

CARIDON LANDLORD SOLUTIONS – WRITTEN EVIDENCE (EUC0066)

The economics of Universal Credit

Background to Caridon Group (including Caridon Property, Caridon Developments, Caridon Landlord Solutions, Caridon Foundation & Caridon Young Living)

Caridon Property, part of the Caridon Group, was formed in 2009 with the mission of 'Making a Difference in Housing', understanding that housing is the route to communities and social issues.

Caridon Property is committed to creating new opportunities and greater access to housing. Unlike other housing providers, when tenants accept a property through Caridon Property, at the point of tenancy sign up, tenants are immediately provided with welfare assistance in applying for Housing Benefit or Universal Credit, and offered a review on whether they are in receipt of the correct benefit.

We understand that the Social Housing Market can be complex and overwhelming for both landlords (Private, Local Authorities, Housing Associations) and tenants, and we believe our vast experience in this field puts us in a position to add value to this call for evidence.

Caridon helping Landlords

In 2013, there was the first major welfare reform, replacing the old-style legacy benefit system with a new all-in-one benefit namely, Universal Credit. Seeing the impact, the transition was having on landlords and tenants, and with the wealth of staff expertise throughout the Group, in 2017, Caridon Landlord Solutions (CLS) was formed. CLS is a dedicated service provider specialising in Universal Credit and Housing Benefit advice for private landlords, letting agencies and housing associations, by working directly with the tenant to resolve issues presented to us.

As well as providing advice on welfare reform in order to protect landlords' rental income, Caridon Landlord Solutions has been instrumental in assisting the Department for Work and Pensions (DWP) with the implementation of Universal Credit services for landlords by sitting on the Landlord Strategic Group. Last year, working alongside DWP, Caridon Landlord Solutions piloted a new online system to allow rent payments and rent arrears deductions, from tenants in receipt of Universal Credit, to be paid directly to Private Rented Sector (PRS) landlords.

Caridon has taken part in the beta phase and is finding the new online platform has dramatically simplified the Alternative Payment Arrangement (APA) application process, as all information is requested from the outset, such as bank details, which currently are not requested on the existing non-secure UC47 form.

Whilst we have found this has sped up the process and landlords now receive an automatic acknowledgement once the APA has been submitted, the system has still not rolled out nationally.

Caridon helping Tenants

Caridon also found that even when people were provided with accommodation, many found it difficult to maintain their tenancy often falling into rent arrears as a result of from issues arising from benefit applications and not knowing how to resolve the issue.

The Caridon Foundation was set up in April 2017 to support vulnerable tenants who find it difficult to manage their day to day affairs and/or suffer tenancy related issues which may pose a threat of eviction.

Our team of Housing Support Officers provide each service user 2 – 5 hours of support per week. At the initial meeting the service user and HSO work together to complete a support plan setting out objectives that the service user works towards. Goals are monitored using the Outcome Star which measures progress in 10 key areas, such as the ability to manage money, physical and mental health and coping with difficult social situations. The Foundation provides in-house support services such as specialist counselling and Welfare Benefits Advice. The team also refer service users to other specialist external organisations for complex health care, debt advice, legal advice, voluntary and employment opportunities.

When we accept new tenants on to Caridon Foundation (CF) we review their current income, including benefit entitlement. We are finding a large number of tenants are not receiving their full benefit entitlement. In the last 12 months, CF secured just over £300,000 for our tenants in unclaimed benefits, or by successfully appealing DWP decisions.

Q.1 How well has Universal Credit met its original objectives?

The purpose of Universal Credit was to merge six working-age benefits into one single payment paid directly into claimants' bank accounts to cover the benefits for which they were eligible. The main objective was to simplify the system and make work pay, giving those in receipt of Universal Credit a monthly payment, mimicking how most people in full-time employment receive their salary and preparing them to manage their finances.

In one respect, it has been a success and has created an agile system with greater links to technology, which in many ways has been beneficial. Claimants can log onto their Universal Credit journal to make any needed changes, such as change of address or employment, at any time. The system is easily accessible, as long as the claimant has access to the internet via computer or smartphone.

However, since the introduction of Universal Credit there has been a huge rise in the number of people living below the poverty line, with 52% more people relying on food banks in areas where UC has rolled out*.

