

# **ADVICE PORTSMOUTH – WRITTEN EVIDENCE (EUC0053)**

## **The economics of Universal Credit**

Advice Portsmouth is provided by YOU. YOU has provided expert specialist advice in Portsmouth for over 20 years.

We are funded by Portsmouth City Council to provide advice to Portsmouth residents in relation to housing, welfare benefits, debt, employment, family and consumer issues. 9057 Portsmouth residents have accessed our service between April and December 2019. Of those residents 2998 had questions or issues relating to welfare benefits. Since the roll out of UC within in our City, we have seen a number of presenting issues from residents in Portsmouth.

### **1. How well has the Universal Credit met its original objectives?**

The welfare benefit system has been simplified in that claimants now have most, if not all, welfare benefits paid via one payment and claimants can see how that payment has been made up.

We are seeing many claimants who manage their UC claims well online and are finding it easy to access information and check journals. Whilst initially during the roll out it was very difficult for someone who was not able to make a claim online to make a telephone call it is now much easier.

Universal Credit has benefited claimants visiting our centre who are working. Benefit checks for most who are in employment have resulted in claimants discovering they are better off claiming UC rather than remaining on legacy benefits, however, large numbers are not making the switch due to the negative press.

Universal Credit has made it easier for claimants to take on temporary employment and we see claimants looking for these temporary positions whereas they may not have previously done so under the legacy benefits system.

Demand for food bank vouchers and claimants approaching our service for debt advice has not reduced since its introduction. Full Service was rolled out in Portsmouth in September 2018. 146 Portsmouth residents visited our service in June 2018 requesting assistance with debt. 156 visited in June 2019.

### **2. Were the original objectives and assumptions the rights ones? How should they change?**

Some claimants really struggle to budget on a monthly basis. On legacy benefits they would have sometimes 3 individual payments from different sources coming into the home. One monthly payment has not assisted these individuals.

It was assumed that Claimants would have the IT skills necessary to use the online system and to look for employment. For many, this was not easy and for some traumatic. Initially, the telephone claim alternative was not easily accessible and slowly this is improving and claims are now being accepted. The Service Delivery Centre contact numbers were constantly jammed or otherwise ineffective.

Claimants with language barriers or poor literacy skills were thrown into the online system without any support to maintain their claim.

Many employers are offering zero hour or inflexible working hours which is causing stress and worry to UC Claimants; this is because in some months they may not receive any earnings or UC Income. The claimants are unable to regain a normal lifestyle of achieving financial security.

Some changes which could be made:

- Providing more explanations at JCP for those unfamiliar with claiming benefits.
- Providing further attention to Claimants with language barriers/vulnerable groups i.e. lone parents with young children, Claimants with poor literacy skills or IT skills.
- Providing further attention and support to those with high risk of disengagement, for example, Claimants with mental health conditions who have not had a great experience with the DWP/JCP.

### **3. What have been the positive and negative economic effects of UC?**

The positive economic effects of UC are:

- Some working Claimants have been better off with making a UC claim;
- Claimants who do not have the capacity to make a UC claim online, are now able to make telephone claims;
- Single agency is a more realistic system in the long term.
- The Service Delivery Centre staff being helpful e.g. Claimants with language barriers;
- Assisting Claimants who wish to go into self-employment and providing them help and support with the initial set up;
- Some claimants may be better off if they have Non-dependants living within the household
- Claimants are able to stay on UC when they are in low paid work;
- With Real time information, this can avoid overpayments being incurred for UC Claimants, so long as the employer is recording the correct information.

The negative economic effects of UC are:

- Increase in mental illness reported due to stress;
- Claimants in receipt of ESA whom have failed their work capability assessment, are being advised to claim UC without obtaining full advice and assistance as to whether they have grounds in challenging the decision made;
- An increase in priority and non-priority debts. Claimants not being informed at the first stage within the UC process, they are entitled to

- make a claim for Council Tax Support and or if, there is any help they can receive from their Local Authority, i.e. Discretionary Housing Payment;
- UC Claimants receiving deductions out of their UC payments (Tax credits, Social fund etc) which can cause stress and worry of meeting their essential daily living together with paying their current rent.
  - Risk of increased child poverty and deprivation;
  - Increased need for foodbanks and issue of food resources from charities together with the demand for help with gas and electric top ups;
  - Decreased confidence in the welfare benefit's system
  - Claimants and or Agencies have difficulties in getting hold of the Debt Management Team regarding deductions;
  - Mortgaged Claimants using all their UC income to try and keep their homes;
  - Claimants who are too ill to work becoming more ill due to UC failures.
  - Lack of sufficient information being provided to the Claimant, for example failing an HRT test. A case example is we have seen a few claimants stating that they are not entitled to UC giving a general list of requirements.
  - Verifying ID online is not an easy process and can be a time consuming process;
  - Claimants not being advised when applying for advanced payments, they could be receiving other deductions together with repaying back an advanced payment;
  - JCP work coaches not informing Claimants of their entitlement to the Housing Costs element
  - With migrating from JSA to UC, the Claimant has to wait 6 weeks for the first UC payment to be made and they have to apply for an advanced payment when in fact they would have been entitled to those monies if they were switched without wait from JSA
  - The negative impact of the Media is stopping Claimants applying for UC especially when they could be better off on UC.

#### **4. What effect has fiscal retrenchment had on the ability of UC to successfully deliver its objectives?**

Our understanding of fiscal retrenchment is to put in measures to reduce the amount of borrowing and debt that has been run up during the downturn and economic/financial crisis.

