



**“I am constantly
penny pinching.”**

Research into Living on Universal Credit during the Pandemic

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Who we are

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.

About this research

Scotland's Citizens Advice Network empowers people in every corner of Scotland through our local bureaux (CAB) 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.

Citizens Advice Scotland has long campaigned to ensure an accessible and effective social security net is in place. Benefits advice is the single biggest area of advice sought by Citizens Advice Bureaux clients. Without adequate support from the social security system, people can face extreme hardship, arrears, and mounting debt. Financial costs are pushed onto other parts of the public sector, too—onto healthcare, homelessness services, social work teams, and housing providers. For these reasons, Citizens Advice Scotland regularly conducts research into our clients' experiences, to advocate on their behalf and inform policy change where things aren't working.

Nothing has tested our social security system quite like the COVID-19 pandemic, particularly the large increase in people needing support from Universal Credit – many for the first time. Accordingly, Citizens Advice Scotland commissioned research into the experiences of our clients during the pandemic to reflect on how the system has coped and suggest to the UK Government and the DWP where improvements could be made. Our hope is that learning lessons from the pandemic will help strengthen and future-proof the social security system to support people when they need it most.

Executive Summary

Introduced through the Welfare Reform Act 2012, Universal Credit (UC) is now the main means tested income replacement payment, replacing older benefits such as Housing Benefit and Child Tax Credit. The UC system, along with the rest of society, faced an unprecedented test during the COVID-19 pandemic. The introduction of lockdown restrictions in March 2020 led to widespread job losses, lost working hours, and vanishing incomes. In response, the UK Government encouraged people to claim UC, and millions found themselves turning to UC for the first time for protection from the financial hit of the pandemic.

But how easy was it for people to access the welfare state through UC? What support did they receive? Did this support meet their needs? And did UC truly function as an effective social security safety net during COVID-19?

To find out, in January 2021 Citizens Advice Scotland commissioned research—the first of its scale and kind—into the experience of people in Scotland who claimed UC during the pandemic. Social Market Research surveyed 601 people who had sought UC advice from Citizens Advice Bureaux between March and December 2020 and carried out 20 in-depth follow-up interviews to explore in people's own words how UC had supported them.

This report, the second in a three-part series on UC during the pandemic, covers our clients' experiences living on UC during the pandemic. Our research found that rising costs during the pandemic have pushed an already-too-low social security system to breaking point:

- > **67%** of people 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'.
- > **Over seven out of ten (71%)** said the amount of UC they received was lower than they are used to living on.
- > **More than a third (38%)** said their outgoings had increased in the period before they had to claim for UC and now, with a **majority (56%)** reporting that their spending had gone up on necessities like **heating and electricity (50%), food (40%),** and **housing costs aside from rent (27%)**.
- > **Almost two in three (64%)** had to cut down on at least one basic necessity during their UC claim, with **one in five (20%)** cutting down on food.
- > **Over one in four (27%)** had to borrow money in order to pay for essentials.

Our research highlights that single households, older people, and the unemployed were most commonly placed in difficulty by UC's low payment rate.

With this in mind, the UK Government's decision to cut UC by £20 a week in September is a step in the wrong direction. Our research found that:

- > **Most** said they would be unable to cope if their UC income dropped, with **61%** unable to cope if it dropped by £10 per week, **74%** unable to cope if it dropped by £20 per week, and **78%** unable to cope if it dropped by £30 per week.
- > If these cuts went ahead, **26%** said they would be unable to pay for essentials and **14%** said they would be unable to buy food.

The UK Government must urgently review and uprate the level of support UC offers to ensure no-one is left without essentials. Increasing UC is the right thing to do, both to protect individuals from hardship and to support our post-pandemic economic recovery.

Executive Summary

Citizens Advice Scotland is calling for:

- > A commitment to ongoing review of social security payments to ensure they meet everyone's needs
- > A review of UC as an in-work benefit, including reintroduction of Work Allowances for everyone and a reduction of the Taper Rate, to make sure UC properly supports those in employment
- > Introducing an income protection payment, to properly support those who have lost higher-paid work and protect against income shocks
- > Introducing policy measures to target high housing and utilities costs
- > A permanent increase to the basic allowance of UC
- > Abolishing the five week wait and introducing a non-repayable assessment period grant for all people claiming UC
- > Replacement of the DWP debt recovery process with a revised system based on a robust holistic affordability check that better reflects people's ability to pay, such as the Standard Financial Statement
- > Writing-off historic Tax Credit debt and other historic benefit overpayment debt
- > Cancelling the £20 a week cut to UC in September
- > Better DWP communication if the cut does go ahead, particularly on its impact for people in work and accessing passported benefits such as Scottish Child Payment
- > Support services including DWP helplines to be properly resourced to support people in need if the cut goes through



Introduction

“I am constantly penny pinching.”: Citizens Advice Scotland Research into Living on Universal Credit during the Pandemic is the second in a three-part publication series exploring the experience of over 600 people who sought advice from Citizens Advice Bureaux (CAB) in Scotland on Universal Credit (UC) during the COVID-19 pandemic. These reports are based on a quantitative survey of 601 clients and in-depth interviews and case studies with 20 of those clients, carried out independently by Social Market Research (SMR) in February 2021 in accordance with the ISO20252 Standard. The 601 clients surveyed were weighted to be consistent with the CAB client profile in terms of key factors such as age and gender.¹

Our first report considered clients’ experiences applying for UC during the pandemic. Our research found that, despite UC performing well under the strain of the pandemic in some respects, there is significant need for improvement, with many long-standing issues with its design still causing stress, anxiety, and hardship.²

This second report looks at how people have found living on UC. Here the picture is clear. People have faced sharp income shocks and increased hardship, with a high number having to cut down on essentials like energy, heating, and food to survive. Many have also had to borrow to make ends meet, trapping people in a cycle of debt and destitution. Our survey results do not evidence a strong and secure social security system.

The final publication in the series will explore the reforms that are needed to ensure UC supports our economic recovery going forward.

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| Table 1.1: Profile of Clients (n=601) | | | | |
|---------------------------------------|-----------|--------------------|--------|-----------------|
| | | CAB client profile | Sample | Achieved Sample |
| | | % | % | n |
| Gender | Male | 45 | 45 | 218 |
| | Female | 55 | 55 | 264 |
| Age | 16-34 | 34 | 31 | 171 |
| | 35-59 | 53 | 57 | 318 |
| | 60+ | 13 | 12 | 65 |
| Survey Method | Telephone | | 94 | 564 |
| | Online | | 6 | 37 |

Note that data on gender was not available for 119 clients interviewed and age data was not available for 47 clients interviewed.

² 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.