Many tenants are falling into rent arrears at the start of tenancies due to the Benefit Assessment Period, because UC Housing Cost element is not paid in line with the tenancy start date. This is putting tenants at a disadvantage from the

outset. Previously, under HB, our tenants (Caridon Property) rent arrears represented around 7% of total amounts owed to us, under UC tenants receiving UC make up over 11% of total debt, and HB just under 6%.

*Trussell Trust

Q.2 Were the original objectives and assumptions the right ones? How should they change?

Issues with the original objectives:

Making work pay - The idea of Universal Credit is that it can be claimed whether someone is in or out of work. There is no limit to the number of hours a person can work per week if they receive it, but their payment reduces gradually as they earn more. It is designed to mean that no-one faces a situation where they would be better off claiming benefits than working. However, cuts to Universal Credit since it was announced have made the overall system significantly less generous. For example, the work allowance has been cut so people can earn a smaller amount of money before their benefit payments start to reduce.

As Universal Credit reduces by 63 pence for every £1 earned when someone takes on employment, this is particularly difficult for individuals on short-term or zero-hour contracts because their changing work hours makes it impossible for them to understand how much they will have from one month to the next.

We believe there should be greater flexibility in the frequency of UC payments depending on personal circumstances.

Disadvantaged by technology - Many claimants do not have smartphones or access to the internet as it is a cost they cannot afford, which means they are unable to freely access their journal to make changes. Others are not computer-literate or have learning difficulties and therefore find the system difficult to navigate and require one-to-one assistance.

DWP have awarded Citizen Advice Bureaux (Universal Support) funding to assist those transitioning over to UC. However, this resource is already stretched. We believe there needs to be further funding of this type to other specialised organisations to give claimants access to trained professionals who can assist them with their claim, review their current requirements and ensure they are receiving the right benefits for their personal circumstances.

Access to a basic computer course would also provide claimants with necessary skills to navigate the system and help them into work.

Monthly Payments - Cuts to Universal Credit since it was announced have made the overall system significantly less generous, with claimants getting a small amount of money to live off - £317.82 per month (Personal Allowance).

The Government states that three out of four employees are paid monthly, however this generalisation does not help cater for the one in four who do not receive monthly wages. The fact that it is assessed monthly has proved extremely difficult for some people who are used to being paid weekly or fortnightly. In addition, unlike the old-style benefit legacy system where tenants that were on Job Seekers

Allowance (JSA), Employment Support Allowance (ESA), Child Tax Credit (CTC), Income Support (IS), Working Tax Credit (WTC) Local Housing Allowance (LHA) or Housing Benefit (HB), the Local Housing Allowance (rent) was paid directly to landlords. The Housing Cost element of Universal Credit is paid directly to claimants. Those struggling to manage their finances are then incurring rent arrears and are put at greater risk of eviction.

There is a provision for people to have their rent paid directly to their landlord, but only when requested as a result of rent arrears or the claimant satisfies the tier one or two factors set out by DWP. For example, substance misuse issues or risk of eviction. It should not get to this point and Alternative Payment Arrangements should be available from the outset should tenants or landlords request it. The process must also be simplified with the national roll out of the digital online form.

5 week-wait - One of the greatest challenges is how long new claimants have to wait before receiving the benefit. Universal Credit is paid in arrears. So, four weeks of earnings are assessed, then it takes a further week to process the payment.

Those who don't have enough money saved to wait 35 days from claim to payment can get an Advance Payment on their first instalment of the benefit. However, this is treated as a loan that is then taken off future benefit payments for the following year, further reducing the benefit amount.

The five week wait must be cut, which would reduce the need for claimants to take an Advance Payment in the first place.

Benefit Assessment Period - Universal Credit operates on the basis of a monthly assessment, namely the Benefit Assessment Period (BAP). However, there are implications for both tenants and landlords as they both find it difficult to understand the complexity of the new system.

The circumstances applying to the assessment date each month are treated as though they applied to the previous month as a whole (not pro rata for the part of the month to which they actually apply – as happens with changes in wages). This can cause either a positive or negative effect meaning tenants can either gain or lose out on a whole month. For example, if a tenant moves out mid-BAP, the rent is not pro rata, so whereas the old landlord will not get any rent for that period, the new landlord will get rent for a period prior to the tenancy start date.