Since the roll out of UC in Portsmouth, we have seen a number of Claimants who are struggling financially since being in receipt of UC. The UC Claimants are facing difficulties in covering their essential bills and day to day living.

We are seeing Claimants who need help with every day essentials such as food, gas and electric for various reasons such as 6 week wait, deductions, HRT test, sanctions etc. The claimants find this to be stressful and a worrying time if they are able to stay in their home. There have been some Claimants who have had to use the housing costs element from their UC payment to try and provide essentials such as food, gas and electric for their families. Furthermore, Claimants have borrowed monies from families and friends to keep them going for a month or for longer periods of time.

We, along with other agencies within Portsmouth have been advising Claimants to ensure that they do not request large advanced payments as this could affect the amount that they will receive over the next 12 months. Unfortunately not all Claimants are receiving the advice and or support in respect of advanced payments and the consequences of requesting a large amount.

In some cases, we have spoken with the DWP Debt Management team to ask for assistance in reducing the monthly deductions to an affordable payment plan; which is reviewed on a 6 monthly basis. However even if the Claimants are able to have deductions reduced, there can be times where some Claimants still do not have sufficient income to meet all their bills and day to day living costs.

Case study 1 - Client was struggling with their finances due to being on UC. They were living on £180 per month (after housing costs) to pay for bills and food.

Due to client's financial difficulties they applied for 2 advanced payments thus causing a deduction of £75.01 being made from their ongoing claim. Upon considering the client's online UC account, a further deduction of £52.12 was made for a social fund loan. Upon contacting the DWP Debt Management, it was established one further payment of £13.40 would be made however once this had finished there would be a further deduction of £47.67 per month for a Tax Credits overpayment. The advisor explained the financial difficulties the client is facing and they agreed to reduce the deduction rate to £10 per month and would need to review on a 6 month basis.

Case study 2 - A Claimant presented to us for help and support with their finances. The Claimant has a partner and children, some of which have disabilities. The Claimant unfortunately was no longer able to stay in employment due to ill-health, thus made a joint claim for UC.

There were repeated demands for income evidence which the Claimant provided and this was lost within the system. The Claimant's partner become unwell due to stress and again evidence of income was requested. The DWP kept stating that the partner was earning, which the Claimant could not understand because they were able to demonstrate lack of income from evidence provided. It took several months to realise that there was a problem with RTI from HMRC. They provided proof of their income up to 5 times which showed the lack of income the household was receiving. Various complaints, escalations and negotiations were made before RTI dispute was raised by DWP.

Claimant was not made aware of their entitlement to make a claim for Council Tax Support thus lost the entitlement of a back dating claim. Legacy benefit staff such as Housing Benefit officers were powerless to resolve the CGTS application dispute and could not find out what was actually going on because legacy staff no longer have access to the shared information system that they used to.

The Claimant was using the full UC entitlement to ensure that the monthly mortgage payments were being met also relying on the support of family members for emergency financial help.

We supported the family with foodbank vouchers, food resources, priority debt management and liaising with DWP and other multi-agencies.

As you can see from the two case studies, we do not believe that this has been successfully achieved. There is more demand within Foodbanks which we have seen due to working closely with our local foodbanks. Also more Claimants are presenting with priority and non-priority debts. With those struggling, some are applying for bankruptcy and or Debt relief orders; in our last reporting year, we undertook 8 bankruptcy orders (£284,925) and 52 Debt relief orders (£590,002).

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

### **Benefited UC Claimants**

A single mother to one child who worked part time and rented a property was financially better off on UC and this was a positive change.

Claimants who have fluctuating wages benefit from the RTI system and will avoid overpayments occurring.

### **Lost out UC Claimants**

Working couple with children who changed to UC due to believing they would be better off. After changing to UC they discovered that due to UC rules they would have a non-dependent deduction from housing element for a son who was studying due to him being 21 years of age. Under legacy HB rules there was no deduction for the 21 year old son due to them being a student. This particular family were worse off on UC.

One Claimant who was homeless and receiving ESA was allowed to claim UC when finding accommodation due to the change of circumstance and lost his Severe Disability Premium. Whilst compensation is now being offered due to the changes which have been made the claimant at that time felt that they were worse off being in accommodation than they were being street homeless.

Claimants who struggle to budget are losing out as they are not able to make their monies stretch until the end of the month. This results in borrowing of monies which then needs to be repaid, reliance on food banks and / or not paying bills.

## **6. How has the world of work changed since the introduction of Universal Credit? Does Universal Credit's design adequately reflect the reality of low-paid work?**

We have not seen the world of work change since the introduction of UC.

We continue to find that claimants are accepting the advance payment in full and then struggling to meet basic ongoing bills due to the deductions.

The monthly payments are difficult to manage for low-paid workers who under legacy benefits were able to better manage their money by choosing payments

from legacy benefits to be weekly, bi-weekly or 4 weekly. For many this means that they have, or had, a regular source of monies coming into the home rather than one payment which must then be budgeted.

Some Claimants are being informed that they need to look for more working hours which can be difficult for example trying to find hours to fit in with their current employment together with travel arrangements.

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

We have Claimants who are aware that they would be financially better off on UC, however, due to reputational damage are extremely reluctant to claim UC. This can be difficult to overcome and a large number decide to remain on legacy benefits rather than risk issues occurring with claiming UC.

Large advance payments and the subsequent deductions are negatively impacting low-paid workers.

*28 February 2020*