmins has explored the possibility of writing it off, highlighting that the value of this debt—just under £6 billion—is less than the total value of reduction in spending in the benefits system since 2010 (around £30 billion).[194] The Centre for Social Justice recommends that debt that is over three years old (accounting for around 61% of tax credit debt) should be written off.[195] In the consumer credit sector, which is regulated by the Financial Conduct Authority (FCA), debt that is over a certain number of years old is statute barred, meaning that it can no longer be recovered through court action (although the debt still technically exists). The interim Chief Executive of the FCA said in a letter to the Committee:

> Claims for debts must be made within a prescribed period (generally six years in England, Wales and Northern Ireland and five in Scotland) otherwise the debt is statute barred. Our rules prevent firms from attempting to recover a debt if they have not been in contact with the customer during the limitation period.[196]

166. Sir Iain Duncan Smith told us that tax credit debt can give people a "very difficult experience" when they move on to Universal Credit. He argued that these debts should be retained by HMRC, as the Department with responsibility for tax credits, and not recovered through Universal Credit. The Centre for Social Justice recommends that tax credit debt that is less than three years old should be retained by HMRC, that the rate of deductions should be first and foremost based on the claimant's ability to pay, and that it should be capped at 10% of the monthly Universal Credit standard allowance.[197]

HMRC's response

167. HMRC maintains that recovering tax credit overpayments through people's Universal Credit awards is the "least intrusive" method of recovery. We asked the Financial Secretary whether it would be possible for HMRC to retain responsibility for recovering tax credit debt from people who have moved to Universal Credit. He explained that, as the IT infrastructure was built on the premise that DWP would recover these debts, "there is currently no IT function in place to return any debt to HMRC", and that to introduce one now would result in "significant cost".[198]

168. We also asked whether it would be feasible to write off all or part of the outstanding tax credit debt, such as debts that are over a certain age. HMRC estimates that writing

193 Trussell Trust (UCW0093)
194 Nicholas Timmins, Universal Credit: getting it to work better, February 2020, p15
195 Centre for Social Justice, Collecting Dust: a path forward for government debt collection, April 2020, p64
196 Letter from the interim Chief Executive of the FCA dated 20 July 2020
197 Centre for Social Justice, Collecting Dust: a path forward for government debt collection, April 2020, pp15–16
198 Letter from the Financial Secretary to the Treasury dated 2 September 2020

off all of the debt would cost an additional £3.2 billion, although the Financial Secretary emphasised that HMRC does remit debt in some circumstances: it remitted £152 million of debts in 2018–19. HMRC maintains, however, that the majority of outstanding tax credit debt is collectable—that is, that people are willing and able to repay it—and that writing off debt that is over six years old "could set a precedent to the effect that paying tax was optional and so result in a significant loss to HMT".[199]

169. **Repayments of tax credit overpayments can compound hardship for people who may already be struggling. The evidence that some people are left unaware of these debts, which can be several years old, until they make a claim for Universal Credit, is particularly concerning. Despite HMRC's assurances that people are routinely informed of overpayments, the evidence we have heard suggests that there are gaps in how this is being communicated.**

170. **The recovery of Tax Credit debt from claimants' Universal Credit awards clearly presents problems. However, the option of returning responsibility to HMRC now would be too challenging to deliver in practice.** ***Instead, we recommend that DWP should continue to collect these debts, but that recovery should only begin when the claimant has repaid their Advance (if they have taken one out). Repayments of any remaining debt should be capped at 10% of the Universal Credit standard allowance per month. Debts that have not been pursued for more than 6 years should be written off entirely, in line with the approach taken in the private sector. We also recommend that the FCA's approach be extended so that it covers public sector debts, including tax credit overpayments and Advances in Universal Credit. This will help ensure that best practice from the private sector is reflected in DWP's approach to debt.***

199 Ibid.

10 Backdating

What is backdating?

171. If a person's circumstances delay their application for Universal Credit, they can request that their payment is backdated up to a month before they started their claim. In its online guidance to claimants, Citizens Advice says that a person will need a "good reason" for not claiming earlier. It suggests this could be because of an illness; a disability; the person wasn't told their Jobseeker's Allowance or Employment and Support Allowance was going to end; the online claims system was down; the person's relationship has changed if they were claiming with their partner, or DWP has told the person incorrect information.[200] For some circumstances, a person will need to provide supporting evidence; for example, medical documentation of an illness.

Why do people not claim on time?

172. In its 2020 report, *Universal Credit: Getting to first payment*, the National Audit Office identified a significant problem of people not claiming Universal Credit when they become eligible. It found that one fifth of claimants do not apply as soon as they can, even though many are in financial difficulty already. From the Department's analysis of earnings data, the NAO reported that nearly half of claimants (49%) had no earnings in the three months before they apply for Universal Credit.

173. The NAO's stakeholder consultation identified a range of factors which put people off applying for Universal Credit. It said that there is fear surrounding the benefit which originates from people hearing "bad experiences from friends, family or through the media" and associating the benefit with "hardship, rigidity of system and difficulty".[201] The NAO said that some people are put off by the initial assessment period and are concerned about "whether they would be able to cope during the wait".[202] It said that other people delay their claim because of practical considerations, such as whether outstanding payments from work will limit their Universal Credit entitlement, or whether, if they move to Universal Credit from existing benefits before they need to, they will lose their entitlement to transitional protection (a top-up payment to ensure there is no change in their income).[203]

174. Organisations told us that claimants' capability and individual needs can delay their making a claim. We heard that problems with digital access mean some claimants lack access to a computer, struggle with IT skills or are unable to access the internet. This can add days or weeks to a person submitting their claim after they first register.[204] Many people do not have reliable access to the internet at home, and the impact of the pandemic—which has seen places such as Jobcentres and public libraries close for long periods—may have exacerbated this problem. The think tank Bright Blue told us that people face delays because they struggle to provide the identity documents required to make a claim, or receive miscommunication from Jobcentre Plus staff of what is required to register their

200 Citizens Advice, How Universal Credit is paid, June 2018
201 NAO, Universal Credit: Getting to first payment, June 2020, P 63
202 NAO, Universal Credit: Getting to first payment, June 2020, Para 1.21
203 NAO, Universal Credit: Getting to first payment, June 2020, Para 1.22
204 The Joseph Rowntree Foundation, Changing Lives, Bright Blue, NAO

claim.[205] Child Poverty Action Group and the NAO, in its report on Universal Credit, said that language barriers for people whose first language is not English add "substantial delay between [a person] starting a Universal Credit application and submitting it".[206] The NAO added that an inability to read or write to the level necessary to submit and maintain a claim is a problem for some people. Changing Lives said that up to a third of the women it supports choose not to apply for Universal Credit as a result of the social and digital exclusion they experience.[207]

175. We learned that, when some claimants face major changes in life circumstances, it can be impractical for them to make a claim, or they try to get by without support from a benefit. Policy in Practice said in 2019 that it is unreasonable that DWP expects people to "prioritise making a Universal Credit claim" if they are going through major events, such as "if they have lost their job, been made homeless, split up with their partner or had a baby", or they are experiencing domestic abuse. It said that the evidence required to have a claim backdated is "overly burdensome and sometimes inappropriate".[208] Other witnesses said that some people find other means to get by. We heard that people may expect to start a new contract which then falls through, may draw from their savings, or may push themselves into rent arrears before making their Universal Credit claim.[209]

176. In its report, the NAO said that delays in claims can exacerbate the financial pressure that many claimants are already facing.[210] It recommended that DWP develop a more evidence-based understanding of why some people delay their claim for Universal Credit, particularly for vulnerable claimants. It said that DWP should work with organisations to encourage people to claim earlier and deliver "significant improvements" in how clearly it communicates with claimants.[211]

177. In its evidence, the Department recognised that people are not applying for Universal Credit as soon as they are eligible. The Minister for Welfare Delivery told us that people are coming onto Universal Credit "far too late" and the Department needs to "better understand the drivers of that".[212] On the question of backdating, however, the Minister reiterated in written correspondence that the policy is only applied where "someone could not reasonably have been expected to claim earlier". He gave illness, disability or an official computer system failure as examples of this. He said that there are "currently no plans to change this".[213]

How does the Department encourage people to claim on time?

