Work and Pensions Committee: The Cost of Living Inquiry

Citizens Advice Scotland evidence – 17 June 2022

Scotland's Citizens Advice Network is an essential community service that empowers people through our local bureaux and national services by providing free, confidential and independent advice. We use people's real-life experiences to influence policy and drive positive change. We are on the side of people in Scotland who need help and we change lives for the better.

Summary

Citizens Advice Scotland (CAS), our 59-member Citizen Advice Bureaux (CAB) and the Extra Help Unit, form Scotland's largest independent advice network. Advice provided by our service is free, independent, confidential, impartial, and available to everyone. Our self-help website Advice for Scotland provides information on rights and helps people solve their problems.

During 2020-21, the entire Citizens Advice network provided advice and assistance to over 171,000 individuals; this equates to one in every 26 adults living in Scotland. The network put almost £147 million back into people's pockets during this time, with every £1 invested in core advice funding returning £14 in gains for people. Our extensive footprint is important in helping us understand how issues impact locally and nationally across the country and the different impacts that policies can have in different areas.

The cost of living crisis is squeezing household finances across the country. Across the Citizens Advice network in Scotland, we've seen an uptick in advice need for energy bills, debt, and food bank referrals. Since September 2021:

- Advice need for food banks has grown by almost a third (31%)
- For other charitable support, including fuel bank referrals, advice need has increased by 23%
- Advice on Budgeting Advances has increased by 25% over 2021–22
- Advice on sanctions has grown by 53% since the start of 2021-22

While one-off payments will have provided some relief to people in the short-term, the further planned energy price cap increase in October and higher energy needs in winter mean that the cost of living crisis is unlikely to end in the next few months.

Long-term thinking is needed to ensure our social security system is accessible to everyone and offers the right level of support for today's skyrocketing prices.

CAS recommends:

- An immediate uprating of Universal Credit's basic allowance to present inflation rates and the implementation of a more responsive system to keep track with inflation.
- Further emergency targeted support for those on the lowest incomes.
- A continuous review of the adequacy of social security payments to ensure they meet everyone's needs.
- Scrapping the benefit cap and the two-child limit.
- Ensuring any uprating of Universal Credit is extended to all legacy benefits.
- Reduce all deductions for DWP and HMRC debt to the 5% minimum until the DWP's debt recovery process can be replaced with a revised system based on a robust holistic affordability check that better reflects people's ability to pay, such as the Common Financial Statement.
- Writing-off historic Tax Credit debt and other historic benefit overpayment debt.
- Abolishing the five week wait by introducing a non-repayable assessment period grant at the beginning of all UC claims.
- Suspending the use of sanctions until the cost of living crisis is over.
- Automating where possible the process for claiming the State Retirement Pension and Pension Credit.
- Developing and publishing an uptake strategy for the DWP to increase claims for pension-age support.

1. What approach should the Government take to the uprating of benefits and state pensions in 2022/23 and 2023/4 given the rising costs of living?

Drawing on evidence gathered from our network, CAS outlines three dimensions of the interactions between social security and the cost of living crisis:

- The impact of the cost of living crisis on CAB clients.
- The inadequacy of social security support before the cost of living crisis.
- The impact of the benefit cap and the two-child limit.

Impact of the cost of living crisis

The pandemic left 1.8 million people in Scotland financially worse off, and even before the most recent increase in the energy price cap one in three people found bills unaffordable. Now people are faced with a perfect storm of soaring prices, flat or falling incomes, and inadequate social security support, which risks sweeping tens of thousands of people across Scotland into poverty, debt, and destitution.

Those relying on Universal Credit (UC) are particularly vulnerable to falling into poverty. Just over 447,500 people are on UC across Scotland, 38% of whom are in work.[1] This remains almost double the number before the pandemic and equivalent to more than one in ten working age adults in Scotland. When the cost of living crisis began in October 2021, people on UC simultaneously saw their income cut by £20-a-week, which CAB clients immediately reported was causing them hardship:

> *An East of Scotland CAB reports of a client seeking a food bank referral in early October. Client said the £20 cut had left him unable to buy food and, despite the decrease to his income, deductions to his UC payment had remained at the same rate as before, causing him real hardship*.

[1] DWP, Stat Xplore, April 2022.

A West of Scotland CAB reports of a single mother facing real hardship as a result of the £20 cut. Client is unable to work but has not yet received a Work Capability Assessment, leaving her to get by on the basic allowance of UC. Client says it was easier to budget with the uplift in place but can no longer cover her bills.

An East of Scotland CAB reports of a client struggling to afford food and energy as a result of the £20 cut. As a result of the cut, client has been left covering a shortfall in her rent with her PIP payments.

While the Autumn Budget did provide an increase to Work Allowances and a welcome reduction to the Taper Rate, this only offered support to those already in work. People employed on low incomes saw little benefit, and for those out of work or unable to work as a result of disabilities or caring responsibilities, their income dropped by as much as a quarter overnight:[2]

A North of Scotland CAB reports of a client who is struggling to make ends meet. Client's work hours were reduced during the pandemic and due to ongoing health issues she has been unable to seek other work. Client says she is struggling financially due to an increase in her energy costs as well as the £20 cut to UC.

A North of Scotland CAB reports a social housing tenant with two children, including one under two. Despite receiving everything they are entitled to and one adult being self-employed, the family can no longer afford their energy costs and are having to ration their energy use. They are reliant on food banks and charity shops to keep their household costs to a minimum. They are using cloth nappies to keep costs down but are struggling to afford the washing machine to wash these.