Introduction

“I am constantly penny pinching.”: Citizens Advice Scotland Research into Living on Universal Credit during the Pandemic has six sections:

- > Section 1 sets out the difference between people’s expectations of the social security system and the reality of the amount of financial support it offers;
- > Section 2 considers how people’s incomes and outgoings have changed during the pandemic;
- > Section 3 synthesises the previous two sections by looking at how people have cut back on spending in order to survive on the low income UC offers;
- > Section 4 looks at people’s borrowing to show how UC can trap people in hardship and debt;
- > Section 5 looks at the potential impact of any cut to UC;
- > Section 6 concludes with policy solutions drawn from the research.

Our findings demonstrate how UC is an inadequate safety net for most CAB clients. With a £20-a-week cut to UC set to be implemented at the end of September, this situation will only get worse. The UK Government must learn the right lessons from the first year of the pandemic and future proof UC by strengthening, not cutting it.



Five clients' journeys

Interspersed throughout these reports are case studies drawn from interviews with five CAB clients: Cait, Sheila, Glen, Neal, and Robert.³ Coming from different backgrounds and circumstances, their experiences help illustrate the wider statistics drawn from our survey.

Cait is in the 60 to 64 age group and is currently furloughed on half pay. In our last report, she told us how she had reduced her mortgage payments in order to make ends meet.

“I used to make extra payments on my mortgage to try to pay it off before retirement but I’ve had to reduce my payments and I’ll have to go on paying well into my seventies.”

Sheila is in the 25 to 34 age group. She is furloughed from her job and applied for UC when her husband was made redundant. In our last report, Sheila told us how significantly her life had changed as a result of the pandemic:

“We haven’t lost our house, yet, but if we continue on like this we could lose our home and our car. We’re robbing Peter to pay Paul to keep the other payments up so that we maintain our credit rating.”

Glen is in the 18 to 24 age group. He had just graduated when the pandemic started and lost his job when the lockdown began. He told us in our last report how the five week wait had impacted his relationship with his girlfriend:

“There shouldn’t be such a long waiting time for people to access funds. You can’t be broke for five weeks. I had to rely on my girlfriend and that’s not right. We are good, but it could put a strain on some relationships. There should be an emergency first payment that you don’t have to pay back.”

Neal is in the 45 to 59 age group. He was in hospital for three months with a serious illness and then had a fall while in hospital and injured his back. Now that he is discharged, he is medically unfit for work. In our last report, he told us of the difficulties he’d faced accessing support for his health needs:

“I gave them all the relevant information including all the sick notes, but I was very confused about the whole thing and nobody really told me what stage things were at or when I might get a payment.”

Robert is in the 45 to 59 age group. He was self-employed but had his next contract cancelled due to COVID. In our last report, Robert told us about the mental health impact of applying for UC:

“I told them and told them that I couldn’t read screens but they just kept telling me to fill in the work diary. It was a very stressful time. That is when my mental health problems suddenly got worse.”

³ All names have been changed to preserve our clients’ anonymity.

1. “It pays the bills, I don’t starve, but is that adequate?”:

People’s expectations of UC

Summary

The pandemic has pushed thousands to claim UC for the first time in their lives. These people may have had little idea of the reality of the social security system before applying. In our survey results, the gap between the support people expected from UC and the support they received was clear:

- > **67%** of people surveyed said the UC they received was inadequate for their needs, with **more than half of these people (55%)** describing UC as ‘very inadequate’.
- > **59%** of all those surveyed said that the amount they received from UC was lower than what they had expected to receive.
- > **Older people** were more likely to find UC inadequate for their needs.
- > UC was also found to be inadequate for **most employed and unemployed people** (70% and 77%, respectively), suggesting that UC does not make work pay.

The pandemic should not be seen as a one-off event but rather as a stress test for our social security system. If such high proportions found it to be inadequate over the past year, the UK Government must work to strengthen and future-proof UC so it can meet everyone’s needs.

Citizens Advice Scotland recommends

- > A commitment to ongoing review of social security payments to ensure they meet everyone’s needs
- > A review of UC as an in-work benefit, including reintroduction of Work Allowances for everyone and a reduction of the Taper Rate, to make sure UC properly supports those in employment



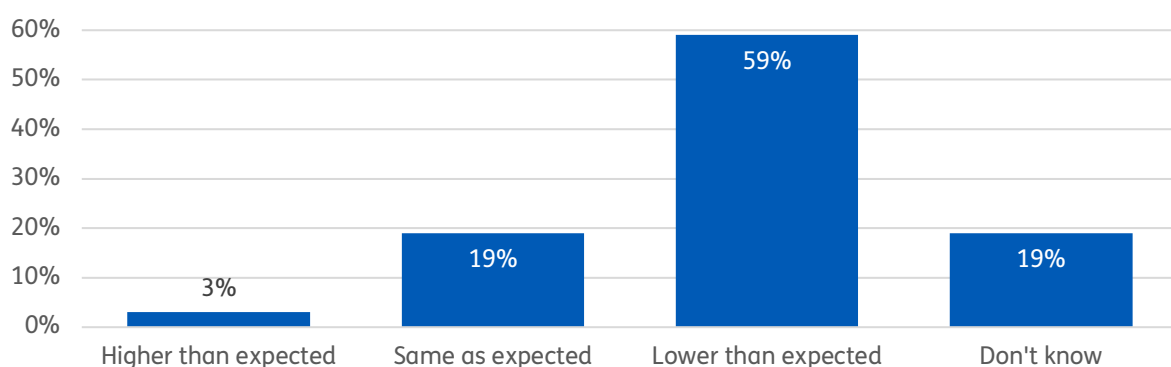
1. “It pays the bills, I don’t starve, but is that adequate?”: People’s expectations of UC

Our research findings

As we explored in our first report, *“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*,⁴ the COVID-19 pandemic has been an unprecedented test for the social security system. The number of people on UC has doubled compared to February 2020,⁵ and in our survey, which was weighted demographically to match the general CAB client profile, 81% of those surveyed said it was their first time claiming.

How well did UC support these new people? What is clear from our survey is that many found the social security system to offer far less protection than they expected. As Chart 1 shows below, 59% said that the amount they received from UC was lower than what they had expected to receive, with only 3% reporting higher-than-expected support.

Chart 1. Was the amount you received from UC higher or lower than what you expected to receive? (n=601)



Many will have expected that the social security system would at least meet the bare minimum required to cover the cost of living today. Yet analysis carried out by the Joseph Rowntree Foundation found that UC for out-of-work families with children falls about 40% short of the income needed for a minimum socially acceptable standard of living in 2021, and for those without children it falls around 60% short.⁶ For those claiming UC for the first time, our results show people did not expect such a gulf between their needs and the level of support offered by UC.

⁴ 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.