178. The Department has created a "Universal Credit Transition Fund" which aims to "engage with vulnerable people early, helping them to make timely claims" to Universal Credit.[214] Money from the fund would go to organisations which support vulnerable people, including disabled people, care leavers, and people with mental health issues. The

205 Bright Blue (UCW0023)
206 Child Poverty Action Group (UCW0058)
207 Changing Lives (UCW0030)
208 Policy in Practice, Financial Resilience and the Transition to Universal Credit, September 2019, p 13
209 Joseph Rowntree Foundation (UCW0076); Q88
210 NAO, Universal Credit: Getting to first payment, June 2020, para 10
211 NAO, Universal Credit: Getting to first payment, June 2020, para 26
212 Q209
213 Letter from the Minister for Welfare Delivery, dated 27 August 2020
214 Gov.uk, £10 million fund to help vulnerable people claim Universal Credit, 1 November 2019

Minister for Welfare Delivery told us that the Department had paused the £10 million Universal Credit Transition Fund because of the pandemic. He said that DWP does not "currently have the resource or the capacity internally to run that procurement process" but that he would like to launch the fund next year.[215] He told us, however, that there is "no guarantee that the Treasury will approve that".[216]

179. In oral evidence, the NAO urged caution on simplistic communications which tell people to apply for Universal Credit immediately. The Comptroller and Auditor General told us that the Department should focus on the "quality of advice available to claimants" rather than the message that "the earlier the claim, the better".[217] Joshua Reddaway, Director for Work and Pensions Value for Money at the NAO, explained why it might not be in somebody's interests to make a claim early:

> [It is not necessarily advisable to apply early to Universal Credit] because of complications over whether or not you are already on tax credits, whether or not you have a redundancy payment coming up, what your savings are and its interaction with previous. That makes it a very complicated question and it is why I think the Department would be very hesitant to do a mass media campaign saying, "Apply early". It is, "Get the right advice early".[218]

180. **We welcome the Minister's recognition that the Department needs to improve its understanding of the reasons why so many people claim for Universal Credit long after they become eligible. The Department must prioritise this work so that it can tackle the problem.** ***We recommend that the Department investigate why people take time to start a Universal Credit application and publish the results of these findings by the end of the financial year. It should use this analysis to inform its communications with claimants, to encourage people to apply for Universal Credit at the right time.***

181. **Many claimants are simply unaware that they can ask for their claim to be backdated by a month. Even when they do ask for backdating, they sometimes face an intrusive and bureaucratic process.** ***We recommend that the Department review the use of evidence for backdating and works with work coaches to find a way to make the application process less burdensome on claimants. The Department should publish the information that work coaches use to advise claimants on backdating. It should work to increase awareness of the option for backdating from day one of a person's claim, and of the circumstances in which somebody may be able to see their claim backdated.***

182. **Currently, backdating is only permitted up to a month before the claim was submitted. Given the seriousness of the life events which might allow the backdating of a claim—bereavement, serious illness, relationship breakdown—this period seems astonishingly short.** ***We recommend that, in specified circumstances, the Department allow backdating to the point at which the change in someone's life occurred, rather than strictly a month before.***

183. **The Universal Credit Transition Fund is an initiative to support vulnerable people in applying for Universal Credit as soon as they are eligible, and rightly puts organisations that work most closely with these groups at the centre. Timely**

215 Q226
216 Q281
217 Q287
218 Q296

applications to Universal Credit will mitigate the impact of the five-week wait. The disruption created by coronavirus this year has left the future funding of the Fund in some doubt. ***We recommend that the Department and HM Treasury continue the Universal Credit Transition Fund by renewing its funding for the next financial year.***

11 Improving payments

How does the Department pay people Universal Credit?

184. In the Department's view, a guiding principle of Universal Credit is that it imitates the world of work. Its system of monthly payments in arrears is intended to mimic the outgoings and income of employees who are paid monthly, which in turns eases the transition for those moving out of the benefit and into work. This monthly structure is also core to the five-week wait: the initial four-week assessment and then fifth week to make a payment in arrears sets up the benefit for the monthly rhythm which follows.

185. Not all Universal Credit claimants are paid monthly, however. In Scotland, the "Scottish Choices" option lets people opt to receive their Universal Credit payments twice a month and for their landlord to receive the housing element directly. In Northern Ireland, the default is for people to receive twice-monthly payments and for rent payments to be made directly to landlords. In England and Wales, claimants can apply for "Alternative Payment Arrangements" in limited circumstances which, if successful, allow them to receive More Frequent Payments, to split their award between partners, or to send the element of their award which covers housing costs directly to their landlord.[219]

186. The Department's own evidence, however, shows that monthly payments do not mirror the world of work for many claimants. While the Department says that 75% of people are paid monthly in the economy as a whole, DWP expects the proportion of people paid weekly or fortnightly to be closer to 30% among working Universal Credit claimants.[220] In January 2017, the Resolution Foundation think-tank said that 58% of new claimants moving onto Universal Credit as a result of moving from employment were paid either fortnightly or weekly in their previous job.[221] In a 2019 report on Universal Credit, Citizens Advice said that only 45% of the people it helped who were in work before claiming Universal Credit were paid monthly.[222] Moreover, not all monthly payments arrive on time. The latest available statistics indicate that 2.38% of all Universal Credit payments (including new and ongoing benefit claims to households) were paid in full later than the target date in April 2020.[223] This represents over 86,000 Universal Credit payments made late in April 2020.

How do monthly payments work for people?

187. We heard evidence that, for people who are paid more frequently than monthly by their employer, monthly payments of Universal Credit can be difficult to manage. Peter Tutton, Head of Policy at StepChange, a national charity which supports people in debt, told us that 70% of clients it surveyed would prefer to be paid Universal Credit weekly or two-weekly.[224] The Chief Executive of the Trussell Trust, Emma Revie, told us that monthly payments "poorly reflect the working realities of lower-income families

219 DWP, Alternative Payment Arrangements, May 2020
220 Ibid; Written question, June 2018.
221 Resolution Foundation, Universal Remedy: Ensuring Universal Credit is fit for purpose, p 6.
222 Citizens Advice, Managing Money on Universal Credit (2019), p 5
223 Data from Stat Xplore on DWP, Statistics at DWP
224 Q41

and people moving from employment on a potentially zero-hours or fluctuating hours contract".[225] She said that the five-week wait, which is intrinsic to the design of subsequent monthly payments, "causes immediate hardship" for these families.[226]

188. We also heard that the payment system in England and Wales creates difficulties for people whose outgoing costs are more frequent than monthly. Councils and housing associations told us that monthly payments are challenging for people in social housing, where a weekly rent schedule is commonly used. Community Housing Cymru (CHC) represents housing associations and community mutuals in Wales. It found in a 2019 report, where it monitored the impact of Universal Credit on rent arrears, that tenants moving from legacy benefits struggled to budget when they had to adjust to monthly payments.[227] The Highland Council proposed that landlords could "peg" a person's tenancy agreement to their Universal Credit claim, which would fix Universal Credit payments to the dates when their rent is due.[228] For tenants with a weekly rent schedule, this might require the Department to offer more frequent Universal Credit payments.

189. We heard evidence throughout our inquiry that claimants in England and Wales would benefit from more flexible payment methods. The Joseph Rowntree Foundation said that people should be able to choose an assessment period, and therefore payment frequency, according to their personal circumstances.[229] Citizens Advice proposed that assessment periods and payment cycles should "match the cycles of pay for in-working claimants", although acknowledged that these changes "would need reforms to the IT system that would take time to implement".[230] Baroness Stroud, former Special Adviser to Sir Iain Duncan Smith, the former Secretary of State for Work and Pensions, told us that the architects of Universal Credit had originally wanted to build it to offer more flexible payments:

> At the time we wanted to be able to construct a Universal Credit system that if you were paid weekly you would receive it weekly, if you were paid fortnightly, fortnightly, and if you were paid monthly, monthly. At the time that was not possible to do in the digital system, but I suspect now that the whole machinery is so much more stable and people are so much more experienced in knowing how to make changes that would be something that would be worthwhile revisiting, because then it could mimic every form of work: a weekly payment, a fortnightly and a monthly.[231]

190. The Minister for Welfare Delivery told us that, on the question of payments, the Department starts "from the fundamental position that claimants on Universal Credit are encouraged to manage their own finances and budget so it better mirrors the world of work". The Minister said that, "for the vast majority of people", monthly payments work "incredibly well". He said that Alternative Payment Arrangements would work better for a "small minority".[232]

225 Q15
226 Q15Q4
227 CHC, Monitoring the Impact of Universal Credit on Rent Arrears, October 2019, para 2.1
228 Q118
229 Joseph Rowntree Foundation, (UCW0076)
230 Citizens Advice (UCW0060)
231 Q147
232 Q250

Alternative Payment Arrangements - more frequent payments

191. The Department does offer the option of more frequent payments to claimants in England and Wales. A person can apply for an "Alternative Payment Arrangement" (APA), but only where they "cannot manage their single monthly payment and there is a risk of financial harm to the claimant and/or their family". Depending on their circumstances, a person may be able to have the housing element of their Universal Credit paid directly to their landlord, receive their payments more frequently, or, "in very exceptional circumstances", split the payment of a household award between partners.[233] Claimants are not told about APAs on their journal when they go to apply for Universal Credit; instead a Work Coach discusses them at the beginning of a person's claim.[234]

192. According to DWP's provisional figures from May 2020, 59,456 households on Universal Credit were granted More Frequent Payments in England and Wales. This represents 1.5% of the total number of Universal Credit household claims in England and Wales. In Scotland, 68,880 households on Universal Credit had a Scottish Choices More Frequent Payment: 18.9% of the total in Scotland. In Great Britain, just over 420,000 households with a housing costs entitlement had a Managed Payment to Landlord arrangement or Direct Payment to Landlord through Scottish Choices (17.7% of all households with a housing costs entitlement).[235]

193. Organisations told us that not all claimants find it easy to apply for an APA. Citizens Advice said that awareness of Alternative Payment Arrangements is low and that claimants face a "hierarchy of need" when they apply; for example, having to prioritise a direct payment to landlord before they receive more frequent payments.[236] The Child Poverty Action Group (CPAG) reported in 2019 that it had spoken to people who stopped seeking an APA because they were overwhelmed by the process. It said that people were put off by the number of questions they were asked, and a feeling of "interrogation" from DWP staff about why they wanted to set one up.[237]

194. The Minister for Welfare Delivery told us that it is important that Alternative Payment Arrangements work for a minority of people and that a major change to the payment system would "disadvantage the majority".[238] Dr Stephen Brien, former Expert Adviser at DWP, told us that the current APA system works well because the Department knows which claimants face challenges. He said that there is "real value in people putting themselves forward as having a challenge […] because that introduces information" and means that there are "the people responsible within the Jobcentres and elsewhere to address the problem".[239]

195. **While monthly payments do mirror the world of work for many, DWP's own figures show that a significant minority of people who claim Universal Credit received or continue to receive weekly or fortnightly wages. Other sources suggest that a majority of claimants may be paid more frequently than monthly. This can make it hard for households to budget, particularly if they are already managing debt. At the**

233 DWP, Alternative Payment Arrangements, May 2020
234 Letter from the Minister for Welfare Delivery dated 27 August 2020
235 Data from Stat Xplore on DWP, Statistics at DWP
236 Q26
237 CPAG, Worse off: The impact of universal credit on families in Tower Hamlets, October 2019, p 32
238 Q250
239 Q152

same time, monthly awards create difficulties for some people in social housing with weekly rent payments, and represent another adjustment for people moving from legacy benefits with weekly payments. The evidence we have heard tells us that the option for more frequent payments would benefit the most vulnerable claimants and would have low cost implications for DWP.

