

Scotland's Citizens Advice Network empowers people in every corner of Scotland through our local bureaux (CAB) and national services by providing free, confidential, and independent advice. We use people's real-life experiences to influence policy and drive positive change. We are on the side of people in Scotland who need help, and we change lives for the better.

Summary

During 2018-19 the entire Citizens Advice Scotland network provided advice and assistance to over 272,000 people; 1 in every 18 adults living in Scotland. Just under 40,000 pieces of advice on Universal Credit were provided to people across Scotland by CAB advisers in the same year.

Citizens Advice Scotland (CAS) is currently funded by the DWP to deliver the Help to Claim service in Scotland through the Citizens Advice Bureaux (CAB). This service helps guide people through the Universal Credit initial claim process.

Our position in the heart of communities across Scotland gives us insight into policy issues as they emerge on the ground. The five week wait built into the Universal Credit (UC) system has been a source of significant financial, physical and mental detriment to many of the people that come through the doors of CAB across Scotland.

This response and the evidence included mostly predates the current Covid-19 pandemic but is all the more relevant considering the huge increase in applicants we've seen and are likely to continue to see. Given the profound economic impact the current pandemic is having, it is more vital than ever that Universal Credit can function as a safety-net that prevents destitution by ensuring timely access to an adequate level of support.

In this response we reflect the experiences of CAB clients on Universal Credit (UC) and suggest changes to end the destitution experienced by some during the wait for their first Universal Credit payment.

Citizens Advice Scotland recommends:

- Improved access to immediate support at the start of a claim
- The introduction of an additional assessment period payment
- Advance payments are made non-repayable
- The extension of run-ons to include Child Tax Credit and Working Tax Credit
- Run-ons of legacy benefits to be paid up until the first payment of Universal Credit

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?

The impact of the five week wait on CAB clients:

The five week wait built into the Universal Credit (UC) system has been a source of significant financial, physical and mental detriment to many of the people that come through the doors of Citizens Advice Bureaux across Scotland. A prominent cause of food and fuel poverty for CAB clients – the five week wait - undermines one of the original principle objectives of Universal Credit, specifically to combat poverty.

The initial five week wait for payment is felt most acutely by the more vulnerable in society; people without savings or family and friends to borrow from. Consistently, local CAB across Scotland are

reporting the extreme hardship caused by the waiting period: people are having to use foodbanks, are accumulating debt and are experiencing detriment to both their physical and mental health.

Advance payments as a mitigatory measure:

The mitigatory measure of advance payments has not removed the negative impact – the extreme poverty – endured by many CAB clients during the five week wait. The reasons for this are varied: some CAB clients experience issues in accessing the advance payment system, some feel unable to take a loan in the form of an advance payment and be indebted, whilst for others taking an advance payment often induces a period of prolonged hardship as repayments are recouped from subsequent UC payments.

-
-  **Citizens Alert:** An East of Scotland CAB reports of a client in extreme financial hardship who had to wait eight days for an appointment at the Job Centre Plus to request an advance payment.
 -  **Citizens Alert:** a North of Scotland CAB reports of a young person with disabilities who had to wait nine weeks for her first UC payment, due to processing errors. She did not want to take an advance as she already had some debts. She had to borrow money from family to pay her rent and is surviving on food parcels as she is not eligible to apply for any more Crisis Grants.
 -  **Citizens Alert:** A South of Scotland CAB reports of a client who after repaying their advance payment and a loan payment, only has £170 a month to live on for all food and priority bills. This person was seeking a referral to a food bank as they were unable to afford food.

Placing people into a cycle of debt should not be a tenet of the UC system. People on low incomes (who are more likely to be on UC) are often unable to build up substantial savings. 1 in 4 people living in Scotland have less than £500 in savings.ⁱ This means many people accessing UC are in need of access to cash as quickly as possible. A social security system that functions as a dignified safety-net should provide such access.

The current UC advance payment and deduction system drives a cycle of debt for many CAB clients.ⁱⁱ The UK Government's objectives of tackling poverty and supporting people into work will not be met by insisting the poorest in society take on a loan, in the form of an advance payment, when this will cause financial hardship for months. It is not uncommon for CAB to be approached by people with under £200 a month to live on after deductions are made to their UC.

