

## Written evidence from Trussell Trust [UCW0093]

### Summary

- Last year the Trussell Trust launched its campaign to end the five week wait.<sup>1</sup> Since then, we have been working with a wide range of partners to tackle this issue, as one of the main drivers of demand for food banks.
- In the light of the emerging economic impact of the coronavirus situation and the rapidly growing number of people making Universal Credit claims, many more people have been exposed to the issues associated with the five week wait. For those already experiencing it, the problems are likely to have become more acute.
- The main policy designed to mitigate the five week wait – Advance Payments – is insufficient in its current form. Our research has found they do not provide adequate support to cover costs during the five week wait, while the repayments they require leave many people in debt and unable to cover their costs further down the line.
- Advance Payments leave people with the choice of hardship now or hardship later – a choice which will face every one of the new UC claimants, and which many existing claimants are paying the price of in the form of deductions.
- Our 2019 report *5 Weeks Too Long*<sup>2</sup> set out a number of options for addressing the wait, including non-repayable grants, restructuring the assessment cycle, reducing the maximum rate of deductions, and extending legacy benefit run-ons
- To build on the important and welcome measures the Government has already set out to support those relying on the benefit system during the coronavirus crisis, the government should immediately **suspend deductions from benefit payments for a minimum of three months**. This would be the fastest way of ensuring that no one is worse off during the crisis as a result of taking out an advance payment, benefiting both current and future claimants.
- Over the coming months, the Government should take steps to end the five week wait in the context of a broader review of issues with the welfare system that the current crisis has underlined, in consultation with key stakeholders including people with lived experience.

### Background

The Trussell Trust welcomes this inquiry and the opportunity to submit evidence. The Trussell Trust is an anti-poverty charity that supports a network of food banks across the U.K. Together with our network we provide emergency food and support to people locked in poverty, and campaign for change to end the need for food banks in the UK.

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<sup>1</sup> Trussell Trust (September 2019), *5WeeksTooLong: why we need to end the wait for Universal Credit* [https://www.trusselltrust.org/wp-content/uploads/sites/2/2019/09/PolicyReport\\_Final\\_ForWeb.pdf](https://www.trusselltrust.org/wp-content/uploads/sites/2/2019/09/PolicyReport_Final_ForWeb.pdf)

<sup>2</sup> Ibid.

We support more than 1,200 food bank centres in the UK to provide a minimum of three days' nutritionally-balanced emergency food to people who have been referred in crisis, as well as support to help people resolve the crises they face. Between April 2018 and March 2019, food banks in our network provided a record 1.6 million food supplies to people in crisis, a 19% increase on the previous year. Since the coronavirus outbreak in the UK and the ensuing economic impact, our food banks are telling us that many of these problems are becoming more acute – with a significant rise in demand.

The Trussell Trust has been campaigning to end the five week wait for Universal Credit as we have seen the direct impacts of hardship and destitution for those who cannot afford to wait five weeks for their first payment. This has become an even greater priority in light of the current crisis – though the solutions may look different in this new landscape.

### **Our research on the issue**

We conducted research into the five week wait (including drawing evidence from our own network, as well as from other key organisations) and published our findings in the report *5 Weeks Too Long: Why We Need to End the Wait for Universal Credit* (Sept, 2019).<sup>3</sup> Food banks in our network are telling us many of the issues raised in these reports are just as relevant as ever. We draw from these resources in this response.

- 1. To what extent have the mitigations the Government has introduced (e.g. Advance Payments) helped to reduce the negative impact of the five week wait?**
  - What problems do claimants still experience during the five week wait?**

The five week wait for a Universal Credit payment is not a consequence of how long it takes to process a claim, but rather it is a design feature of Universal Credit. Universal Credit design involves a monthly payment, in arrears; this was thought to reflect the “world of work”. However, it is clear that this design does not reflect the world of low paid work, as the Resolution Foundation found that 58% of new claimants moving onto UC as a result of moving from employment were paid either fortnightly or weekly in their previous job.<sup>4</sup>

The Government have acknowledged challenges associated with the five week wait, and has introduced Advance Payments to mitigate this. Government have also acknowledged some of the problems with Advance Payments, and have changed the terms under which these need to be repaid – most recently by announcing in the recent Budget that an extended repayment period and reduced levels of repayment, which will come into force from October 2021.

