

## Universal Credit

### Scottish Labour Party debate

20 November 2019

#### Briefing from Citizens Advice Scotland

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*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, confidential, impartial and available to everyone.*

#### Summary

Since the roll out of Universal Credit (UC) began, CAS has repeatedly raised concerns about fundamental elements of the design and delivery of the UC system.

Citizens Advice Bureaux (CAB) data, including Citizen Alerts (cases from local CAB), have shown the key problem elements of UC to be; the five week wait for first payment, the digital by default system, direct deductions from payments and increasing rent arrears caused by the cycle of payment in arrears.

For many people, the amount of UC they are entitled to is less than they were or would have been entitled to under the legacy system. The poorest families have faced a real-term squeeze on their income. People are subsequently left with little financial resilience to deal with debt or any unexpected expenses. The overall payment level of UC or any future social security payment must be reviewed to ensure that people have enough money to live on.<sup>i</sup>

#### Five Week Wait

After completing an application for UC a person must wait a minimum of five weeks before receiving their first payment. This is meant to mimic the world of work by paying people, monthly, in arrears. The five week wait is around three weeks longer than the initial period for other elements of social security.

CAS is concerned that this punishes the most vulnerable; those without savings and without family or friends to borrow from. Consistently, local CAB across Scotland are reporting the hardship caused by the waiting period - people are forced to use foodbanks, accumulating debt and are experiencing detriment to both their physical and mental health.

In 2018/19, every week in Scotland over 4,000 emergency three-day food parcels were distributed to people in crisis.<sup>ii</sup> CAS is supporting the Trussell Trust's [Five Weeks Too Long](#) campaign – calling on the UK Government to end the five week wait.

Advance payments are available during the five week wait. However these are repayable loans, automatically deducted from subsequent UC payments. People are therefore forced into

destitution for five weeks, or forced to take on debt and a further reduction in income thereafter.

### **Citizens Advice Scotland is calling for:**

- **An immediate reduction in the length of time people have to wait for their first payment.**
- **A non-repayable assessment payment for new UC claimants to cover living costs and reduce hardship over the waiting period.**

### **Digital by Default**

Claims for UC are made and maintained online. Alternative, offline, options are available but only in exceptional circumstances.

CAB evidence shows a significant minority of people do not have the internet access or digital skills required to make and maintain their claims online.<sup>iii iv v</sup> People with disabilities, mental or physical health conditions, learning difficulties, poor literacy skills and those in rural internet black spots often face the most significant barriers to online claim maintenance.

CAS is funded to provide the Help to Claim service. Help to Claim supports a person to make their initial UC claim, but cannot support a person with claim maintenance. Claim maintenance includes all activities required to fulfil the UC Claimant Commitment (required to avoid sanctions) such as updating the online journal and job searching. Essential information is communicated by Work Coaches through the online journal, including changes to Jobcentre Plus appointments and requesting that a person complete additional tasks. Vulnerable claimants are therefore at risk of sanction (and in some cases claim closure) resulting in major financial hardship due to digital access issues.

### **Citizens Advice Scotland is calling for:**

- **Alternative, suitably supported offline options to make and maintain claims (such as telephony, face-to-face support and home visits) should be available and actively promoted to all claimants.**

### **Deductions**

Direct deductions can be made to a person's UC entitlement, mostly without the person's consent. The Department for Work and Pensions can make deductions to a payment if the claimant has either received an overpayment of a benefit, or, is in arrears (rent; Council Tax; water and sewerage; some loans and fine, and child support maintenance).

A maximum of 30% of a person's monthly standard allowance can be deducted, with no more than three deductions made at a time. The 30% rate was recently reduced from 40%, however CAS remained concerned that deductions are not approached in a holistic way and often fail to take into account the individual's circumstances. Evidence from local CAB show that people are often left in a cycle of hardship; either unable to afford or having to choose between basic

needs such as food and energy. It is difficult for people to negotiate with the DWP a lower deduction rate, especially if they have multiple debts.

Deductions can also cause great uncertainty and distress. Particularly if a person's payments vary monthly and especially when no clear reason for the deduction is provided or when the person cannot easily view payment details due to digital access issues. Uncertainty around deductions and having varying monthly payment amounts make household budgeting extremely difficult.

### **Citizens Advice Scotland is calling for:**

- **The DWP to take a holistic overview of the claimant's circumstances and allow claimants to negotiate the rate of deduction before it is applied.**

### **Rent Arrears**

That UC - being paid in arrears with an in-built five week delay - is causing claimants to go into rent arrears is widely accepted. The five week wait for payment means that by the time a person receives their first payment, they are likely to have accrued five weeks' worth of rent arrears. This cycle of arrears is extremely difficult for a person to get out of.

