

Written evidence from Dr M Simpson, Dr Ruth Patrick, Dr C Fitzpatrick and K Logan [UCW0040]

UC:Us is a group of Universal Credit recipients in Northern Ireland, representing a wide range of family circumstances and claimant groups. Since June 2019, they have been working together and with academics to document their experiences of the benefit and develop recommendations for change, which are themselves grounded in their own experiences. This work has been funded by the **Joseph Rowntree Foundation** and led by Ruth Patrick and Mark Simpson.

Ruth Patrick is a Lecturer in Social Policy and Social Work at the University of York, with expertise in the use of participator research methods with social security claimants. **Mark Simpson** is a Lecturer in Law at Ulster University and expert on social security in the devolved context. **Ciara Fitzpatrick** is a Lecturer in Law at Ulster University and previously worked in the Northern Ireland advice sector. **Kerry Logan** is Policy and Public Affairs Officer at Housing Rights NI. This submission is largely informed by the findings from a participatory study of the experiences of early Universal Credit claimants in Northern Ireland, where the benefit was first introduced in late 2017. A full report will be published by JRF in spring 2020; an illustrate summary of the key findings and recommendations can be found on the [UC:Us website](#).

Introduction

We are grateful to the Committee for holding this important inquiry. Current circumstances will make your work challenging, but arguably even more important given the increased number of people applying for Universal Credit and thus affected by the five-week wait. Our research shows the very real – and often quite extreme – hardship that the five week wait (sometimes longer) for a first payment so often causes. Indeed, the evidence from our study shows that the five-week wait all too often triggers a ‘domino effect’ of debt and financial hardship (UC:Us member Deirdre) that negatively affects lives and mental health for many months, greatly undermining recipients’ confidence in Universal Credit as a whole. For example, the official explanation for the five-week wait is that it is a necessary consequence of the one-month assessment period for Universal Credit entitlement, but UC:Us members regarded it more cynically as an attempt “to get a free month or something. [To] avoid paying people” (David).

The endemic problems with the five week wait remain of considerable importance during the current pandemic, which has brought about a surge in the number of Universal Credit claims. At present, the government appears committed to continuing the five week wait, and Ministerial references to the advance payments as the solution to this wait ignore the ways in which this repayable loan in fact adds to the financial pressures recipients face, pressures which are escalating during the present times.

The [UC:Us website](#) sets out recommendations developed by the group to improve experiences of Universal Credit. One of these is *It’s time to end the five-week wait for a first Universal Credit payment*. Ending or significantly reducing the wait for an initial payment would also contribute to the realisation of several other recommendations: *A social security system that treats everyone with dignity and respect, as valued members of society; Stop Universal Credit triggering debt*; and, in the early stages of a claim at least, *Universal Credit needs to be paid at a level that enables people to meet their living costs, including housing*. These reflect the fact that the five-week wait acts as an obstacle to the central goal of social security from Beveridge onward, to support a subsistence standard of living when people are unable to access the necessary income by other means. As will be

explained below, it can also undermine one of the central objectives of Universal Credit itself, helping claimants move from benefits (back) into paid work.

This submission is based on the experiences, observations and recommendations of Universal Credit Claimants themselves. Their expertise has a vital role to play in this and similar inquiries, and to the development of policy to improve social security. To that end, UC:Us members and their academic partners are happy to give oral evidence as needed.

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?

For many new Universal Credit claimants, the advance payment is the difference between having no money at all and having at least a source of financial income. Most participants in our research took the advance, and most of those who did felt they had no alternative. Those who did not often ended up with other forms of debt, potentially with a higher financial costs (such as an overdraft) or a higher emotional cost (such as borrowing from family members. So the advance clearly helped people survive the initial wait, and was appreciated by some: “It’s interest free, £27 a fortnight, that’s cheaper than what I would’ve paid on the credit card” (Benny).

However, the advance cannot in any real sense be described as a ‘mitigation’ measure as it does not eliminate, shorten or lessen the impact of the five-week wait. As a repayable loan, it simply spreads the impact of the wait over a longer period. Consequently, the vast majority of research participants regarded the advance negatively – as part of the problem, not a solution. The combination of five-week wait and advance was the most important factor driving the overall negative impression of Universal Credit that emerges from the findings. That the new benefit improves on the legacy system in some respects could only be appreciated some months down the line after significant progress had been made on repaying advance.

