

Written evidence submitted by Gingerbread

March 2022

Summary

- We welcome the findings from the NAO's review of Child Maintenance, and many of the findings align with what resident single parents have been reporting since the scheme was introduced in 2012.
- While the DWP is meeting its objectives in reducing reliance on state administered maintenance, we are deeply concerned about the laissez-faire approach when it comes to understanding why so many families now have no maintenance arrangements in place.
- The CMS needs to redouble efforts on improving compliance Collect & Pay, including monitoring and reporting against the effectiveness of enforcement actions and coordinating more with family courts to access financial information where non resident parents are actively seeking to avoid paying maintenance.
- CMS needs to improve monitoring and engagement with Direct Pay to improve the effectiveness of arrangements transparency of the service's performance.
- There is no clear evidence that charges for using Collect & Pay act as an incentive to achieving effective Direct Pay or family-based arrangements. We have repeatedly called for the DWP to scrap the 4% charge for receiving parents on Collect & Pay.
- We would also like to see the DWP review the effectiveness of the £20 application fee, and its role as a barrier to the lowest income separated families applying to the CMS.
- Given the increasing numbers of CMS customers who have experienced domestic abuse, there needs to be greater focus on supporting this group, including ensuring trauma-informed service delivery and appropriate training for staff to identify ongoing financial abuse.
- The DWP needs to better understand the existing CMS customer base to improve the customer service support offered and should undertake further research to understand why so many separated families have no maintenance arrangements at all.
- The DWP should explore how it could work with non-statutory organisations such as Family Hubs and third sector organisations to increase awareness of Child Maintenance Options and the CMS amongst separated families with no maintenance arrangement in place.

Introduction

Gingerbread is the leading national charity working with single parent families. Our mission is to champion and enable single parent families to live secure, happy, and fulfilling lives. We work nationally and locally, for and with single parent families, to improve their lives. We achieve change by championing their voices and needs and providing support services.

There are currently 1.9 million single parent families in the UK, and single parent families make up more than 1 in 4 families (23%) with dependent children¹. Gingerbread has long been clear that separated parents both have shared responsibility towards their children, and that this includes financial support. We provide advice and information to parents who are going through separation, as well as support to resident parents who are struggling with maintenance arrangements, especially via the Child Maintenance Service (CMS).

Single parents struggle financially more than couple parents. Just under half (49%) of children in single parent families live in poverty compared to a quarter (25%) of children in couple families². The majority (68%) of single parents are in work³, but are more likely to be in low-income part-time to accommodate their caring responsibilities.⁴ Gingerbread research last year found that 13% of single parents were in severe problem debt compared to 5% of couple parents.⁵ Since the start of the pandemic, the number of single parents on Universal Credit has increased by 500,000 and 76% of single parents are now in receipt of the benefit.⁶

Maintenance is crucial for the financial security of single parents and their children. From 2018-2020 child maintenance payments reduced child poverty by 120,000 thousand children⁷. It is estimated that implementing effective child maintenance arrangements for children in the poorest households without maintenance arrangements in place would support 60% of them out of poverty⁸. Even modest amounts of maintenance payments can

¹ ONS (2022), Families and Households (Table 1).

<https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/families/datasets/familiesandhouseholds>

² DWP (2021), Households below average income: for financial years ending 1995 to 2020 (Table 4_5db).

<https://www.gov.uk/government/statistics/households-below-average-income-for-financial-years-ending-1995-to-2020>

³ ONS (2021), Employment rates of people by parental status: Table P.

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/datasets/workingandworklesshouseholdstablepemploymentratesofpeoplebyparentalstatus>

⁴ Gingerbread (2021), Caring Without Sharing. <https://www.gingerbread.org.uk/policy-campaigns/publications-index/caring-without-sharing-final-report/>

⁵ Gingerbread (2021), The Single Parent Debt Trap. <https://www.gingerbread.org.uk/policy-campaigns/publications-index/the-single-parent-debt-trap/>

⁶ DWP (2022), Universal Credit statistics to November 2021: Households on Universal Credit (Table 1). (Data available on StatXplore)

⁷ DWP (2021) Separated families statistics: April 2014 to March 2020.

