

# **SURVIVING ECONOMIC ABUSE – WRITTEN EVIDENCE (EUC0040)**

## **The economics of Universal Credit**

1. Surviving Economic Abuse (SEA) is the only charity in the UK dedicated to raising awareness of economic abuse and transforming responses to it. All our work is informed by Experts by Experience – a group of women who speak about what they have gone through so that they can be a force for change.<sup>1</sup> Our response to this call for evidence focuses specifically on our area of expertise, economic abuse as a form of controlling or coercive behaviour. It is endorsed by: Agenda, Beck Fitzgerald, the End Violence Against Women Coalition (EVAW), Gentoo, Refuge, Respect, SafeLives, Safer London, Standing Together Against Domestic Violence (STADV), Women’s Aid and the Women’s Budget Group.
2. We have previously raised concerns about the economic impacts of Universal Credit (UC) on domestic abuse survivors in more detail, see for instance: response to the government consultation on the draft Domestic Abuse Bill;<sup>2</sup> written and oral evidence to the House of Commons Work and Pensions Committee inquiry into UC and Domestic Abuse;<sup>3</sup> written and oral evidence to the Commons Home Affairs Committee inquiry into domestic abuse;<sup>4</sup> response to the country visit by the UN Special Rapporteur on extreme poverty and human rights;<sup>5</sup> two reports with the Women’s Budget Group and EVAW.<sup>6</sup>
3. Our starting premise is that the government’s social security system should support women’s economic independence, as economic stability underpins physical safety. Women need to have access to resources to leave an abusive partner and rebuild their life independently. Conversely, the system should not unintentionally facilitate economic abuse. Our answers will primarily target features of the UC system which undermine women’s economic independence

<sup>1</sup> See Surviving Economic Abuse (2018). *Economic Abuse is your past, your present and your future* – a report on the practical barriers women face in rebuilding their lives after domestic abuse - [https://survivingeconomicabuse.org/wp-content/uploads/2018/10/SEA-Roundtable-Report\\_FINAL-1.pdf](https://survivingeconomicabuse.org/wp-content/uploads/2018/10/SEA-Roundtable-Report_FINAL-1.pdf)

<sup>2</sup> [https://survivingeconomicabuse.org/wp-content/uploads/2019/01/Bill-doc-\\_May-2018.pdf](https://survivingeconomicabuse.org/wp-content/uploads/2019/01/Bill-doc-_May-2018.pdf)

<sup>3</sup> <http://data.parliament.uk/WrittenEvidence/CommitteeEvidence.svc/EvidenceDocument/Work%20and%20Pensions/Universal%20Credit%20rollout/written/82346.html>;

<http://data.parliament.uk/WrittenEvidence/CommitteeEvidence.svc/EvidenceDocument/Work%20and%20Pensions/Universal%20Credit%20rollout/written/85714.html>;

<http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/work-and-pensions-committee/universal-credit-rollout/oral/81812.html>

<sup>4</sup> [https://survivingeconomicabuse.org/wp-content/uploads/2018/09/SEA-Policy-report\\_-written-evidence-to-home-office-July-2018\\_FINAL.pdf](https://survivingeconomicabuse.org/wp-content/uploads/2018/09/SEA-Policy-report_-written-evidence-to-home-office-July-2018_FINAL.pdf);

<http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/home-affairs-committee/domestic-abuse/oral/88681.html>; for further written evidence clarifying UC split payments, see - <https://survivingeconomicabuse.org/home/influencing-policy/>

<sup>5</sup> [https://survivingeconomicabuse.org/wp-content/uploads/2019/02/POLICY-DOC\\_-Submission-to-the-UN-Special-Rapporteur-on-extreme-poverty-and-human-rights\\_2018.pdf](https://survivingeconomicabuse.org/wp-content/uploads/2019/02/POLICY-DOC_-Submission-to-the-UN-Special-Rapporteur-on-extreme-poverty-and-human-rights_2018.pdf)

<sup>6</sup> <https://wbg.org.uk/analysis/reports/universal-credit-and-financial-abuse-exploring-the-links/>;  
<https://wbg.org.uk/analysis/benefits-or-barriers-making-social-security-work-for-survivors-of-violence-and-abuse-across-the-uks-four-nations/>

and stability and/or facilitate economic abuse. This is important because these features undermine and are inconsistent with recognition of economic abuse within the statutory definition of domestic abuse contained in the draft Domestic Abuse Bill which will soon be re-introduced to Parliament.