While appearing to acknowledge these issues with the five week wait and with Advance Payments in their current form, the Government has however taken an inconsistent approach in that not all groups will benefit from these measures, or that people will only benefit from a certain point in time.

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<sup>3</sup> Trussell Trust (September 2019), *5WeeksTooLong: why we need to end the wait for Universal Credit* [https://www.trusselltrust.org/wp-content/uploads/sites/2/2019/09/PolicyReport\\_Final\\_ForWeb.pdf](https://www.trusselltrust.org/wp-content/uploads/sites/2/2019/09/PolicyReport_Final_ForWeb.pdf)

<sup>4</sup> Resolution Foundation (October, 2017) *Universal Remedy: Ensuring Universal Credit is fit for purpose* <https://www.resolutionfoundation.org/app/uploads/2017/10/Universal-Credit.pdf>

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

We also know that not everyone takes the Advance Payment. Additionally not everyone takes the maximum Advance Payment amount (around 70% of advances are taken at the maximum entitlement).<sup>5</sup> As part of our research into the five week wait (*5WeeksTooLong, 2019*) we spoke to over 70 people affected by the five week wait. This included people who had taken the Advance Payment, some who had taken a partial Advance Payment, and some who had not taken one. For those who did not take one, this was for a range of reasons; some were not made aware of them, some were told that they were not eligible for one, and some were too worried about making the repayments that they decided not to take one. Many were left in severe financial hardship as a result.

For those that did take an Advance Payment at the maximum entitlement, we found that this still did not provide adequate support to claimants during the five week wait. The Advance Payment tended to cover some of the debts and bills that people owed but not all of them. Some used it to pay their rent, and then had no money left for essentials including food. Others used it to pay several different bills and essentials, and accrued rent arrears. One person we spoke to was evicted as a result.

#### **Case study - Susie's story**

Susie is an older, single woman, and is currently seeking work. She fell into rent arrears when she transferred to Universal Credit. Her landlord requires the rent in advance, so when she received her first Universal Credit payment this was taken for the month ahead, and the landlord says Susie must pay the arrears that she built up during the wait. Susie has also been affected by the Local Housing Allowance rates which means that her full housing costs will not be met by her Universal Credit payments, worsening her arrears.

Susie took an Advance Payment, but this did not stop her accruing arrears. She found that she could not make ends meet, as there was not enough to pay her rent, bills and Advance Payment repayments. Susie was evicted and she ended up living in her car for two weeks, before moving in with a relative.

In our research we heard how the wait for the first Universal Credit payment also led to severe non-financial impacts on mental health, and on families and relationships. This included reliance on abusive partners and a strain on vital relationships and support networks.

One of the clearest consequences of the five week wait for the first payment in our research was the detrimental impact on individuals' mental health. The wait itself caused a high level of anxiety, as

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<sup>5</sup> HC Deb 15 April 2019 243330W <https://www.parliament.uk/business/publications/written-questions-answers-statements/written-question/Commons/2019-04-10/243330/>

people did not know how much they would receive and when exactly they would receive it. Individuals also experienced intense anxiety related to accruing rent arrears and multiple debts. Many households reported receiving many debt notifications, threats of eviction, and court action. The stress resulting from this experience was described as “all consuming”, with many experiencing sleepless nights; some were unable to seek work due to the stress, others felt unable to leave the house, and some reported feeling suicidal.

Another key consideration is the situation which people are in before they make a claim for Universal Credit. The change of circumstances that triggers a new claim for Universal Credit under natural migration is often due to an initial financial shock, which already reduces financial resilience. Examples include losing a job, losing eligibility for support received through disability benefits, the knock-on impact of health conditions or other significant - sometimes traumatic - life events.

### **What problems do people experience after the five week wait?**

The key issue with the Advance Payment is that it locks people into debt at the beginning of their claim, which causes problems for them as soon as they start their repayments. We found that repaying advances pushed claimants into hardship for months after claiming, and that this came on top of multiple other deductions, leaving people with little to live on. This is one reason why we are calling for the government to **suspend deductions from benefit payments for a minimum of three months**.

