

MONEY ADVICE PLUS – WRITTEN EVIDENCE (EUC0090)

The economics of Universal Credit

Who we are:

1.1 We are an independent charity (No: 1045340), giving short- and long- term debt and benefit advice and support in Brighton and Hove. We act as corporate appointee for 164 of our clients and receive the DWP benefits of a further 53 clients into our bank account. We are regulated by the FCA (Firm No: 618927).

How well has universal credit met its original objectives?

Objective - Reducing the cost of welfare benefits

2.1 The need for rigorous training of new staff and extensive re-training of existing staff was not fully recognised and financial resources allocated. The lack of adequate training and high turn-over of staff has led to a high level of mistakes on individual claims by the DWP in the initial introduction period. We still, frequently, have to correct DWP UC decisions and refer DWP staff to the relevant UC legislation, as they don't consistently use it correctly. This will presumably have led to increased costs to the DWP of the UC roll-out.

2.2 The delay in the roll-out of planned migration to UC from legacy benefits has been attributed, by the DWP themselves, to there not being the savings that they had hoped for from natural migration. The further delay will allow time for more natural migration to UC to happen and save the DWP paying transitional payments that they will have to do with planned migration cases.

2.3 The failure of 21% of claims that are made, to get into payment, may be helping to reduce costs somewhat. It is not however reducing hardship for those claimants.

Objective – Always better off in work; making work pay.

3.1 In the planning stages there was an emphasis on allowing part of a claimant's earnings to be disregarded so that it was always financially more beneficial to work rather than not. These work allowances were eroded at successive implementation stages and now only exist for claimants with children or who have been assessed as having Limited Capability for Work. For a single claimant there is no amount of disregarded earnings before the 63% taper is applied. This means that a single UC claimant who takes a job for 12 hours per week at minimum wage earning £98.52, will be £34.45 better off. However, when the additional costs of working, such as, travel, lunch, appropriate clothing etc. are taken into account they may well be no better off at all. This disincentivises claimants from taking on low paid or short hours work, which were they to take, might well lead them on to more hours or better paid work.

4. Objective - Paid monthly like a salary to encourage budgeting.

4.1 The assumption that most people are paid a monthly salary is not an accurate one. The people most likely to be claiming UC are those in lower paid, less secure work and those who have little or no financial reserves. Most low-paid workers are paid weekly and have never had to make money last a month.

4.2 The assumption that people will learn to budget monthly relies upon there being enough money to last a month if budgeted correctly. Our experience is that our clients can't afford all of their essential expenditure from their UC payments. So, monthly payments mean people are left with no money at all for days or weeks. Claimants who have been on legacy benefits typically have no reserves to fall back on and instead of having to go a day or so without money at the end of the week or fortnight in their legacy benefit; they now have the more serious 3-5 days without money at the end of a month.

4.3 Paying claimants their money to live on and money towards their rent in one single payment has led to an increase in rent arrears. The basic amount of benefit isn't enough to meet all of their essential expenditure and so there is the inevitable use of the Housing Element for other essential and emergency costs, especially if direct debits go out of the account before the rent can be paid. Most people in our area that are renting privately have a rent shortfall; their Housing Element doesn't cover all of their rent, and the shortfall has to be paid from their already insufficient Standard Allowance.

Our experience: We saw a client last week who had 21p left for the 5 days until his next UC payment. We referred him to a foodbank.

We have another client who consistently had no money for 6 days or more at the end of the month for 5 months until he came to us to ask for help and we helped him get split UC payments. Now at least it is only 2 or 3 days at a time that he has to manage without money.

We saw a client last week who had been paid his UC that day, and after paying his rent shortfall, had £61 left for the rest of the month. He was discharged from a psychiatric hospital 2 months ago and we have been referring him to a foodbank since his discharge.

Objective – To simplify the benefits system.

5.1 There was an overall failure to appreciate the complexity of people's lives and the many circumstances in which they would need to claim UC.

5.2 There was no understanding of the barriers many claimants would face when claiming any benefit, let alone one that is only to be claimed on-line.

5.3 There is no understanding of, or flexibility in the system to allow for, how many people don't have the equipment and knowledge to make an online claim.

5.4 To make a claim for UC a claimant needs to have a mobile phone to receive a text on, an internet enabled device to make the claim on, and an email account they can access and receive a code on. For many people these are all complicated and alien things. For those of us who are smartphone users with mobile data packages or access to wi-fi these are simple things but many of our clients don't have a smartphone and don't have an understanding of the IT world.

Our experience: We have tried on many occasions to enable clients, who can't use computers, to have ownership of their UC claim by helping them ring the UC number and asking to make a claim over the phone. We speak on behalf of our client to explain their difficulties and anxiety about claiming UC with a view to then

being able to pass the phone to our client when the DWP person is ready to start the claim over the phone. This has always been met with disbelief and never been successful. Our client is made to feel humiliated and stupid for not managing to make a claim online and so we have now stopped trying this approach. People are often told to go to a library to use a computer to make a claim, but this is to ignore the fact that they don't know how to use a computer when they get there. They then feel that they aren't being listened to, and indeed, they aren't.

