

# **TOWER HAMLETS COUNCIL – WRITTEN EVIDENCE (EUC0065)**

## **The economics of Universal Credit**

Dear Members of the Committee,

In 2017, Tower Hamlets became one of the first boroughs in London to become a universal credit 'full service' area.

As a council we commissioned research by the Child Poverty Action Group who found that:

- The transition to universal credit has been problematic for claimants, with many confused about what, when and how to claim and some left without money during the transition period.
- Claimants found making and managing claims using the online system difficult and experienced problems getting online. Stakeholders found that claimants lacked the English language and digital skills required to make and manage their claims.
- Both claimants and stakeholders were troubled by the complexity of the universal credit system and struggled to navigate it, as well as find information about claims beyond what appeared on their online account. Many found managing their universal credit claim time consuming and burdensome; those with limited English or digital skills had to rely on their children to help.
- Claimants often had problems with universal credit payments, finding they varied and were often miscalculated or unexpectedly stopped. Stakeholders identified the monthly payment system, advance payment arrangements and deductions as problematic for claimants. This was compounded by difficulties understanding how payments had been calculated and people often found it time consuming to resolve problems.
- Generally, claimants and stakeholders had negative experiences of Jobcentre Plus and of interactions with the DWP in general. A lack of support, training and awareness among Jobcentre Plus staff seems to have resulted in claimants feeling poorly treated and there being an absence of dignity, while stakeholders complained of poor communications with the DWP. Some claimants reported that job centres were unsuitable environments for children, and that appointments were arranged without reference to their working hours or access needs.
- Some claimants were unhappy with their work-related requirements, and often felt that these had not been tailored through a discussion about their circumstances or goals. Employment support from Jobcentre Plus was, with some exceptions, felt to be of limited use, particularly by claimants who were already working. Claimants generally did not feel that there was a connection between universal credit and their finding better paid work or more hours. Claimants and stakeholders had mixed views on sanctions.
- Claimants who were working generally felt that universal credit did not create good incentives to increase their hours, despite the fact that one of the system's aims was to make these incentives obvious. Because universal credit is reduced

immediately after earnings increase, claimants often felt that it was not worth working more hours. An employment adviser admitted that they sometimes found it hard to persuade people to take on extra work for relatively little financial gain.

Councils are not recognised partners for Universal Credit in the way they are for Housing Benefit and receive no funding to check Universal Credit claims as they are managed by Department for Work and Pensions (DWP). The government continues to insist it has to be the resident that reports errors with their claim however this "one size fits all" approach is letting down vulnerable residents who may not know how much they are entitled to. In the first half of this financial year we identified £335k in overpayments and £215k in underpayments to our residents.

The council has continued to flag errors to DWP on behalf of its residents. Last year it identified 578 errors and in the first 6 months of this year a further 150 have been flagged to DWP. In some cases LBTH Benefits staff have had to refer the DWP to their own regulations so decisions are amended.

The report contained these recommendations to DWP:

1. Ensure that universal credit provides claimants with enough to live on, meeting their housing costs and the needs of both adults and children in the household.
2. Remove the benefit cap. According to analysis by the Institute for Public Policy Research for CPAG, this would benefit half a million children nationally by 2023.
3. End the five-week wait. Many claimants are falling into complex debt situations while waiting for their first universal credit payment.
4. Working with advice sector organisations and councils, offer more leniency or discretion for claimants with vulnerabilities and with poor English/IT skills and consider employing Bengali translators in job centres in Tower Hamlets.
5. Send claimants Jobcentre Plus appointment letters and sanction letters, as well as journal notifications.
6. Offer better training to work coaches to ensure more consistency across the board.
7. Provide family support workers in job centres to support claimants with children.
8. Formally acknowledge that local authorities have a role to play in universal credit and accept payment error notifications from them on behalf of claimants.
9. Working with the National Landlords Association, provide landlord training on the housing costs element.
10. Locate the DWP universal credit liaison officer within the council's offices and provide escalation contacts for benefit processing centres.
11. Provide incentives to local authorities to procure properties in the private rented sector for universal credit claimants.

12. Offer advance payments to claimants who have been on universal credit for less than six months and who are moving into the private rented sector, so they can use them as deposits.