Being in debt to the DWP is a very common problem for people referred to food banks, with 40% saying their benefit income was subject to deductions (State of Hunger, 2019).<sup>6</sup> Of these, over a quarter (12% of all respondents) further reported that the deductions constituted more than a quarter of their income.

Unlike best practice among private sector lenders, the DWP does not conduct an affordability assessment before lending money, or put in place an affordable repayment plan on this basis. Instead, claimants are subject to set repayment rates. Whilst there is a cap on the rate of deductions (currently set at 30%), there will always be those who receive a higher rate of deductions. This is because there are additional deductions that can be made outside the cap, including for Last Resort deductions (such as for rent or fuel arrears to prevent claimants from being evicted or having their fuel disconnected), and for sanctions. In February 2019, when the maximum deductions rate was set at 40% of the Standard Allowance, there were still 13,000 claimants with a deduction of more than 40%.<sup>7</sup>

People on UC may have multiple deductions to their UC payment, from government and third party debts. **At May 2019, 440,000 (52%) of Universal Credit claimants repaying an Advance Payment were also repaying another government debt** (such as benefit overpayments).<sup>8</sup> One of the most

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<sup>6</sup> Trussell Trust (November 2019), *State of Hunger*, <https://www.stateofhunger.org/wp-content/uploads/2019/11/State-of-Hunger-Report-November2019-Digital.pdf>

<sup>7</sup> HC Deb 4 June 2019 257147W <https://www.parliament.uk/business/publications/written-questions-answers-statements/written-question/Commons/2019-05-21/257147/>

<sup>8</sup> HC Deb 8 May 2019 249847W <https://www.parliament.uk/business/publications/written-questions-answers-statements/written-question/Commons/2019-05-01/249847/>

significant government debts being repaid under UC are tax credits debts, with 255,000 claims having a deduction applied for a tax credits debt in 2019.<sup>9</sup>

A significant issue with government debt repayments is that claimants are often not informed about these until they transfer to Universal Credit. These debts can relate to payments received more than 15 years ago. This means that claimants are unaware of these further deductions when they agree to take the Advance Payment.

Many were still struggling with debt accumulated during the wait more than six months later. This could help explain why, in 2018, a third of claimants were unable to repay their Advance Payment within the 12 month limit set by the DWP.<sup>10</sup>

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

- Is it possible to estimate how much this would cost the Department?
- Is it possible to estimate any costs or savings to third parties (for example, support organisations)?

In the light of the emerging economic impact of the coronavirus situation and the urgency of addressing the impact of the five week wait on the growing numbers of people turning to Universal Credit, in the short term the government should **suspend deductions from benefit payments for a minimum of three months.**

The Government has already paused deductions for the recovery of Universal Credit and legacy benefit overpayments, Social Fund loans and Tax Credit debts. This is welcome, but deductions for Advance Payments and other debts are still taking place and putting people at risk of serious financial hardship. Job Coaches already have the ability to suspend repayment of Advance Payments for three months, but this appears not to be widely used or communicated to claimants as an option.

Suspending all benefit deductions would benefit current and future claimants, and would help to ensure that more money is going into people's pockets at this time of crisis.

It is right that the immediate focus is on finding the most straightforward way within the current system to ensure that people are supported during this crisis, with the impact of the five week wait much more effectively mitigated. Suspending deductions would be a temporary emergency measure, and allow time to address the structural problems with the five week wait

In the longer term, more comprehensive measures are needed. There are a variety of possible interventions which would go some way to ending or mitigating the five week wait. Below is an outline of these interventions with associated costs and benefits:

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<sup>9</sup> HC Deb 20 May 2019 253637W <https://www.parliament.uk/business/publications/written-questions-answers-statements/written-question/Commons/2019-05-13/253637>

<sup>10</sup> HC Deb 13 May 2019 249845W <https://www.parliament.uk/business/publications/written-questions-answers-statements/written-question/Commons/2019-05-01/249845/>

## 1. Non repayable grants

- **Non-repayable grants could be provided to all** to eliminate the five week wait, and to protect people from the cycle of problems that can arise from taking out an Advance Payment. This has been estimated at costing **£4.3bn during UC migration**.<sup>11</sup>
- Alternatively, targeted non-repayable grants could be provided to support those most at risk of hardship during the five week wait (including those in shortfall during the wait, and in ongoing shortfall). This has been estimated to **cost £1.3bn during UC migration**.<sup>12</sup>
- Similar grants have been made available to mitigate welfare reforms, such as Discretionary Housing Payments (DHPs) to mitigate the removal of the spare room subsidy (also known as the 'bedroom tax').<sup>13</sup> The proposed payments could be administered by the DWP, using the existing Advance Payment assessment, eligibility criteria and application process.