196. ***We recommend that the Department provide new and clearer guidance for Work Coaches to mitigate the impact of the wait and monthly payment system by making the option of more frequent payments under Alternative Payment Arrangements easy for all claimants in England and Wales to access. This option should be offered to all claimants, alongside clear information about how the payment process will work. The Department should review how it uses evidence for Alternative Payment Arrangement applications, following reports that it puts people off applying.***

197. ***We recommend that the Department publishes the guidance given to Work Coaches when they advise people on APAs, to improve transparency in the process. The Department should make clear when and how a claimant is made aware of APAs both during their Universal Credit application and once they start receiving their payments. The Department should publish the rates at which people are unsuccessful in their applications for an Alternative Payment Arrangements, and what reasons the Department might give a claimant if it denies their request for more frequent payments. DWP should also ensure that work coaches are making claimants aware of the option of split payments, where a household's payment can be divided and paid into two separate accounts.***

198. **Universal Credit works best when it mirrors people's daily lives. Payments which align with people's rent schedules could make it easier for claimants to budget and plan.** ***We recommend that the Department explain in response to our report whether it is feasible for landlords to tag the tenancy agreement to the claimant's Universal Credit claim so that payments are made in line with their rent schedule. If this is not possible, the Department should set out what aspects of the design of Universal Credit it would need to adapt to build in this flexibility for claimants.***

High reversion rate from more frequent payments

199. Scottish Government data shows that, by the end of March 2020, 24% of claimants in Scotland chose to revert from More Frequent Payments to monthly payments.[240] The Scottish Federation of Housing Associations said Scottish Choices has not achieved its full potential yet because people can only opt into it after they have "endured the first five-week wait".[241] It told us that the five-week wait was partly the reason why people were put off fortnightly payments. The Minister for Welfare Delivery said that the reversion rate suggests that "people find that it [monthly payments] suits them far better".[242] He said that this may be because people pay most bills monthly.[243]

200. The high reversion rate from Scottish Choices may be caused by the design of the system. The More Frequent Payments option under Scottish Choices is only offered after

240 Scottish Government, Universal Credit: Scottish Choices: Management information to end of March 2020, 28 May 2020
241 Q137
242 Q250
243 Q238

the initial wait and after the first Universal Credit payment. A month later, claimants who select this option receive half of the amount from the second assessment period. In subsequent months, claimants receive twice-monthly payments. This means that people choosing this Scottish Choices option are frequently around two weeks behind the amount of money they would have received had they retained monthly payments.

201. **While Scottish Government data shows a quarter of people revert from More Frequent Payments under Scottish Choices, DWP's research does not provide a detailed understanding of how the Department monitors how more frequent payments work for people, and what it might to do improve the policy.**

202. ***We recommend that the DWP improve the quality and detail of its published data on alternative payments, by publishing its figures on how many people revert to monthly payments from the twice monthly payment option in England and Wales. DWP should give detail to these figures by publishing analysis on why people may revert to monthly payments and demonstrate how it monitors people's experiences of Scottish Choices or more frequent payments under APAs. It should use this analysis to better advise claimants and to identify possible improvements to the policy.***

12 Speeding up payments - shortening the fifth week

203. In the Department's view, each week of the five-week wait plays a necessary role in the design to pay claimants monthly in arrears. It uses the first month to evaluate a person's claim, assess their household needs, and verify their identity.[244] It uses the final week to issue the payment. DWP currently uses the Bankers' Automated Clearing Services (BACS) payment validation process to make Universal Credit payments. BACS payments are an electronic system to send money directly from one bank account to another. They are generally used for direct debits and take around three working days to clear. The Department allows a week for the payment to arrive, because at Easter and Christmas there can be four non-working days in a row.

204. Tom Loosemore, who founded the Government Digital Service, told us that the Department could speed up how it pays people by switching all payments in Universal Credit to "Faster Payments". Faster Payments generally take a few minutes to process, and occasionally take up to two hours. Tom Loosemore told us that he believed the reason the Government does not use Faster Payments "is because Treasury does not want to cough up the money". He said the decision not to use Faster Payments "adds potentially up to four days to people's payment regimes".[245]

205. DWP has said that it uses Faster Payments when there are "insufficient banking days between the issuance of a UC payment via BACS and the date it is due".[246] This is particularly the case during holidays like Easter and Christmas where Bank Holidays could prevent the Department from making a payment in time if they use the BACS system.[247] Neil Couling, the Senior Responsible Owner for Universal Credit, told us that there is a limit on the number of Faster Payments that banks can process for the Government. He gave the example: "Last month [June 2020] we probably made around 4 million payments of Universal Credit. The Faster Payments limit is around, I think from memory, 200,000". He said that, in response to coronavirus, DWP had quadrupled its number of Faster Payments in case it faced a "massive surge" of requests for Advances.[248]

206. We asked the Financial Secretary for the Treasury, Jesse Norman MP, what the DWP's limits are when using Faster Payments. He explained that NatWest is the supplier bank for DWP and can submit Faster Payments at a rate of around 40,000 per hour. It shares these payments across its customer base, including its personal, corporate and Government customers, although out of its Government customers, only DWP submits Faster Payments in high volumes. He said that DWP can only process a maximum of 360,000 Faster Payments per day because DWP requires each transaction to be shown separately and NatWest statement reports cannot exceed 360,000 lines of data. He said that, more widely, the technical capabilities of individual banks affect the number of Faster Payments that they can process.[249]

244 National Audit Office, Universal Credit: getting to first payment, July 2020, para 1.8
245 Q184
246 PQ 108487
247 PQ 108487
248 Q235
249 Letter from the Financial Secretary to the Treasury dated 2 September 2020

207. In oral evidence, Neil Couling told us that the Department takes costs into account when it considers how it pays Universal Credit. He said that "BACS payments are extraordinarily cheap. Faster Payments come at a higher price, so there would be an Exchequer cost to doing it at the moment".[250] The Financial Secretary to the Treasury confirmed to us in writing that, in terms of transaction costs, a Faster Payment is currently ten times more expensive than a BACS payment. Neil Couling said that a benefit to BACS payments is that they give claimants certainty about when their money will come through, allowing people to budget and plan.[251] He told us that the period of the "middle of this decade" is a better timeline for a wider roll-out of Faster Payments.[252]

208. **Faster Payments offer the Department a quick and efficient way to pay claimants. They could, if more widely used, reduce the time that people have to wait for a first payment. The Department already has plans to increase its use of Faster Payments. That will have costs and will require work across multiple bodies, including the Treasury and the banks.** ***We recommend that the Department maintain its target to increase its proportion of Payments permitted by banks, to shorten the fifth week of the Universal Credit process. We urge the Department to set out in more detail its proposed strategy for rolling out Faster Payments, including its expected timings and its plans for engagement with the banking sector, in response to this report.***

250 Q235
251 Q236
252 Q219

13 Improving the assessment system

209. While much of the evidence we heard proposed ways to mitigate the impact of the wait, we also heard from witnesses who presented a long-term objective for the Department to reshape how it assesses a Universal Credit claim. Gareth Morgan, CEO of Ferret Information Systems which specialises in benefits technology, told us that many criticisms of the five-week wait "are not to do with the assessment period", but to do with "the consequences of the way in which the assessment period has been used".[253] Among others, he put forward assessment models which would change the structure of Universal Credit and, witnesses told us, reduce problems which are exacerbated by a wait for a first payment. The Joseph Rowntree Foundation said that, to restructure the assessment period, which would likely have consequential effects on the length of the five-week wait, would be to "fix the problem at source, fix the root cause" of problems associated with Universal Credit and the wait for first payment.[254]

210. In the Department's view, the monthly assessment structure is core to the design of Universal Credit. DWP says that it is fundamental in "minimising the difference between paid employment and being on benefit effectively removes a key barrier to moving back into work by helping claimants to budget on a monthly basis".[255] The NAO says that the Department sees the monthly assessments as "inherent" to Universal Credit, "reflecting both its policy intent and practical operational considerations".[256]

How the monthly assessment system works for claimants

211. Organisations have reported that the monthly assessment system has increased fluctuations in benefits payments for some claimants. In a 2018 report, Citizens Advice said that people in non-traditional or insecure work are likely to find their income variability exacerbated by Universal Credit because its assessment dates do not align with people's payments from work.[257] It lists people on zero-hours contracts, on temporary contracts, in agency work, people who are reliant on overtime, and people who have varying shift patterns as those who are likely to be disadvantaged by the way in which Universal Credit assesses a person's income. The latest Office for National Statistics figures show that between April and June 2020 over 1 million people were on zero-hours contracts, and nearly 1.5 million employees said that their main job was temporary.[258] The Joseph Rowntree Foundation told us that month-to-month fluctuations result in "unpredictability and anxiety for claimants, making budgeting difficult and lives more complicated to manage, even disincentivising people from taking on more work".[259]

212. We learned that people with four-weekly incomes can see their payments affected by the monthly assessment system. Citizens Advice told us that, if a person's four-weekly wages fall twice within a Universal Credit month, the Universal Credit system judges that they were paid twice. This assessment means that they can be left without benefits, or with

253 Q188
254 Q27
255 Freedom of Information response DWP ref: FoI 1288, DWP, 5 June 2017.
256 NAO, Universal Credit: Getting to first payment, June 2020, para 1.8
257 Citizens Advice, Universal Credit and non-traditional work, (April 2018) p 13
258 Office for National Statistics, EMP07: Temporary employees, 11 August 2020
259 Joseph Rowntree Foundation (UCW0076)

a reduced award in the next month. Tom Loosemore, the co-founder of the Government Digital Service, described this as a "disastrous issue" in Universal Credit for "those who get paid twice in a month and not in the other".[260]

213. The problem of double payments within one assessment block was examined in a Court of Appeal case which reached its judgment during our inquiry. Four claimants had taken DWP to the High Court in 2018 arguing that, even though they were paid monthly, the Universal Credit system incorrectly assessed that they earned double their wages in some months and nothing the next. The High Court ruled in January 2019 that the Secretary of State for Work and Pensions had wrongly construed regulation 54 of the Universal Credit Regulations (SI 2013/376).

