

Executive Summary

We could see no justification for the introduction of what was then a six-week wait when Universal Credit (UC) was launched: it seemed an arbitrary decision based on ideology and a fundamentally flawed assumption that claimants would have sufficient cash/savings to get them through.

Rent, utilities, food bills, etc. do not wait five weeks for payment, and the in-built wait in UC is the cause of severe pressure for the vast majority of our UC clients. Advance Payments are inadequate to mitigate the problem: they merely give people the choice of going into debt to DWP rather than their landlord, utility company etc.

We believe the wait should be abolished entirely; failing that, a full legacy benefit run-on should bridge the gap until the first UC payment, with an immediate non-repayable advance for new claimants.

Our interest in the inquiry

Citizens Advice Sheffield (CAS) is one of the largest local Citizens Advice services in the country, providing free, impartial advice in 16 locations around the city, including foodbanks and hospitals. In the financial year to February 2020 we had so far advised 23,058 people (a significant increase on previous whole years), of whom 7,277 asked primarily for help with Universal Credit (UC) though we know that UC is often a significant underlying factor for other clients whose 'headline' problem concerns, for example, debt or housing.

We deliver part of Citizens Advice national Help to Claim service, commissioned by DWP, supporting people through their initial UC claim up to receipt of their first correct payment, and, to February 2020, had so far worked with 5,871 clients since the service began in April 2019.

CAS is active in campaigns and social policy, locally and nationally, and a senior member of our management team has been seconded as a regional Best Practice lead on UC and Help to Claim. We keep a record of every interaction with every client. As with all our campaigning work, this submission draws on that rich, detailed evidence base of people's real-life experiences, as well as our knowledge of the UC system and understanding of the broader policy context.

1) To what extent have the mitigations the Government has introduced so far (e.g. advance payments) helped to reduce the negative impact of the five week wait for UC claimants?

1a) What problems do claimants still experience during the five week wait?

The in-built five-week wait is the cause of severe pressure for the vast majority of our UC clients. Rent, utilities, food bills, etc. do not wait five weeks for payment and since very few people have the necessary cash or savings to manage over this period, this leads to debt and reliance on foodbanks. Some have never found themselves in this position before, even when managing on legacy benefits, leaving them distressed and undermining their confidence in managing their own lives (and thus, ironically, undermining one of the declared aims of UC). Our partner organisations in local communities tell us they have noticed increased activity by doorstep lenders, and even pop-up brothels, since UC's introduction in Sheffield.

The availability of Advance Payments can temper the immediate financial difficulties experienced, but does not remove the prospect of debt: it just means that people can choose to be in debt to DWP rather than their landlord, utility companies etc.

Debt recovery rates are significantly higher in UC than in legacy benefits, and although people can now ask to extend repayment up to (we understand) 16 months, the result is still that they are having to live for many months on less than the already-meagre UC entitlement (i.e. less than the amount Government considers the minimum necessary to survive). Some clients tell us they are too scared of owing DWP money and having to

repay at high rates to contemplate taking the Advance Payment to which they are entitled, however dire their financial position.

Another concern is that some people don't understand, *or have properly explained to them*, the knock-on effects of an Advance Payment on the timing and amount of their future UC payments, leaving them confused and struggling for money again. We have seen clients who used their Advance Payment to clear previous debts; another client used the money to buy much-needed new clothes for her children. While Advance Payments remain the Government's solution to the five-week wait, we believe that any conversation about them with DWP or Jobcentre Plus officials should always include budget calculations to ensure claimants are equipped to make an informed decision about the right amount and repayment period.

It should also be pointed out that the waiting period starts from the date a UC claim is completed (since entitlement is calculated from that date, rather than from when a claim is initiated) so, given the complexity of the claim process and delays involved, the wait for money can, in effect, be significantly longer than five weeks.

2) What is the best way of offsetting the impact of the five week wait?

We could see no justification for the introduction of what was then a six-week wait when UC was launched: it seemed an arbitrary decision based on ideology and a fundamentally flawed assumption that claimants would have sufficient cash/savings to get them through. Shortening the wait by one week has done very little to help, and we believe it should be abolished.

Were the Government to insist in retaining some sort of delay, another mitigation introduced to ease problems with the five-week wait, in the form of an additional non-repayable payment for people moving from Housing Benefit to UC, is a better approach than Advance Payments. That said, it still leaves tenants at least three weeks adrift before UC starts, and our social landlord partners have told us that the run-on has little overall impact on rent arrears. We understand that the Regulations to allow a two-week run on of Income Support and Income-based JSA and ESA are due to come into force in July 2020 but believe that these actions too will not go far enough to mitigate the problems associated with the five-week wait.

What we want to see is a full run-on of all legacy benefits until UC is ready to pay, or a non-repayable advance for new claimants not on legacy benefits. This would be a simple, straightforward solution for clients to understand and for the benefits agencies involved to operate. It would put claimants in a more stable position to manage the other challenges in their lives, whether these result from personal circumstances such as ill-health, childcare or whatever change of circumstances compelled them to claim UC. Less anxiety about money would also give people a fairer chance of fulfilling the demands of their UC claimant commitment.

The Select Committee also posits the following solutions: i) allowing more flexibility for the start of a claim to be backdated; ii) substantially reducing the rate at which advance payments are paid back; and iii) paying UC two-weekly, like many legacy benefits, rather than monthly. We would support all these proposals, which are among the many improvements to UC we called for in our November 2019 pre-election 'manifesto': *Universal Credit: what needs to happen?*¹ A summary of all our recommendations is at the end of this submission.