Since the cost of living crisis began, CAS has seen an increase in demand for advice on housing, debt, and energy. The most acute evidence of the impact of the cost of living crisis is in the increase in clients in seeking fuel and food bank referrals. As Chart 1 below shows, advice on food banks and other forms of charity support has steadily increased since the £20 cut was implemented in October 2021. Compared against advice need for charitable support during the

[2] Citizens Advice Scotland, MP Briefing on Fall in UC Real Terms Value since 2013, 10 February 2021.

last full month of the uplift (September 2021),[3] advice on food banks was almost a third (31%) higher in May 2022. For other charitable support, including fuel bank referrals, we saw a sharp increase of 23% between September 2021 and December 2021, likely reflecting the additional pressure of winter heating bills. Both figures also remain higher than comparable pre-pandemic figures, with food bank advice 20% higher in January 2022 than it was in February 2020 and non-food bank charitable advice 35% higher.[4]

Chart 1. Food bank and other charity support as a proportion of all Finance and Charitable Support advice (August 2021 – May 2022)

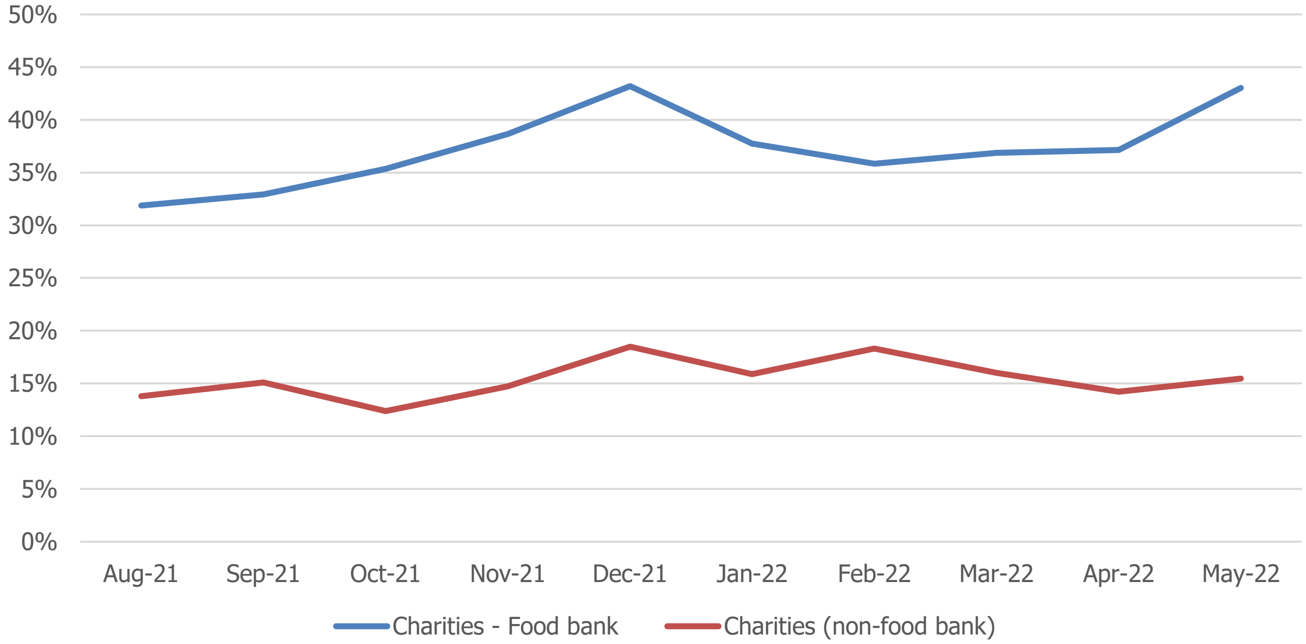

Table 1. Food bank and other charity support as a proportion of all Finance and Charitable Support advice (August 2021 – May 2022)

	Aug 21	Sep 21	Oct 21	Nov 21	Dec 21	Jan 22	Feb 22	Mar 22	Apr 22	May 22
Charities – Food Bank	32%	33%	35%	39%	43%	38%	36%	37%	37%	43%
Charities (non-food bank)	14%	15%	12%	15%	18%	16%	18%	16%	14%	15%

[3] The £20 cut to Universal Credit was implemented across October, depending on when clients next Universal Credit payment was due. This means September was the final month where all clients on Universal Credit would be receiving the £20 uplift.
[4] Charities - Food bank advice was 36% of all Finance and Charitable Support advice given in February 2020; Charities (non-food bank) was 11% of all Finance and Charitable Support advice given in February 2020.

These results come largely from before the impact of the energy price cap increase in April and we await to see the impact on types of advice sought and volume of advice sought from this and other factors such as higher inflation, rising fuel costs and food costs, and National Insurance increases. Put simply, pressures from the rising cost of living are set to continue in the long-term, and people need to know the social security system will properly support them.

This year's uprating of UC's basic allowance by only 3.1% leaves a large gap between its value and the present rate of inflation (almost 8% at the time of writing).[5] This means that people on UC and legacy benefits will be waiting until April 2023 to see their incomes catch up with energy and food price rises. Moreover, some areas of the country will be feeling particular pressure from these price increases. Those living in rural areas of Scotland, for example, often face higher costs for food and other essential shopping,[6] as well as requiring greater energy use through the winter.[7]

UC needs to be rated to ensure it supports everyone equally, whatever their circumstance. An immediate uprating to correct the gap between uprating of social security and the present cost of living, as well as a review of how inflation rates are calculated for the purposes of uprating social security, is vital for people on the lowest incomes to know that they will be able to meet their basic needs over the coming year.