214. When the Department took the case to appeal, the Court of Appeal concluded that the DWP's interpretation of the Regulations was correct. It accepted DWP's argument that it would be impossible to automate the Universal Credit system if the Department was required to examine in every case the relationship between work done and a payment received. However, the Court found against the Department on the grounds of irrationality. The judgment noted that:

> The [Secretary of State for Work and Pensions] has put forward no reason why the date on which these Respondents submitted their claim for universal credit should result in them losing a considerable amount of money each year for however long their entitlement lasts. In my judgment this is the most egregious aspect of the way the system works.[261]

215. On 25 June 2020, our Chair asked an Urgent Question to the Minister for Welfare Delivery about the number of people who may be affected by this problem with the assessment system for Universal Credit. The Court of Appeal had been inconclusive on this, saying that " various statistics were put forward […] [but] it is clear that the numbers may be very substantial, possibly 85,000 claimants.[262] The Minister for Welfare Delivery told the House that, to date, the Department believed that "the cohort is in the region of 1,500" but that he understood that "fewer than 1,000 UC claimants have notified [DWP] over the past 18 months that may be affected by this".[263]

216. Witnesses who were experts in DWP's digital systems informed us that the Department can access information on payment frequency and avoid problems with the monthly assessment. Representatives from Ferret Information Systems and MedConfidential, digital organisations that specialise in health and benefits systems, told us that HMRC shares with DWP "all of the data that DWP […] asks for", including information on a person's payment frequency.[264] In written evidence, MedConfidential questioned why DWP does not use this information to understand that a person's circumstances have not changed: "if it [DWP] indeed receives this data - why does DWP not use it to help people avoid falling off UC due to the payment periods problem?".[265]

260 Q185
261 Para 62
262 Para 93
263 Urgent question, 25 June
264 Q188
265 MedConfidential (UCW0100)

Alternatives to the monthly assessment system

217. During our inquiry, we heard proposals for long-term changes to the assessment system to mitigate the fluctuations that claimants can experience. The Joseph Rowntree Foundation suggested a more frequent assessment period, such as weekly, and that DWP should build in "the ability to average earnings over multiple periods".[266] Alternatively, it proposed continuing assessments on a monthly basis but adding interim payments midway through each month based on estimated earnings. It said that, at the end of each month, the calculation could be reconciled using actual earnings with the month-end payment adjusted to account for any differences. This would allow claimants to receive twice-monthly payments on an ongoing basis, with the first payment two weeks after submitting the claim.[267]

218. Citizens Advice and London Councils said that a more flexible assessment system could tackle "ongoing issues with the five-week wait". They said that, if assessment periods and payment cycles could match the cycles of pay for in-work claimants, payments could be made earlier and more frequently, and would not incur the problems associated with the monthly structure. It would also help individuals to budget more easily.[268]

219. We asked witnesses whether it would be viable for claimants to set their own assessment and payment dates according to their outgoing costs and income.[269] Gareth Morgan, a specialist in benefits technology from Ferret Information Systems, told us that he had found it difficult to model this kind of system. He said this could work for single earners, but that for couples on different pay cycles who may have different cycles for paying housing costs, he has been "unable to find any way in which there is a right answer for the best date for an assessment period to start".[270] Instead, Gareth Morgan told us that the focus should not be on the assessment period of one month", but with "how the calculations within that assessment period are carried out".[271]

220. To overcome problems associated with the assessment model, Gareth Morgan proposed to us an "easily assessed day-rate" which would calculate a person's daily earnings. The Department would then aggregate this figure to calculate their earnings over a month.[272] He explained that this would work for people already in employment because DWP could pull a net income figure from the data that the employer passes to HMRC and from HMRC's calculation of tax and National Insurance. DWP would then determine the number of days falling within the assessment period. With this, Gareth Morgan said that DWP could estimate fairly accurately a "Day-Pay Rate" which is the "daily net pay for that pay period". If DWP over- or underestimates, it would have to reconcile with the claimant in the following month.[273]

266 Joseph Rowntree Foundation (UCW0076)
267 Joseph Rowntree Foundation (UCW0076)
268 Citizens Advice (UCW0060), Q116
269 Q185
270 Q187
271 Q188
272 Ferret Information Systems (UCW0016)
273 Ferret Information Systems (UCW0016)

221. Gareth Morgan said that the model of a 'day rate' would have a knock-on effect on the wait for the first payment. He said that a principle of future estimation, and subsequent reconciliation, would mean immediate assessment and rapid payment of Universal Credit, therefore the "five-week wait would no longer be required".[274]

222. Other witnesses warned against major changes to the assessment system. Tom Loosemore, founder of the Government Digital Service, told us that the monthly assessment is the "very DNA of the whole welfare system" and that changing it would impact other bodies such as "local authorities, utility companies, HMRC, employers [who would] have to change their lingua franca to speak daily rather than monthly".[275] Dr Stephen Brien, former adviser at DWP, cautioned against adjusting the assessment period to another fixed system which denies people flexibility.[276] He said that any change in the assessment system would, as a priority, require better information sharing from employers with HMRC.[277] He advised that in the "medium to longer term" DWP could look into a "more flexible assessment period".[278]

223. We were concerned to hear that a witness who had worked within the Government saw a barrier between policy officials and people who work in benefits operations and technology. Tom Loosemore, founder of the Government Digital Service, said "the frustration among the operational and technology people within DWP is that many times […] policy people write their own cheques that they themselves do not have to cash".[279] He contrasted this with the earlier years of Universal Credit design at the "start of 2013–14", where policy people were "embedded" with product managers and people who worked on technology and operations.[280] Witnesses from external organisations which specialise in benefits technology said that they struggled to communicate with DWP policy officials. Phil Booth at MedConfidential described "deadlock points" where "civil society support organisations are simply stonewalled and told, "It is too difficult, the computer cannot do it"".[281]

How has the Department responded to proposals to change the assessment system?

224. In oral evidence, the Minister for Welfare Delivery cautioned against structural changes to Universal Credit because of the impact on other DWP operations. He said that a change to the monthly principle of Universal Credit "would mean literally starting again" and that this change would come with "enormous build costs", putting a strain on staff capacity during a time when the priority is to make sure that people "are getting their claims in full and on time".[282] The Senior Responsible Owner for Universal Credit summarised that "you have to have some unifying principles" [in the design of Universal Credit]: "you have to have some architecture on which to build a scheme, and we have chosen a month to do that".[283]

274 Ferret Information Systems (UCW0016)
275 Q183
276 Q150
277 Q157
278 Q157
279 Q204
280 Q204
281 Q204
282 Q237
283 Q240

225. The Department provided feedback on different assessment models. On the question of twice-monthly assessments, as proposed by the Joseph Rowntree Foundation, the Senior Responsible Owner for Universal Credit told us that this model would not work for people who move in and out of jobs with different pay cycles or for couples who claim together.[284] He said that shortening the initial assessment to two weeks (for people who are paid twice-monthly) would increase the risk of error.[285]

226. We asked the Department whether a person could be assessed each calendar month, in line with most people's pay dates, rather than on the date on which they started their claim. The Senior Responsible Owner, Neil Couling, told us that it would be "theoretically" possible to do this, however it would put an "incredible strain on the system" because most payments would be made at the same point each month.[286] He said that, "if you get to a completely automated system", DWP might be able to administer assessments and payments on a calendar month schedule.[287]

227. In written correspondence, the Minister for Welfare Delivery told us that the 'day rate' would be difficult to operationalise. He said that it is "possible to conceive of a daily-based system", but it would rely on "accurate recording of start and end dates, as well as people working regularly within that period". He told the Chair that the operational obstacle to a day rate would be running it at volume, "particularly as this increases the number of possible changes to bring to account when determining entitlement".[288]

228. The Minister said that a weekly assessment system would work only for the "minority of weekly-paid people". He said that, for anyone with different payment frequencies, such a system could result in "significant fluctuations which would undermine the ability of claimants to budget. He reiterated that "around 75% of people are paid monthly, a proportion that has been growing steadily over time as the economy shifts away from typical weekly or fortnightly paid jobs".[289]

229. The Minister for Welfare Delivery confirmed that DWP receives information on a person's earnings frequency from HMRC. However, he said the Department "would not necessarily want to align UC and earnings" because of the risk that earnings could be reported late. He said that "the minority of weekly earners would theoretically receive more fluctuation and uncertainty" if assessments were aligned with their payment dates. He maintained that there are aspects of Universal Credit "which are fundamental to it and deliberately designed to achieve its original objectives", of which a monthly assessment is one.[290]