The following cases from CAB across Scotland demonstrate the significant and lasting impact that taking an advance payment can have on a person's future UC payments and the financial hardship that is experienced:

-
-  **Citizens Alert:** *A North of Scotland CAB report on a client who is struggling to live on her UC whilst paying back an advance payment, which leaves her short of money and struggling financially. The client was experiencing symptoms of depression and anxiety. The client had not eaten and had no electricity.*
 -  **Citizens Alert:** *An East of Scotland CAB reports of a client who due to deductions from UC has £55 per week to live on. This is leaving the client in severe financial hardship and without heating and hot water. The client is repaying £51.24 per month to his UC advance payment.*
 -  **Citizens Alert:** *An East of Scotland CAB reports of a family who need to apply for UC due to COVID-19. The family's lack of savings means that they require an advance payment creating debt at an already distressing time, whilst receiving a low-income.*

Citizens Alert: *A West of Scotland CAB reports of a client who moved to a new house due to a difficult landlord. By moving to a new local area, she had to apply for UC to cover her housing costs. The client needs to take an advance as she has no money to get by. This means she will get less money in the short-term as she pays back the advance payment.*

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

CAB clients continue to experience a variety of issues during the five week wait. The most pressing of these is the extreme destitution that can be caused by having no access to cash for the five week period. CAB advisers report assisting people with referrals to foodbanks and accessing emergency utility supply funds.

There is stark evidence as to how the Advance Payment system is failing to fully mitigate the impact of the five week wait. In 2018/19, every week in Scotland over 4,000 emergency three-day food parcels were distributed to people in crisis.ⁱⁱⁱ On average, 12 months after UC is rolled-out, food banks see a 52% increase in demand with the five week wait for first payment of UC a key reason for this stark increase.^{iv}

Further to this, there is evidence that for some the wait for first payment can be longer than the standard five week wait leading to extended financial hardship. This was the situation for the CAB clients in the cases below:

Citizens Alert: An East of Scotland CAB reports of a client who was a lone parent working part-time and had to wait five weeks for an appointment at a Job Centre to verify their identity. The five week wait for an appointment, coupled with the five week wait for payment after a UC application is completed, meant a total wait of 10 weeks to receive a payment from UC.

For people who are in receipt of legacy benefits and move to UC, the transition measures in place fail to adequately prevent a reduction in income over the five week wait.

Currently, a person can receive two-weeks' worth of Housing Benefit when they move to UC, and from July 2020 run-ons of Income Support, income-based Job Seeker's Allowance and income-based Employment and Support Allowance will be available. However, at present there is no run-on available, or planned, for those in receipt of Child Tax Credits or Working Tax Credits. Working Tax Credits and Child Tax Credits are often a fundamental source of income for low-income households, the hard stop that is applied to this benefit when someone transitions to UC can cause severe financial hardship. This was the case for the CAB client below:

Citizens Alert: Client is separating from husband and will be claiming housing costs. Client will need to transfer from legacy benefits to Universal Credit. Her Child Tax Credits will stop and she will have a five week wait for payment - this client will struggle to provide for her four children, one of whom has disability.

Rent Arrears

Rent arrears are a persistent problem experienced by CAB clients. A 2018 CAS report found that over an eighteen-month period, CAB clients' rent arrears issues were predominantly caused by moving onto Universal Credit and experiencing problems with the delivery of support to pay the rent through the new benefit.^v

Evidence from Scotland's CAB network and elsewhere indicates the incidence of rent arrears to be far higher amongst tenants receiving Universal Credit. Housing associations across the UK report that 73% of tenants on UC are in arrears, compared to 29% of others.^{vi} The following case demonstrates how easy it can be for someone to fall into rent arrears under the UC system.

Citizens Alert: An East of Scotland CAB reports a person who has recently changed from claiming Carer's Allowance to claiming UC with limited capability for work-related activity. She has been informed since she changed benefits that she has incurred over £500 of rent arrears. The client was surprised as to where the arrears have come from as she was entitled to Housing Benefit when she claimed Carer's Allowance and she is entitled to help with her housing while claiming UC. It emerged that the arrears were caused by the five week wait for her first UC payment, which meant that her rent payments were also in arrears by five weeks.

