

Written evidence from Changing Lives [UCW0030]

1 Summary

- 1.1 Changing Lives welcomes the Work and Pensions Committee's inquiry into the wait for a first payment of Universal Credit. We are a national charity, helping over 17,000 people change their lives for the better each year. We have around 100 projects across the North and the Midlands, supporting people in their most challenging of circumstances, including sexual exploitation, domestic abuse, homelessness, addictions, contact with the criminal justice system, long-term unemployment and more.
- 1.2 We are a core partner of Fulfilling Lives Newcastle Gateshead, alongside Oasis Community Housing and Mental Health Concern. Funded by the National Lottery Community Fund, Fulfilling Lives is an eight-year learning programme to support people with complex needs.
- 1.3 Our evidence draws on the experiences of the people who access our services, many of whom are eligible for, or are claiming, Universal Credit. Our frontline teams routinely help people to overcome financial exclusion and to navigate the benefits system. This includes supporting people who are unemployed, people who are in work, people who are involved in the criminal justice system, people who are experiencing homelessness or living in supported accommodation, and people who are experiencing other difficult circumstances, such as involvement in selling sex or fleeing exploitation and/or abuse.
- 1.4 Our key messages:
 - We support the policy intent behind Universal Credit to simplify the benefits system, but are concerned that in practice it is playing a significant role in creating and exacerbating hardship and deprivation for people experiencing multiple disadvantage.
 - The initial wait for payment, coupled with advance payments, is a primary reason for this – driving the people we support into hardship and cycles of debt from which it difficult to escape.
 - We support the view expressed repeatedly by the Work and Pensions Committee to eliminate the five-week wait for Universal Credit. This should be replaced either by a non-repayable Advance Payment so that claimants receive support from day one, or by starting payments immediately after a claim is submitted, while assessment is ongoing.
 - It is vital that wider measures are considered alongside the initial wait for payment. This includes the need to ensure that the benefits system is accessible to those who are digitally excluded, or otherwise prevented from making an application (for example, because they do not have ID or a bank account), and to ensure that payments are single by default to protect people from coercion and abuse.

2 The impact of the five week wait on Universal Credit claimants

- 2.1 We appreciate the policy intent of Universal Credit to simplify the benefits system, and recognise that since rollout began in 2016, successive governments have sought to reduce the negative impact of the wait for first payment on claimants. For example, this includes: reducing the overall target timeframe for first payment from six to five weeks; the introduction of advance payments; and reducing the maximum rate of

repayment of from 40% to 30% over a period of 12 months. We welcome the Government's intention to reduce repayment rates further, to 25%, and to extend the timeframe for repayments to 16 months, from October 2021.

- 2.2 However, we do not believe that the Government's measures go far enough to make a meaningful difference to the experiences of the people we support. Rather, they simply paper over design flaws in the Universal Credit system that have the effect of creating and exacerbating deprivation for people experiencing multiple disadvantage. The initial wait for payment, coupled with advance payments, is a primary reason for this – driving the people we support into hardship and cycles of debt from which it difficult to escape.

Timescales for payment

- 2.3 One of our key concerns is that very often, what is supposed to be a five week wait for the first payment of Universal Credit is often far longer. We have worked with people who have waited up to 11 weeks for their first payment, during which time they may be without any income at all. In April 2019, only 83% of households new to Universal Credit that were paid received their full payment on time¹. This means that a substantial minority are left waiting for vital income required to pay their rent, buy food, and meet the costs of gas and electricity.
- 2.4 This is unacceptable given that the people we support often struggle to withstand the five-week wait in the first place. We see people relying on food banks and soup kitchens, resorting to desperate measures including begging, shoplifting or selling sex, and finding themselves in increasing amounts of debt.

'As long as you're not on the streets begging, they don't care how long you wait for your [Universal Credit] payment... I've had no benefits for five or six weeks now. I've got a roof over my head, [which has stopped me] from begging. I still get the urge 'cos I've had no benefits for five weeks.'

'[I] put a claim in eight weeks ago and I've had not one penny ... with a bit of luck it might come today... it's been a nightmare.'

- 2.5 In addition to the hardship created by a lengthy wait for payment, there are further challenges associated with what then becomes a backdated claim – often totalling significant sums of money. Our staff repeatedly report that this process can have a hugely destabilising impact, especially for people experiencing addiction, who will often then spend all their award in the course of a few days and can lead to significant harm.
- 2.6 It is also important to note that the starting point for many people who apply for Universal Credit isn't necessarily the date they submit their claim. Often, people face significant challenges simply to make an initial application. For example, the people we support are frequently digitally excluded: they lack the digital skills and access to technology required to submit a claim. They may also lack access to an address, bank account and formal ID, all of which are a prerequisite for Universal Credit.

