

Written evidence from Coventry Citizens Advice [UCW0098]

Universal Credit: the wait for a first payment.

Coventry Citizens Advice (CCA) is the largest multi-issue independent advice agency operating in Coventry. It is a local charity affiliated to Citizens Advice nationally and offers free, independent, impartial and confidential information, advice and guidance on a wide range of social welfare issues.

In 2019-20 Coventry CA supported 10,800 different clients with over 50,000 queries; a 53% increase on the previous year. As well as providing core generalist advice services we deliver various target specific advice projects. One such project is the government funded, but Citizens Advice delivered, 'Help-to-Claim' project supporting those in need to make new claims for Universal Credit. During 2019-20 we supported 2,476 clients with 8,878 UC-related issues through this project.

The response below is informed by this experience.

Responses:

- 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?**

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

Coventry Citizens Advice (CCA) believes each mitigation measure has been a constructive step away from the worst of the pre-existing payment process and represents a genuine attempt by government to address well publicised shortcomings in the design and delivery of Universal Credit (UC).

The 2 week roll-on of some legacy benefits, the increased availability of advanced payments, the simultaneous lengthening and lightening of the deductions regime for advance payments and the availability of more frequent payments have all helped clients with, by and large, little pre-existing financial resilience to cope with what was an otherwise 'gaping whole' where subsistence income should have been.

However, different measures have helped to different degrees with some unintended consequences undermining some good intentions. For example, the roll-on of some legacy benefits for 2 weeks was welcome as a step towards a seamless transition from legacy benefits to UC. However, not all legacy benefits were included – causing some confusion amongst claimants – and leading to some double payments (and subsequent repayments) once UC was payable. Secondly, despite advances becoming more accessible with repayment requirements less harsh, many claimants in need ignored these opportunities worried that immediate repayments were still unmanageable. Further, the promotion of advance payments as 'the answer' to the 5 week wait led to abuse where claimants were offered and accepted advances they didn't need or couldn't afford. Finally, the hypothetical availability of more frequent payments came up, in our experience, against a reality in which flexible payments of numerous kinds were either not promoted, not encouraged or, where applied for, not permitted.

In summary, despite genuine good intentions, our clients' experiences tell us that improvements have been piecemeal and gains marginal and have not, and could not of themselves, fully offset the overwhelmingly damaging consequences of a five week minimum wait for an 'on-time' Universal Credit payment.

Consequently, most of the damaging impacts previously associated with the 5 week wait continue today (putting COVID-19 emergency temporary measures to one side); just for slightly fewer claimants.

Claimants, overwhelmingly lacking in financial resilience, either become quickly dependent on short term high cost credit (whether through cards, overdrafts, payday or doorstep lenders or others), family and friends or illegal lenders to pay for essential expenditures such as rent, council tax, food and heating or face food poverty, fuel poverty, debt recovery action, repossession, eviction and, in extreme cases, committal to prison. These dynamics are still at play today underscored by the 4 year freezing of benefit rates (Universal Credit and others) which has only recently been addressed.

Reinforced by the knock-on wider social costs of destitution for local authority health and social care services, homelessness prevention and relief services, localised welfare support and council tax collection the simple truth, in our view, is that the simplest, quickest and most effective way to reduce or remove the damaging consequences of a built-in 5 week wait is to reduce or remove the 5 week wait.

2. What is the best way of offsetting 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)?

Coventry CA has been made aware of a number of potential reforms of the current five week wait for a first UC payment. These include:

- Scrapping the five week wait for all claimants: for example, by making the Advance non-repayable;
- Offering non-repayable Advances to some claimants: for example, those considered vulnerable;
- Allowing more flexibility for the start of a claim to be backdated;
- Extending run on payments to cover all legacy benefits;
- Substantially reducing the rate at which Advance Payments—the main existing mitigation measure—are paid back, to help claimants better manage their money;
- Paying UC two-weekly, like many legacy benefits, rather than monthly.

Following our conclusion to question one we believe the simplest and most effective way to reduce or remove the consequences of the five week wait is to remove the five week wait altogether; paying clients as soon as their applications have been processed. Doing so would also negate the need for the other suggestions; one bold and simple reform instead of several piecemeal improvements.

If this is not, for some reason, deemed possible we believe adopting as many of the other suggestions above as are consistent with each other is the next logical preference.

At Coventry CA we have no way to calculate the cost savings from introducing the measures outlined above. All we can do is to repeat the comments made at the end of question 1: the five week wait causes debt for some, destitution for others. Debt and destitution has housing, health and social consequences. Dealing with these consequences costs local and central authorities lots of money. Preventing these issues arising is the primary driver for removing the 5 week wait and much take precedence over ideological, political or administrative counter arguments.

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

Coventry CA believes the UC payments system should play special attention to vulnerable claimants; much more than it currently does. We believe vulnerability, in simple terms, can be divided into two classes. One group are vulnerable because of their lack of financial resilience. The second are vulnerable because of their lack of cognitive, behavioural or mental health resilience.

In our view any and all measures should be taken to ensure members of these groups are identified earlier and protected more. Processes and payments must be simple, reliable, regular, accurate and risk free.

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?

None. In our view, allowing a small added element of flexibility into the payments process will replace a mountain of consequential issues with a molehill of administrative inconvenience.

By contrast, adding more, marginal and piecemeal mitigating measures can only succeed in making more, marginal and piecemeal gains.

We urge the government to take the bold but simple step of replacing the 5 week wait with payments made as soon as is practicable and with the needs of the claimant at heart.

April 2020