<https://www.gov.uk/government/statistics/separated-families-statistics-april-2014-to-march-2020/separated-families-statistics-april-2014-to-march-2020>

⁸ Hakovirta et al (2019) Child Poverty, Child Maintenance and Interactions with Social Assistance Benefits among Lone Parent Families : A Comparative Analysis. Journal of Social Policy. pp. 19-39.

make a huge difference to single parent families, especially given the immense squeeze on cost of living families are now facing.

It is therefore vital for parents with care, and their children, to have the financial support of the non resident parent to help meet the costs of raising a child, and to prevent the resident parent from falling into poverty. However, less than half of single parents with majority care receive money from their child's other parent⁹, and incomplete, irregular or non-payment of child maintenance is a contributing factor to problem debts faced by resident parents¹⁰.

We therefore welcome this inquiry and the accompanying review by the National Audit Office into Child Maintenance. In developing this response, we have drawn together evidence from our advice line and previous research into the CMS and CSA.

1. Wind down of the previous CSA schemes

- 1.1. The arrears incurred under the 2003 Child Support Agency (CSA) scheme were astronomical – both at a systemic and individual level – and left many single parents struggling hugely without the money they thought they were due. Many parents we hear from through our helpline have been horrified to find out that the CMS is seeking to write off individual arrears in a bid to reduce substantial historical arrears accumulated under the CSA.
- 1.2. Although many of the remaining CSA claims are now decades old, resident parents are understandably aggrieved when it is not apparent what use the CMS has made of its enforcement powers to recover any outstanding debts, particularly when they have brought pertinent information about the paying parent to the CMS's attention.
- 1.3. The DWP has asserted as part of the NAO review of Child Maintenance that they have had fewer complaints made about the wind down of the CSA scheme and writing off debts since they received the powers to do so in 2018¹¹. However, we regularly hear from single parents who are outraged at having debts written off, where the amount owed represented a lifetime of struggling with household budgeting. Gingerbread has heard from resident parents who were owed more than £100,000, and within the last month have had a call from a resident parent whose ex-partner's arrears relating to the CSA are being written off with almost £50,000 still owed.
- 1.4. Communication with this group seems to have been patchy and many resident parents affected have reported finding a lack of transparency from the CMS in relation to the decision making around their case. There is often a perception from

⁹ University of Essex (2017), Understanding Society, Wave 7.

¹⁰ Gingerbread (2021), The Single Parent Debt Trap.

¹¹ NAO (2022), Child Maintenance. <https://www.nao.org.uk/report/child-maintenance/>

those calling our helpline that much more could have been done to reduce at least some of the individual debts owed before the cases were written off.

- 1.5. In many cases this is something which has been an issue from the point they moved from the CSA to the CMS. A 2017 Gingerbread report found that the ability for resident parents to challenge reported earnings from their ex-partners were severely hampered as a result of the change in rules about how earnings are calculated.¹² While using HMRC data is undoubtedly more cost effective for the DWP than the mechanisms used within the CSA, there remains a very serious problem with non resident parents exploiting a variety of loopholes to hide income, especially where they are self-employed.
- 1.6. With respect to why the DWP has seen lower levels of complaints than anticipated, receiving parents with these longstanding debts have been dealing with the CSA/CMS for years, and in most cases now, decades. Trust in the system amongst this group of single parents is very low and, based on the calls we receive to our helpline, it may well be that many receiving parents who are being told that the debt is being written off feel that they have exhausted all the options available to them to compel the DWP to use all the powers at their disposal to enforce payments.
- 1.7. Given the NAO's findings that the arrears accumulating within the CMS are likely to require similar write-offs in future, we are deeply concerned that the DWP has not learned one of the hardest lessons from the closure of the CSA: that it was the resident parents and their children who bore the brunt of those unpaid debts. If the DWP opts to take a similar approach to tackle similar issues within the CMS, it risks leaving a new generation of resident single parents high and dry with tens of thousands of pounds still owed.