### **Question 1: How well has Universal Credit met its original objectives?**

4. UC was meant to be a simpler system, designed to encourage people on benefits to start or increase paid work, in a way which also reflected the wider world of work. However the policy of making a single payment in the case of joint claims for UC by a couple does not mirror the wider world of work. As the House of Commons Work and Pensions Committee points out no employee, female or male, is obliged to have their wages paid into the bank account of their partner.<sup>7</sup> The report highlighted that at the last assessment, only 17% of payments were made into joint bank accounts, raising concerns that this single payment for the benefit of all members of the household may not be distributed fairly.
5. This points to flaws in the initial design of UC. The issues with the single payment and other policies outlined in more detail below, reflect the absence of a proper gendered analysis informing the design of the system, despite calls that this should take place. This is a more fundamental consideration than a simple question of whether UC has met its original objectives. As the Equality and Human Rights Commission found: 'There is evidence of an adverse impact resulting from the chosen delivery model of some benefits, in particular the move to single monthly payments and payment via one nominated account. These have a disproportionate impact on women as those who most commonly manage household budgets'.<sup>8</sup>

### **Question 2: Were the original objectives and assumptions the right ones? How should they change?**

6. UC is currently based on the assumption that couples make financial decisions together and that resources (and debts) are shared, but this does not reflect the complex realities of many families. The Work and Pensions Committee report questions this assumption, pointing out that, when taken in the broader context of the 2008 study from which it is sourced, couples have a broad spectrum of budgeting arrangements depending on a variety of factors such as household income.<sup>9</sup> Denying an independent income to both parties through the single payment is regressive in that it encourages financial dependence, reinforcing the traditional 'male breadwinner' model and overlooking women's right to an independent income. Please see further, answers to questions 1 and 3.

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<sup>7</sup> House of Commons Work and Pension Committee, *Universal Credit and Domestic Abuse*, 17<sup>th</sup> report of session 2017-2019

<sup>8</sup> Response of the Equality and Human Rights Commission to OHCHR consultation (30 March 2018), *The Impact of Economic Reform Policies on Women's Human Rights*

<sup>9</sup> House of Commons Work and Pension Committee, *Universal Credit and Domestic Abuse*, 17<sup>th</sup> report of session 2017-2019

### Question 3: What have been the positive and negative economic effects of Universal Credit?

7. The policy of making a **single monthly payment** into one nominated account in the case of joint claims for UC, denies women a much-needed source of independent income and facilitates economic abuse. When UC is paid into one account, whether sole or joint, this increases the possibilities for an abusive partner to control how the money is spent, and to expend it on himself so that the needs of the rest of the household go unmet: 'At one stroke, perpetrators can potentially take charge of the entire household budget, leaving survivors and their children dependent on the abusive partner for all of their basic needs.'<sup>10</sup> A report cites media coverage that UC is 'enabling' some financial abuse, with one woman's husband using UC as a chance to 'take the reins' of her finances and taking out loans in her name, and another woman who was 'allocated' a minimal amount each month where the UC single payment was made to the abuser's account.<sup>11</sup> Misusing the payments can have far-reaching consequences for women. For instance where the perpetrator's control of the money results in rent not being paid, this can leave the victim in debt when there is joint liability, creating economic instability and barriers to accessing safe housing going forward. This is exacerbated by the design of UC where, unlike with legacy benefits, direct payment of the housing element to the landlord is made the exception rather than the norm.
8. Research establishes that the UC single payment gives an opportunity to abusers that is not available under other benefits. The monthly amount is paid all in one go, and the online system can further facilitate the ability of abusers to access UC: 'An abuser can be just *one click away* from gaining access to the whole of UC, whereas previously getting the survivor's benefit could take some time and effort.'<sup>12</sup>
9. Not having access to or control over this money due to its payment method could also be an obstacle to women leaving an abusive partner. Research shows that lack of access to economic resources can result in women staying with an abusive partner for longer than they would otherwise and experiencing more harm as a result.<sup>13</sup>
10. Even in situations where there was no existing economic abuse, the single payment can exacerbate gender inequalities and create the potential for abuse. Research shows that women are three and a half times more likely to be subject to domestic abuse if they find it impossible to find £100 at short notice.<sup>14</sup> As a