We see clients whose legacy benefits have stopped, typically because they were found fit for work by a medical assessment in ESA, and who refuse to claim UC. We advise them that they could claim UC straightaway and it will be a long wait to get their ESA back in payment if they are going to challenge the ESA decision; it typically takes around 9-11 weeks to get a Mandatory Reconsideration (MR) decision in our area. Clients tell us they would rather live off their PIP/DLA and Housing Benefit and wait until the ESA MR has been done than claim UC. They feel unable to cope with claiming and maintaining an online claim. If the MR is unsuccessful they will often still wait until their appeal is lodged with HMCTS and they can get "ESA pending appeal" rather than claim UC. We regularly have to refer these clients to foodbanks for several months.

We offer regular benefit advice appointments at our local psychiatric hospital, Mill View, and it is always difficult to make a UC claim there, even for us as experienced benefit advisers. Even if the claimant had a smartphone in the past they have often lost it, destroyed it or aren't allowed it on the ward. They may have had an email account once but they can't remember how to get into or have never had an email account at all. So, we have to set up an email account before we can even start a UC claim. But, to get an email account you need to have a verification code sent to a mobile phone, and so we meet the next hurdle. When I have rung to try to make a claim over the phone in these circumstances, and explained who I am, my relationship to the claimant and why we need to do a claim on the phone, I have been asked why I don't just use my personal mobile phone number for now and change the number later. We have had to buy mobile phones so that we can use them for UC claims but it is still complicated as only one UC account can use a given mobile number.

Once we have made a claim for UC at Mill View we then come to the next hurdle, verifying ID. This needs either the claimant to go to the Job Centre or a DWP Visiting Officer (VO) to go the claimant. Approximately half of the claims we do at Mill View are for people who are sectioned under the Mental Health Act 1983 and aren't able to leave the wards. The ward staff tell us they don't like having DWP staff on the ward as it unsettles the patients, but if they are coming they would like it to be a consistent VO, so that they are used to the unique environment that the wards present. Frequently the ward staff have to take the patients to the Job Centre, in a taxi paid for by the hospital, to verify their ID because the wait for a VO is too long and the patient needs money to pay their rent. We have persistently asked for an alternative arrangement to be put into place to verify patients' ID so that patients aren't prevented from Advanced payments that other claimants, who are at liberty to attend the Job Centre, would have access to. An obvious solution would be to allow named NHS staff to verify a patients ID.

Many times we aren't able to make a claim when we first see a patient because they can't cope with the complicated process or don't have certain information and can't proceed through the claim without it – such as bank account details or NI number. Previously we would have had a paper ESA claim form with us and if we couldn't make a telephone claim we would fill in the paper form with notes explaining why information was missing. We had the phone number of staff at the ESA office dealing with our new claims so that we could ring them, and they us, to get the information needed to process the claim, they would go ahead with some information still pending. With a maximum 1 month backdate allowed in UC, claimants in Mill View that we know are entitled to UC, are not getting the benefit they are entitled to because the system in place will not allow for claims to be made in an accessible way. They are essentially prevented from getting UC as someone who is too ill to work because they are too ill to make the claim in the prescribed way, even with expert help.

Were the original objectives and assumptions the right ones? How should they change?

6.1 The assumption that virtually everyone would be able to access and manage UC claims online was wrong, there are many people who can't. There needs to be provision of alternative ways to start, and maintain, a claim for UC that takes account of people's different needs. Phone and paper claims need to be readily available.

6.2 The objective to simplify the benefits system missed the point that means-tested benefits aren't simple, they necessarily involve a lot of interaction between the DWP and the claimant, as peoples circumstances are so varied. If, in order to claim UC as someone who is too ill to work, it is not enough to have your doctor's opinion as confirmation of ill health, then the system of assessment will be more costly, involved and complex too.

What have been the positive and negative economic effects of UC?

7.1 A positive effect of UC is its real-time use of HMRC systems to see a claimant's earnings. It was very common for low paid workers with variable incomes to be overpaid (and underpaid) Housing Benefit. They had to take their payslips into the council offices to show their earnings and were encouraged to do so every 3 months to help the local authority manage their workloads. This meant people would frequently have to pay back overpaid benefit out of their already low income. UC seems to have stopped most over and under payments for variable earners.

7.2 A major negative effect, and one that we believe needs urgent attention, is the recovery of Tax Credit overpayments from UC. An overwhelming majority of the clients we work with have a Tax Credit overpayment deducted from their first payment of UC. This is at the standard rate of £47.67. The claimant is given no warning of the intention to make the deduction, no explanation of when and how the overpayment arose and not even the total amount of the overpayment. Debt collection agencies overseen by the FCA would not be allowed to operate in this manner. There is no way for the claimant to know if this overpayment is genuine or accurate. If they ring the debt management and banking team to ask for the details, they are only told the total amount they are to recover and have no other details as these are not passed on from HMRC.