2. Is the CMS meeting its objectives?

- 2.1. In creating the CMS, the DWP outlined its key objective for reform to achieve less reliance on the state to administer maintenance and maximise the number of effective family-based arrangements.¹³
- 2.2. It is clear from the NAO's report into Child Maintenance that the Government has achieved its primary objective of reducing reliance on the state to administer maintenance. In the decade since the CMS was brought in to replace the CSA, the rate of separated families using the CMS/CSA has dropped from just under half

¹² Gingerbread (2017), Children deserve more: challenging child maintenance avoidance.

<https://www.gingerbread.org.uk/policy-campaigns/publications-index/children-deserve-challenging-child-maintenance-avoidance/>

¹³ DWP (2011), Strengthening families, promoting parental responsibility: the future of child maintenance.

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/220421/strengthening-families.pdf

(46%) to under a fifth (18%)¹⁴. Likewise, the proportion of separated families with family-based arrangements has increased from 29% ten years ago, to 38% in 2019-20.¹⁵

- 2.3. However, Gingerbread is deeply concerned that this lead objective has come at cost to many resident parents and their children. It is disappointing to see that the proportion of families with no arrangements in place at all has increased from a quarter to 44% since the CMS was introduced and that there are an estimated 350,000 resident parents without a maintenance arrangement in place who would like one.¹⁶
- 2.4. The Coalition Government's *Strengthening Families* Green Paper outlined intentions to support the most vulnerable families to make maintenance arrangements and providing a holistic approach to support separating and separated families. We are particularly alarmed to see that the NAO's report has uncovered 39% of the lowest income families have no maintenance arrangement in place. Given the higher rates of disability within single parent families compared with couple families¹⁷, we are also deeply concerned that disabled single parents and parents of disabled children were markedly less likely have maintenance arrangements in place compared with families where disability was not a factor.¹⁸
- 2.5. Gingerbread's response to the *Strengthening Families* consultation in April 2011 made clear that we were concerned that there was insufficient weight given to the value of child maintenance in improving child outcomes, including in relation to reducing child poverty. For single parent families on very low incomes, even modest amounts of maintenance payments can make a huge difference. This remains the case and the fact that the rate of child poverty within single parent families has risen during the last decade¹⁹, indicates that there should be greater recognition of the role of maintenance in providing financial stability for single parent families.
- 2.6. We have been clear that the level of compliance with maintenance agreements on the CMS has never reached satisfactory levels, and remain deeply concerned about the fact that 28% of paying parents on Collect & Pay paid none of the maintenance they owe in the quarter to September 2021.²⁰

¹⁴ NAO (2022), Child Maintenance.

¹⁵ Ibid

¹⁶ Ibid

¹⁷ Gingerbread analysis of Labour Force Survey (January-March 2019). <https://www.gingerbread.org.uk/what-we-do/media-centre/single-parents-facts-figures/>

¹⁸ NAO (2022), Child Maintenance.

¹⁹ In 2011-12 the adjusted rate of single parent families below 60 per cent of median net household income (After Housing Costs) was 42%, whereas in 2019-20 it had risen to 49%. (Data available on StatXplore)

²⁰ CMS paying parents - Compliance (Collect & Pay) by quarter. (Data available on StatXplore)