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

There are different options that would offset the financial destitution that can be created by the five week wait.

Increase run-on payments of legacy benefits for people moving to UC

For people already in receipt of one of the six legacy benefits who move on to Universal Credit, ensuring that run-ons of legacy benefits are available during the five week wait for first payment would prevent a period of no or significantly reduced income.

Currently, people can receive a two-week run-on payment of Housing Benefit; leaving three weeks where a person is not receiving housing cost support. Two-week run-ons for Income Support, income-based Job Seeker's Allowance and income-based Employment Support Allowance are to be introduced from July 2020. This again, still leaves three weeks where a person has their income reduced. As UC is paid in arrears, a person will eventually get a payment to cover these weeks. However, the challenge is stretching a fixed and limited income to cover the period until the arrears payment is made.

CAS evidence suggests this support does not go far enough. Worryingly, there are no run-ons planned for Tax Credits despite this being a key source of income for low earning families.

Citizens Advice Scotland recommend:

- The extension of run-ons to include Child Tax Credit and Working Tax Credit
- Run-ons of legacy benefits to be paid up until the first payment of Universal Credit

Introduce a non-repayable Assessment Payment

With that in mind, we suggest that in addition a single, standard additional non-repayable Assessment Payment should also be made available to claimants during the initial waiting period, regardless of past history in accessing UC advance payments. This could function in a similar way to the Assessment Rate of ESA that is paid prior to a Work Capability Assessment being conducted.

This payment could be made at a time of the claimant's choice, for instance after two of the five weeks, or at the outset to provide a cushion to protect them from running out of money. The level could be determined by consultation between the person and Work Coach, including whether it should be higher for couples or people with children, but one possibility could be to base it on the equivalent of half of one month's Standard Allowance element of Universal Credit.

There would be a financial cost attached to this policy, however this will likely be offset by savings from Crisis Grants, Advance Payments, and other services. Such as the charities, NHS, community organisations, foodbanks and individuals, which currently support several thousand claimants being left without income for a significant period of time.

Citizens Advice Scotland recommend:

- The introduction of an assessment period payment

Make advance payments non-repayable

For those claiming UC who are not receiving any social security – i.e. who have lost a job, are leaving education or coming out of prison – there are two proposals CAS believe that the UK Government should consider when implementing a solution to the widely recognised problem of the five week wait.

Firstly, the current advance payment system could be reformed to make advance payments non-repayable grant payments. At present, a person can receive up to 100% of their standard allowance in the form of an advance payment. As noted in our response to Question One, currently the advance payment system often shifts a period of extreme financial hardship from the five week wait to a prolonged reduction in income (as repayments are deducted) causing hardship over numerous months.

The Secretary of State for Work and Pensions, in a previous appearance before the Work and Pension Committee noted that making advances non-repayable would not be operationally possible at short notice. A modern safety net and the systems that deliver social security must be agile and able to adapt as issues become apparent. CAS suggests automated information system issues should not be a barrier to righting this flawed element of UC.

Removing the repayment element of advance payments may require eligibility conditions, such as limiting the number of advance payments a person can access within a set timeframe or requiring people to demonstrate particular hardship, as was the case in legacy benefits.

Citizens Advice Scotland recommend:

- Advance payments are made non-repayable

Costing and Savings

Whilst there would be a cost to the Department in implementing measures to end the five week wait, CAS believe the benefits of doing so outweigh this. The social security system should function as a safety-net. By ensuring timely access to funds, not in the form of a loan that contravenes the principles of social security, the UK Government could ease the destitution faced by many during the five week wait.

Adequate investment in social security provision can lift people out of poverty, reduce health inequalities and support local economies, which in turn can reduce pressure on other public sector services and resources.

There will also be significant savings to other organisations including foodbanks, CAB services and costs experienced by landlords and local authorities associated with rent arrears and homelessness.

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

As discussed in our answer to Question Two different mitigating options are required for the different circumstances experienced by people when claiming UC.

Those who apply to UC who are on legacy benefits should receive full run-ons of these benefits until their first payment of UC is made to ensure that hardship is not experienced.

