

## Written evidence from Bright Blue [UCW0023]

In February 2019, Bright Blue published a report, [Helping hand? Improving Universal Credit](#), which explored the impact of the unique and key design features of Universal Credit (UC) on current claimants during three critical stages: accessing UC, managing on UC, and progressing on UC. It proposed original policies to minimise some of the common challenges faced by a sizeable minority of claimants, and to ensure some of the positive experiences of many claimants can also be enjoyed by others. Our research was based on a broadly representative sample of 40 interviews with UC claimants, conducted in August 2018.

### **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? What problems do claimants still experience during the five week wait?**

A clear majority of our interviewees were aware of the option to take 'advance payments' during the initial waiting period. In fact, most of our interviewees chose to take this option up. Interviewees expressed relief that these advance payments existed. Few interviewees, however, felt they made informed choices about the level of advance payment to request. A number described applying for an insufficient sum, which later left them reliant on credit cards and other forms of borrowing.

Notably, the most common reason for refusing an advance payment was nervousness of debt, as opposed to a lack of need. Interviewees appeared to receive little guidance about – and generally demonstrated only a limited understanding of – the repayment terms of advance payments, with a few explicitly stating that the repayment has exacerbated their financial difficulties.

Despite the presence of advance payments, the five-week waiting period emerged as the design feature that a majority of our interviewees had the most concern about. Interviewees spoke of the stress induced by this initial waiting period. Only a handful of interviewees said they had enough savings to cover their expenses in this period. Most interviewees had to rely on family and friends for financial support. Some even fell into rent arrears and took on commercial debt.

Hence, the initial waiting period often precipitated future financial difficulties. Some interviewees took on commercial debt. One disabled interviewee explained that her initial UC payment "was gone in a day", owing to the repayment of external debts accrued during the initial waiting period.

In addition, roughly a third of our interviewees did not actually receive their initial UC award payment on time. The reasons cited by interviewees for delays, include: problems uploading identity documents; problems with logging in to their online UC

account; and, miscommunication by Jobcentre Plus staff of the evidence that was required when registering for their claim. This can also significantly impact finances of households, leading to issues such as rent arrears.

### **What is the best way of offsetting the impact of the five week wait?**

Our report included a large number of recommendations to improve Universal Credit in the medium and long term. However, due to the COVID-19 pandemic, millions more will be claiming Universal Credit in the near future, making it important to also consider approaches that can be implemented by the Department for Work and Pensions as quickly as possible and which do not require new technical systems. Hence, Bright Blue makes two recommendations to address the wait for a first payment, the first to be implemented as soon as possible, and the second at a later point:

#### **1. All deductions for the repayments of advance payments from Universal Credit should be suspended for the foreseeable future**

As noted, a majority of claimants take up advances, but it is not universal, with some claimants not even aware of this option, while others are potentially concerned about having to repay their advance.

The Government is seeking to help the cash flow of businesses, but it also urgently needs to do so for individuals newly out of work. It needs to encourage uptake of advance payments, and the Government should suspend all deductions for the repayments of advance payments from Universal Credit awards. This should be in place for the foreseeable future, and at the very least until current advice on social distancing ends.

Suspending deductions should also apply to both new and existing claimants, to ensure that all claimants who now have to claim Universal Credit can take full advantage of the advance without being concerned about their finances in the months that follow, while also helping 1.3 million<sup>1</sup> Universal Credit claimants who are currently dealing with deductions, primarily due to requesting an advance in the past.

#### **2. All new claimants of UC should receive a one-off upfront 'helping hand' payment**

Despite the aforementioned government reforms, it is still the case that the initial waiting period for the UC award is proving difficult and distressing for most

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<sup>1</sup> Will Quince, " Universal Credit: Deductions: Written question – 20637", 2 March, 2020, <https://www.parliament.uk/business/publications/written-questions-answers-statements/written-question/Commons/2020-02-25/20637/>.

claimants. We recommend that all new UC claimants should be offered a one-off 'helping hand' payment of at least 25% of their estimated initial UC award. This would be equivalent to a week's worth of their future UC award payments.

This 'helping hand' would be paid as soon as possible after successfully registering on UC to the claimant's chosen bank account, would be non-repayable, and could only be received once by a claimant over a long time period. Those migrating from the legacy system should also be offered this 'helping hand'. Claimants would be able to receive both this 'helping hand' and advance payments.

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 claimants first accesses UC, and improve impressions of UC during as claimants continue to migrate to the system.

## **About Bright Blue**

Bright Blue is an independent think tank that champions liberal conservatism. Our work is guided by five research themes: social reform; immigration and integration; ageing society; green conservatism; and human rights. We were shortlisted for the 2016, 2017 and 2018 and 2019 UK social policy think tank of the year and UK environment and energy think tank of the year in the prestigious Prospect Magazine annual awards.

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