'[Applying for Universal Credit was] solid. I never had a computer in the house and everything had to be on the computer, I was bad with me neck and missed some appointments. When you're bad and you've got no computer you can't get out

¹ <https://www.gov.uk/government/publications/universal-credit-29-april-2013-to-11-july-2019/universal-credit-statistics-29-april-2013-to-11-july-2019>

somewhere to use a computer.'

'I needed a bank account, ID, proof of address...I had to get a tenancy agreement, a letter with me picture on and a DWP letter. It took a while to get that stuff together. For the bank card to come through took well over a week. Just relying on foodbanks, some days I would go with nothing, or relying on food at the hostels, biscuits, fruit, cakes, some weeks I was going with nothing having to use the soup kitchens.'

Advance payments

- 2.7 We welcome the Government's announcement to increase the value of Universal Credit, both prior to and during the COVID-19 outbreak, which will bring the benefit closer in line with the cost of living.
- 2.8 However, while an advance payment is preferable to no payment at all, we are concerned that this will still be insufficient to meet even a basic level of need, such as food and rent. We have supported people who have been given £250 as an advance payment with no indication of how long this should last. This makes it incredibly difficult for people, some of whom may be lacking in financial capability skills or access to any other form of income, to manage their finances. They are left with a choice of whether to 'eat or heat' and are not always aware of where they can access support and advice.
- 2.9 The consequences of this are that people may need to resort to food or clothes banks, and build up damaging rent arrears and debts before a Universal Credit payment is even made. Sometimes, the people we support will turn to desperate measures including shoplifting or begging, as they have no other option.

'The people we support are backed into a corner... we would all do the same to feed our families, if we were in their position.'

Financial Capability Worker, Changing Lives

- 2.10 It is also significant that an advance payment is, in effect, a loan that must be repaid at a later date. Our teams report that rates of repayment are excessive and non-negotiable, leaving people in extreme financial hardship. In our experience, this is a departure from the previous system, where the Department for Work and Pensions would take a more flexible approach to making smaller deductions over a longer period to recover overpayments. Often, people are left with such small amounts to live on that it is impossible to sustain their health or welfare at even the most basic level.
- 2.11 Further, because any Universal Credit deductions are taken from the one 'universal' benefit, there is no capacity to protect rent, for example, as the previous system would have provided with a separate housing benefit entitlement. This places claimants at increased risk of homelessness.

Survival sex

- 2.12 A recent inquiry by the Work and Pensions Committee into [Universal Credit and survival sex](#) highlighted the challenges experienced by a growing number of women who are involved in 'survival sex'. By survival sex, we mean the exchange or sale of sex in order to meet immediate needs such as food or a place to sleep, in the absence of any other options. The Committee concluded that Universal Credit is a significant factor in increasing the vulnerabilities that may lead people to becoming involved in survival sex – this is an issue experienced time and time again by the women we support.
- 2.13 Changing Lives first coined the term 'survival sex' when we supported women who had experience of selling sex to carry out peer research, interviewing 86 of their peers across Tyne and Wear back in 2007. The findings highlighted the overwhelming correlation between selling sex and poverty, deprivation and social exclusion. Women disclosed they were turning to survival sex to meet their immediate needs; to pay for food, for a place to stay, laundry, to fund an addiction, and often to support their children. We have repeated this methodology in other towns and cities over the past 12 years and the findings have not changed.
- 2.14 What has changed quite significantly is the number of women faced with destitution. They see selling sex as their 'only option' when faced with unprecedented levels of financial hardship. They tell us time and time again that this relates to welfare reform – specifically the roll out of Universal Credit. Worryingly, up to a third of the women we support are choosing not to apply for Universal Credit as a result of the social and digital exclusion they experience. Read our further evidence [here](#).

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

- 3.1 It is our view that the most effective way to alleviate the hardship experienced by people waiting for an initial payment of Universal Credit is to remove or significantly reduce the five week wait.
- 3.2 The Work and Pensions Committee has previously suggested that a non-repayable grant be introduced to support the most vulnerable claimants. We support this and would go further, suggesting that *all* advance payments become non-repayable grants. Overall, we believe this option would be cost neutral to government, affecting only the timing of payments. Alternatively, the five-week wait may be eliminated by starting payments immediately, while assessment is ongoing.

People involved in the criminal justice system

- 3.3 For people who are involved in the criminal justice system, this challenges posed by the initial wait for payment is particularly stark – because they cannot apply for Universal Credit in advance of their release, and leave prison with only a £46 discharge grant (£80 for those released under the coronavirus early release scheme), they are particularly vulnerable to reoffending simply to make ends meet. Equally, they can struggle to access a bank account prior to release, meaning that even a basic prerequisite for making a claim is impossible to achieve.²

'The big hurdle for me with Universal Credit was the bank account, I'm 30 years of age and I never had a bank account 'til now ... I used to put me money in a shoebox,

² <https://www.clinks.org/publication/reducing-reoffending-third-sector-advisory-groups-submission-reducing-reoffending-board>

I haven't been ever able to get a bank account.'