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<sup>10</sup> House of Commons Work and Pension Committee, *Universal Credit and Domestic Abuse*, 17<sup>th</sup> report of session 2017-2019

<sup>11</sup> Women's Budget Group, EVAW and SEA (2018), *Universal Credit and Financial Abuse: exploring the links*

<sup>12</sup> Women's Budget Group, EVAW and SEA (2018), *Universal Credit and Financial Abuse: exploring the links*

<sup>13</sup> Earlywhite, M. and Stohl, I. (2005) *In Our Shoes: The Next Steps*, Washington State Coalition Against Domestic Violence

<sup>14</sup> Walby, S. and Allen, J (2004) *Domestic Violence, Sexual Assault and Stalking: Findings from the British Crime Survey*. London: Home Office Research Study 276.

report co-produced by SEA observes: 'Crucial to this issue is distinguishing between the intentionality of abuse and what may become abuse because of system design. The perpetrator of abuse is deliberately manipulating resources to control the survivor and should clearly be held to account and punished for such behaviour. But as domestic abuse is both a cause and consequence of gender inequality, structural arrangements such as social security design can have implications for gender equality, in turn affecting abuse.'<sup>15</sup>

11. The payment of Universal Credit into one bank account undermines efforts to build financial capability. It does not encourage all individuals to have their own bank account or manage their own money. To this extent it does not meet what should be an overarching aim of the social security system, which is to encourage individuals to take responsibility for managing their own finances.
12. UC permits the possibility of requesting split payments in the case of domestic or financial abuse. This is not a realistic or safe solution for victims, as challenging the abuser's control by making such a request could make the abuse worse. Research shows that, when women experience economic abuse within a context of coercive control, they are at increased risk of domestic homicide.<sup>16</sup> The recent work-around suggested by the Department for Work and Pensions, that UC be paid into the account of the main carer, is also not suitable as it perpetuates gendered roles within families and is inconsistent with government policies which promote shared parenting.
13. Other issues related to UC are outlined below. They all have the negative consequence of undermining women's economic independence, and taking away resources which are needed for the family and for women to flee abuse and rebuild their lives.
  - **The two-child limit** for UC and Child Tax Credit increase women's and children's poverty. Providing for an exemption in respect of a third or subsequent child born following rape is not a suitable or adequate alternative. It forces women to disclose sexual violence at a time and in a context that is not of their choosing and is re-traumatising. It also does not recognise women whose partners stop them from exercising their reproductive rights through taking away their autonomy with respect to birth control. It excludes women who are coerced into sex or pregnancy who may not realise that this constitutes 'non-consensual conception' and who will therefore not apply for the exemption.
  - **The five-week wait** built into the UC system increases hardship, particularly for women who are fleeing abuse and attempting to establish a new life for themselves and their children.
  - **Advances** made under UC must be paid back over a 12-month period. These loans or 'budgeting advances' result in reduced UC payments until the recipient has paid off the amount borrowed, and can put women in financial difficulty including debt. In a survey of survivors who had left the abuser, more than two in five women were in debt as a result of the economic abuse

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<sup>15</sup> Women's Budget Group, EVAW and SEA (2018), *Universal Credit and Financial Abuse: exploring the links*.

<sup>16</sup> Websdale, N. (1999) *Understanding Domestic Homicide*, California: Northeastern University Press.

they had experienced during the relationship.<sup>17</sup>

- **The benefit cap** disproportionately affects women who have fled domestic abuse, and pushes them into choosing between living in danger or risking poverty.<sup>18</sup>
- **The sanctions regime** operates harshly on domestic abuse survivors, and the criteria for **the Domestic Violence Easement** are too strict. The 13-week exemption from taking on work-related requirements is an insufficient period for women who have left an abuser given the time and focus needed to establish safety and stability post- separation. The requirement that the abuse should have occurred within the previous 6 months is too rigid.

14. SEA is concerned that waiting times, payback of advances and the benefit cap are putting women in situations where they may have no choice but to return to the abuser or take out payday loans. They may also be at risk of harm, including sexual exploitation, from creditors.