⁵ For the most recent figures, see Scottish Government, *Universal Credit Scotland Dashboard 2021*.

⁶ Joseph Rowntree Foundation, *A Minimum Income Standard for the United Kingdom in 2021*, 14 July 2021. The Minimum Income Standard is defined by the UK public by asking them what they think is needed for people to have the opportunities and choices necessary to participate in society. Using this framework the public specify a basket of goods and services required by different households in order to meet these needs, which is then costed. The Minimum Income Standard is defined by JRF in partnership with the Centre for Research in Social Policy at Loughborough University.

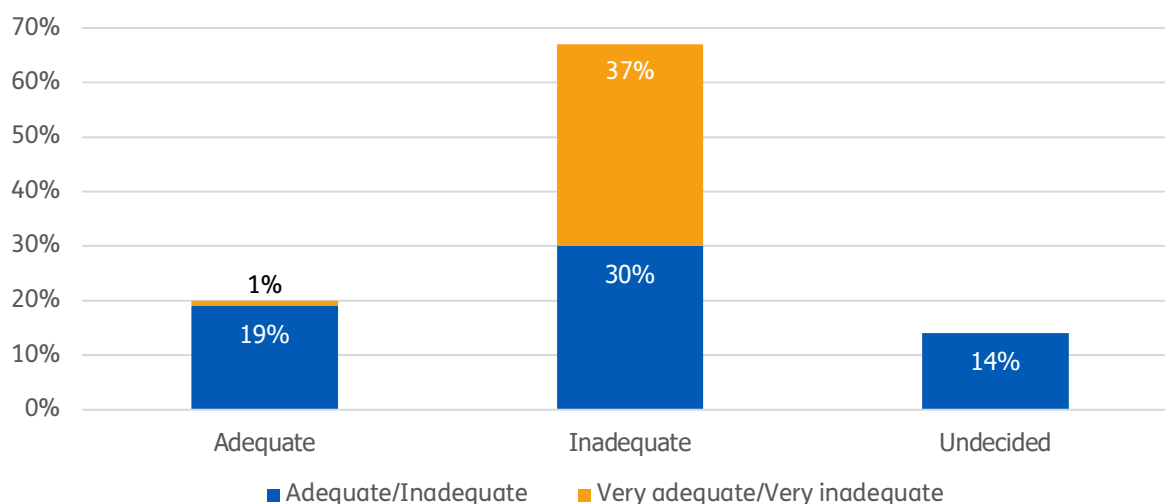
1. “It pays the bills, I don’t starve, but is that adequate?”: People’s expectations of UC

We also know from our first report that many people struggled to find the correct information about their UC entitlement prior to seeking help from CAB. Almost one in ten people (8%) said there was information they were unable to get hold of on their own about applying for UC, with 17% of these people unable to find an explanation of their entitlement to UC. Nearly a further one in four (24%) said the information they found was unhelpful, and one in five (20%) said the information was incomplete.⁷ This may well have led people to expect more than they were actually entitled to, as one of our interviewees reflected:

“I used the online calculator and didn’t get what that predicted so I was disappointed with the reality.”

The people we surveyed were clear that UC was inadequate to live on. 67% of those surveyed said UC is inadequate, with 37% considering it ‘very inadequate’. In contrast, only 1% described UC as ‘very adequate’.

Chart 2. How adequate is the amount you receive from UC? (n=601)



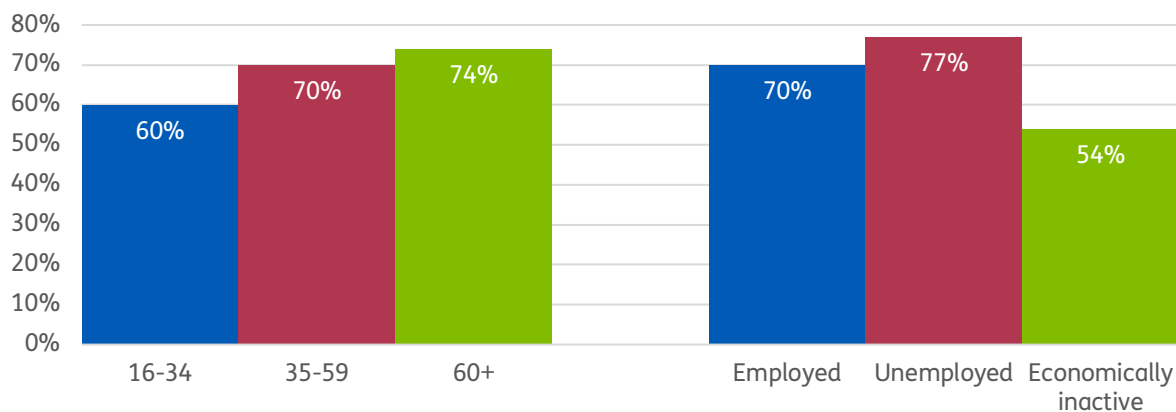
Demographic analysis reveals some discrepancies in who struggled most on UC. Older people were more likely to say UC is inadequate compared to younger people (16-34: 60%; 35-59: 70%; 60+: 74%), while economically inactive⁸ people were less likely to find UC to be inadequate compared to both employed and unemployed people (employed: 70%; unemployed: 77%; economically inactive: 54%). Over 60s and the unemployed were also the most likely to describe UC as ‘very inadequate’ (60+: 28% inadequate; 46% very inadequate; unemployed: 28% inadequate; 49% very inadequate).

⁷ 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.

⁸ In our survey, economically inactive clients refers to any clients neither employed nor unemployed.

1. “It pays the bills, I don’t starve, but is that adequate?”: People’s expectations of UC

Chart 3. Inadequacy of UC by age and employment circumstance at time of survey (Feb 2021) (n=601)



This demographic analysis tells us a few things. In terms of age, it reflects the different expectations and circumstances of people coming to UC during the pandemic. Older people may have greater outgoings when moving onto UC, in terms of housing payments, family costs, or other pre-existing financial commitments. They are also more likely to have been on higher salaries prior to claiming UC, compared to younger workers who may be at the beginning of their careers and entitled to lower minimum wage rates.⁹ This creates a larger gap between what UC pays and the support those people need to meet their bills. We explore some of these costs and income drops in the next section of our report.

The other key thing to note from our demographic analysis is the small difference between the experiences of employed and unemployed people. 70% of employed people found UC inadequate compared to 77% of unemployed people. This relatively small gap suggests that work does not pay effectively within the system, as one interviewee – a frontline worker – told us:



“Sometimes it just doesn’t cover everything. I now have a job as a carer and I have the work taper.”