The inadequacy of social security support before the cost of living crisis

While the cost of living crisis has drawn into sharp focus the present inadequacy of our social security system, the value of UC has been flagging behind inflation for almost a decade. As a result of lower-than-inflation uprating between 2013 and 2015 and the benefits freeze from 2016 to 2019, UC's Standard Allowance has fallen far below its original value in real terms – around 11.5% less in real terms compared to its value upon introduction in 2013.[8] The only time UC's basic allowance has kept in line with the cost of living was between March 2020 and

[5] Office for National Statistics, Consumer price inflation, UK: April 2022, 18 May 2022.
[6] Citizens Advice Scotland, Response to Ending the Need for Food Banks: Consultation on a Draft National Plan, 25 January 2022.
[7] Citizens Advice Scotland, Response to BEIS consultation on Warm Home Discount Scotland 2022-26, 22 May 2022.
[8] Citizens Advice Scotland, Making the £20 Universal Credit Uplift Permanent: An Analysis of UC rates over time, 10 February 2021.

October 2021, when the £20-a-week uplift raised UC's basic allowance back to its original real terms value.[9]

This low rate of social security support has frequently left people struggling. Even with the £20-a-week uplift in place, UC was often insufficient for people to meet their essential living costs during the pandemic. In January 2021, CAS surveyed 601 people who had sought UC advice from CAB between March and December 2020 to find out their experiences living on UC during the pandemic.[10] Among other findings, our survey showed that:

- 67% of the people we surveyed said the UC payment they received was inadequate for their needs, with more than half of these people (55%) describing UC as 'very inadequate'.
- Almost two in three (64%) had to cut down on at least one basic necessity during their UC claim, with almost half of all the people we surveyed cutting down on heating (47%) and electricity or gas (45%) and one in five (20%) cutting down on food.
- Over one in four (27%) had to borrow money in order to pay for essentials, meaning even if they later find work to increase their income they will still be making debt repayments from their wages.[11]

These problems were particularly acute for unemployed clients who rely on the basic allowance of UC for their main income.[12] In our survey, we found that among unemployed clients:

- 77% said UC was inadequate for their needs.
- Almost two in three had to cut down on heating (63%) and electricity or gas (61%) while on UC.
- Two in five (41%) went without essentials to cover their bills.

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[9] Citizens Advice Scotland, Making the £20 Universal Credit Uplift Permanent: An Analysis of UC rates over time, 10 February 2021.
[10] The 601 clients surveyed were weighted to be consistent with the CAB client profile in terms of key factors such as age and gender.
[11] Citizens Advice Scotland, "I am constantly penny pinching." Research into Living on Universal Credit during the Pandemic, 6 September 2021.
[12] Note that while some unemployed clients may receive other forms of social security support such as PIP alongside their UC, our survey accounted separately for economically inactive clients who are unable to work as a result of ill-health or caring responsibilities.

- Over a third (36%) had to borrow money in order to pay for essentials.
- One in five unemployed people said they had gone without something altogether (for example, giving up using their heating or electricity and gas entirely) since their UC claim began – more than double the proportion of employed people we surveyed.[13]

Economically inactive clients were also almost three times more likely than employed clients to say they had gone without something entirely since claiming UC (25% vs. 9%), and clients with a disability were almost twice as likely to say that there are things they have had to go without altogether since making their claim for UC compared to clients without a disability (21% vs. 13%).[14]

These statistics show that even before the cost of living crisis the basic allowance of UC was not sufficient for people to meet their day-to-day needs. For that reason, one-off emergency support – while helpful for keeping people out of immediate difficulties – cannot correct the longer-standing inadequacy of our social security system. Low social security payments place people at risk of housing arrears and the devastating effects of homelessness, not to mention the health impacts of starvation, poor or insufficient diets, and cold, unheated homes. Investing instead in adequate social security support can lift people out of poverty and prevent huge and unnecessary public spending by reducing demand on other services, as well as providing an economic stimulus to the most deprived local communities.[15] Permanently raising the basic allowance of UC would also benefit those in low-income work and extend entitlement to benefits passported from UC, such as the Scottish Child Payment, increasing incomes across the

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[13] Citizens Advice Scotland, Five People, Five Reforms: Strengthening Universal Credit after the Pandemic, January 2022.
[14] Citizens Advice Scotland, Five People, Five Reforms: Strengthening Universal Credit after the Pandemic, January 2022.
[15] See, for example, Zara Canbary and Charles Grant, The Marginal Propensity to Consume for Different Socio-economic Groups, Brunel Economics and Finance Working Paper No. 1916, October 2019. See also House of Lords Economic Committee, Employment and COVID-19: time for a new deal, 14 December 2020, para 85: 'We heard that higher spending on social security can serve as an effective economic stimulus which would help people through the crisis and support the recovery. Thomas Pope, Senior Economist at the Institute for Government, said, "people on low incomes tend to have a much higher marginal propensity to consume out of their income, so, if you give them more income, they are more likely to spend it. It is certainly not an ineffective form of stimulus." Helen Barnard, Director of the Joseph Rowntree Foundation, said, "the stimulus effect of social security spending is better than the stimulus effect on demand of things like tax cuts."'

lowest-paid.[16] A wider review of the adequacy of our social security system is therefore necessary to ensure it always keeps pace with the real cost of living.

Benefit cap and the two-child limit

Alongside a general uprating of UC, more targeted support could be provided to families with children by removing the benefit cap and the two-child limit. People with children make up over a third (between 34% and 40%) of households on UC in Scotland. These households have greater costs to meet to ensure their children have a good start in life. Yet our survey found clear gaps in the adequacy of UC for people with children, particularly for single parents:

- 52% of single parents we surveyed had to borrow during the five week wait, meaning their income was reduced as they repaid that debt.
- 38% of single parents said they had to borrow money to pay for essentials during their UC claim.
- 41% of single parents reported increased borrowing generally during their UC claim.