We believe social security should lift people out of poverty, but Universal Credit is leaving people in debt and arrears, forcing many people to turn to food banks to survive. Universal Credit is not fit for purpose and is having a severely detrimental impact on residents in Tower Hamlets it should be scrapped and replaced with a new social security system that will support our residents rather than drive them into poverty.

We have also included the testimonials of 3 case studies from the report which are attached as we wanted their experiences to be considered by the committee.

We look forward to seeing your findings and hope this will lead to improvements for our residents.

Yours sincerely,



**Mayor John Biggs**  
**Executive Mayor - Tower Hamlets**



**Councillor Rachel Blake**  
**Deputy Mayor and Cabinet Member for  
Planning, Air Quality and Tackling Poverty**

## **Case Studies**

**Client N**, who is British, was claiming universal credit as a single person, tried to change his claim to a joint claim with his wife (who is Bangladeshi) who has right of residence. However, he was refused because his partner did not have a national insurance number, which can take six to eight weeks to come through. The couple have a two-year-old and had no money for two months while they waited for the national insurance number. Their child needed nappies and food. During this time, they were living off the food bank and help from family. Client N also had a mental health issue and was in arrears with his landlord and energy provider (he has rent arrears of £1,000).

**Client R and his wife S** have two children. They are both European Union nationals and S applied for a national insurance number but it was delayed, so they were told they were unable to make a joint claim for universal credit. The family had £6,400 rent arrears and were at risk of losing their privately rented accommodation. The DWP refused to pay them universal credit on the basis of S not having a national insurance number. A tribunal found this unlawful as they had provided sufficient information for the national insurance number to be issued. The couple were awarded £10,752 as a backdated amount of universal credit, plus a monthly award of £2,209

### **Rachel's story**

Rachel is a lone parent in her 40s with two children. Her 16-year-old daughter lives with her in a housing association property and she has a 23-year-old non-dependent son, whom she relies on heavily for financial and emotional support. Rachel suffers from back pain, asthma and depression.

Rachel went to university and worked in fashion design until 2009, when she became a lone parent and her health began to deteriorate. From that time onwards, she claimed housing benefit and moved frequently between jobseeker's allowance and employment and support allowance. She moved onto universal credit after failing a work capability assessment for employment and support allowance.

Rachel was told by Jobcentre Plus to claim universal credit. She had no computer at home, so her son bought her a smart phone and a tablet so that she could make her claim and manage it.

'I was telling my son, "Look, I have to claim benefit. I have to have a computer." He said, "What... are you talking about, Mum?" I said, "The system." He said, "How can you have that if you're on benefits?" Then, he said, "Okay, don't worry, I will buy a tablet for you." I felt so bad. On that day, you don't know, I've been crying. I'd rather be somewhere else than giving pressure on children. It's not very nice. So, he ordered this tablet.'

She made her claim in June 2017 and it took her three days to apply, with her children's help. Rachel asked if she could backdate the claim to May 2017, when she should have claimed. However she was refused.

'I didn't make the claim [earlier] because I don't know anything about universal credit and all these things... I don't know which benefit to claim. I wasn't well enough, and I was in bed for a long while.'

Initially, Rachel took out an advance payment of £200, which she paid off over six months. Her monthly universal credit payment is £1,241. She pays council tax and an additional £20 per week service charge, which is not covered by her housing costs element.

Without the financial support of her son, Rachel would have almost certainly faced a crisis in her finances. ('If my son wasn't here I would've been in a bad situation.') He pays for her groceries, broadband, TV licence, some utility bills and vitamins not covered by her free prescriptions. He also gives his sister pocket money.

'Sometimes I feel like it's too much asking my son. I feel so guilty of myself. He's got his own life and I'm another burden, which I don't want.'

Despite her son's support, Rachel still has £2,000 of credit card debt. She also has £1,000 of unpaid gas bills and £250 of unpaid electricity bills.

'The credit card... is the only means I've got. What can I do? I don't have anyone... only the person who is earning some money, but he is my son... what more can you expect from him?'

Currently Rachel's claimant commitment commits her to look for between 16 and 20 hours of work per week. However, she is trying to overturn the decision that she is capable for work with help from her housing association.

*29 February 2020*