CAS has long campaigned for reform of UC’s in-work elements, including reduction of the taper rate and restoration of the Work Allowance for everyone, to make sure work pays as much as possible.¹⁰ While we believe that social security should be adequate for everyone’s needs, regardless of whether they are able to work, it is clear from our survey that UC is not even effective at supporting those in employment.

⁹ For discussion of some of these issues, see Citizens Advice Scotland, [Response to the Low Pay Commission Consultation 2021, 18 June 2021](#).

¹⁰ Citizens Advice Scotland, [Making Universal Credit Work](#), January 2020; Citizens Advice Scotland, [UK Government Budget Consultation Response 2020, February 2020](#); Citizens Advice Scotland, [MP Briefing for Queen’s Speech, 10 May 2021](#).

1. “It pays the bills, I don’t starve, but is that adequate?”: People’s expectations of UC

Our clients’ experiences

Glen didn’t know what amount he would get from UC, but he says it is a very basic level. He says that he could not live on it if he were on his own.

“I had no expectations about the amount, no idea at all. As it turns out it’s purely subsistence level, barely even that.”

Caia is currently on half pay and the UC payment makes up some of her shortfall. She wasn’t sure how much she would get and admitted surprise at how low UC was.

“I really had no expectations about the amount, although in saying that, I was a bit surprised about how little it was. It wouldn’t be adequate if that was all I was getting, that’s for sure.”

Neal says that he has a little more income than he thought he would have because he has disability benefits as well as his UC.

“I got a bit more than I expected in the end but that was down to the extra payment that CAB got me.”

Neal describes his income as just adequate, but questions what the word adequate means.

“Is my income adequate? It depends what you mean by adequate. It pays the bills, I don’t starve, but is that adequate? I don’t know, just surviving is not exactly the life that anybody wants to live.”

Sheila and her husband were on high incomes before the pandemic. She says that while UC has helped, it is not enough to support her family.

“I was so confused about whether we would get it at all at the start and then I couldn’t work out how much we might get. As I got to know the system, I realised the amount we got was about right, but it really isn’t adequate, we really need additional support.”

2. “My needs are basic but things are just getting more and more expensive”:

Incomes and living costs during COVID-19

Summary

People moving onto UC frequently see a large shock to their incomes, particularly for those who were previously in full-time employment, and the pandemic has only exacerbated this problem. It has caused unemployment for people in higher paid jobs, who often have higher financial commitments in terms of mortgages and other costs.¹¹ But it has also changed people’s spending, with many seeing increased spending on utilities and heating during lockdown.

This is a toxic mix for people seeking to rely on the low level of support that UC offers. Our survey found that:

- > **Over seven out of ten (71%)** said the amount of UC they received was lower than they are used to living on.
- > **More than a third (38%)** said their outgoings had increased in the period before they had to claim for UC and now.
- > **A majority (56%)** reported that their spending had gone up on at least one necessity, with particular spikes in **heating and electricity (50%)**, **food (40%)**, and **housing costs aside from rent (27%)**.

Building on the furlough scheme that has been in place throughout the pandemic, the Government should consider introducing a permanent scheme to protect people’s incomes if their work situation becomes more precarious. Evidence of increased spending on utilities and housing costs should also prompt the Government to consider interventions targeted at keeping these costs down.

Citizens Advice Scotland recommends

- > Introducing an income protection payment, to properly support those who have lost higher-paid work and protect against income shocks
- > Introducing policy measures to target high housing and utilities costs

¹¹ Citizens Advice Scotland, [Annual Data Report \(2020/21\)](#), page 11.

2. “My needs are basic but things are just getting more and more expensive”:

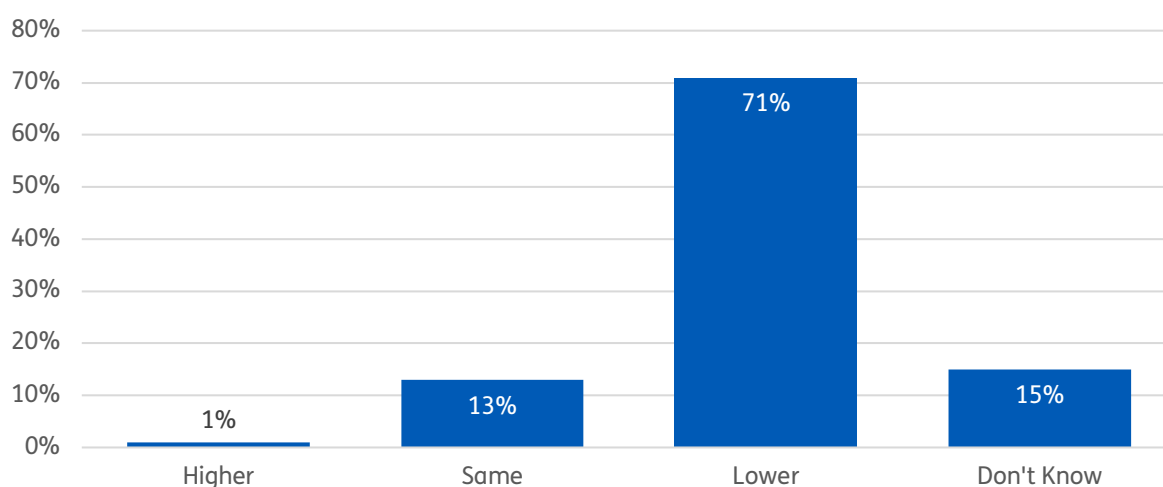
Incomes and living costs during COVID-19

Our research findings

Lockdown restrictions, closed offices, the furlough scheme, and the move to working from home have all drastically impacted people’s day-to-day living over the past 18 months. As we outlined in our first UC report, 53% of those surveyed had suffered job losses prior to claiming UC, with 83% of these job losses being attributed to the pandemic. Most concerning, over half (53%) of those who lost their job were still unemployed at the time of the survey, meaning that unemployment has become entrenched for many who were previously in work.¹²

The transition from paid work to social security can be a significant income shock, and our survey results suggest UC fails to support people through this transition. Over seven out of ten (71%) of the people we surveyed said the amount of UC they received was lower than they are used to living on.

Chart 4. Was the amount you received from UC higher or lower than what you are used to living on? (n=601)



In many European countries it is common for income replacement social security to have a built-in wage buffer to provide continuity of income for at least the start of a claim.¹³ UC, on the other hand, saddles people with a low income and a five week wait for first payment straight away, making it harder to continue to meet existing financial commitments that may only have been affordable on their previous salary.

¹² 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.