## 2. Restructuring the assessment cycle to ensure bridging payments are not needed.

- **More frequent payments** – this could mean retaining monthly assessment cycles, but allowing fortnightly payments. This option could be offered proactively to anyone who needs it from the start of the claim, as opposed to just in special circumstances. **This is estimated as being relatively low cost as it aligns with systems already in place.**
- Backdating claims would mean that the DWP looks at the claimant's income leading up to their claim, and makes an assessment based on this, and are then able to make their first payment within a week of their claim. **This is estimated at being of relatively high cost as it would mean bringing forward payments for everyone, but of lower costs than non-repayable grants for all.**
- Changing to fortnightly assessment periods – this could be offered as an opt-in option to claimants, and may support those with fluctuating incomes to manage. **This is estimated as being of relatively high cost as requires a change in the current system.**

## 3. Reduce the maximum rate of deductions

- At present the rate of deductions is currently set at an arbitrary rate that often pushes people into hardship. There are also always people who receive deductions that are always higher than the maximum rate (for Last Resort Deductions and sanctions).
- The government have recognised that the maximum rate of deductions is too high and it is due to be lowered from 30% to 25%. However this will not take place until October 2021.
- The government can be held to the same standards as the private sector and act as a responsible lender. **Affordability assessments for Advance Payments could be carried out, with a maximum deduction rate of 10%** (including DWP and third-party deductions).

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<sup>11</sup> Policy and Practice (September 2019), *Financial resilience and the transition to Universal Credit* <http://policyinpractice.co.uk/wp-content/uploads/Universal-Credit-and-Financial-Resilience-JRF-Summary-report.pdf>

<sup>12</sup> Ibid.

<sup>13</sup> Trussell Trust (September 2019), *5WeeksTooLong: why we need to end the wait for Universal Credit*, p.8. [https://www.trusselltrust.org/wp-content/uploads/sites/2/2019/09/PolicyReport\\_Final\\_ForWeb.pdf](https://www.trusselltrust.org/wp-content/uploads/sites/2/2019/09/PolicyReport_Final_ForWeb.pdf)

#### 4. Extending legacy benefit run-ons

- **A tax credits benefit run-on could be introduced.** Support for moving from legacy benefits to Universal Credit is currently piecemeal. It is welcome that the government has recognised that those on legacy benefits are likely to struggle during the wait and have put in place a two week run-on of Housing Benefit (from April 2018) and run-ons of other out-of-work DWP benefits from July 2020. However, those receiving Tax Credits (including those on low incomes and with children) will not receive the same support as others.
- **The legacy benefit run-on could be increased from a two week payment to a three week payment.** This would then mean the wait would be in line with typical waits under the legacy system.<sup>14</sup> This would be of relatively low cost, as it would be in line with the current system, but would make a huge difference to support people during the five week wait.
- Ultimately, legacy benefit run-ons are a time-limited form of support - once legacy systems close, people moving onto Universal Credit will not receive this support. Whilst welcome, they do not provide a comprehensive or long-term solution.

#### 5. Write off historic benefit overpayment debts

- There could be an assessment to write off historic benefit overpayments.
- In the private sector, it is illegal to chase up debts that someone has not been notified about after 6 years. The government could be held to the same standards and not be able to transfer historic debts to people's Universal Credit claims.

#### Evidence suggests there can be cost savings to support organisations

We anticipate significant savings to third parties from many of the above steps to end or more effectively mitigate the five week wait. We have seen services like advice agencies, council-led crisis provision and our own food banks having to deal with the fall-out from the five week wait, as claimants turn to non-DWP support to manage acute financial hardship.