The advance could lock new Universal Credit claimants into debt for months or years to come, sometimes alongside other contributing factors at the point of transition, like overpayment of legacy benefits: “I took an advance of £1,200. And then I received a letter saying that I had an overpayment from tax credits for £1,400. Which I couldn’t have, because my tax credits had ended... then they came with another note in my journal saying that I had claimed ESA and carer’s allowance and that I owed them another £1,200 and they were just going to take this off me as well” (Maria)

The advance could act as a barrier to accessing discretionary support if a crisis occurred before it had been repaid: “The thermostat of my fridge is going and I already got it from [charity], so it’s not like I could ask them again... So I asked Universal Credit... how do I go about this? And they just, well they said you’re paying back a repayment loan. Tough, basically.” (Deirdre)

Some recipients felt they had been pushed to accept an advance by Universal Credit, sometimes without receiving adequate explanation that it is a repayable loan, and this was subsequently deeply resented: “they pressure you... the minute that you’re on universal credits, pressure you into getting all these type of loans, which means you pay them back, which means you’re left with barely any money (Francesca). “Knowing you haven’t got any money in and they say you can have £750 in your account the same day. [Within] nine minutes of the work coach verifying my data, advance payment. That’s how quick they talk you into taking that” (Chloe).

Negative experiences and reports of the advance payment affected perceptions of Universal Credit and those who run the system, and led a small number of participants to reject the advance, even though this might have left them even worse off financially: “The person who helped me fill out the

assessment, he says honestly, please don't get [an advance payment], it'll be a real struggle if you were to... get a loan off them ones... Then I ended up owing my bank £600. £600 in my overdraft because of universal credit, I had no money to pay for anything" (Ciara).

Ongoing deductions from Universal Credit awards to repay the advance undermined recipients' ability to meet their basic needs for long periods. Benefits in the UK are supposed to be at subsistence level – reflected in fact that, during the period covered by the study, the Universal Credit standard allowance was barely above the [destitution threshold](#). Until the recent increase in standard allowance (which is temporary and will be clawed back from many ongoing claimants in Great Britain due to the [benefit cap](#)) a deduction of just £15 per month would result in destitution. So we can confidently say that repaying the advance is leaving people destitute, albeit that *without* the advance some would be utterly penniless in the first five weeks. Extending the maximum repayment period for the advance and reducing the maximum deduction (announced in the March 2020 budget) will help with income adequacy on a week-to-week basis, but will also have the effect of prolonging indebtedness, and the associated stress.

It is important to note that – in the current context – DWP have made some steps to reduce levels of debt repayments faced by benefit recipients, but have – thus far – refused to budge on seeking repayments of advance payments at source from universal credit claims. This places additional financial pressures on individuals, and members of UC:Us report that the additional UC payment of £20 a week is only offsetting the rate at which they have to re-pay their advance payment; and so they remain financially insecure.

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

UC:Us members' experiences illustrate that to talk exclusively about problems 'during the five week wait' is to take far too short term a view. Debt is accumulated and mental health is put under strain during the first five weeks, but both problems will persist throughout the repayment period and beyond. As noted above, debt problems at the start of a Universal Credit claim can be exacerbated by overpayments – we heard reports of examples of legacy benefit payments not stopping when they should and of very old overpayments coming to light at the point of transition. One participant lost her whole first payment to an overpayment, adding a further month to the five-week wait: "Took my whole first payment. Everything, so I got nothing... I was just hysterical, sobbing down the phone" (Joanna).

Going into debt – in some cases for the first time ever – was a major source of stress, whether this resulted from the advance payment, other loans or informal borrowing. The main sources of credit reported in the research (besides the advance) were banks, credit unions and relatives, but there is potential for vulnerable claimants to resort to borrowing from [payday or doorstep lenders](#), or [illegal lenders](#) like Northern Ireland's paramilitary groups. The impact of ongoing hardship as debts were repaid could be particularly acute for parents: "I feel like a failure. Feel like my kids would have a better life if I put them into care" (Maria).