- 2.7. The NAO's report has also validated concerns raised by Gingerbread over a number of years about the compliance rate for parents on Direct Pay. The fact that around half of arrangements on Direct Pay are not sustained or are ineffective demonstrates serious flaws in the way the scheme is administered at the moment. Additionally, the finding that average arrears owed by paying parents moving from Direct Pay to Collect & Pay is £1,100 should be particularly sobering, and illustrates the scale of the financial pressures facing resident parents when their child's other parents either cannot or will not pay the maintenance due.
- 2.8. We would like for the DWP to take a less passive approach to how the Direct Pay service is delivered, and uphold its legal duties to ensure maintenance is being paid. We therefore support the NAO's recommendation that the CMS improves the monitoring and engagement with customers on Direct Pay to ensure more support is offered sooner where arrangements are faltering.
- 2.9. Currently the onus is almost entirely on the resident parent to raise concerns with the CMS, and we believe the average rates of arrears accumulated by the time customers move to Collect & Pay are unacceptably high. Reducing this burden on resident parents needs to be a priority in delivering improvements with Direct Pay.
- 2.10. In line with the policy intention behind the CMS, the £20 application fee and respective 4% and 20% charges to use Collect & Pay for resident and non resident parents is meant to act as a disincentive to families using the CMS rather than seeking family-based arrangements. However, we do not believe there has been enough scrutiny of whether the intention behind charging is now fit for purpose, especially given the 'concentrated' nature of CMS cases with increasing proportion of receiving parents who are survivors of domestic abuse (59% of new applicants in the most recent quarter).²¹
- 2.11. Gingerbread has repeatedly questioned CMS officials about the 4 per cent charges applied to receiving parents using the Collect & Pay service, despite the fact that CMS guidance acknowledges that some receiving parents may have no option but to use Collect & Pay, for example where there is a history of domestic abuse.²² Our 2019 report into Direct Pay found that there was no evidence that this charging encouraged collaboration between parents, and that the charges on receiving parents represented a double penalty for children whose non resident parent either cannot or will not pay maintenance.²³

²¹ DWP (2021), Child Maintenance Service statistics: data to September 2021 (Table 2).

<https://www.gov.uk/government/statistics/child-maintenance-service-statistics-data-to-september-2021-experimental/child-maintenance-service-statistics-data-to-september-2021-experimental>

²² Chapter 15 of the CMS Decision Makers' Guide states "there may be occasion where the PWC is refusing to comply [with disclosing bank details for Direct Pay or complying with Direct Pay decision] due to domestic abuse".

²³ Gingerbread (2019), Direct Pay child maintenance: innovation or failure?. <https://barrowcadbury.org.uk/wp-content/uploads/2019/04/Gingerbread-Direct-Pay-Report-March-2019.pdf>

- 2.12. We are very keen for the DWP to invest in understanding why take up of the CMS has been so much lower than anticipated. We would welcome the Department looking at formal and informal routes to ensure more separated families are aware of what arrangements. Potential options include working more effectively with Family Hubs, and investment in independent specialist advice offered across the third sector to reach wider communities of single parents.
- 2.13. We acknowledge the NAO's findings regarding affordability of maintenance payments for non resident parents. The lack of flexibility and integration between Universal Credit (UC) and the CMS is justifiably a cause for concern, and we support measures which could improve the compliance rate for the poorest non resident parents using Collect & Pay. It is important to note that, though £7 does not come close to covering the full cost of raising a child, it can make a huge difference to a resident parent who will often be struggling hugely with their own finances.

3. Is the DWP managing its resources effectively to deliver a high-quality service through the CMS?

- 3.1. Gingerbread recognises that efforts have been made to improve the experience of parents using the CMS. However, major problems persist. We hear from hundreds of resident parents each month who are struggling with the CMS, many of whom are facing large arrears from their ex-partners. Common complaints relate to a lack of transparency, especially between different teams within the CMS, inconsistent or unclear decision making, and processes which can drag on for months or even years. All of which are factors validated by the findings of the NAO's report.

Direct Pay

- 3.2. As covered in Section 2, Gingerbread has long been concerned by the lack of oversight of the Direct Pay scheme from the DWP. The onus is on the resident parent to report noncompliance and arrears, and there has historically been a lack of transparency from the DWP when it comes to reporting the effectiveness of maintenance agreements on Direct Pay.
- 3.3. Our 2019 report into Direct Pay found that there were deep frustrations amongst receiving parents about prolonged and unclear thresholds for enforcement where arrears were being built up, and inconsistent follow up and communication from CMS customer service staff.²⁴ We hear consistently from receiving parents who call our helpline and are frustrated with an ineffective Direct Pay system. The hands-off approach, compounded by poor administration, places the burden of responsibility for pushing for Direct Pay enforcement onto receiving parents.