230. **It is disappointing that suggestions to improve Universal Credit have apparently been thwarted by an IT system which was supposed to be developed in an agile fashion, yet seems to be anything but. It is unfortunate that such a rigid, clunky IT structure was adopted for UC which makes improvements required by Ministers and needed by claimants harder to implement, adding greater costs to benefit administration.**

284 Q240
285 Q242
286 Q241
287 Q241
288 Letter from the Minister for Welfare Delivery dated 27 August 2020
289 Letter from the Minister for Welfare Delivery dated 27 August 2020
290 Letter from the Minister for Welfare Delivery dated 27 August 2020

231. **The monthly assessment is a core part of design of Universal Credit for the Department and is the guiding reason behind the five-week wait and payment in arrears. Although the Department says that most people in the wider economy are paid monthly, there is evidence that a significant proportion of people moving onto Universal Credit were paid weekly or fortnightly in their previous job. Even for people who are paid monthly, the recent High Court and Court of Appeal cases which found against DWP show that a rigid assessment still causes fluctuations for claimants, financially disadvantages people and, in some cases, puts people off applying for more stable work. But changing the monthly assessment period would entail a fundamental rebuilding of the entire Universal Credit system. That is not likely to be feasible in the short or even medium term. In the longer term, we would encourage the Department to consider in detail the proposals that have been made for systems that could more flexibly meet claimants' needs—especially for people who are not paid monthly.**

232. ***We recommend that the Department assesses a model in which it estimates people's daily pay rate from data it already receives from HMRC, as suggested by Ferret Information Systems, and in which it would make payments from day one of the claim with reconciliation in month two. We request that the Department share information on what data that it receives from HMRC, including whether it knows how frequently people are paid, and makes clear what parts of its system are and can be automated.***

14 Conclusion

233. **The coronavirus pandemic has put the Universal Credit system under unprecedented strain. It has also highlighted the strengths of its digital, automated processes: a manual system could not have coped with millions of new claims in such a short time. But that strength can also be a weakness. An automated process cannot be tailored to the specific circumstances of individuals, whose needs may be complex. In making recommendations in this report, we have aimed to balance the need for Universal Credit to be more flexible to meet the varying needs of new claimants while maintaining, as far as possible, the benefits that automation brings.**

234. **The five week wait for a first payment of Universal Credit is an inevitable consequence of the fixed monthly assessment period. It is very difficult to remove the wait for all claimants without a complete dismantling of the UC system. But there is much more that the Government could and should do to mitigate its effects. The measures we have proposed would, taken together, provide vital support for those claimants who need it most.**

Conclusions and recommendations

The impact of the wait

1. The wait for a first payment of Universal Credit is not the only source of the problems people face, but it can exacerbate them. For people who may already be going through a difficult time, enduring five weeks—or longer—without any income can push them into crisis. (Paragraph 30)

2. DWP has previously adopted a sceptical attitude towards the evidence linking food bank use with Universal Credit. The Minister has now recognised that the Department needs to do more to improve its understanding of the what causes food bank use to increase. This is a welcome step. The Department has still not published its own analysis of the drivers of foodbank use, which it commissioned in 2018 and which it originally planned to publish in October 2019. *We recommend that the Department publish this work without delay.* (Paragraph 31)

3. The Trussell Trust's data, described by the National Audit Office as the best research it has seen, establishes an association between Universal Credit and food bank use. We share the National Audit Office's view that the Department should conduct further research to understand these findings better. We would also encourage the Trussell Trust to contribute to this work by sharing its data with the Department. (Paragraph 32)

4. We also heard evidence which suggests that people on Universal Credit are more likely to have rent arrears than people still claiming legacy benefits. The Department's own data show that, while some people who come onto Universal Credit have pre-existing rent arrears, the level of these arrears rises much more sharply after they make their claim. Even after a year, they have not fully returned to their pre-claim levels. That too is a worrying finding which deserves investigation by DWP. (Paragraph 33)

5. There is also research which found evidence of an increased prevalence of psychological distress, following the introduction of Universal Credit, among people affected by the policy. The research was not able to delineate whether a change of benefit system in itself—such as moving to Universal Credit—was a driver of the rise in psychological distress in the sample of people studied. Further research and evaluation would be needed to understand the drivers behind this rise and its clinical impact. In addition to this, there are wider reports of the impact of the wait for a first payment on claimants' mental wellbeing. Again, the connection between these findings and the wait for a first payment is not yet clear. But the Department ought to seek to understand this evidence. (Paragraph 34)

6. DWP *should conduct or commission research, before the end of this financial year, to develop its understanding of the impact of Universal Credit, particularly the wait for the first payment, on the rising use of food banks; on claimants' levels of rent arrears; and on claimants' mental health and mental wellbeing. While the evidence we heard falls short of establishing a causal link between the wait and these experiences, that is no reason for the Department not to take these findings seriously. It should use them*

as a starting point for a concerted effort to understand the full impact of the wait for the first payment, and how this may differ for claimants who are moving to Universal Credit from legacy benefits and for those who are making entirely new claims. DWP should more thoroughly consider the evidence linking Universal Credit to increased use of food banks, rent arrears and psychological distress and should use this in its overall strategy for protecting claimants' safety and wellbeing. (Paragraph 35)

7. *DWP should publish details of the meetings that it holds with stakeholders, like the Trussell Trust, to ensure that the public and Parliament know that important and well-regarded research, such as that produced by the Trussell Trust, is considered when policy and operational decisions are made. The publication should include the topics that were discussed and any actions that the Department decided to take following the meeting.* (Paragraph 36)

Moving to Universal Credit without a change in circumstance

8. People who are moving to Universal Credit through managed migration are doing so because of a decision by the Government. Nothing in their own circumstances has changed. Under the Government's plans, however, they would have to wait at least five weeks for their first payment of Universal Credit. We see no reason why their transition to a new benefits system should not be seamless. (Paragraph 51)

9. At present, the Government plans to mitigate the impact of the five week wait on this group of claimants by offering two week run-on payments of some, but not all, of the legacy benefits they are currently receiving. That is a sticking plaster, which costs public money, leaves claimants with a gap between payments, and unnecessarily disrupts their budgeting schedules. The delays to the pilot of managed migration give DWP the opportunity to develop something better. (Paragraph 52)

10. *We recommend that DWP should eliminate the five week wait for all claimants moving to Universal Credit through managed migration, including for claimants moving from tax credits. Those claimants should continue to receive their existing benefits during their first monthly assessment period. They should then be offered the option, from day one of their Universal Credit claim, of choosing fortnightly payments of their award. This would ensure a smooth and seamless move from legacy benefits to Universal Credit for people whose circumstances have not changed.* (Paragraph 53)

11. *We recommend that DWP set out, in response to our report, a detailed analysis of how our recommended approach could work in practice. It should also assess how the costs of this approach would compare with the costs of its existing plans to pay run-ons and final payments of legacy benefits to claimants who move via managed migration.* (Paragraph 56)

Starter payments in Universal Credit

12. The evidence we received was overwhelmingly in favour of some form of initial, non-repayable payment for new Universal Credit claimants. That would give new claimants the money they need for basic living essentials like food and heating, without requiring them to repay a debt to the Department from their future Universal Credit payments. We agree that new claimants should receive a form of

"starter payment" when they first apply for Universal Credit. But we heard a wide range of proposals for how such payments should work and the level at which they should be set. (Paragraph 66)

13. We have considered the various options carefully. In recommending a course of action, we have chosen an approach which offers simplicity: a simple amount of money, so it is clear to claimants what they can expect, and a simple process, which does not require the Department to carry out any additional means-testing or assessment of a household's needs. The benefits of simplicity seem to us to outweigh any possible cost savings offered by more targeted approaches. It would also address the Department's concerns that targeted grants could risk creating an unfair system with significant disparities of entitlement between claimants. (Paragraph 67)

14. *We recommend that the Department pay all first time claimants of Universal Credit a "starter payment" equivalent to three weeks of the Standard Allowance of Universal Credit. This payment should be made two weeks after the initial claim, and only once the claimant's identity has been verified, to mitigate the risk of fraud. The starter payment should also be given to people who move to Universal Credit by "natural" migration, in cases where it is not possible for them to be moved seamlessly to Universal Credit.* (Paragraph 68)

15. Terminally ill people already face thousands of pounds of additional costs because of their illness, and the money provided by Universal Credit counts more than ever. We welcome the fact that the Department has been reviewing how the Special Rules are working, but that review has now lasted for more than a year. We urge the Government to publish its review without further delay, no later than 30 November 2020. (Paragraph 79)

16. The starter payments we have recommended would also be available to people making claims under the Special Rules for Terminal Illness. *We recommend that the Department consider what further support it could offer to people making claims for Universal Credit under the Special Rules for Terminal Illness. That might include paying the starter payment more quickly on receipt of a DS1500 form; offering a larger starter payment to people making claims under the Special Rules; or proactively offering backdating (beyond the current limit of a month) of claims to people diagnosed with a terminal illness who have, understandably, not made a claim immediately on becoming eligible.* (Paragraph 80)

Advance payments

17. Advance payments can provide a valuable lifeline to people who might otherwise face going five weeks—or longer—without any income. The changes that DWP has introduced so far, especially allowing people to request Advances equivalent to their entire expected award and extending the repayment period, are welcome. However, there is clear evidence that Advance repayment deductions still leave some people without enough to live on. This leaves claimants facing a difficult choice: five weeks with no income, or the risk of debt and hardship later. (Paragraph 105)

