



Department
for Work &
Pensions

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Rt Hon. Stephen Timms MP
Chair, Work and Pensions Committee

Rt Hon. Lord Forsyth of Drumlean
Chair, Economic Affairs Committee

21 June 2021

Dear Mr Timms and Lord Forsyth,

Thank you for your letter of 12 May requesting further information following the concurrent meeting of the Economic Affairs Committee and the Lords Economic Affairs Committee on 9 March 2021. I address your questions below.

1. How and when should claimants expect the Government to communicate what will happen to the uplift?

Throughout the pandemic, the government has moved quickly to provide people with the support they need. Universal Credit (UC) has stood up to the challenge, coping with a near doubling of the caseload since March.

The Chancellor acted swiftly to announce the £20 uplift to UC as a result of the Covid-19 pandemic. The government has always been clear that the £20 increase was a temporary measure to support households affected by the economic shock of Covid-19, and decisions on whether to extend support would be made as the economic and health picture became clearer.

As announced at the most recent Budget on the 3rd March, the Chancellor has extended the uplift for a further six months until October 2021, in order to provide stability as social distancing measures continue to be relaxed. There have been significant positive developments in the public health situation since the increase was first announced, including a hugely successful vaccine rollout. Over 70% of all adults vaccinated against coronavirus, and 43.5% of adults having received both vaccines.

2. What work has the DWP completed, or commissioned, to consider the proposal of an initial payment during the five-week wait for the first award?

3. What led you to conclude that this proposal would be “workable”?

The introduction of non-recoverable advances to cover claimants until their first UC award is not a feature that the Department supports. Aside from the significant cost of this approach, non-repayable advances could not be implemented without

significant reprioritisation of current measures: our focus remains firmly on ensuring that millions of new and existing claimants continue to receive their payments on time, and that we do everything possible to support people back into work where it is right to do so.

Under UC, new claim advances are available urgently to claimants if they are in need of financial help. Previously, claimants who received an advance had their UC award spread across thirteen payments in a year rather than twelve. We are now giving claimants the option of spreading their UC award across twenty-five payments over twenty-four months.

As you will know, I was keen to bring forward this change and we introduced this improvement for new advances some six months earlier than planned in April. Claimants have always been able to ask for repayments to be deferred for up to three months in exceptional circumstances, something that predated the recent implementation of *Breathing Space*.

Furthermore, from October 2019 the overall normal maximum level of deductions that can be taken from UC was reduced from 40% to 30% of the Standard Allowance, and was decreased further to 25% in April 2021. This will provide claimants who are faced with the maximum level of deductions with a larger UC award than previously.

4. How was the two-year implementation period calculated?

5. Please could you share with us the detailed calculations which produced the estimated cost of £2bn–£2.5bn? In particular, we would be interested to see the assumptions made about possible savings from existing run-ons, and how the expected reduced demand for Advances was taken into account.

This estimate was derived from the Spring 2020 forecasts, which are based on the Department's inflow forecasts, with an assumed take-up rate of 100%.

The estimated cost you are asking about is based on the forecasted inflows as per Spring Budget 2020 and the average award for UC. We did not assume that this payment will replace the run-on payments and assumed this payment will be additional to these. For reference, the run-on costs are around £100m per year. We assume 100% take-up as this will not be repaid so every claimant will receive the non-repayable advance. The reduction/increase in the inflows is within the forecasted inflows although no account has been taken of any behavioural effects.

6. Your estimate of the costs of this proposal was derived from the Spring 2020 forecasts. Given how much has changed since then, please could you now provide an estimate based on the Spring 2021 forecasts?

Based on the Spring 2021 Budget, the estimated cost is forecast to be £2.2bn-£2.8bn per year.

7. What criteria would you use to make such a recommendation to the Treasury on the reduction of historical tax credit debt?

HMRC uses established criteria to identify and remit debt where recovery would not represent best value for money.

Once the debt is with DWP, our approach to recovery is flexible. Customers can contact Debt Management to discuss and agree a rate of repayment that is affordable and sustainable. In addition, the DWP waiver policy enables the department to write off part or all of an amount outstanding if it is considered, based on the evidence provided by the customer, that the recovery of the overpayment is detrimental to the health and/or welfare of the customer or their family, or that recovery would not be in the public interest.

We keep our policies under review to ensure that they remain fit for purpose.

8. What was the source of Mr Couling’s statement that “97% of married couples pool their income”? What is your assessment of the reliability of this statistic?

This statistic was derived from a report published in 2010. Table 8.11, page 221, in Maplethorpe et al (2010), 'Families with children in Britain: Findings from the 2008 Families and Children Study (FACS)'. DWP Research Report 656.

The committee may also be interested to note that in the Wealth and Assets Survey, published by the Office for National Statistics, 91% of married couple have shared accounts:

<https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/pensionssavingsandinvestments/adhocs/009434percentageofindividualsincouplewithnosharedfinancialassetsgreatbritainjuly2014tojune2016>

9. You and Mr Couling told us that 60% of Universal Credit payments “go to the woman in a relationship.” What was the source of that statement? What is your assessment of the reliability of this statistic?

Since Summer 2019, the online claim process has featured messaging that encourages joint claimants to select the bank account of the main carer when choosing where Universal Credit payments should be paid to.

An ad-hoc stats release in January 2019 showed that, for couple claimants where the gender of the account holder could be identified, 59% of accounts are held by a female, with 41% held by a male. This is the source of the statistic stated in the Government’s response to the report from the Joint Committee on the Draft Domestic Abuse Bill, that ‘around 60 per cent of Universal Credit payments go to the main carer, usually a woman’:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/774240/universal-credit-gender-of-bank-account-holders-august-2018.pdf

10. How would providing separate payments to individuals in a couple prevent them from pooling their income subsequently?

It wouldn't prevent pooling income for the couples who wish to do so. As the very great majority of couples already choose to pool their resources, splitting payment of UC by default delivers no advantage for them.

Making payment to all couples in this way would require automation, introducing great complexity and risk to effective delivery of UC. This is why the Government continues to support a more proportionate response, whereby the small minority of claimants who do need split payment, such as those victims of domestic abuse who believe this would be helpful in their individual circumstances, only need to request that payment is made in this way. That can then be delivered simply and efficiently through manual processes.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Will Quince', written in a cursive style.

Will Quince MP

Minister for Welfare Delivery