²⁴ Gingerbread (2019), Direct Pay child maintenance: innovation or failure?.

- 3.4. The NAO's findings validate the concerns raised by resident parents and illustrate the impact of an overly laissez-faire approach by the CMS to administering this service. We see no justifiable reason why the CMS could not use the online portal more effectively to strengthen case management by tracking the level of compliance and working more proactively with separated families where inconsistent payment is happening. Crucially, we would like to see the CMS act much faster to move customers onto Collect & Pay when arrears are accumulating, without the onus being solely on the receiving parent to raise concerns. Given evidence uncovered by Gingerbread of how the CMS is used to perpetuate ongoing financial abuse²⁵, we believe this should be a priority for the DWP as part of any reforms of the service.

Collect & Pay

- 3.5. Parents on Collect & Pay represent some of the cases where there is the highest level of conflict and where, overwhelmingly, there has already been demonstrable failure of the non resident parent to keep up with maintenance payments.
- 3.6. Resident parents frequently report to Gingerbread that, where they face persistent noncompliance from their ex-partner, they are passed from one team to the next, and that inconsistent information sharing between teams leads to enormous amounts of repetition and lack of transparency about decision making. Investigations can often take months and parents frequently report to us that they receive contradictory decisions at sporadic intervals, which leave them uncertain about what they can or should expect in any given month. In one of the more egregious cases we have encountered, money was paid to the wrong resident parent for several months, and the CMS has only offered an apology and a £50 as recompense to the resident parent who was meant to receive the payments.
- 3.7. Gingerbread has repeatedly raised concerns about the build up of arrears on the Collect & Pay scheme and the apparent lack of enforcement action given the growing scale of the problem. We recognise that the impact of the pandemic on the courts system has made some enforcement actions and sanctions harder for the DWP to implement, but the lack of use of some of these powers predates the pandemic and we struggle to see how they can effectively work as deterrents when usage is so low.
- 3.8. There remains a particular issue with respect to investigating and sanctioning paying parents who are adamantly seeking to avoid payment, but who are able to 'game' the system, for example by being compliant with payments for short periods following the threat of enforcement action (only to then fall back into arrears), moving jobs, under-declaring income, or diverting income into private pensions. A symptom of this

²⁵ Gingerbread (2021), The Single Parent Debt Trap.

is that self employed paying parents make up just 10% of those on the CMS caseload, but account for 80% of those referred to the Child Maintenance Group's Financial Investigations Unit²⁶.

- 3.9. We remain deeply concerned that the DWP has not learned the lessons from the CSA and is failing to prioritise the needs of the resident parents and their children. There is very little to suggest that, if some of the £400 million existing debts²⁷ are written off, the DWP will be able to avoid such a situation happening again in years to come, disadvantaging yet another generation of children.
- 3.10. Measures need to include the CMS vastly improving its rate and effectiveness of enforcement action, ensuring that enforcement action achieves ongoing maintenance payments rather than just paying down arrears, and building in more nuance to the system to support noncompliant low income paying parents (especially those on Universal Credit) to meet at least some of their maintenance obligations. Crucially, the DWP needs to vastly improve the time taken to bring about enforcement actions and report on this performance.
- 3.11. We would also like to see far greater focus on how the DWP can improve its access to financial information for paying parents with self-employed and capital income, rather than just relying on information supplied by HMRC. One route we have previously recommended is for the DWP to improve its coordination with family courts, particularly in relation to disclosure of financial information.²⁸

Understanding the changing demographics of the CMS customer base

- 3.12. In terms of wider understanding of the demographic make up of CMS customers, we agree with the NAO's findings that the service is constrained by a 'one size fits all' approach. The overall demographics of single parents do not align with the overall adult population, and there are higher proportions of single parents in certain regions and within certain ethnic communities compared with the overall population.²⁹ There is no reason to assume, however, that the overall demographics of single parents align with those using the CMS, and it should be incumbent on the DWP to better understand the make up of its customer base more fully, as well as those who are currently not using the CMS and have no arrangement in place at all.
- 3.13. It is clear from the NAO's report that there has been a distinct lack of curiosity about learning more about the CMS's customer base in order to improve service delivery.