When people borrowed from relatives at the start of the claim, there was potential for these family relationships to be placed under strain due to the length of time taken to repay. "You're stuck in a rut and you don't know how to get out of it, because you're constantly borrowing off people and you feel guilty for taking off them and you don't know when you're going to be able to pay them back" (Niamh)

A number of participants' Universal Credit claims were triggered by a change in their housing circumstances, normally a move from their parents' home to their own house. Social lets in Northern

Ireland are typically unfurnished and sometimes undecorated, so the five-week wait means that at a time of unusually high costs, new claimants have no income besides the advance. Housing associations may pay a small grant, but this does not go very far, and the [number of grants](#) under Northern Ireland's Discretionary Support Grant has been around 60% lower than under the Social Fund due to a tightening of the criteria, including a limit of one award per year (these conditions have been relaxed in the context of Covid-19). More generally, what should have been a significant and happy life event became tainted by association with debt and hardship: "The worst thing I've ever done is getting my own house and it should be one of the best things that's ever happened" (Francesca). "They gave me a wee grant, I think it was like for £300 or something like that, but that only helped for to get... a bed for my wee girl's room and like bedclothes and sheets and stuff... I was going in to cement walls, concrete flooring. You can't put your kids into that" (Ellen).

The resulting mental health problems could be very serious. Two research participants disclosed suicidal ideation, which they attributed to Universal Credit, and one report receiving counselling from a provider that specialises in severe distress: "Worrying about how I'm going to pay the next bill. Sometimes you just feel... like you just can't go on" (Rab).

One of the key objectives of Universal Credit – encouraging transition into paid employment – might be undermined by the five-week wait and the resulting hardship. Previous research by [Patrick](#) and involving [Simpson and Fitzpatrick](#) shows that the mental health impact of financial hardship, linked to social security problems, can act as a formidable obstacle to obtaining paid employment. The monthly calculation of entitlement – from which the five-week wait flows – could itself undermine the work incentives that are supposed to be hardwired into Universal Credit. Participants who were paid weekly or fortnightly in jobs with variable hours found that the one-month lag in the 'real-time' calculation of UC entitlement a real problem as the months with increased earned income and lower UC payments do not always align: "I was on a zero hour contract... payments would be up and down, you know, so if I was having a good month, the next [Universal Credit] payment would be way down, but I could be working no hours for that month and I'd be left going what am I meant to do here?" (AC).

Unsurprisingly, one consequence of the five-week wait and lingering debt problems was reliance on food banks and other sources of charitable support. Resulting feelings of shame and inadequacy could add to mental health problems. Contrary to previous [Ministerial claims](#), this was not a case of 'unlimited demand' for a 'free good'. At least one individual in our study was unable to face even using a food bank. Another said she was unable give her children Christmas presents as she could not, or felt she could not, return to the same charity for a third year running, and was worried that she would have to stop using her local food banks for similar reasons: "There was something in town and there was a big placard and it was on [website] and it said the children of universal credit won't see Santa this year, and it just really resonated with me" (Deirdre).

From a housing perspective the five-week wait has caused a significant rise in arrears, which in turn increases the risk of housing stress, eviction and homelessness. These arrears have been well documented in the social rented sector in NI; indeed in 2018/19 average arrears for Northern Ireland Housing Executive tenants on UC were £700.05, compared to an average of £191.82 for those in receipt of Housing Benefit.¹ This rise in arrears also has serious implications for people who are living in the private rented sector, which is increasingly relied upon to house low income households. As most private landlords in NI only own one or two properties they are much less likely to be able and willing to withstand these arrears than social landlords.²

¹ Statistic provided by email to Housing Rights from the Northern Ireland Housing Executive Welfare Project Team on 14/05/19.

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

A run-on of all legacy benefits would protect continuing claimants who move to Universal Credit through managed migration from the five-week wait, but there will always be fresh claims from individuals who experience a sudden drop in income and for a period there will also be 'natural' migration of claimants following a change of circumstances that would be likely to increase their award. Many people in these groups will just have experienced a traumatic experience. UC:Us members' pathways to universal credit included loss of employment, the death of a relative (resulting in loss of entitlement to carer's allowance), deterioration of their own health, experience of domestic abuse and confirmation of refugee status. Having to deal with the five-week wait only compounded the impact of these events on wellbeing. The five-week wait needs to be ended or reduced for everyone.

Since the five-week wait is only necessary because of the one-month assessment period, the most obvious way of eliminating it is to reduce the assessment period to two weeks, or even one week. This would have the added, ongoing benefit of reducing the lag between reporting of non-Universal Credit income and calculation of subsequent Universal Credit entitlement, so that increases in benefit income would more closely track reductions in other income. The change could also come hand-in-hand with an increase to payment frequency, something that many UC:Us members considered essential to budgeting on a low income (in Northern Ireland, Universal Credit is calculated on a monthly basis, but payments are made twice-monthly by default). "It's really hard to get your finances in order... I think [being paid twice monthly] does help... you just feel like your money is gone by the second week into your month" (Lauren).