3.4 It is therefore vital that people in prison are permitted and consistently supported to apply for Universal Credit in advance of release. This would be important even if the five-week wait was to be eliminated, but it is crucial for as long as the wait does apply.

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?

Consequences for the Department of Work and Pensions

4.1 We anticipate that removal of the initial wait would be largely cost neutral to Government. Further, we envisage that this change may actually have a wider financial benefit to Government. For example, we might expect to see reduced pressure on homelessness services, police resources (for crimes associated with poverty and/or exploitation), and mental health services. We recommend that the Government undertakes a cost-benefit analysis to understand the potential impact of removing the initial wait for payment, taking a broad view across public services.

Consequences for individuals

4.2 We do not anticipate any barriers or negative consequences for individual claimants as a direct result of removing the initial wait for payment. Our understanding from the Department of Work and Pensions is that the majority of claims are relatively straightforward to process, and that the transition to a shorter assessment period would be possible – notwithstanding a substantial increase in current demand due to COVID-19.

4.3 However, for this to be effective, it is vital that wider measures are considered – including the need to ensure that the benefits system is accessible to those who are digitally excluded, or otherwise prevented from making an application (for example, because they do not have ID or a bank account), as otherwise eligible prospective claimants will remain unable to apply. It is equally vital that Universal Credit payments are single by default. Too often, we meet women in our services who are receiving payments to their partner's bank account, leaving them open to financial exploitation, coercion and abuse.

5 Conclusions and recommendations

5.1 Our experience at Changing Lives highlights that there is a significant mismatch between the realities of Universal Credit and the Government's policy intent to alleviate hardship. The initial wait for payment is central to this, particularly for people who have existing vulnerabilities and who may face additional risks such as exploitation, coercion or diversion until a claim is processed. The Committee's inquiry is therefore hugely significant and we hope that detailed scrutiny of the Government's approach will lead to lasting policy change.

5.2 We provide three case study examples at Appendix A.

Appendix A: Case studies

Sarah

Sarah was referred to Changing Lives for support to address significant financial hardship and debt, exacerbated by vulnerabilities including poor physical and mental health, addiction and experiences of domestic abuse.

Sarah was in receipt of Universal Credit, for which she had received an advance payment while her initial claim was processed. While her advance payment had helped to meet a short-term need by contributing towards her outgoings, it did not go far enough – Sarah was already in debt, with rent and Council Tax arrears and child maintenance to pay. Sarah had recently moved into private rented property to escape the domestic abuse she had been experiencing at home, which was not covered by Local Housing Allowance, pushing into her further hardship.

By the time her Universal Credit was processed, it was being deducted by the maximum amount of 40 per cent. As a result, she was in a budget deficit of over £200 per month and being aggressively pursued by creditors to repay her debts.

Alan

Alan was supported through Fulfilling Lives Newcastle Gateshead, after being referred with experience of substance misuse, a history of depression and anxiety, and experience of rough sleeping. Alan was in debt due to rent arrears and a large court fine (over £6,000 which, paid in small increments will continue to impact his financial situation until at least 2040). For many years, he has been bouncing between housing providers, homelessness services and short-term prison sentences, without ever getting the support he needed.

Alan was sentenced to prison after a period of engagement with our services, after shoplifting to fund his heroin addiction. During his time in prison, Alan was unaware that he would need to make a claim for Universal Credit on release. He therefore found himself released from prison with no accommodation and no income. Until his benefit claim was processed, Alan was reliant on food banks to make ends meet. He has fallen into arrears with his service charge for supported housing and now owes £360 to his accommodation provider.

Brian

Brian was referred to Fulfilling Lives Newcastle Gateshead while on probation. He has multiple physical and health needs, and is experiencing alcohol dependency and complicated family circumstances. Soon, he became homeless and was sofa surfing until an offer of supported accommodation was made.

We supported Brian to make an application for Universal Credit, but the initial payment was delayed as Brian did not have a bank account. Our teams were unable to help Brian to open an account as he did not have address or formal ID. During this period Brian had no income, and was reliant on food parcels provided by Fulfilling Lives Newcastle Gateshead and Age UK.

Brian received his first full payment of Universal Credit after a two-month delay, but this came too late to prevent Brian from experiencing significant hardship. For example, he had resorted to payday loans with excessive interest rates and using food banks. Our teams observed in Brian an increase in anxiety and self-neglect, including significant weight loss and verbalising suicidal thoughts. This resulted in a referral to adult safeguarding services.

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