These statistics show that proper support from UC is critical for fighting child poverty. But because of policies like the benefit cap and the two-child limit, many people with children will have received inadequate support throughout the pandemic:

- The pandemic has shown a significant rise in the number of people subject to the benefit cap, with more than three times as many households subject to the benefit cap in May 2021 compared to February 2020.
- This means proportionately more households on UC are being impacted by the benefit cap than before, with a 78% rise in the proportion of all households on UC that are subject to the benefit cap compared to pre-pandemic.
- While single parent households only account for around a quarter of all households on UC, they make up around two-thirds of all households subject to the benefit cap.

[16] For an analysis of the impact of the £20-a-week cut to UC, which estimated that as many as 4,000 low-income households (8,000 children) would lose entitlement to Scottish Child Payment if the £20-a-week cut went ahead, see Scottish Campaign on Right to Social Security, Cancel the £20 cut to Universal Credit and Tax Credits, 9 September 2021.

- While couples with children account for only around 10% of all UC claims, they make up around a third of all households subject to the benefit cap.[17]

Recent UK-wide DWP statistics on households that have had their benefits capped to November 2021 show a 30% decrease compared to August 2021, coinciding with the withdrawal of the £20-a-week uplift.[18] Put otherwise, many households did not receive the £20 uplift during the pandemic because the benefit cap wiped out the increase. It is only with the uplift cut that they have now fallen below the benefit cap rate. Moreover, with the benefit cap not increasing in line with inflation, households subject to the cap will have seen no increase in their income in April 2022, meaning their incomes lag even further behind the rising cost of living.

These problems are exacerbated if the family is subject to the two-child limit. The two-child limit means that any third or subsequent child born on or after 6 April 2017 receives no Child Element payment, meaning families on already low incomes receive no additional support for that child. This can cause real hardship for those families, reducing their ability to support each child to the full extent they need. Analysis by the Joseph Rowntree Foundation found that a couple with three children will receive less than half of what is needed for an acceptable standard of living if they rely on UC alone, and even if both parents work full-time they would end up more than £110 a week short of that acceptable living standard.[19] It is also worth highlighting that for those who have claimed UC for the first time during the pandemic, they will never have previously had to account for their third child for social security purposes. People could have been in a perfectly secure position at the point when they decided to have a family, only to have that security snatched away by the pandemic.

The disproportionate impact of the benefit cap and the two-child limit means they must be scrapped for UC to effectively support families with children. The two-child limit leaves larger families with inadequate support for each child, and as the £20-a-week uplift to UC has shown, the benefit cap can cancel out any attempts to provide further support and security. The disproportionate number of households with children impacted by the benefit cap means its

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[17] Citizens Advice Scotland, Five People, Five Reforms: Strengthening Universal Credit after the Pandemic, January 2022.
[18] DWP, Benefit cap: number of households capped to November 2021, 22 March 2022.
[19] Joseph Rowntree Foundation, A Minimum Income Standard for the United Kingdom in 2021, 14 July 2021, pages 12–13. Note that the £110-a-week figure includes the £20-a-week UC uplift, meaning the shortfall would be even greater today.

removal would work as a targeted intervention to get more support to more children across the country.

The New Economics Foundation estimates that removing the two-child limit and the benefit cap, alongside a modest uplift of £12 a week to UC's basic allowance, would lift almost a million (910,000) people out of relative poverty across the UK, including 530,000 children.[20] Removing the two-child limit (and ensuring any additional income is not consequently limited by the benefit cap) would restore support to people with three or more children and ensure they have the income necessary to give their children a good start in life.

CAS recommends:

- An immediate uprating of Universal Credit's basic allowance to present inflation rates and the implementation of a more responsive system to keep track with inflation
- Further emergency targeted support for those on the lowest incomes.
- A continuous review of the adequacy of social security payments to ensure they meet everyone's needs.
- Scrapping the benefit cap and the two-child limit.

2. Is there a way in which the Government can increase support for people on legacy benefits and state pensions ahead of the next scheduled benefit uprating in Spring 2023?

CAS is clear in its position that any emergency support offered to people on UC must be equally extended to those on legacy benefits. While the £20 uplift offered a lifeline to those on UC during the pandemic, people on legacy benefits received no additional support, meaning that many will have been struggling and building up debt before the cost of living crisis began.

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[20] New Economics Foundation, Options for Universal Credit reform beyond the £20 uplift, October 2021.

A fair response to the cost of living crisis must recognise the need for additional support for all people on social security. During the pandemic, CAB reported of a number of clients on legacy benefits who were upset that they were not being offered the same £20-a-week uplift as those on UC:

> *A North of Scotland CAB reports of a client in receipt of income-based JSA. They were disappointed to find out that they had not been eligible to receive the £20 uplift as they were not in receipt of Universal Credit during the pandemic. They did not know about the uplift at the time and feel that they have been unfairly treated. The client stated that this had affected his mental health, increased his debt problems, and made him feel like a second class citizen.*

> *An East of Scotland CAB reports of a client in receipt of ESA and PIP. As he was not on UC, he did not receive the £20 uplift and feels that this is unfair.*

Unequal support between the two social security systems also led some clients to claim UC in the belief that the uplift would be made permanent. These clients are now facing reduced incomes:

> *An East of Scotland CAB reports of a client moved over to UC as she would be £12 a week better off than on legacy benefits. Cutting the £20 a week UC uplift will make her materially worse off than she was pre-pandemic.*

Extending any cost of living uprating to all social security payments is vital to ensure fair and equitable support for all of those on low incomes.