Our food banks have seen first-hand the costs associated with the five week wait. In areas where Universal Credit had been rolled out for at least a year, food banks in the Trussell Trust's network saw a 30% increase in demand according to our research last year. In areas with the new system for at least 18 months this jumps to 40%, and increases again to 48% for food banks in areas with Universal Credit for at least two years.<sup>15</sup>

Food banks are not alone in seeing this increased demand in areas where Universal Credit and the five week wait are realities. Data from the Riverside Group shows average rent arrears for Universal Credit tenants have increased during the period where Universal Credit has been rolled out.

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<sup>14</sup> Trussell Trust (September 2019), *5WeeksTooLong: why we need to end the wait for Universal Credit*, p. 37 [https://www.trusselltrust.org/wp-content/uploads/sites/2/2019/09/PolicyReport\\_Final\\_ForWeb.pdf](https://www.trusselltrust.org/wp-content/uploads/sites/2/2019/09/PolicyReport_Final_ForWeb.pdf)

<sup>15</sup> Trussell Trust (September 2019), *5WeeksTooLong: why we need to end the wait for Universal Credit* [https://www.trusselltrust.org/wp-content/uploads/sites/2/2019/09/PolicyReport\\_Final\\_ForWeb.pdf](https://www.trusselltrust.org/wp-content/uploads/sites/2/2019/09/PolicyReport_Final_ForWeb.pdf)

Claimants on Universal Credit have seen a 42% increase in average rent arrears, compared to a 20% fall for Housing Benefit claimants, since rollout began in 2015.<sup>16</sup>

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

Whether or not mitigating options are needed for different groups of claimants depends on the preferred policy response. If a policy of non-repayable grants across the board were adopted, or a restructuring of the assessment cycle, it becomes less essential for specific mitigations for different groups.

However, if these policies are not pursued, then many of the alternatives require specific mitigating options for different groups. This includes some of the possible solutions mentioned above, for example:

- **Targeted non-repayable grants for vulnerable groups** – this could be provided to support those most at risk of hardship during the five week wait (including those in shortfall during the wait, and in ongoing shortfall).
- **Extending legacy benefit run-ons** – the Government has already put in place a two week run-on of Housing Benefit (from April 2018) and run-ons of other out-of-work DWP benefits from July 2020. However this does not include those receiving Tax Credits (including those on low incomes and with children) who will not receive the same support as others. The run-ons could also be more generous, increasing from a two week payment to a three week payment, which would then mean the wait would be in line with typical waits under the legacy system.<sup>17</sup>

However, over the long-term our preference is for solutions which address the five week wait in a comprehensive way to ensure no one loses out – for example through the payment of non-repayable grants to new claimants or a restructuring of the assessment cycle.

### **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?**

For claimants and organisations representing people most in need, the Universal Credit system and scope for reforming it can be opaque. This limits the ability to identify unintended consequences, or for organisations to act quickly to identify possible solutions.

To address this, it is important that key stakeholders, including people with lived experience of these issues, are closely involved in the process of designing alternatives to the five week wait, to explore these questions and develop a solution that works for everyone.

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<sup>16</sup> Ibid.

<sup>17</sup> Trussell Trust (September 2019), *5WeeksTooLong: why we need to end the wait for Universal Credit*, p. 37 [https://www.trusselltrust.org/wp-content/uploads/sites/2/2019/09/PolicyReport\\_Final\\_ForWeb.pdf](https://www.trusselltrust.org/wp-content/uploads/sites/2/2019/09/PolicyReport_Final_ForWeb.pdf)

The DWP should convene a group of key stakeholders – including people with lived experience – to discuss the best mechanism for removing the five week wait and to address any unintended consequences upstream.

**Recommendations:**

- In the light of the coronavirus crisis, the government should immediately **suspend deductions from benefit payments for a minimum of three months**. This would be the fastest way of ensuring that no one is worse off during the crisis as a result of taking out an advance payment, benefiting both current and future claimants.
- Over the coming months, **the Government should take steps to end the five week wait** in the context of a broader review of issues with the welfare system that the current crisis has underlined. This should be done in consultation with key stakeholders, including people with lived experience, to find the best mechanism for reform.

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