18. Even with starter payments of the kind we have recommended, we anticipate that some claimants would still need to ask for an Advance to cover their immediate

costs. But some claimants might no longer need to ask for an Advance, and others would ask for a much smaller Advance than they currently receive. A request for a substantial Advance in these circumstances would be a clear indication that someone is struggling with the transition to Universal Credit. The Department should use this as an opportunity to support these claimants at the earliest possible stage. (Paragraph 106)

19. The Department continues to claim that Advances are not loans, but we find that argument impossible to accept. Advances must be repaid at a set rate, over a set period. The Department risks misleading claimants, and damaging its own credibility, if it insists on denying the obvious fact that Advances are interest free loans. Unlike firms in the consumer credit sector, where the FCA's guidance stipulates that repayment rates should be set at levels that are affordable, there is no equivalent body that regulates public sector lending. While Advances can be a vital source of income for new claimants waiting for a first payment, we are concerned that some people find that they are unable to afford repayments later on. (Paragraph 107)

20. *We recommend that Advances should be renamed "new claim loans", so that it is clear to claimants that they will need to be repaid. Before a new claim loan is granted in full, the Department should provide personalised budgeting support—when possible, with a face-to-face option—with a full assessment of the claimant's financial situation and the impact that future repayments of the loan will have on their household finances. We recognise that, for people in acute financial crisis, it may be necessary for the Department to pay part of the loan before this support can be offered.* (Paragraph 108)

21. For this group of claimants, the burden of future repayments of Advances is likely to be particularly difficult to bear. Given that benefits broadly provide people with a subsistence level of income, any system that reduces that monthly income, including through repaying an advance, is very likely to cause people difficulty. The Department already plans to extend the repayment period for Advances from 12 to 24 months, and to reduce the cap on deductions from an award of Universal Credit to 25% of the Universal Credit Standard Allowance. But even a 25% cap leaves claimants receiving substantially less than a subsistence level of income. And these changes will not happen until October 2021—some three years after they were first announced. The Minister says that he would love to be able to do this sooner, but cannot because of constraints in the Universal Credit build programme: : a clear case of "computer says no". (Paragraph 109)

22. *The Department should strive to bring in the extension to the repayment period and lowering of the deduction cap sooner than planned, no later than April 2021—recognising the likely increase in the numbers of claimants over this winter. We also recommend that the deduction cap should be reduced further, to 10%, in recognition of the fact that deductions are taken from an income already set at subsistence levels. If this acceleration involves deprioritising other planned changes or developments in the build programme, the Department should set out what these are and provide a revised timescale for their introduction.* (Paragraph 110)

23. DWP has capped the deductions that claimants can face from their Universal Credit award at 30%, and yet in some circumstances, such as where a claimant has rent or fuel arrears, or benefit sanctions, DWP can deduct more than this amount. Nick

Timmins has estimated that almost one in five of claimants see over 30% of their Universal Credit award deducted to pay off debts. *DWP should ensure that claimants never face deductions in excess of the usual cap, and should use the data that it has on "last resort" deductions to help claimants tackle their debt problems without reducing their Universal Credit award further.* (Paragraph 111)

24. The Department says that claimants who are struggling can already defer repayments of their Advance for three months. But the evidence we have heard from charities who work with claimants is that this option is not effectively communicated. Without reliable data on how often it is used, it is impossible to know how well this measure is working in practice. *The Department should collect and publish data on how many people have requested a deferral of their Advance repayments, and how many of these requests were granted. It should also ensure that work coaches are proactively informing claimants of this option both at the time of their claim and during the repayment period. This should form part of the personal budgeting support we have recommended.* (Paragraph 112)

25. We welcome the announcement of the Breathing Space scheme, which is scheduled to be introduced next year, and the Government's confirmation that Advances in Universal Credit will be covered by the scheme. We find it disappointing, however, that debts in Universal Credit will be "phased in" over time rather than introduced straight away. *We recommend that DWP works with HM Treasury to address any technical barriers in order to ensure that Advances are included in the scheme from its launch, so that Universal Credit claimants can benefit from the support it offers straight away.* (Paragraph 113)

26. Some people in financial distress during the wait for their first payment can face a difficult choice between using their Advance to pay their housing costs, or to cover other essential costs, such as food or heating. No one should find themselves in arrears—or facing eviction—during this time. *We recommend that anyone claiming an Advance should be given the option, at the outset, of having the housing element of the Advance paid directly to their landlord. This would ensure that claimants' housing costs are covered during the wait for their first payment, and that they will not face the risk of falling into arrears or eviction as a result.* (Paragraph 114)

27. *We recommend that vulnerable claimants or claimants with specific needs are prioritised for having the housing element of their Advance paid directly to their landlord. This could include people with learning disabilities, people with mental illness, people who have previously been homeless, or people with drug or alcohol addiction.* (Paragraph 115)

Increased financial support

28. DWP was right to increase the standard allowance for Universal Credit and support for housing costs as part of its response to the pandemic. Benefit rates, and in particular support for housing costs, had become detached from the actual cost of living—in particular from the cost of private rents—and people were struggling to find a home for their family and to meet the costs of basic essentials. *The Department should commit to maintaining the increases in support that have been provided during the pandemic. This should include keeping Local Housing Allowance*

at the 30th percentile and conducting an annual review of rates to ensure they remain appropriate for each area. It should maintain the £20 a week increase in standard allowance for Universal Credit and Working Tax Credit, with annual inflation-based increases thereafter. (Paragraph 122)

Support for claimants

29. Help to Claim is a hugely valuable service for people who are applying for Universal Credit. But its focus is on helping people to complete their initial claim. It does not provide support for people throughout their claim, to help them to manage debt, personal budgeting, and maintaining their claim through their online journal. In that respect, Help to Claim is still a long way from providing the support originally envisaged as integral to the successful rollout of Universal Credit. We cannot agree with the assertion made by Neil Couling, Senior Responsible Owner for Universal Credit, that the Department is currently providing a "de facto Universal Support". (Paragraph 131)

30. *We recommend that the Department invests in expanding and developing Help to Claim so that the service can provide support to people beyond the application process. This should include debt advice, support for people who are struggling with Advance repayments, and tailored support for people with complex needs who need additional support throughout their claim. The service should also offer digital support—for example, supporting people to make use of the online journal to maintain their claim. This would bring Help to Claim closer to the original plans for Universal Support.* (Paragraph 132)

31. DWP currently lacks a comprehensive system for recording and tracking claimants' needs. The introduction of pinned notes is a step in the right direction but, as the National Audit Office said, pinned notes are the digital equivalent of a post-it note on a file: they do not enable staff to collect consistent data on who needs additional support. We welcome the Minister's ambition to improve the way the Department identifies people who may need additional support, and his recognition that more needs to be done. We would welcome timely action to address that recognition. (Paragraph 138)

32. *DWP must immediately make improvements to the Universal Credit system to formalise how it identifies and defines vulnerable claimants, as part of its overall approach to safeguarding vulnerable people. This will be a substantial piece of work, and DWP should set out when it expects to achieve this. The new mechanism should, as the Minister for Welfare Delivery suggested, include the ability to identify vulnerable and disadvantaged groups and specific cohorts of people. DWP should gather data to identify whether any such groups are more likely to experience problems during the wait for first payment, delays to their payment, or any other issues throughout their claim. DWP should proactively use this information to expedite claims for these people, ensuring that they do not face further delay, and to provide the additional support that they need.* (Paragraph 139)

33. Support organisations have expressed concern that DWP's approach to data sharing and consent has had a detrimental effect on their ability to support vulnerable claimants. The Department now says it is exploring options for improving its model

of explicit consent. *We urge the Department to publish more detail about how this exploration is being progressed, including when the Department expects progress to be visible to observers and experienced by claimants. We echo the Social Security Advisory Committee's recommendation that DWP should consider applying the implicit consent model to Universal Credit, or at least consider what improvements it can make to the model of explicit consent. More broadly, DWP should review its approach to how it works with people and organisations that support claimants, including support workers, housing associations and local authorities.* (Paragraph 145)

Payment timeliness

34. DWP has made substantial progress in improving payment timeliness,. The Department has increased the proportion of people paid on time from just over half in 2017 to over 90% in 2020—a significant feat given the recent upsurge in Universal Credit claims. However, the overall rise in claimant numbers mean that more people than ever are being paid late, and when managed migration begins at scale there is a risk that these numbers will rise. No one should have to wait more than five weeks for their first payment. (Paragraph 151)

35. We welcome the announcement of funding for the recruitment of over 13,500 new Work Coaches—double the current number—over the next financial year. This is an ambitious programme of recruitment. *The Committee would welcome a written update from the Department, by the end of the calendar year, on how the recruitment is progressing. This should include, but not be limited to: how many of the new Work Coaches are in post; the Department's progress in acquiring new estate to accommodate the new staff; and what impact the introduction of new staff has had on payment timeliness. The Department should then provide monthly updates on this to the Committee thereafter. As part of this, the Department should work with local authorities to identify any additional space that Jobcentres can expand into or share with local authorities. Depending on who space is shared with, DWP may find that it is able to offer better support to claimants through improved communication and collaboration.* (Paragraph 152)