**Question 5: Which claimants have benefited most from the Universal Credit reforms and which have lost out?**

15. See answer to question 3 above. Additionally, homeowners have lost out following the switch from support for mortgage interest (SMI) benefit to SMI loans. Research by DWP prior to this change demonstrated that homeowners were concerned about this, with most claimants saying they would not switch to a loan secured against the property.<sup>19</sup> Research has conservatively estimated that 10% of all repossessions are a result of domestic abuse, making this a specific concern for survivors.<sup>20</sup> The waiting period for SMI claims is of further concern and the increase from 13 to 39 weeks coincided with a 10% increase of mortgage possession claims compared to the same quarter the previous year.<sup>21</sup> Survivors of economic abuse with joint mortgages also face an additional hurdle of obtaining the consent of the perpetrator to switch, and we know that this is routinely withheld to deliberately sabotage payments. This means that SMI loans may be ineffective for this group.
16. **Question 6: How has the world of work changed since the introduction of Universal Credit?** As above

**Question 7: If Universal Credit does not adequately reflect the lived experiences of low-paid workers, how should it be reformed?**

17. In the case of joint claims, UC payments should be made to the individuals concerned, as a default. This would reduce the possibility of economic abuse, and provide an independent source of income for the woman to use both for the benefit of the family and also to help her and any children to leave an abuser.

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<sup>17</sup> Women's Aid. (2019) *The Domestic Abuse Report 2019: The Economics of Abuse*. Bristol: Women's Aid.

<sup>18</sup> <https://www.womensaid.org.uk/womens-aid-calls-government-scrap-damaging-benefit-cap/>

<sup>19</sup> DWP, Conversion of Support for Mortgage Interest from a Benefit into a Loan, 23<sup>rd</sup> March 2018.

<sup>20</sup> Walby, S. and Allen, J (2004) *Domestic Violence, Sexual Assault and Stalking: Findings from the British Crime Survey*. London: Home Office Research Study 276.

<sup>21</sup> Office for National Statistics, Mortgage and landlord possession statistics: October to December 2016.

The online UC accounts should also be kept separate so that partners cannot access each other's details.<sup>22</sup> SEA advocates the use of the term 'separate' as opposed to 'split' payments, since 'split' suggests that the norm is combined payments. As the report of the Women's Budget Group, EAW and SEA reiterates, this is an opportunity for government policy to set a "norm" of equality, giving a strong message of "zero tolerance" of financial abuse', as opposed to a policy which encourages abuse.<sup>23</sup>

18. Scotland provides for UC to be paid as separate payments in joint claims as a default. According to evidence given by the Scottish Minister for Social Security to the Work and Pensions Committee this was due to 'concerns that single household payments increase inequality in the welfare system and "act as an enabler for domestic abuse or financial coercion by one partner towards another."' This policy of separate payments was supported by 99% of organisations and 78% of individuals responding to the consultation in Scotland.<sup>24</sup>

19. In relation to other problematic aspects of UC referred to above:

- The two-child limit should be removed.
- The five-week wait should be eliminated.
- Advance payments in the case of financial hardship should be converted into grants, which the parliamentary Joint Committee which scrutinized the draft Domestic Abuse Bill has recommended for ministers to consider.<sup>25</sup>
- The benefit cap should be lifted.
- The 13-week exemption under the Domestic Violence Easement should be extended to 12 months (in line with dual housing benefit policy); the 6-month limit for evidence to access the Easement should be removed (in line with removal of the time limit for evidence of domestic abuse to access legal aid).
- SMI loans should be reviewed to ensure they are meeting the needs of homeowners and not causing an increase in repossessions.

28 February 2020

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<sup>22</sup> Women's Budget Group, EAW and SEA (2018), *Universal Credit and Financial Abuse: exploring the links*.

<sup>23</sup> Women's Budget Group, EAW and SEA (2018), *Universal Credit and Financial Abuse: exploring the links*.

<sup>24</sup> House of Commons Work and Pension Committee, *Universal Credit and Domestic Abuse*, 17<sup>th</sup> report of session 2017-2019.

<sup>25</sup> Parliamentary Joint Committee report on the draft Domestic Abuse Bill:  
<https://publications.parliament.uk/pa/jt201719/jtselect/jtddab/2075/207502.htm>.