7.3 Most of the Tax Credit overpayment recovery we have seen has been for overpayments that are said to be from 6 or more years ago. It is hard to get any details about how the overpayment arose and claimants struggle to remember so far back. The DWP's own guidance states that it should follow a process, similar to that of the Pre-Action Protocol used by agencies under FCA regulation, which gives the claimant sufficient details and time to assess and challenge the claimed overpayment.

7.4 All overpayments of UC are recoverable and are recovered. This includes DWP errors and is grossly unfair to the claimant. A claimant new to the benefit and to being paid monthly will be very unlikely to know what they should receive in UC and will reasonably assume that what they receive is what they are entitled to. It is unfair and unjust to later amend an error in processing made by DWP staff and reduce a claimant's, now consequently lower monthly UC amount, further to claw the overpayment back.

Our experience: As corporate appointee we have had cases where our clients have been overpaid UC and when we have notified UC that they are paying our client too much, they have not believed us and carried on paying the larger amount. Eventually, when they realise, after further telling by us, that we are right and correct the payments to the right level, they then deduct the overpayment from the claimant's on-going UC payments. When this has happened we have had to spend a lot of time and effort in getting the DWP to make the correct payments, contacting them repeatedly and going through the explanation over and over again. It seems to us that it is not reasonable for the DWP to then reduce our clients on-going UC to below what they are entitled to solely due to their own, persistent, error.

7.5 The DWP have adopted a practice of producing false payment records on claimants UC accounts. On a claimant's UC account they have a page, called Payments, which contains a list of their monthly UC Statements. Each statement can be opened and there is a breakdown of how the benefit was calculated, any deductions made and what amount of UC was paid to the claimant. They appear to be an accurate representation of what UC a claimant has received and when they received it, but they are not. If, for example, a claimant claims UC because they are too ill to work and provides Fit Notes for 3 months, they will then be referred for a work capability assessment (WCA). The WCA process takes months, during which time the claimant will continue to get the standard allowance of UC. Once the assessment has been completed and if the claimant has Limited Capability for Work Related Activity (LCWRA) they are entitled to the extra element from the 14th week of their claim. The DWP will pay the claimant a lump sum that is for the period from 14th week to date; the underpaid UC. However, they will not produce a statement on the Payments screen called something like Adjustment or underpaid LCWRA element, as you would expect, but rather, they re-write all of the Statements from when the change in payment amount is applicable, thereby creating an entirely false record of payments received.

7.6 We raised concerns about this as soon as we became aware of it and later had help from our local MP Peter Kyle to bring it to the attention of the secretary last year. Peter Kyle MP received a reply on 30 August 2019 from the Minister for Welfare Delivery stating the DWP were aware of the situation and that "whilst it is an aspect of using

online accounts we would wish to improve in the future, an enhancement has not been prioritised at this stage." It remains unchanged.

7.7 We are concerned that as corporate appointee we may be asked by a client to print out their UC statements and they would reasonably expect them to show the UC we received for them on each date, but a statement of their account with us would not show the same amounts coming in. It would put us in a very difficult situation with our client. It makes checking whether the right amount of UC has been paid to a claimant impossible as we know the statements may not be what was actually paid.

What effect has fiscal retrenchment had on the ability of UC to successfully deliver its objectives?

8.1 The removal of work allowances has meant that for many claimants work still doesn't pay.

8.2 UC does not provide enough to meet basic essential expenditure.

8.3 DWP staff give wrong advice to claimants and make frequent basic errors.

Which claimants have benefited most from the reforms of UC and which have lost out?

9.1 Carers have gained by being allowed to earn any amount but still get the carers element in their UC applicable amount. Carers outside of UC still have the LEL threshold on their earnings and are required to care 35 hours per week still for their Carer's Allowance.

9.2 People who can't use computers are being denied benefit by lack of alternative ways to claim.

9.3 The complexity of claiming: start online claim, then phone to make an appointment and then visit the Job Centre, in order for a claim to be completed is causing 21% of claims to fail to be completed. This affects many types of people such as, people with: anxiety and depression, mobility issues, agoraphobia, caring responsibilities at home, people with no internet or IT knowledge, etc.

If UC does not adequately reflect the lived experiences of low-paid workers, how should it be reformed?

10.1 An increase in the basic rate of benefit that meets all essential expenditure.

10.2 A work allowance that means claimants can move into work and be noticeably better off, so that people don't fall off a cliff-edge of benefits when they move into work.

10.3 Allow other ways to claim so that people aren't excluded from the benefits they so desperately need.

10.4 Flexibility in verifying ID so that special groups aren't excluded from benefits they are entitled to by not being able to go to the Job centre.

10.5 Stop the practice of recovering Tax Credit overpayments from the start of a UC claim without following reasonable debt collection practices.

10.6 Stop the practice of retrospectively changing the payment Statements on a claimants UC account when a correction or backdated amount is paid to a claimant. This falls outside any accounting or financial practice, and creates a false record of payments.

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