

Impact of the UK Government Welfare Cuts and Universal Credit on Poverty

Scottish Government debate - 6 November 2018

Written briefing from Citizens Advice Scotland

Citizens Advice Scotland (CAS), our 60 member Citizen Advice Bureaux (CAB), the Citizen Advice consumer helpline, 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.

In 2016/17 the Citizens Advice network in Scotland helped over 310,000 clients in Scotland alone and dealt with over one million advice issues. With support from the network clients had financial gains of over £120 million and our Scottish self-help website Advice for Scotland received over 4 million unique page views.

Halt and Fix Universal Credit

Citizens Advice Scotland (CAS) has called for the roll out and managed migration of Universal Credit to be halted until the many issues affecting CAB clients have been fixed.

CAS published the *Learning from Testing Times* evidence report which looked in detail at the experience of the first year of Universal Credit roll out through citizens advice bureaux feedback.¹ Design challenges highlighted in that report included:

- A six week wait for first payment (now five weeks), together with administrative delays that can make the wait even longer
- Challenges caused by a single monthly payment
- The effect of universal credit sanctions
- Digital access issues
- The rate of direct deductions taken from Universal Credit to repay arrears leaving the client unable to buy the basics
- Very lengthy hold times on calls when our advisers need to talk to DWP staff

There have been a few welcome changes since then, such as the removal of the seven 'waiting days' at the start of a claim, which have ameliorated some aspects of the negative impacts.

However, cases currently being handled by our bureaux show a range of issues causing difficulties for clients, still including all of the above. CAS are concerned that as roll out progresses these issues will negatively impact more and more clients, increasing rent arrears

¹ <https://www.cas.org.uk/publications/learning-testing-times>

and use of foodbanks, and will put further pressure on local authority services and third sector organisations.

CAS is also concerned about the prospect of 'managed migration', which will see all people currently receiving one of the six 'legacy benefits' having to make a new claim for Universal Credit.² Whilst the announcement in the UK Government's Budget of a six month delay to the process is sensible, as currently proposed the draft regulations for managed migration have the potential to cause considerable difficulties and hardship to people, and as such CAS believes they are currently not fit for purpose.

Rent Arrears and social security

Advice in relation to rent arrears has grown by over 40% between 2012 and 2017, whilst debt-related issues overall experienced by CAB clients in Scotland steadily declined over the same period. The considerable growth in rent arrears as an area of advice has coincided closely with changes to the social security system, particularly the advent of welfare reform. The most common reasons for rent arrears are a benefits-related issue, loss of income, or unexpected costs.³

During the past eighteen months, CAB clients' rent arrears issues have predominantly been caused by them moving onto Universal Credit, and experiencing problems with the delivery of support to pay the rent through the new benefit. Evidence from Scotland's CAB network and elsewhere indicates the incidence of rent arrears to be far higher amongst tenants receiving Universal Credit. Housing associations across the UK report that 73% of tenants on UC are in arrears, compared to 29% of others.

CAB clients with rent arrears are more likely to be in part-time employment, unemployed, be a single person or lone parent, be aged 25-44 and live in 20% most deprived areas. **In addition to fixing issues associated with Universal Credit, CAS has recommended further promotion of support to pay the rent, such as Universal Credit Scottish Choices and Discretionary Housing Payments (DHPs).**

Welfare Reform – A Tidal Wave of Change

Citizens Advice Scotland has consistently raised concerns about aspects of the UK Government's welfare reform programme that have caused detriment and hardship to CAB clients. In 2013, we described the cumulative impact on people in Scotland as a 'tidal wave of change' – in particular on people with disabilities, families and children and people at risk of destitution.⁴ Since then, the Welfare Reform and Work Act 2016 has brought further changes which have caused increased hardship. In particular, Citizens Advice Scotland is concerned about the long-term impact of the reduction in the value of the Work Related Activity Group in Employment and Support Allowance and its counterpart in Universal Credit⁵, the

² <https://www.cas.org.uk/publications/cas-response-universal-credit-migration-consultation>

³ <https://www.cas.org.uk/publications/rent-arrears>

⁴ <https://www.cas.org.uk/publications/tidal-wave-change>

⁵ https://www.cas.org.uk/system/files/publications/welfare_reform_and_work_bill_consideration_of_amendments_-_briefing_from_citizens_advice_scotland.pdf

impact of the lowering of the Benefit Cap⁶, and the freeze on the value of working age benefits.⁷

Based on the increase in poverty for people who need support from the social security system, CAS has consistently recommended that the UK Government reconsider these policies.

CAB cases

A CAB client was made redundant in April 2018. She had claimed Universal Credit and knew when her first payment was due however she has not received her payment. She does not have access to a computer, has no previous computer skills, and is unsure what she should be doing with her UC journal.

A CAB client called into the bureau as she is struggling to cope with waiting for her first UC payment. The client advises that she had taken three weeks to make the UC application after losing her job as she was unaware that there had been changes in benefits. She had had an advance payment of £317 but due to her having no money for three weeks she had bills to pay as well as having to pay back money that she had borrowed. The client advises that she has no money left for food or electricity before her first UC payment is due.

An East of Scotland CAB reports of a client who requested a referral voucher for a food bank. He is receiving Universal Credit and has deductions of £43 per month for the repayment of a UC advance, and £63 per month for rent arrears. His phone and broadband have been disconnected and he has difficulty finding money for energy. He had applied last month for a Crisis Grant, and has also accrued Council Tax arrears.

For more information, contact:

Rob Gowans

0131 550 1087 or rob.gowans@cas.org.uk

⁶ https://www.cas.org.uk/system/files/publications/impact_of_reducing_the_benefit_cap.pdf

⁷ <https://www.cas.org.uk/publications/living-sharp-end>