A claimant's assessment period for Universal Credit starts from the date their entitlement begins. Claimants do not receive their first payment of Universal Credit until 7 days after the first assessment period has ended. They will then receive subsequent payments of Universal Credit after each assessment period on the same day of the month - one month and 7 days. Here is an example timeline to explain:

- The first day of the BAP will be the date on which the claim is made, e.g. 8th May
- The last day will be the day before this on the following month, e.g. 7th June
- Payments are then made 7 days after the end of the BAP, e.g. 14th June

When Universal Credit was initially rolled out, a number of customers were losing out in the first 7 days. This has recently been rectified, however there are many tenants who are in arrears of a week because of this through no fault of their own.

UC is made up of several elements, such as child element, carers element, limited capability for work element and housing cost element. As the Housing Cost element is for rent, this should be calculated in line with the tenants' tenancy start date and put on a different payment cycle. Alternatively, when the tenant goes into the Jobcentre, their Work Coach should have the ability to change the BAP so that it falls in line with the tenancy start date and pro rata the payments.

Minimum Income Floor - If a claimant is self-employed for more than a year, they are treated as if they are earning a certain amount - the equivalent of someone working 35 hours a week on the National Minimum Wage for their age group - the "Minimum Income Floor". However, the problem is that it's assumed a worker will earn above this threshold every month. If they don't, which is highly likely as income for the self-employed tends to fluctuate from month to month, the difference isn't made up by an increase in the Universal Credit payment. On the kind of self-employed jobs people are taking, such as cleaning or taxi driving, the figure that is assumed is simply not achievable and this calculation needs to be revised as it is not fair that the system assumed a certain income.

The Benefit Cap - This comes off a claimant's personal allowance and is paid directly to the landlord if an Alternative Payment Arrangement (APA) is in place. In some circumstances the benefit cap has resulted in tenants living on £40 per month in extreme hardship and incurring debt. As the full rent is being met, the tenants are unable to apply for a Discretionary Housing Payment (DHP). However, under LHA (Housing Benefit) the legacy benefit would not be affected and the shortfall in rent could be met by DHP.

The Benefit Cap needs to be reviewed as a completely separate issue.

Q.3 What have been the positive and negative economic effects of Universal Credit?

Positives - For those claimants who are computer literate and have access to a smartphone device or the internet, Universal Credit is an agile online system which can be accessed anywhere and anytime of the day. The general concept is good for communication and the system is quite easy to navigate, although you are unable to upload documents unless the work coach sends you a link. When starting a new claim, customers are directed to Government gateway to verify their identity - this speeds up the claim process period.

Negatives for Landlords - At Caridon Landlord Solutions we work to assist landlords who have tenants on Universal Credit, by supporting the tenant in the transition from the old-style legacy system explaining the new system and assisting them in applying for the new benefit. As well as helping the claimant navigate around the system and appeal against decisions that the customer does not agree with, for example if a tenant fails to report the change in their circumstances such as the new rent, we will advise them on what action to take such as making a Mandatory Reconsideration to DWP asking DWP to relook at the initial decision. We also assist landlords in applying for direct payments of Housing Costs by completing

the APA and by escalating complaints to the Independent Commissioner Examiner (ICE)

Our experience and feedback from landlords is that the Universal Credit office will not generally communicate with private landlord and provides inconsistent advice. Other issues include:

- The length of time it takes to get an Alternative Payment Arrangement (APA) set up often means the first payment goes to the tenant and they fall into arrears.
- There is no dedicated department for landlords to get updates and ask advice relating to reconciling payments.
- There is no consistency in the payment remittances received by Landlords to allow them to keep track of the payments that are set up for direct payment e.g. through APA or Scottish Choices.
- There is not an efficient complaints procedure, even if the complaint is escalated to ICE, there is often no recourse and the response time averages 18 months.
- Landlords also say that when they email Universal Credit, they do not get a response. Even when tenants have signed and dated an explicit consent mandate to share information, emailed directly to Universal Credit and updated in the tenant's journal, they are unable to share any information.

This is causing many landlords to stop letting to tenants in receipt of Universal Credit.