CAS recommends:

- Ensuring any uprating of Universal Credit is extended to all legacy benefits.

3. What changes should DWP make to their deductions policies and practices to protect those on Universal Credit and legacy benefits from reduced incomes?

Advice on deductions consistently account for between 7% and 8% of all UC advice given by the Citizens Advice network. The majority of this advice concerns Advance Payments to cover the five week wait, which cover between 4% and 5% of all UC advice. Studying the advice codes concerning deductions – Advance Payments, Budgeting Advances, overpayments, and third party deductions/direct deductions – as well as advice on sanctions, we can see a number of trends in advice need as the cost of living crisis has hit:

- Advice on Advance Payments has fallen across the year, likely as a result of fewer new claims to UC as pandemic measures have lifted and people have returned to work, but still remains the most common form of deduction advice requested by our clients.
- Advice on Budgeting Advances fell at the start of 2021/22, possibly as a result of Covid pandemic measures lifting and the economy reopening. However, this advice need has then steadily risen over the rest of the year, with advice on Budgeting Advances 25% higher in Q4 of 2021-22 compared to Q1.
- Advice on overpayments nearly doubled from 2020/21 to the end of 2021/22. This will in part be a result of the DWP's reverification of UC claims made during the pandemic, which led to a number of clients having their entire claims registered as overpayments.[21]
- Advice on third party deductions has remained largely stable compared to 2020/21, although has shown a fall over the last two quarters of 2021/22. This change may be explained by the relatively sharper rises in other kinds of UC advice, balancing out the consistent need for advice on third party deductions across the year.
- Finally, advice on sanctions has grown steadily across the year, now sitting 53% higher than the start of 2021-22, likely reflecting the reopening of the job market and the reintroduction of work conditionality.

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[21] For a summary of these issues, see CPAG, Demands to repay: the impact and legality of the DWP's reverification of UC claims, 9 June 2022.

Chart 2. Deductions and sanctions advice (excluding Advance Payments) as a proportion of all Universal Credit advice (2020–2022)

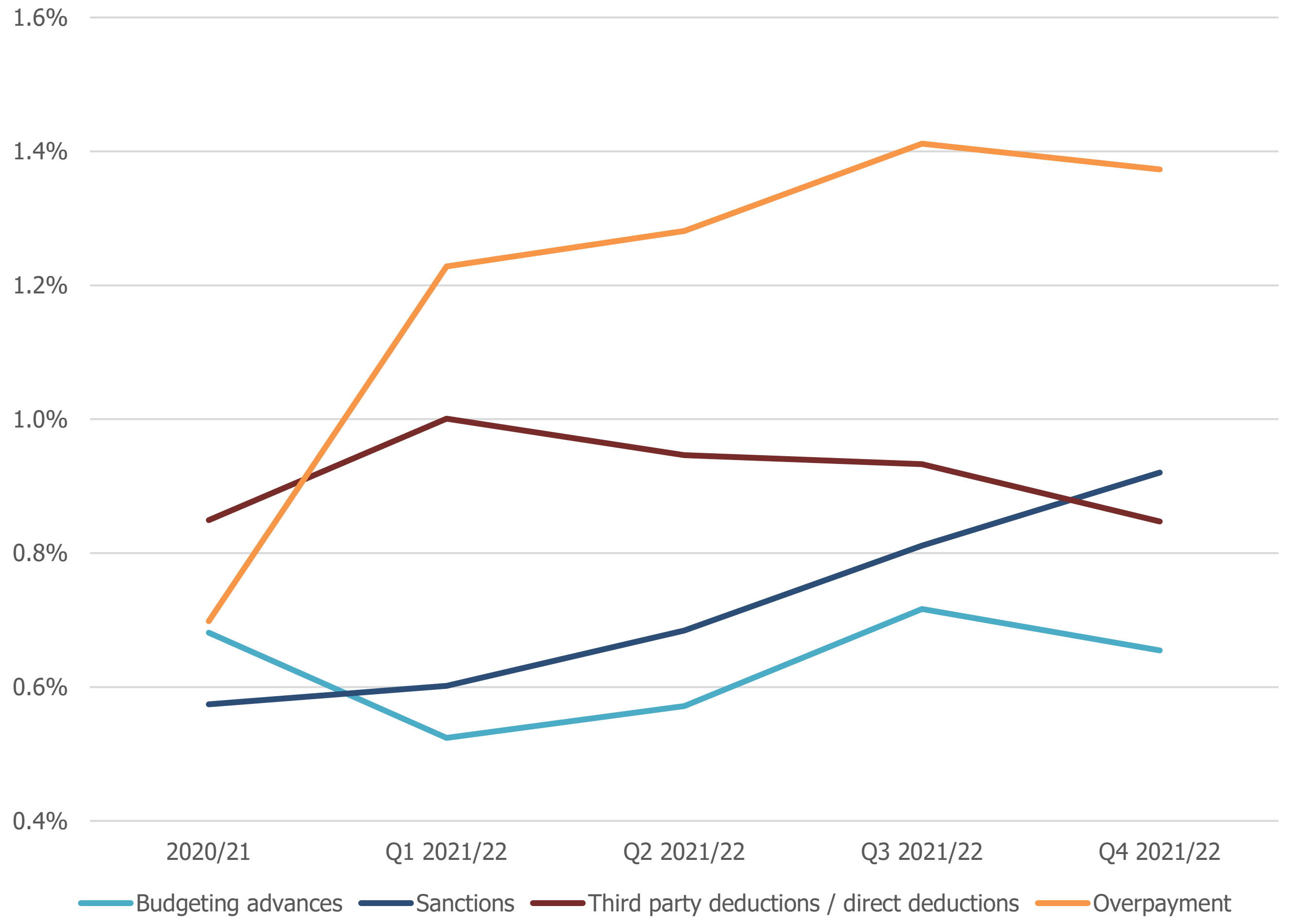

Table 2. Deductions and sanctions advice as a proportion of all Universal Credit advice (2020–2022)