Direct payments to landlords, either through the Scottish Flexibilities or Alternative Payment Arrangements, are paid to landlords on a four weekly basis, which do not match the calendar monthly basis that UC payments are made. This creates a discrepancy as there are thirteen payment cycles each year and twelve monthly assessment periods. Tenants are assessed as being in arrears for the majority of the year until the two payment schedules crossover.

There has been a 40% rise in advice on rent arrears provided by CAB since 2012. Evidence from CAB indicates that the incidence of rent arrears is far higher among tenants receiving UC. Housing associations across the UK report that 73% of tenants on UC are in arrears, compared to 29% of others.

In addition to the stress and worry that rent arrears can create, there is also a real risk of eviction and homelessness. Statistics from Shelter Scotland show that, during 2016-2018, 9 in 10 evictions from social housing were due to rent not being paid.<sup>vi</sup>

CAB clients' rent arrears issues have predominately been caused by them moving onto UC, and experiencing problems with the delivery of support to pay the rent through the new benefit.<sup>vii</sup> Administrative errors such as the inaccurate calculation of housing costs, payments arriving without the housing element, or, where the housing payment is made directly to the landlord, the amount being deducted from the UC payment but not being paid to the landlord, have all been reported by local CAB.

## **Citizens Advice Scotland is calling for:**

- **The above-mentioned issues with Universal Credit to be addressed, as well as fixing administrative delays and errors.**
- **The Scottish and UK Governments, in conjunction with social landlords, to continue to raise awareness of the Scottish Flexibilities, including having housing costs paid direct to landlords.**
- **The UK Government to work with organisations representing social landlords to harmonise the frequency of payments of UC Scottish Choices and Alternative Payment Arrangements with Universal Credit payments and cycles of rent payments.**

## **The Two-Child Limit and Benefits Freeze**

CAS is deeply concerned about the impact of the Two-Child Limit on low income families and would urge the UK Government to reconsider the policy in its entirety. CAS is also concerned about the impact of the benefits freeze and call for this to be ended immediately.

## **Citizens Advice Scotland is calling for:**

- **The Two-Child Limit to be abolished.**
- **An end to the benefits freeze.**

## **For more information or CAB cases, contact:**

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## Annex: Cases from Scotland's CAB network

### Five Week Wait

**Citizens Alert:** *a north of Scotland CAB reports of a young person with disabilities who had to wait nine weeks for her first UC payment, due to processing errors. She did not want to take an advance as she already had some debts. She had to borrow money from family to pay her rent and is surviving on food parcels as she is not eligible to apply for any more Crisis Grants.*

### Digital by Default

**Citizens Alert:** *An east of Scotland CAB reports a vulnerable client suffering from chronic anxiety and depression who has been repeatedly sanctioned for not updating his online journal correctly. He has no computer skills or access to the internet at home. He has no money at all and is reliant on Crisis Grants and food parcels. The distress is exacerbating his poor mental health and his overall quality of life is deteriorating, hindering his ability to find work.*

### Deductions

**Citizens Alert:** *A north of Scotland CAB reports of a distressed person who could not afford to heat her home or buy food after a 40% deduction to her UC, leaving her with only £110 for the month. She managed to pay her electricity bill; however, her broadband and phone lines were cut off. This made it extremely difficult for her to meet her UC job search requirements. The person is now relying on food parcels and is suffering from the cold in her home. The DWP advised that it would be impossible to lower the deduction rate.*

### Rent Arrears

**Citizens Alert:** *An East of Scotland CAB reports a person who has recently changed from claiming Carer's Allowance to claiming UC with limited capacity for work-related activity. She has been informed since she changed benefits that she has incurred over £500 of rent arrears. She was confused as to where the arrears have come from as she was entitled to housing benefit when she claimed Carer's Allowance and she is entitled to help with her housing while claiming UC. It emerged that the arrears were caused by the five week wait for her first UC payment, which meant that her rent payments were also in arrears by five weeks.*

<sup>i</sup> CAS, [Universal Credit and Debt briefing](#), 2019

<sup>ii</sup> Trussell Trust, [End of Year Stats](#), 2019

<sup>iii</sup> CAS, [Disconnected: Understanding digital inclusion and improving access](#), 2018

<sup>iv</sup> CAS, [Bridging the Digital Divide](#), 2016

<sup>v</sup> CAS, [Locked Out: The Smartphone Deficit](#), 2018

<sup>vi</sup> Shelter Scotland, [Evictions by Social Landlords 2016 – 2018](#), 2019

<sup>vii</sup> CAS, [Rent Arrears: Causes and Consequences for CAB Clients](#), 2018