*[Residential Landlord Association](#)

Negatives for Claimants

- Universal Credit was originally 'sold' to claimants as a benefit that makes it easy to move in and out of work, e.g. for people on zero hours contracts or those with fluctuating health conditions. However, this is not the case. If a claimant earns more than their applicable amount, even for just one month, the claim closes and a new claim needs to be started, or a re-claim which is distressing for claimants and discourages work.
- Before the introduction of transitional protection, thousands of claimants were significantly worse off on Universal Credit than they were on legacy benefits (mainly due to loss of premiums, such as Severe Disability Premium).
- Universal Credit has seen some of the most vulnerable claimants fall into poverty with loss of the Limited Capacity for Work (LCW) financial element (£126 per month) since January 2017. People who have no realistic chance of earning a wage (as assessed by DWP as having an illness or disability that makes working unrealistic, although work preparation may be possible) are not receiving any additional component to their monthly income.
- No standardised policies or procedures for Claimant Commitment – leading to unfair or unnecessarily harsh sanctions. The level of work commitment is dependent on the experience or empathy of the Work Coach rather than the abilities/restrictions of the claimant.
- Extremely long waiting times for Mandatory Reconsiderations on Work Capability Assessment (WCA) decisions – compared with Legacy Benefits.

- Claimants being penalised for lack of knowledge within the DWP – mistakes made that leave claimants 'worse off' than they should be – e.g. 'missing out' the support group or work-related activity group (WRAG) component when moving from legacy benefits to Universal Credit due to a change in circumstances other than health, or applying a deduction incorrectly or ignoring the under 35 years exemptions.
- Citizens Advice Bureaux awarded funding to provide Universal Credit Support to clients who are making new Universal Credit claims. However, it may take time to get appointments and there are often queues outside the office – DWP should have opened the funding to organisations so that there was more support to tenants.
- The system is unforgiving, so if a customer misses an appointment the work coach assumes that you definitely missed the appointment and will merely message your journal with a missed appointment message.
- The system is now dehumanised as the customer may be suffering from depression or have had an emergency. However, the work coach finds the customers personal circumstances irrelevant.
- Under this system customers are easily sanctioned. Due to limited face-to-face interaction, the work coach does not see the claimant very often and is unable to get an in-depth understanding of their situation and needs.
- Online APA system that still has not been released to the general public.
- Difficulties for support workers/welfare advisors in contacting the DWP on the claimants' behalf particularly for very vulnerable people, those who speak no English, or people recovering from substance abuse – because implicit consent is not clearly defined under Universal Credit.

Q.4 What effect has fiscal retrenchment had on the ability of Universal Credit to successfully deliver its objectives?

Since 2010, an estimated £37 billion has been cut from the welfare budget along with the jobs of 25,000 staff working in Jobcentres.

Cuts to the welfare system, exacerbated by the introduction of the Universal Credit system and other changes, have left many families with children in England going hungry and dependent on food banks.

As well as delaying access to initial payments, leaving welfare recipients waiting for five weeks without receiving funds, the program also imposes "sanctions" – withholding of payments – on welfare recipients who fail to meet strict targets to prove that they have been or are seeking work that is often impossible for people, especially single parents vulnerable individuals, to obtain.

Although DWP has built an agile online system for Universal Credit, the aim should not be a faceless service. Claimants need that one-to-one assistance and support. They need advice, and someone to clearly explain the realities of an Advance Payment, or provide an in-depth assessment to see if they will be able to feasibly live when the deductions kick in.

Cutting staffing numbers at Jobcentres, which have taken on responsibilities beyond their capabilities, means claimants feel isolated and alone. There needs to be investment in services beyond Jobcentres, with staff who have received specialist training to assist with Universal Credit.

Executive Summary

Universal Credit is negatively impacting landlords and this is also having a knock-on effect on their UC tenants, who are already struggling with the new system. There are inconsistencies in knowledge and training of DWP staff and this is leaving landlords and tenants feeling isolated.

We believe that the system has the potential to work effectively but it requires adjustment to some of the most fundamental flaws which appear to take a "one size fits all" approach.

Our "Wish List" would be:

- More funding available for face-to-face contact for claimants with trained specialists who understand the system
 - o This would also mitigate some of the issues experienced by those claimants who do not have access to or cannot use a computer.
- A reduction in the five week wait
- Greater flexibility in the frequency of UC payments
- Roll out of the online APA system for landlords
- Opportunity to have Alternative Payment Arrangements in place from the start of a tenancy
- Implement opportunity to amend BAP in-line with claimants' tenancy agreements
- Revise the Minimum Income Floor
- Dedicated DWP landlord service for landlords to communicate with

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