	2020/21	**Q1 2021/22**	**Q2 2021/22**	**Q3 2021/22**	**Q4 2021/22**	**% change 2021/21 – Q4 2021/22**	**% change Q1 – Q4 2021/22**
Advance payments	5.4%	4.3%	3.9%	3.9%	4%	-29%	-11%
Budgeting advances	0.7%	0.5%	0.6%	0.7%	0.7%	-4%	25%
Overpayment	0.7%	1.2%	1.3%	1.4%	1.4%	97%	12%
Sanctions	0.6%	0.6%	0.7%	0.8%	0.9%	60%	53%
Third party deductions/ direct deductions	0.8%	1.0%	0.9%	0.9%	0.8%	0%	-15%

Drawing on evidence gathered from our network, CAS outlines four aspects of the DWP's policy on deductions that could be changed to protect those on social security during the cost of living crisis:

- The impact of deductions for DWP debt
- The impact of the five week wait at the beginning of all UC claims
- The impact of historic Tax Credit debt and other historic benefit overpayment debt
- The use of sanctions during the cost of living crisis

The impact of deductions for DWP debt

Deductions and sanctions made by the DWP reduce the already low amounts people receive from UC, not only making it harder for them to cover their essential bills but also potentially pushing them into arrears and other forms of private debt to make ends meet. With the basic allowance of UC already so low, deductions of up to 25% of a person's income can push them into real hardship. CAS analysis of 1,928 of our complex debt clients[22] showed that the 131 clients with benefit overpayment debt were more likely to have a negative monthly income than for other kinds of debt.[23] This shows the unaffordable nature of the current deductions scheme.

CAS has previously called for replacement of the DWP debt recovery process with a revised system based on a robust holistic affordability check.[24] Affordability checks should account for an individual's outgoings based on their individual circumstances and safeguard against people being left without enough to cover essentials. Under a system of robust affordability checks, it is likely that very few recipients would be considered able to make any repayments and none would have 25% available income to spare in repayments.[25]

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[22] Complex debt refers to the level of support someone needs, whether that is due to the size of their debts in comparison to their income, or the number of separate debts they have.
[23] A negative budget is where a client's debt repayments and essential living costs add up to more than their income. A positive budget is where a client's income is sufficient to meet their debt repayments and cover essential living costs.
[24] Citizens Advice Scotland, "I am constantly penny pinching." Research into Living on Universal Credit during the Pandemic, 6 September 2021, Section 4.
[25] Citizens Advice Scotland, CAS response to the Cabinet Office consultation: Fairness in Government Debt Management, September 2020.

Until a more robust deductions system can be introduced, the DWP should take any measures available to it to lessen the pressure on people's incomes. While a freeze on Fuel Direct deductions will have helped many households across the country,[26] the DWP could do more to lessen the pressure of Government debt on people's incomes. CAS would recommend that at the very least the DWP lower its deductions for Government debt to the minimum 5% amount, giving people the breathing space necessary to get through the cost of living crisis, with consideration of further suspensions of deductions for those in the most need.

The impact of the five week wait at the beginning of all UC claims

With the cost of living crisis set to continue for the foreseeable future, the DWP should also take steps to ensure people do not accrue new deductions. One policy change that would have a significant impact would be to remove the five week wait for first payment under UC and convert all existing Advance Payments to non-repayable grants. As noted above, Advance Payments to cover the five week wait for first payment account for between 4% and 5% of all UC advice. These Advance Payments saddle people moving onto UC with immediate debt, lowering their incomes for the next two years.

Deductions for Advance Payments can cause real hardship. In our survey of CAB clients who claimed UC during the pandemic:

- Almost half (48%) said they had to borrow or take an advance to get through the five week wait.
- Among those that borrowed to get them through the five week waiting period until they got their first payment, the majority (65%) said they will find it difficult to repay the loan.
- Single people, homeless people, and people without a final wage were more likely to require loans during the five week wait, saddling them with debt before their UC payments have even begun.

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[26] DWP, [Fuel Direct: supplier contravention of licensing conditions](), 20 May 2022.

- Single parent families were also more likely to borrow during the five week wait, meaning children in those families may face significant financial hardship before the first payment.[27]

Abolishing the five week wait and replacing it with a non-repayable grant would mean that UC is able to function as an immediate social security safety net. It would mean the experiences below where people were faced with five weeks without protection from the financial shock of the pandemic are never repeated. And it would mean that people are no longer saddled with debt when what they need is adequate and immediate social security support.

The impact of historic Tax Credit debt and other historic benefit overpayment debt

Another source of deductions is historic Tax Credit and other benefit overpayment debts. These debts have often been incurred many years prior to the person's UC claim, meaning deductions for repayment come as a surprise and cannot be accounted for by benefits calculators or other pre-claim entitlement checks. As managed migration begins and more people on legacy benefits are moved over to UC, these historic debts are increasingly likely to be discovered. Not only do these debts result in deductions which lower a person's income, but they also make it difficult to perform better off calculations for people on legacy benefits.