An alternative might be to make non-repayable advance payments available at the point of application. This could be based on an estimate of the household's like Universal Credit award, drawing on household composition, housing circumstances and recent earnings (for example in the month prior to making the UC Claim), not far removed from how the maximum possible advance is currently calculated. This would require fewer changes to IT systems for Universal Credit than a change to the assessment period. However, an advance based on an estimate is a relatively blunt instrument and could create additional problems with overpayments, if (but only if) the decision were made to recover money from people whose advance proved to be greater than what their actual entitlement should have been.

An attempt to reduce the impact of the five-week wait exists in the form of the Universal Credit Contingency Fund, set up in Northern Ireland as part of a range of measures to support claimants as the social security reforms introduced in Great Britain through the Welfare Reform Act 2012 are implemented there. The Contingency Fund is a ring-fenced pot of £7 million pounds to help claimants at risk of significant hardship due to the five week wait through the award of non-repayable grants. The fund is not without its shortcomings. Until January 2020, a Department for Communities policy position dictated that a claimant had to claim an advance payment before becoming eligible to apply for a Contingency Fund payment. After pressure from the community and voluntary sector, from 1 January 2020, the requirement to accept an Advance Payment was removed, to widen access. Until March 2018, only [115 grants](#) were awarded, totalling £17,000. Law Centre NI and others have expressed the view that there is not sufficient communication from Work Coaches about the availability of the Contingency Fund and that the application process is cumbersome.³ Many UC:Us members were unaware of the Contingency Fund – but said they would

² According to the Department for Communities' Landlord Registration Scheme, 84% of private landlords in Northern Ireland own 1 or 2 properties.

have much preferred to have started their UC claim without debt. A small number had been among its beneficiaries, but both groups felt more needed to be done to increase awareness and take-up. It should be noted that the Contingency Fund represents an attempt at devolved level to soften the impact of a policy inherited from Westminster, when budgetary and IT resources act as obstacles to removing the five-week wait outright. It is possible to do better at UK level, but the fund could act as a model if discretionary support targeted at the neediest cases were preferred to across-the-board change, or could even be offered in addition to a shortened, two-week assessment period.

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

The Department for Work and Pensions and Department for Communities are best placed to calculate the likely costs. Clearly, reducing the five-week wait would carry a cost in terms of slightly increased expenditure on Universal Credit payments and changes to IT systems. Any additional costs would be offset by the elimination of costs associated with the administration of advances and their repayment and reduction of the monetary and social costs that flow from the poverty and mental health problems the five-week wait exacerbates (see above).

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

It is difficult to be certain, but reduced demand on food banks and organisations with authority to make referrals could be anticipated. There might also be lower demand for budgeting advice, mental health services and local government services like discretionary housing payments and discretionary welfare.

Are different mitigating options needed for different groups of claimants?

Universal Credit is supposed to simplify the working age social security system. The simplest – and arguably most equitable – option is not to create bespoke mitigation measures for different groups, but to abolish the five-week wait outright.

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

The rule change that allowed Universal Credit claimants in Northern Ireland to apply to the Contingency Fund without first accepting an advance created some annoyance among UC:Us members who had been required to take an advance first, but this did not prevent them viewing the change as a positive step. It is likely that some similar ill-feeling would be felt by those who had suffered the five-week wait if its removal were announced, but this is no reason not to improve things for future claimants. There would clearly be some logistical and IT issues to overcome if the waiting period and/or assessment period were to be shortened, but a [former Secretary of State](#) has argued that the waiting period would be relatively easy to adjust.

Closing comments

The five-week wait is by no means the only problem with Universal Credit – some of the others will be touched upon in our submission to the parallel inquiry into the social security response to Coronavirus. However, for many UC:Us members the five-week wait and the problems that flow directly from it were arguably the most serious problem with the benefit. As we have noted, the

³ Law Centre NI representation to Department for Communities, UC Operational Forum: a quarterly forum which provides frontline advice agencies with the opportunity to provide verbal feedback on the operation of UC as it continues to roll out across Northern Ireland. Law Centre NI also wrote to the Permanent Secretary about the restrictions associated with the Contingency Fund in 2018.

waiting period may be five weeks, but the resulting financial hardship and impact on wellbeing continue for many months and significantly (and perhaps irreparably) reduce claimant confidence in the benefit. Reducing the wait would not only help people survive on a day-to-day basis but, we believe, would have potential to greatly improve perceptions of Universal Credit as a whole.

April 2020