36. We acknowledge that most disabled people and people with health conditions receive the core elements of their claim on time. However, we find it troubling that, because of the time taken to complete the Work Capability Assessment process, people must wait much longer than five weeks to receive their full entitlement. Even beyond this, disabled people experience further delays, waiting on average four months for a WCA decision. Given that disabled or ill claimants face additional costs and challenges during the wait for their first payment, it is vital that people receive their full entitlement as quickly as possible. We have recommended elsewhere in this report that DWP prioritise the changes that are needed to the UC system to allow it to collect data about claimants' characteristics, including impairment or health condition, in a systematic way. It needs that data to understand fully disabled people's experience of making a claim for Universal Credit. *DWP should investigate how it can speed up the WCA process. Four months, on average, is too long for a person to wait for their full award. In addition, the Department should continue to monitor and collect data on how long the WCA process is taking, and it should fast track any groups for whom data suggests the WCA takes the longest. Notwithstanding*

delays to the process, 13 weeks is still a long time. Disabled people and people with health conditions should not have to wait this long to receive the disability element of their award. DWP should commit to reducing the time taken to complete the WCA process. (Paragraph 158)

37. The Universal Credit application process requires claimants to provide a great deal of information about their circumstances, to enable the Department to assess their claim. When they have done this, Universal Credit claimants rightly expect that they should be paid the full amount they are entitled to, on time. For too many people, however, this simply does not happen. There is a penalty for claimants who do not provide the necessary documents in time: their Universal Credit is paid late. But there is no equivalent penalty for the Department when it fails to keep its side of the bargain. *Where a claimant provides all the information DWP has asked for on time, but DWP has not completed its own processes to verify the claim details and make a timely payment, the claimant should receive the full amount of benefit entitlement for which they are claiming. If the Department subsequently decides that a claimant is entitled to less than they have been receiving, claimants should not be expected to pay anything back to DWP except in clear cases of deliberate fraud. Similarly, where a claimant is expected to complete a Work Capability Assessment to assess how much money they are entitled to, the onus should be on the Department to schedule the assessment and make a decision within the usual initial waiting period for the benefit. If there are delays to the WCA process, through no fault of the claimant, claimants should be paid at the highest rate until their claim has been determined.* (Paragraph 159)

Tax credit debts

38. Repayments of tax credit overpayments can compound hardship for people who may already be struggling. The evidence that some people are left unaware of these debts, which can be several years old, until they make a claim for Universal Credit, is particularly concerning. Despite HMRC's assurances that people are routinely informed of overpayments, the evidence we have heard suggests that there are gaps in how this is being communicated. (Paragraph 169)

39. The recovery of Tax Credit debt from claimants' Universal Credit awards clearly presents problems. However, the option of returning responsibility to HMRC now would be too challenging to deliver in practice. *Instead, we recommend that DWP should continue to collect these debts, but that recovery should only begin when the claimant has repaid their Advance (if they have taken one out). Repayments of any remaining debt should be capped at 10% of the Universal Credit standard allowance per month. Debts that have not been pursued for more than 6 years should be written off entirely, in line with the approach taken in the private sector. We also recommend that the FCA's approach be extended so that it covers public sector debts, including tax credit overpayments and Advances in Universal Credit. This will help ensure that best practice from the private sector is reflected in DWP's approach to debt.* (Paragraph 170)

Backdating

40. We welcome the Minister's recognition that the Department needs to improve its understanding of the reasons why so many people claim for Universal Credit long after they become eligible. The Department must prioritise this work so that it can tackle the problem. *We recommend that the Department investigate why people take time to start a Universal Credit application and publish the results of these findings by the end of the financial year. It should use this analysis to inform its communications with claimants, to encourage people to apply for Universal Credit at the right time.* (Paragraph 180)

41. Many claimants are simply unaware that they can ask for their claim to be backdated by a month. Even when they do ask for backdating, they sometimes face an intrusive and bureaucratic process. *We recommend that the Department review the use of evidence for backdating and works with work coaches to find a way to make the application process less burdensome on claimants. The Department should publish the information that work coaches use to advise claimants on backdating. It should work to increase awareness of the option for backdating from day one of a person's claim, and of the circumstances in which somebody may be able to see their claim backdated.* (Paragraph 181)

42. Currently, backdating is only permitted up to a month before the claim was submitted. Given the seriousness of the life events which might allow the backdating of a claim—bereavement, serious illness, relationship breakdown—this period seems astonishingly short. *We recommend that, in specified circumstances, the Department allow backdating to the point at which the change in someone's life occurred, rather than strictly a month before.* (Paragraph 182)

43. The Universal Credit Transition Fund is an initiative to support vulnerable people in applying for Universal Credit as soon as they are eligible, and rightly puts organisations that work most closely with these groups at the centre. Timely applications to Universal Credit will mitigate the impact of the five-week wait. The disruption created by coronavirus this year has left the future funding of the Fund in some doubt. *We recommend that the Department and HM Treasury continue the Universal Credit Transition Fund by renewing its funding for the next financial year.* (Paragraph 183)

Improving payments

44. While monthly payments do mirror the world of work for many, DWP's own figures show that a significant minority of people who claim Universal Credit received or continue to receive weekly or fortnightly wages. Other sources suggest that a majority of claimants may be paid more frequently than monthly. This can make it hard for households to budget, particularly if they are already managing debt. At the same time, monthly awards create difficulties for some people in social housing with weekly rent payments, and represent another adjustment for people moving from legacy benefits with weekly payments. The evidence we have heard tells us that the option for more frequent payments would benefit the most vulnerable claimants and would have low cost implications for DWP. (Paragraph 195)

45. *We recommend that the Department provide new and clearer guidance for Work Coaches to mitigate the impact of the wait and monthly payment system by making the option of more frequent payments under Alternative Payment Arrangements easy for all claimants in England and Wales to access. This option should be offered to all claimants, alongside clear information about how the payment process will work. The Department should review how it uses evidence for Alternative Payment Arrangement applications, following reports that it puts people off applying.* (Paragraph 196)

46. *We recommend that the Department publishes the guidance given to Work Coaches when they advise people on APAs, to improve transparency in the process. The Department should make clear when and how a claimant is made aware of APAs both during their Universal Credit application and once they start receiving their payments. The Department should publish the rates at which people are unsuccessful in their applications for an Alternative Payment Arrangements, and what reasons the Department might give a claimant if it denies their request for more frequent payments. DWP should also ensure that work coaches are making claimants aware of the option of split payments, where a household's payment can be divided and paid into two separate accounts.* (Paragraph 197)

47. Universal Credit works best when it mirrors people's daily lives. Payments which align with people's rent schedules could make it easier for claimants to budget and plan. *We recommend that the Department explain in response to our report whether it is feasible for landlords to tag the tenancy agreement to the claimant's Universal Credit claim so that payments are made in line with their rent schedule. If this is not possible, the Department should set out what aspects of the design of Universal Credit it would need to adapt to build in this flexibility for claimants.* (Paragraph 198)

48. While Scottish Government data shows a quarter of people revert from More Frequent Payments under Scottish Choices, DWP's research does not provide a detailed understanding of how the Department monitors how more frequent payments work for people, and what it might to do improve the policy. (Paragraph 201)

49. *We recommend that the DWP improve the quality and detail of its published data on alternative payments, by publishing its figures on how many people revert to monthly payments from the twice monthly payment option in England and Wales. DWP should give detail to these figures by publishing analysis on why people may revert to monthly payments and demonstrate how it monitors people's experiences of Scottish Choices or more frequent payments under APAs. It should use this analysis to better advise claimants and to identify possible improvements to the policy.* (Paragraph 202)

Speeding up payments – shortening the fifth week

50. Faster Payments offer the Department a quick and efficient way to pay claimants. They could, if more widely used, reduce the time that people have to wait for a first payment. The Department already has plans to increase its use of Faster Payments. That will have costs and will require work across multiple bodies, including the Treasury and the banks. *We recommend that the Department maintain its target to increase its proportion of Payments permitted by banks, to shorten the fifth week of the*

Universal Credit process. We urge the Department to set out in more detail its proposed strategy for rolling out Faster Payments, including its expected timings and its plans for engagement with the banking sector, in response to this report. (Paragraph 208)

Improving the assessment system

51. It is disappointing that suggestions to improve Universal Credit have apparently been thwarted by an IT system which was supposed to be developed in an agile fashion, yet seems to be anything but. It is unfortunate that such a rigid, clunky IT structure was adopted for UC which makes improvements required by Ministers and needed by claimants harder to implement, adding greater costs to benefit administration. (Paragraph 230)

52. The monthly assessment is a core part of design of Universal Credit for the Department and is the guiding reason behind the five-week wait and payment in arrears. Although the Department says that most people in the wider economy are paid monthly, there is evidence that a significant proportion of people moving onto Universal Credit were paid weekly or fortnightly in their previous job. Even for people who are paid monthly, the recent High Court and Court of Appeal cases which found against DWP show that a rigid assessment still causes fluctuations for claimants, financially disadvantages people and, in some cases, puts people off applying for more stable work. But changing the monthly assessment period would entail a fundamental rebuilding of the entire Universal Credit system. That is not likely to be feasible in the short or even medium term. In the longer term, we would encourage the Department to consider in detail the proposals that have been made for systems that could more flexibly meet claimants' needs—especially for people who are not paid monthly. (Paragraph 231)

53. *We recommend that the Department assesses a model in which it estimates people's daily pay rate from data it already receives from HMRC, as suggested by Ferret Information Systems, and in which it would make payments from day one of the claim with reconciliation in month two. We request that the Department share information on what data that it receives from HMRC, including whether it knows how frequently people are paid, and makes clear what parts of its system are and can be automated.* (Paragraph 232)

Conclusion

54. The coronavirus pandemic has put the Universal Credit system under unprecedented strain. It has also highlighted the strengths of its digital, automated processes: a manual system could not have coped with millions of new claims in such a short time. But that strength can also be a weakness. An automated process cannot be tailored to the specific circumstances of individuals, whose needs may be complex. In making recommendations in this report, we have aimed to balance the need for Universal Credit to be more flexible to meet the varying needs of new claimants while maintaining, as far as possible, the benefits that automation brings. (Paragraph 233)

55. The five week wait for a first payment of Universal Credit is an inevitable consequence of the fixed monthly assessment period. It is very difficult to remove the wait for

all claimants without a complete dismantling of the UC system. But there is much more that the Government could and should do to mitigate its effects. The measures we have proposed would, taken together, provide vital support for those claimants who need it most. (Paragraph 234)

Formal minutes

Wednesday 14 October 2020

Members present:

Rt Hon Stephen Timms, in the Chair

Debbie Abrahams	Selaine Saxby
Shaun Bailey	Dr Ben Spencer
Neil Coyle	Chris Stephens
Steve McCabe	Sir Desmond Swayne

Draft Report (*Universal Credit: the wait for a first payment*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Summary agreed to.