¹³ See, for example, TUC, [Fixing the safety net: Next steps in the economic response to coronavirus](#), 6 April 2020, which notes on page 2 that ‘in most European countries, unemployment benefits are related (at least in the initial period of unemployment) to previous wages to cushion income shocks, ranging from 60 per cent of previous wages in Germany to 90 per cent in Denmark.’ Short-time work schemes, similar to the UK’s furlough scheme, can also help cushion incomes and prevent redundancies. See TUC, [Beyond furlough: why the UK needs a permanent short-time work scheme](#), August 2021, which notes that ‘twenty-three countries in the OECD had short-time working schemes in place before the coronavirus pandemic, including most famously Germany, but also Japan and many US states’ (page 10), and see also IMF, [Kurzarbeit: Germany’s Short-Time Work Benefit](#), 15 June 2020.

2. “My needs are basic but things are just getting more and more expensive”:

Incomes and living costs during COVID-19

Analysis by the TUC found that at its current rate UC only amounts to 17% of the average UK wage¹⁴ – a figure that will fall to 14% if the £20-a-week cut goes ahead in September.¹⁵ This leaves a huge financial gap for those who were previously in employment.

When discussing the adequacy of UC, a number of the people we interviewed commented that they were already eating into savings or pension schemes to top up their UC:

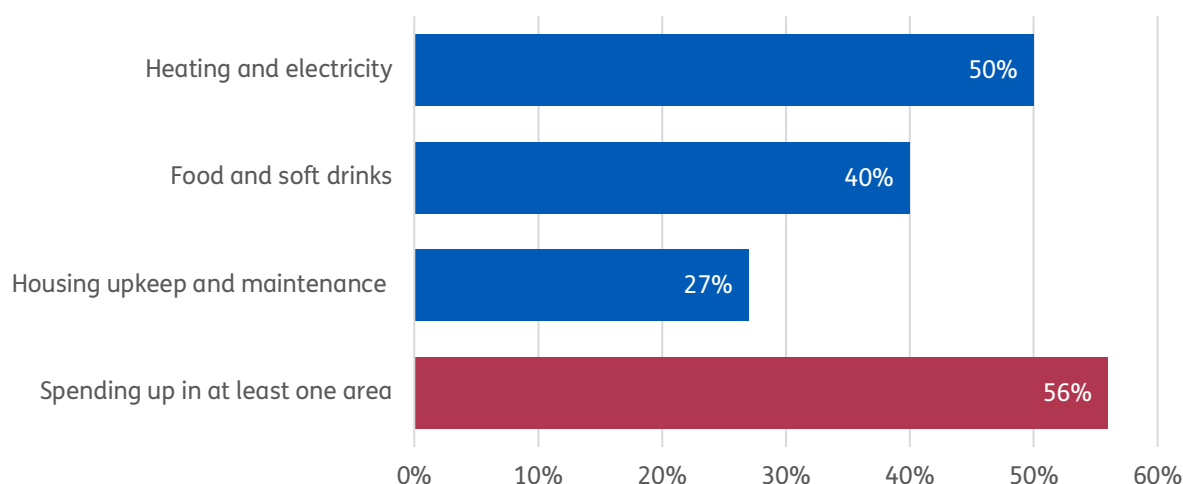
“Not really, not adequate, not nearly enough. I have no life at all with it and I am using my savings”.

“I have a tiny pension that I draw on to pay the mortgage so I am okay as long as that covers it.”

For many, this income squeeze has been accompanied with an increase in outgoings. More than a third (38%) of the people we surveyed said their outgoings had increased in the period before they had to claim for UC and now, with 11% of this group saying their outgoings had increased a lot. Contrary to the picture of people staying at home and saving money, many low-income families have seen their spending increase as they spend more time at home, requiring more to be spent on food, heating, utilities, and entertainment.

A majority (56%) of clients reported that their spending had gone up in at least one area,¹⁶ with people most commonly reporting increases in spending on heating and electricity (50%), food (40%), and housing upkeep and maintenance costs (27%). Other spending increases included rent (9%), transport (8%), and health (4%). Older clients were also more likely to say their spending had gone up (16-34, 51%; 35-59, 56%; 60+, 77%).

Chart 5. Three most common increases in spending between the period before claiming UC and now (n=601)



¹⁴ TUC, [Fixing the safety net: Next steps in the economic response to coronavirus](#), 6 April 2020.

¹⁵ TUC, [Beyond furlough: why the UK needs a permanent short-time work scheme](#), August 2021, page 12.

¹⁶ The survey asked people if their spending had changed in the following areas: heating and electricity; food and soft drinks; housing costs; alcohol and tobacco; clothing and footwear; rent costs; transport; health; education; mortgage costs; and recreation and leisure.

2. “My needs are basic but things are just getting more and more expensive”:

Incomes and living costs during COVID-19

The large increases in spending on heating and electricity suggest people really need to see reductions in their energy costs. With this in mind, the recent announcement that the energy price cap will increase by £139 (12%) for 11 million households on default tariffs and £153 (13%) for 4 million prepayment meter customers on 1 October 2021 is concerning.¹⁷ Those out of work, underemployed, or required to self-isolate are likely to experience an ongoing increase in energy use this winter and as such are particularly exposed to this sharp increase in energy prices. CAS welcomed the extension of the Warm Home Discount scheme for the 2021/22 financial year,¹⁸ but the help this provides to eligible households will be completely eroded by the October 2021 price cap increase and is insufficient even to cover the cost of levies imposed on billpayers as a result of Government policy.¹⁹

Housing costs are also a concern. Even if prices have not risen this year, many people on UC are trapped into choosing between expensive and unsustainable tenancies or unsuitable accommodation that is within their budget (with lower-rent housing often having poor insulation and other associated maintenance costs). Recent analysis by the Big Issue and other housing organisations found that over 55% of private rented households have a shortfall between the housing support they receive and the rent they have to pay, with the median shortfall being £100 a month.²⁰ Unfreezing and increasing UC's Local Housing Allowance will help mitigate hardship and rent arrears and ensure people are not living in unsuitable or unaffordable accommodation as a result of their low income.

More than half of our interviewees said that their spending and general outgoings have gone up since they applied for UC. Some reported price rises and others said that they were spending more because they were at home more during the lockdowns:



“I spend a lot more on household bills at the moment, especially heating. Basic living expenses and food prices are all going up.”



“My needs are basic but things are just getting more and more expensive. I'm in the house all day and I use more heat and electricity. Fuel with Scottish Power is very expensive at £400 per month.”



“All my bills have increased. The kids are at home more. I feed them 3 meals a day and they are snacking in between. The TV is on all the time and we are using a lot more electricity.”

We also asked where people had reported decreases in spending between the period before claiming UC and now. Recreation and leisure (28%), understandably impacted by the pandemic, was a common cutback, but others such as clothing (18%), food (7%), and health spending (7%) show changes in spending habits for more fundamental things.

¹⁷ Ofgem, [Record gas prices drive up price cap by £139 – customers encouraged to contact supplier for support and switch to better deal if possible](#), 6 August 2021.