²⁶ NAO (2022), Child Maintenance.

²⁷ DWP (2021), Child Maintenance Service statistics: data to September 2021.

²⁸ Gingerbread (2017), Children deserve more: challenging child maintenance avoidance.

²⁹ For example, Gingerbread analysis of the 2019 Labour Force Survey found 11% of single parents were Black compared with 5% of the overall population, whereas 5% of single parents were Asian compared with 8% of the overall population.

We are concerned that this approach may be leaving certain groups of resident parents facing worse customer service, and has the potential of opening some up to increased risk of ongoing financial abuse. Tellingly, when surveying Gingerbread members as part of our submission to the independent review into how the CMS supports domestic abuse survivors, one respondent said: “They [the CMS] do not understand ethnic backgrounds and their connection with finances and controlling behaviour. In addition, a lack of understanding on self employed income with the BAME Community.”

- 3.14. Given the rise in fee waivers for survivors of domestic abuse applying to the CMS, we believe it is in the interest of the Service to be far more transparent about how the service is supporting different groups of survivors. Of the respondents to our survey for the independent review, 65 per cent did not think CMS staff have shown consideration of their situation as a domestic abuse survivor. Even more concerning was that 90 per cent of respondents who reported being subject to ongoing coercive control did not feel that CMS staff have shown awareness of their situation in how they have responded to them.
- 3.15. Given the ‘concentration’ of cases on the CMS, we are particularly concerned about the experiences of single parents who are survivors of domestic abuse. The guiding approach of the CMS to encourage families to establish family-based arrangements as default is out of step with the fact that, for survivors of domestic abuse, the CMS may be the safest and only way to secure maintenance from their ex-partner.

Conclusion and recommendations

Even with Gingerbread’s long history of supporting and advocating for resident parents, there is much that has been uncovered by the NAO’s review of child maintenance which we have found sobering. It is abundantly clear that the objective to minimise reliance on the state-supported maintenance service has come at cost to some of the most vulnerable separated families and children who are now left without any maintenance arrangement at all.

We are particularly dismayed to see the finding that, without changes to legislation, it is inevitable that the CMS will reach £1bn in arrears by March 2031. Whether or not these debts are written off as they were when the CSA was wound down, the end result is that resident parents are once again left high and dry without money they rightfully feel they are owed by their child or children’s other parent.

It is vital that the DWP prioritises improving compliance with the CMS as part of any reforms, and we note that this needs to account for the affordability of maintenance payments, especially for paying parents on the lowest incomes. However, the absolute focus must be on the needs of the child or children, and Gingerbread will seek firm

assurances that any changes to affordability calculations would have to take into account the very severe financial pressures resident parents are facing.

We recommend the following:

- The DWP needs to redouble efforts on improving compliance Collect & Pay, including monitoring and reporting against the effectiveness of enforcement actions and coordinating more with family courts to access financial information where non resident parents are actively seeking to avoid paying maintenance.
- CMS needs to improve monitoring and engagement with Direct Pay to improve the effectiveness of arrangements transparency of the service's performance.
- The 4% fee for resident parents using Collect & Pay should be scrapped. It is ineffective as a disincentive and only serves to double punish children whose other parent either cannot or will not pay maintenance.
- We would also like to see the DWP review the effectiveness of the £20 application fee, and its role as a barrier to the lowest income separated families applying to the CMS.
- Given the increasing numbers of CMS customers who have experienced domestic abuse, there needs to be greater focus on supporting this group, including ensuring trauma-informed service delivery and appropriate training for staff to identify ongoing financial abuse.
- The DWP needs to better understand the existing CMS customer base to improve the customer service support offered and should undertake further research to understand why so many separated families have no maintenance arrangements at all.
- The DWP should explore how it could work with non-statutory organisations such as Family Hubs and third sector organisations to increase awareness of Child Maintenance Options and the CMS amongst separated families with no maintenance arrangement in place.

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