¹ *Universal Credit: what needs to happen?* (Citizens Advice Sheffield/Citizens Advice, November 2019) at <https://citizensadvice.org.uk/news/universal-credit-what-needs-to-happen/>

Beyond these specific changes, we believe a root and branch review of UC as a whole is required, to re-examine its fundamental assumptions and objectives, and to ensure that the system retains overall coherence after the numerous tweaks made to it under DWP's 'test and learn' approach (welcome as this is). The introduction of two-week benefits run-ons, for example, while better than nothing, has the effect of making the transition to UC more complex than originally intended, and a system increasingly propped up by 'work-arounds', 'firefighting' and 'policy on the hoof' decisions is at risk of toppling over.

2a) Is it possible to estimate how much this would cost the Department?

It probably is, though we are not the people to do it.

2b) Is it possible to estimate any costs or savings to third parties (for example, support organisations)?

While we are not in a position to quantify potential savings, we believe it is logical to suppose that paying UC earlier, or mitigating the five-week wait more effectively, would save money in many parts of the system surrounding claimants. Most immediately, demand for foodbank support would be reduced, and there would be fewer clients requiring support with managing debt and the risks of potential homelessness arising from rent arrears.

Reducing the incidence of rent arrears and other debts would mean those to whom the money was owed (landlords, utility companies, etc.) would save on the admin costs of trying to recoup the money. If possession actions were reduced, court time would be saved.

We see, from our clients' experiences, that lack of – or uncertainty about – money causes stress, anxiety and depression and can also exacerbate physical health conditions, as well as increasing the risks of family breakdown or domestic violence. Enabling people to count on earlier payments would reduce calls on the organisations (GPs, mental health services, social services etc.) that deal with these problems.

3) Are different mitigating options needed for different groups of claimants?

DWP has an extensive list of groups it recognises as "vulnerable" within the UC system and for whom existing mitigating activity, such as Alternative Payment Arrangements, is – in theory at least – permissible. These groups should be prioritised for any mitigating activity addressing the five-week wait, as they are least well-equipped to deal with its effects, and we would like to see DWP/Jobcentre Plus officials discussing with each vulnerable client the best options for them.

Ideally, however, instead of introducing complex, differentiated arrangements for different categories of client, resulting in a cumbersome system that is hard to operate and risks errors, it would be simplest to design the entire UC system around vulnerable clients. If it works for them it will work for everyone.

4) Are there barriers or potential unintended consequences to removing the five week wait—either for claimants or the Department? How can they be overcome?

Abolishing the five-week wait could only benefit our clients.

15 April 2020

Universal Credit: What needs to happen?

Recommendations from Citizens Advice Sheffield pre-election manifesto for UC (November 2019)

- Halt all further migration onto UC until it is fixed, reformed or replaced

- Calculate entitlement from the date a claim is initiated, not completed.
- Continue legacy benefit payments until first UC payment is processed and ready to be paid. Offer a non-refundable advance to new claimants.
- Re-consider withdrawal of additional premiums for disabled people and children.
- Consider a ‘householder’ rate of personal allowance for younger claimants living independently.
- Consider some sort of ‘pensioner premium’ where one of a mixed-age couple is over state pension age.
- Restore non-dependent deductions from housing costs to more realistic levels.
- Unfreeze benefits and consider how real value could be further restored to pre-freeze level.
- Also unfreeze the Local Housing Allowance.
- Allow people disadvantaged by mistaken advice to claim UC to return to legacy benefits.
- Make the UC digital platform optional. Create a digital account for telephone claims so people can transfer later if they choose.
- Send a hard-copy entitlement notice, at least for first payment, including breakdown of UC calculations, statement of appeal rights and passported benefit entitlement.
- Set a timescale/deadline for DWP to respond to Mandatory Reconsiderations requests.
- Make the digital platform multilingual, or at least provide multi-lingual materials explaining the system.
- Create an effective mechanism for passporting UC claimants to Council Tax Support.
- Allow payment flexibility (weekly, fortnightly or monthly) to everyone by choice.
- Pay couples’ joint claims as split payments by default, with the option to combine payments by choice.
- Pay the main child carer as default, where a single payment is made to households with children.
- Pay housing costs direct to landlord on request and at an appropriate frequency that avoids cash flow arrears
- Use the established National Insurance Number for security purposes rather than creating a new Personal Security Number.
- Consult on more meaningful/memorable security questions
- Allow more flexible ID verification for specific groups e.g. hospital in-patients
- Ensure a comprehensive system for recording vulnerabilities and any specific adjustments required (e.g. for payment, or to the claimant commitment)
- Provide good, regular, ongoing training as required to ensure work coaches and case managers understand barriers faced by vulnerable claimants.
- Fix the current impasse hindering young disabled people continuing in full time education beyond 18 from claiming UC

- Exercise discretion for payments to be excluded from UC assessment period where reasonable and where they unfairly skew calculations e.g. payments recovered late from a previous employer, or paid four-weekly rather than calendar monthly.
- Restore work allowances/disregarded earnings for all groups, particularly people with disabilities and chronic health problems.
- Review the Minimum Income Floor for self-employed claimants.
- Make more effective use of the Flexible Support Fund.
- Pay assistance with childcare costs up front rather than in arrears.
- Reform conditionality by making the UC claimant commitment subject to an appeal process.
- Simplify access to passported benefits, especially free prescriptions and free school meals.
- Restore debt recovery levels to legacy rates.
- Consider writing off remaining tax credit overpayments rather than attempting to deduct from UC.
- Resource DWP and Jobcentre Plus adequately to administer a reformed benefit according to the rules.
- Apply to UC the long-established arrangement of implied consent operated for all other benefits that enables support organisations to help people secure their rights.
- Reform the Work Capability Assessment and associated processes; in particular, exempt people with health conditions from having to carry out work requirements while they are awaiting their assessment.

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