¹⁸ Citizens Advice Scotland, [Response to the BEIS consultation on Warm Home Discount 2021/22](#), November 2020.

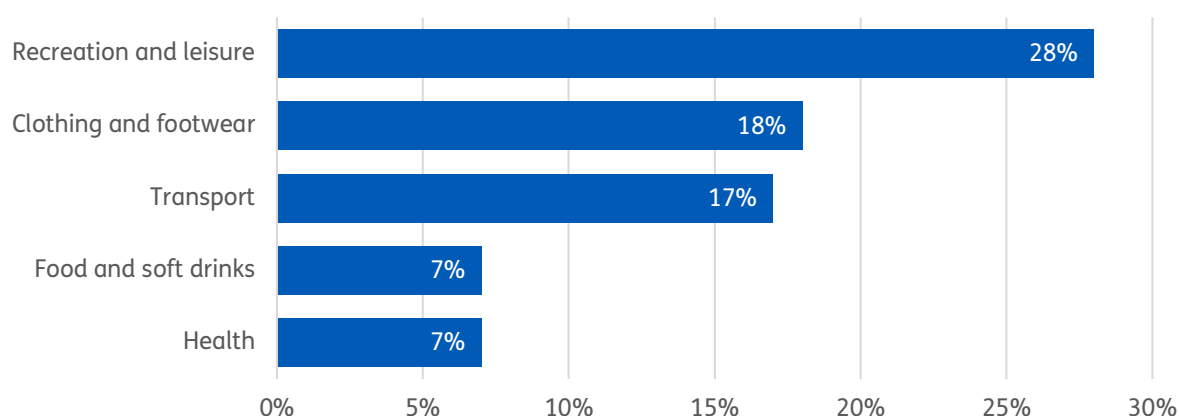
¹⁹ Ofgem, [Default tariff cap update from 1 October 2021](#), 6 August 2021.

²⁰ [Joint statement by The Big Issue Ride Out Recession Alliance, Crisis, The Mortgage Works, Nationwide Building Society, the National Residential Landlords Association, Propertymark, StepChange Debt Charity and Shelter](#), 17 August 2021. See also Citizens Advice Scotland, [Rent Arrears: Causes and Consequences for CAB Clients](#), October 2018, pages 21–23.

2. “My needs are basic but things are just getting more and more expensive”:

Incomes and living costs during COVID-19

Chart 6. Decreases in spending between the period before claiming UC and now (n=601)



As we'll see in Section 3, the reason that more clients have reported increases in particular areas while not reporting an overall increase in their outgoings is likely a result of cutbacks and careful budgeting to survive on UC without falling into debt. Put otherwise, the decrease in some areas of spending, such as for clothing and particularly recreation and leisure, may reflect careful budgeting rather than a decrease in costs themselves.



2. “My needs are basic but things are just getting more and more expensive”:

Incomes and living costs during COVID-19

Our clients' experiences

Neal's spending has gone up as he needs good online access in the pandemic.

“I would say that my spending has gone up. I need the internet now for dealing with things as everything is online at the moment. I need a good mobile phone too as the very basic ones are no good now for the kind of internet access that I need.”

Neal also needs to continue running his car because he has frequent medical appointments associated with his back injury.

“Petrol for the car is a priority for me because I need it for getting to health appointments. It's not possible for me to go by bus.”

Caït has taken steps to reduce her outgoings. She says she can just about manage so long as she doesn't face any unexpected bills.

“My bills have gone up. I've used a lot of heating over the winter months.”

Robert says that he does not have nearly enough to pay for everything that he needs. He only buys essentials, does not buy clothes, and has to turn his heat off regularly because he cannot afford it.

“I usually run out of money before the end of the month and often have no heat for the last few days. My heating bills are high and I can't afford them especially during the winter. I'm left with £6 per day after paying for everything.”

His worst time, he says, was when his UC was sanctioned when he could not complete his journal online.

“But the worst time was when they withheld my money and I couldn't pay for anything. I had no gas for days, no heat or hot water.”

Sheila says that, as a family, they have had to cut back to survive.

“Our spending has gone down. It had to, to survive. We don't spend on ourselves anymore. I shop in different places from before. We're more mindful about what we eat and I buy cheaper brands.”

Sheila is worried about the impact this change is having on her children.

“We take advantage of free school meals which is great on the one hand but my daughter has Type 1 diabetes and I have to trust that the school is weighing food out properly for her. I worry about that.”

3. “We just have to go without until money comes in again”:

Surviving on UC

Summary

The previous two sections of this report have shown the gap between the support people need to meet their living costs and the level of support that UC offers in reality. This section describes the adjustments people have been forced to make to their lives in order to survive on the little income UC provides.

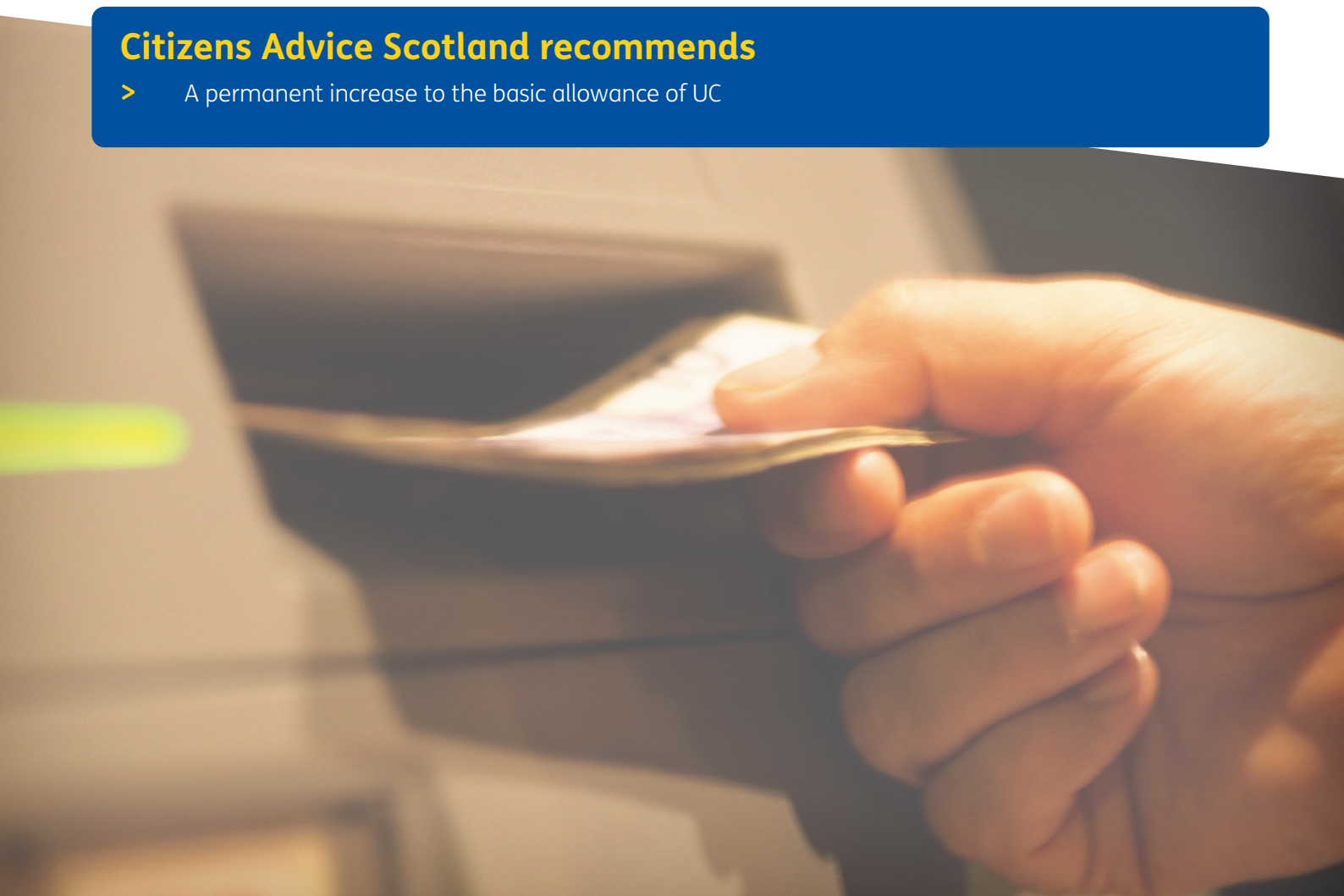
The findings are stark:

- > **Almost two in three (64%)** cut down on at least one necessity during their UC claim.
- > **Almost half (47%)** cut down on heating.
- > **One in five (20%)** cut down on food.
- > **Almost one in five (18%)** had to go without certain necessities entirely.

These statistics show that people are not adequately supported by the social security system. The UK Government must urgently review and uprate the level at which UC is paid, to ensure people are not left to go without the most basic of necessities.

Citizens Advice Scotland recommends

- > A permanent increase to the basic allowance of UC



3. “We just have to go without until money comes in again”:

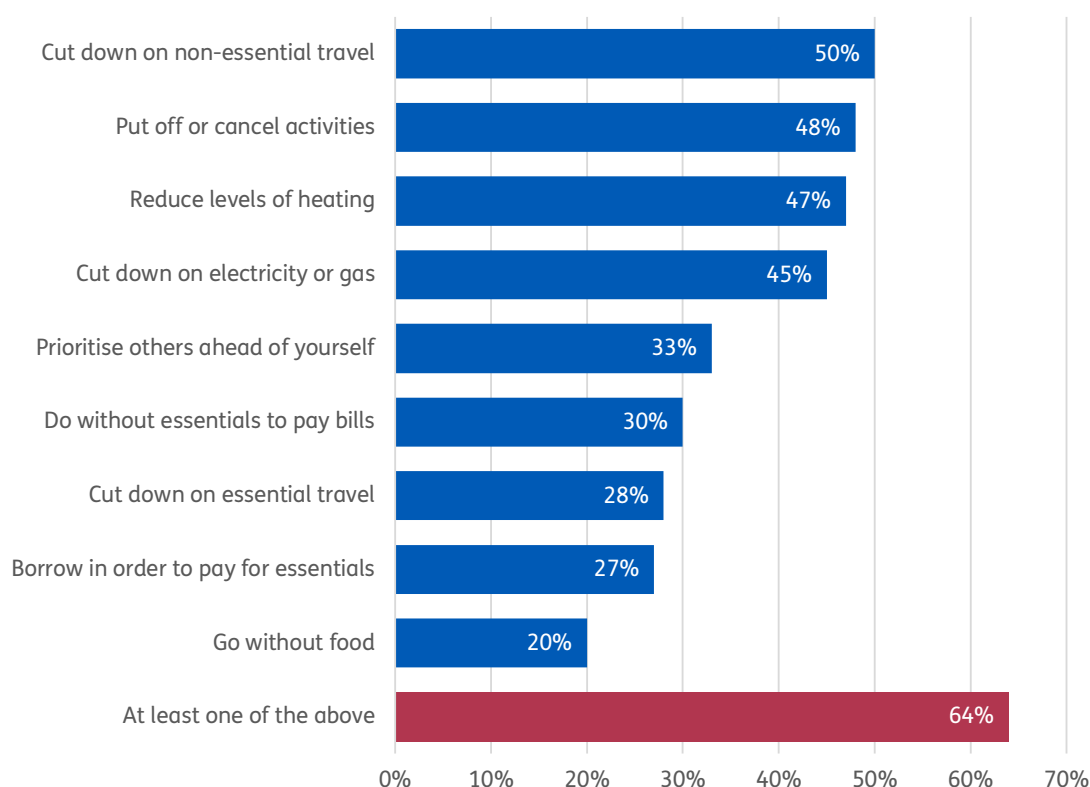
Surviving on UC

Our research findings

CAS has long campaigned to improve the living standards of people on UC.²¹ Without an adequate level of social security, people face poverty, destitution, and mounting arrears. This is not only difficult for the individual but also pushes costs onto other parts of the public sector—onto healthcare, homelessness services, social work teams, and housing providers.²² Ensuring that UC offers a sufficient safety net for people to pay for essentials and keep their head above water is therefore vital for supporting the wider economy.

Chart 7 below shows the most common lifestyle changes people had to make when living on UC. A substantial amount had to cut down on necessities like heating (47%), electricity or gas (45%), and food (20%). Almost two out of every three (64%) clients reported having to do at least one of the actions listed in Chart 7 below to make their finances last since applying for UC.

Chart 7. Have you had to cut down on any of the following since applying for UC? (n=601)



²¹ See, for example, Citizens Advice Scotland, [Learning From Testing Times: Early Evidence of the Impact of Universal Credit in Scotland's CAB Network](#), June 2016; Citizens Advice Scotland, [Living at the Sharp End: CAB clients in crisis](#), July 2016; Citizens Advice Scotland, [Calling for a halt to Universal Credit](#), July 2017; Citizens Advice Scotland, [Making Universal Credit work](#), January 2020; and Citizens Advice Scotland, [MP Briefing for Queen's Speech](#), 10 May 2021.

²² See, for example, Sophie Wickham et al, [Effects on mental health of a UK welfare reform, Universal Credit: a longitudinal controlled study](#), (2020) 5(3) The Lancet Public Health 157 (March 2020); Scottish Government, [Homelessness and Universal Credit: research report](#), 17 March 2021.