Paragraphs 1 to 234 read and agreed to.

Resolved, That the Report be the Third Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[The Committee adjourned till Wednesday 21 October at 9.00am

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the inquiry publications page of the Committee's website.

Wednesday 10 June 2020

Iain Porter, Social Security Partnerships and Policy Manager, Joseph Rowntree Foundation; **Emma Revie**, Chief Executive, Trussell Trust; **Minesh Patel**, Principal Policy Manager, Citizens Advice; **Tom Lee**, Senior Policy Analyst, Child Poverty Action Group — Q1–28

Jennifer Harrison, Head of Policy and Public Affairs, Changing Lives; **Peter Tutton**, Head of Policy, StepChange Debt Charity; Gemma Hope, Director of Policy, Leonard Cheshire; **Mark Gale**, Policy and Campaigns Manager, Young Women's Trust — Q29–41

Wednesday 17 June 2020

Anvar Sarygulov, Senior Researcher, Bright Blue; **Dr Sophie Wickham**, Wellcome Trust Research Fellow, Department of Public Health, Policy & Systems, University of Liverpool; **Dr Mandy Cheetham**, Postdoctoral research associate, Teesside University; **Ben Fell**, Head of Analysis, Policy in Practice — Q42–66

Mike Brewer, Chief Economist and Deputy Chief Executive, Resolution Foundation; **Nicholas Timmins**, Senior Fellow, Institute for Government; **Patrick Spencer**, Head of Work and Welfare, Centre for Social Justice — Q67–95

Wednesday 24 June 2020

Muhammed Butt, Executive Member for Welfare, Inclusion and Empowerment, London Councils; **Noel Duke**, Neighbourhood Services Manager, Harrogate Borough Council; **Sheila McKandie**, Interim Head of Revenues and Customer Services, Highland Council; **Adam Smith**, Benefits Coordinator, Kent County Council; **Jacqueline Hickmore**, Inclusion Advisor Team Leader, Cornwall Housing — Q96–128

Hugh Owen, Director of Strategy and Public Affairs, Riverside Housing Group; **Jeremy Hewer**, Policy Lead, Scottish Federation of Housing Associations; **Laura Courtney**, Policy and External Affairs Manager, Community Housing Cymru; **Sue Ramsden**, Policy Leader on Welfare Reform, National Housing Federation — Q129–144

Wednesday 1 July 2020

Rt Hon Sir Iain Duncan Smith MP, former Secretary of State, Department for Work and Pensions; **Baroness Stroud**, former Special Adviser to the Secretary of State for Work and Pensions, Department for Work and Pensions; **Stephen Brien**, former Expert Adviser, Department for Work and Pensions — Q145–178

Gareth Morgan, CEO, Ferret Information Systems Ltd; **Phil Booth**, Coordinator, medConfidential; **Tom Loosemore**, Partner, Public Digital	Q179–207

Wednesday 15 July 2020

Will Quince MP, Minister for Welfare Delivery, Department for Work and Pensions; **Neil Couling**, Senior Responsible Owner Universal Credit, Department for Work and Pensions	Q208–285

Wednesday 2 September 2020

Gareth Davies, Comptroller and Auditor General, National Audit Office; **Joshua Reddaway**, Director, Work and Pensions, Value for Money, National Audit Office	Q286–345
Nisha Arora, Director of Consumer and Retail Policy, Financial Conduct Authority; **Jonathan Davidson**, Executive Director of Supervision – Retail and Authorisations, Financial Conduct Authority	Q346–363

Published written evidence

The following written evidence was received and can be viewed on the inquiry publications page of the Committee's website.

UCW numbers are generated by the evidence processing system and so may not be complete.

1 38 Degrees (UCW0052)

2 Advice NI (UCW0029)

3 Bright Blue (UCW0023)

4 Cain, Dr Ruth (UCW0036)

5 Centrepoint (UCW0021)

6 Changing Lives (Changing Lives Jennifer Harrison, Head of Policy and Public Affairs) (UCW0030)

7 Cheshire, Leonard (UCW0097)

8 Child Poverty Action Group (UCW0058)

9 The Children's Society (UCW0031)

10 Christians Against Poverty (CAP) (UCW0075)

11 Citizen Advice Sheffield (UCW0022)

12 Citizens Advice (UCW0060)

13 Citizens Advice Chesterfield (UCW0013)

14 Citizens Advice Craven and Harrogate Districts (UCW0045)

15 Citizens Advice Leicestershire (UCW0038)

16 Citizens Advice Scotland (UCW0026)

17 Community Housing Cymru (UCW0084)

18 Community Trade Union (UCW0091)

19 Coventry Citizens Advice (UCW0098)

20 The Cystic Fibrosis Trust (UCW0053)

21 Department for Work and Pensions (UCW0096)

22 Disability Benefits Consortium, and Macmillan Cancer Support (UCW0061)

23 Employers For Childcare (UCW0051)

24 Etherington, Professor David (UCW0010)

25 Evans, Ms Nancy (UCW0046)

26 Fawcett, Robyn (UCW0033)

27 Feeding Britain (UCW0094)

28 Ferret Information Systems Ltd (UCW0016)

29 Financial Conduct Authority (UCW0101)

30 Fitzpatrick, Dr Ciara (UCW0040)

31 Generation Rent (UCW0041)

32 Hardie, Iain (UCW0062)

33 Helen Bamber Foundation (UCW0032)

34 Hick, Dr Rod (UCW0071)
35 Homeslink (UCW0088)
36 Hughes, Ms Rhiannon (UCW0085)
37 Jones, Professor Martin (UCW0010)
38 Jordan, Ms Uisce (UCW0027)
39 Joseph Rowntree Foundation (UCW0076)
40 Jubilee+ (UCW0048)
41 Karbon Homes (UCW0095)
42 Kent County Council (UCW0007)
43 Law Centre NI (UCW0066)
44 Leeds City Council (UCW0077)
45 Lloyds Bank Foundation for England & Wales (UCW0043)
46 Logan, Kerry (UCW0040)
47 London Councils (UCW0099)
48 London Councils (UCW0054)
49 London Unemployed Strategies (UCW0068)
50 Macmillan Cancer Support (UCW0037)
51 Marie Curie (UCW0059)
52 medConfidential (UCW0100)
53 Money and Mental Health Policy Institute (UCW0074)
54 Motor Neurone Disease (MND) Association (UCW0028)
55 National Association of Welfare Rights Advisers (UCW0039)
56 Newcastle University (UCW0035)
57 Newman, Ines (UCW0065)
58 North Tyneside Citizens Advice (UCW0012)
59 Northern Ireland Federation of Housing Associations (UCW0042)
60 Northern Ireland Women's European Platform (UCW0056)
61 Nunn, Dr Emily (UCW0033)
62 Nunn, Professor Alex (UCW0033)
63 Parkinson's UK (UCW0018)
64 Patrick, Dr Ruth (UCW0040)
65 Poverty Alliance (UCW0050)
66 Public and Commercial Services Union (UCW0055)
67 Public Health Scotland (UCW0089)
68 Refugee Council (UCW0019)
69 The Riverside Group (UCW0063)
70 The Runnymede Trust (UCW0057)
71 The Salvation Army (UCW0079)

72 Scope (UCW0081)

73 Scottish Federation of Housing Associations (UCW0067)

74 Shelter (UCW0070)

75 Simpson, Dr Mark (UCW0040)

76 Society of St. Vincent de Paul (UCW0072)

77 Southwark Law Centre (UCW0024)

78 StepChange Debt Charity (UCW0047)

79 Submitter, Anonymous (UCW0017)

80 Submitter, Anonymous (UCW0015)

81 Submitter, Anonymous (UCW0008)

82 Submitter, Anonymous (UCW0005)

83 Submitter, Anonymous (UCW0004)

84 Submitter, Anonymous (UCW0003)

85 Teesside University, Newcastle University, and University of Liverpool (Dr Mandy Cheetham) (UCW0014)

86 Toynbee Hall (UCW0080)

87 Trades Union Congress (UCW0078)

88 Trussell Trust (UCW0093)

89 UC:Us members (UCW0040)

90 Unite Community (UCW0082)

91 Universal Credit Action Network (UCW0009)

92 Universal Credit Action Network (UCW0009)

93 University of York, University of Salford, and University of Glasgow (Professor Peter Dwyer) (UCW0069)

94 Usdaw (UCW0044)

95 Voluntary Norfolk (UCW0083)

96 Welsh Government (UCW0087)

97 Women’s Regional Consortium (UCW0049)

98 Young Women’s Trust (UCW0064)

99 Zacchaeus 2000 Trust (Z2K) (UCW0025)

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the publications page of the Committee's website.

Session 2019–21

First Report	DWP's response to the coronavirus outbreak	HC 178
Second Report	The appointment of Dr Stephen Brien as the Chair of the Social Security Advisory Committee	HC 733