In agreement with the recommendations of the House of Lords' Economic Affairs Committee,[28] CAS believes that writing-off historic tax credit debt is the right thing to do to allow people to claim UC safely, without the fear of unexpected and significant deductions. This would mirror Statutory Debt Solutions which are time limited. CAS also agrees historic tax credit debt should be written off. In Scotland, commercial debts are prescribed after 6 years, yet benefit claimants

[27] Citizens Advice Scotland, "It's a bit frightening seeing things slip away so fast after you've worked so hard.": Citizens Advice Scotland Research into Applying for Universal Credit during the Pandemic, July 2021. Note that these statistics were gathered when the recovery period for Advance Payments was 12 months. The recovery period for Advance Payments was increased from 12 to 24 payments in the Spring Budget 2021, after the survey was conducted.

[28] See House of Lords' Economic Affairs Committee, Universal Credit isn't working: proposals for reform, 31 July 2020, page 4: "Universal Credit is being used by the Government as a vehicle through which to recover debt. Most of this is comprised of around £6 billion of historic tax credit debt. Many people who owe this money are unaware of it and the original receipt of an overpayment may have been outside of their control. The recovery of this money is leaving many households with an income well below what is needed to get by on. We call upon the Government to write off historic tax credit debt that is owed by Universal Credit claimants. It should be treated as a sunk cost as it is highly unlikely to ever be repaid in full. The Government should not jeopardise the financial security of claimants by seeking its recovery."

are pushed into hardship to repay historic tax credit debts, this is a punitive measure which prolongs hardship.

The use of sanctions during the cost of living crisis

While not a deduction in the sense of a person's UC being used to repay a debt, sanctions are the most significant way in which a person's income can be reduced by the DWP. While sanctions were paused during the pandemic, recent DWP figures have shown a growing number of people subject to sanctions in recent months.[29] In the latest quarter to January, new UC sanctions per month as a percentage of claimants subject to conditionality were 1.75%. This is higher than in the three months immediately preceding the pandemic (December 2019 to February 2020) when it was 1.4% per month.[30]

With prices rising, people often do not have the money to meet their work conditionality requirements. A work-focused interview, for example, might require a person to take public transport at their own cost, while work search and UC journal requirements require an internet connection that a person may not be able to afford. CAS's own YouGov survey has found that more than 1 in 7 people who run out of money before pay day go without internet access as a result and 1 in 5 go without mobile phone access. Removing the threat of sanctions would ensure that no-one is left without income as prices spiral.

CAS recommends:

- Reduce all deductions for DWP and HMRC debt to the 5% minimum until the DWP's debt recovery process can be replaced with a revised system based on a robust holistic affordability check that better reflects people's ability to pay, such as the Common Financial Statement.
- Writing-off historic Tax Credit debt and other historic benefit overpayment debt
- Abolishing the five week wait by introducing a non-repayable assessment period grant at the beginning of all UC claims.
- Suspending the use of sanctions until the cost of living crisis is over.

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[29] DWP, Benefit sanctions statistics to January 2022 (experimental), 17 May 2022.
[30] David Webster, Briefings on Benefit Sanctions, 17 May 2022.

4. How can the Government act to increase Pension Credit take up to help pensioners with rising living costs?

State Retirement Pension and Pension Credit account for around 3% of all benefits advice given across the Citizens Advice network in Scotland. Looking at the specific advice given on those benefits, however, we can see a rise over the last year in the need for advice on the claiming process/backdating of these benefits, as well as complaints about the administration of these benefits, as Charts 3 and 4 show below.

Chart 3. Claiming process/backdating as a proportion of Pension Credit and State Retirement Pension advice (2020–22)

Table 3. Claiming process/backdating as a proportion of Pension Credit and State Retirement Pension advice (2020–22)

	2020/21				2021/22			
	Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
Pension Credit: Claiming process/backdating	29%	25%	26%	26%	25%	28%	28%	27%
State Retirement Pension: Claiming process/backdating	26%	28%	27%	31%	32%	37%	32%	31%

Chart 4. Administration complaints as a proportion of Pension Credit and State Retirement Pension advice (2020–22)