For people who make a claim to UC who are currently not in receipt of any legacy benefits, immediate support must be made available through either a non-repayable advance payment or an assessment payment equivalent to at least two weeks' worth of the person's projected entitlement.

Support for prisoners to access UC

CAB have also heard reports of people in prison not adequately supported or advised about their UC entitlement before they leave prison. This can create a desperate situation for people, who find themselves leaving prison and facing five weeks without any access to social security.

Parkhead CAB operates an outreach service working with people inside HMP Barlinnie. This vital service informs people of their right to social security and can help people make a claim for UC prior to the person leaving prison. The Committee should consider what more can be done to support projects such as this to increase early access to UC for people in prison, improving the transition from prison into community life and bringing wider societal benefits

Citizens Alert: A CAB reports of a client paying back an Advance Payment and rent arrears as the client did not have any money for around six- or seven-weeks following release from prison. The client had to get an advance payment as they had no money and now must pay this back. Client is now in debt with having to get an advance payment as they had no money when they came out of prison. The client feels very stressed and is very worried about how he can pay all his bills and live with only £200 a month. This client told the CAB adviser they felt like giving up because of this situation.

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?

A key point worth noting is just where the five week wait for first payment of UC originates. Understanding this is vital to understanding the unfairness and inadequacy that the current system delivers for some people. This is not a barrier to removing the five week wait

Universal Credit is assessed and paid in arrears on a monthly basis. When someone makes a claim for UC this triggers an assessment period of one calendar month, the person is paid seven days after the end of this one calendar month assessment period - with any other earnings during the assessment period used to calculate a person's UC entitlement level. The person is then paid on the same date of this first payment each month.

The five week wait is intrinsic to the UC system. Having a final monthly salary to cover expenses during the five week wait reflects the experience of those in higher paid salaried jobs. It does not take into account that around half of people who earn less than £10,000 a year are paid weekly.^{vii} Many are also paid fortnightly or four-weekly. When someone loses their job or faces a sudden income reduction, enabling entitlement to UC, they must be able to access funds quickly. CAS recommends making advance payments non-repayable alongside considering the introduction of an assessment period payment to prevent destitution for this group of people.

For those transitioning to UC from legacy benefits there are no apparent barriers to continuing legacy benefit payments until first payment of UC is received. Income from these legacy benefits would have to be discounted as earnings for the purposes of the first assessment period to ensure a person then received their usual UC entitlement from first payment. These measures would prevent unnecessary hardship.

Even for those on a monthly salary a slight change in payment date to either side of the assessment period cut-off date can cause extreme fluctuation in their monthly UC entitlement. A test case supported by Child Poverty Action Group (CPAG) was successful in the High Court in securing an unlawful ruling over the unfairness in how assessment periods affect people in different circumstances.

Lord Justice Singh and Mr Justice Lewis ruled that the DWP has been wrongly interpreting the Universal Credit regulations. They said in their judgment that treating claimants as having earned twice as much as they do if they happen to receive two pay cheques in one monthly assessment period, and as having

no earnings in the next assessment period is “odd in the extreme” and “... could be said to lead to nonsensical situations”.

They added that the DWP’s incorrect interpretation of the regulations had caused “...severe cash flow problems for the claimants living as they do on low incomes with little or no savings”.

 **Citizens Alert:** A North of Scotland CAB reports of a client who due to early payment of wages leading to having received two wage payments in one UC assessment period, resulting in the client not receiving the personal allowance and housing elements of UC and her being unable to pay her rent. This is a great worry for the client who will have to rely on foodbank parcels.

April 2020

ⁱ Resolution Foundation, *The £1 trillion pie: how wealth is shared across Scotland 2018*

ⁱⁱ CAS, *Voices from Frontline: the impact of deductions from Universal Credit payments*

ⁱⁱⁱ Trussell Trust, *End of Year Stats, 2019*

iv Trussell Trust, End of Year Stats, 2019

v CAS, Rent Arrears: Causes and Consequences for CAB clients, 2018

vi Scottish Federation of Housing Associations, Housing Federations across the UK say "flawed" Universal Credit is causing debt and hardship for families in social housing, July 2018

vii Millar, J., & Bennett, F. Universal Credit: Assumptions, Contradictions and Virtual Reality Social Policy and Society 2017