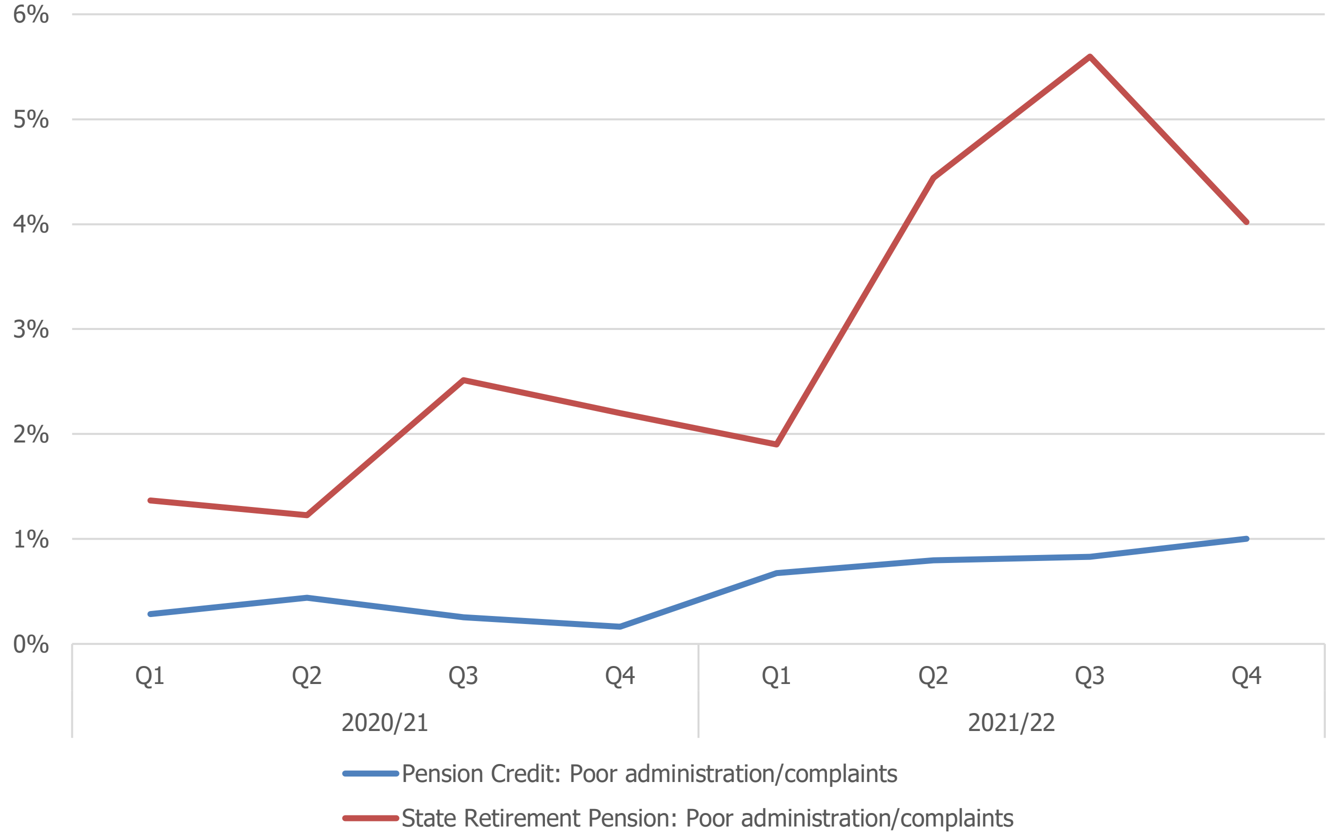

Table 4. Administration complaints as a proportion of pension credit and SRP advice (2020–22)

	2020/21				**2021/22**			
	Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
Pension Credit: Poor administration/complaints	0%	0%	0%	0%	1%	1%	1%	1%
State Retirement Pension: Poor administration/complaints	1%	1%	3%	2%	2%	4%	6%	4%

CAB advisers have reported several issues faced by clients of pension age or approaching pension age who are seeking support with receiving their pension, with some cases requiring intervention from the client's MP to find a resolution. Sometimes clients face unexplained delays in being able to claim their state pension:

> *A North of Scotland CAB reports of a client who has been waiting 18 weeks to receive State Pension. The CAB has been contacting the Pension Service with the client's*

permission and are told every time that a 48 hours emergency payment request will be made to DWP. Requests to speak with managers have been denied. No further information has been required or requested from DWP regarding the client's claim. No information or reason has been provided by the Pension Service as to why the client is not being paid SRP, and the CAB is finding it very frustrating not being able to speak with relevant offices. The client is suffering financial deprivation due to DWP not making payment.

A South of Scotland CAB reports of a client who is experiencing a delay in receiving her State Pension. The client stated that she submitted her claim for State Retirement Pension in early August, about 8 weeks before her 66th birthday on 25 September. Client's last ESA payment was on 17 September and client states that her last Housing Benefit payment was on 7 September. When client did not receive her SRP as anticipated, she called the DWP last week and was told that her SRP claim would likely take at least another 10 weeks to process. This means that the client will not have ESA or SRP for at least another 10 weeks and she has already had to request a Crisis Grant and food parcel from her council.

A West of Scotland CAB reports of a client who has waited 9 weeks for their first State Retirement payment. They have contacted the Pension Service multiple times to no avail. The client is now experiencing hardship and was told by the Pension Service adviser to seek assistance from their local authority, presumably through a crisis grant.

Other clients have faced delays in being notified about how to apply for their pension:

A West of Scotland CAB reports of a client who contacted the bureau as she had not yet received her letter inviting her to claim her State Pension, due around 2 months before reaching State Pension age. The client was worried about the impact this would have on her ability to claim Pension Credit as information on State Pension entitlement was needed to complete this process. This has caused a vulnerable client a lot of stress and worry and the CAB still have no assurance from the Pension Service that the client will receive her first payment of the State Pension on time. Client faces a period without income as her ESA will still end when she reaches retirement age.

Clients have also reported being unaware that they were required to claim their pension, meaning they are left without income for significant periods of time while they wait for their late claim to be registered:

> *A West of Scotland CAB reports of a client who contacted the CAB regarding her State Pension as she had been moved off ESA and was now in a '3 month waiting period' until her State Retirement Pension comes through. The client was unaware that the process of getting a State Pension required them to apply for it. They have been left without their ESA which ended once they reached State Pension age which helped them cover costs. The client has also lost access to Housing Benefit until they have evidence they are in receipt of State Pension.*

As the cost of living crisis continues, it is vital that older aged people receive all the financial support they are entitled to, in order that they do not fall into fuel poverty and ill-health. DWP should explore automating the payment of pensions where possible, particularly for clients who are set to lose entitlement to other social security payments and risk being left without income. In the shorter term, the DWP should also develop an uptake strategy for pension-age support, with the goal of both encouraging people to claim pension-age support but also identifying areas where the current system may be causing delays to people's payments.

CAS recommends:

- Automating where possible the process for claiming the State Retirement Pension and Pension Credit.
- Developing and publishing an uptake strategy for the DWP to increase claims for pension-age support.

For further information, please contact:

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