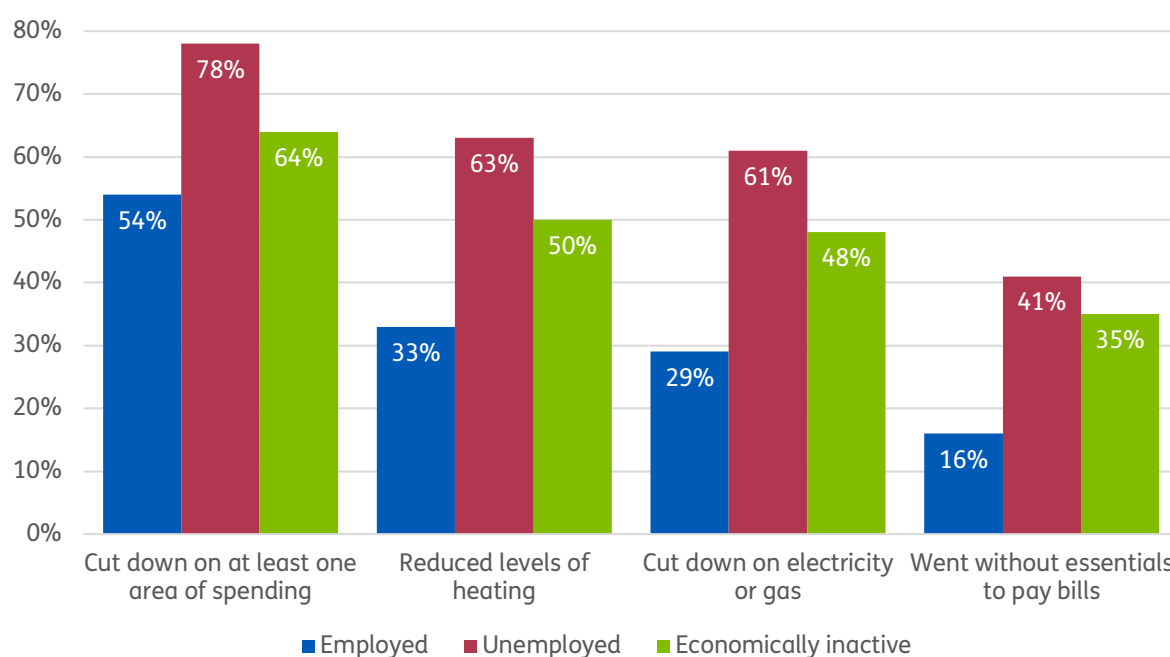
3. “We just have to go without until money comes in again”:

Surviving on UC

People who were unemployed at the time of the survey were more likely to say they have had to do something to make their finances last since applying for UC (employed, 54%; unemployed, 78%; economically inactive, 64%). This pattern carried across spending on fundamental things like:

- > heating (employed, 33%; unemployed, 63%; economically inactive, 50%);
- > electricity or gas (employed, 29%; unemployed, 61%; economically inactive, 48%); and
- > doing without other essentials to pay bills (employed, 16%; unemployed, 41%; economically inactive, 35%).

Chart 8. Differences in employment circumstances between those who had to cut down on necessities since applying for UC (n=601)



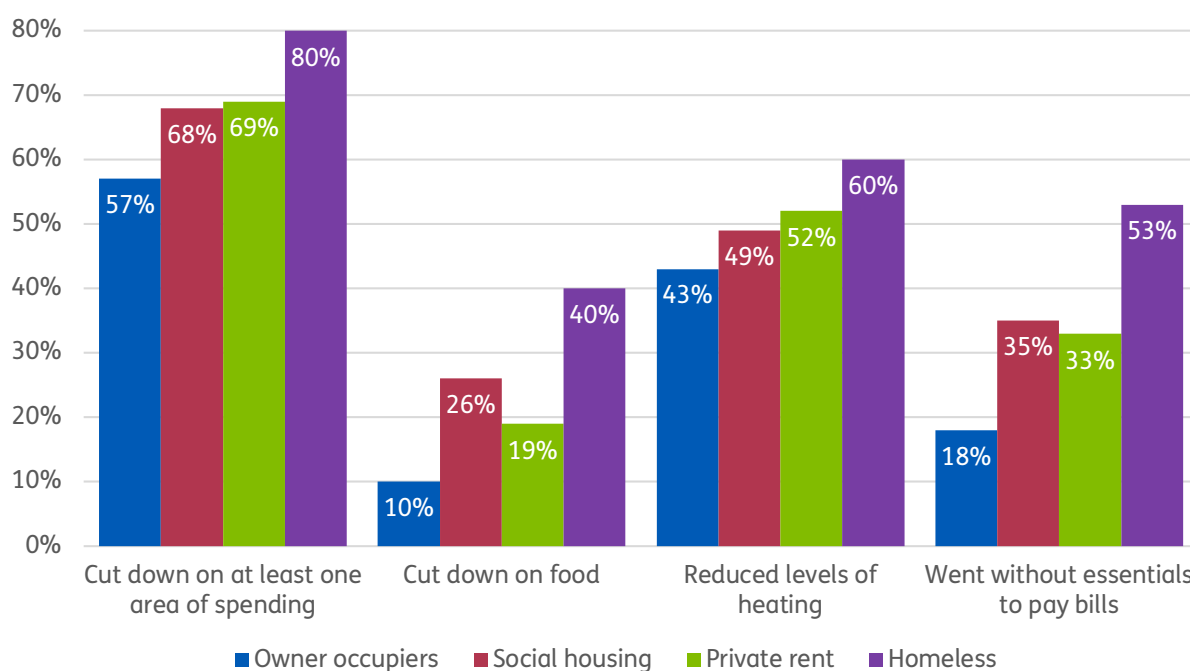
People who were homeless at the time of the survey were also more likely to say they have had to do something to make their finances last since applying for UC (owner occupiers, 57%; social housing, 68%; private rented, 69%; homeless, 80%), with significantly higher-than-average rates for:

- > cutting down on food (owner occupier, 10%; social, 26%; private rented, 19%; homeless, 40%);
- > cutting down on heating (owner occupier, 43%; social, 49%; private rented, 52%; homeless, 60%); and
- > doing without other essentials in order to pay bills (owner occupier, 18%; social, 35%; private rented, 33%; homeless, 53%).

3. “We just have to go without until money comes in again”:

Surviving on UC

Chart 9. Differences in housing situation between those who had to cut down on necessities since applying for UC (n=601)



Our interviews demonstrated the choices people have faced to make ends meet on UC. Sometimes that means a choice between having food on the table or having heat.



“I don’t have enough for food and heating, sometimes I have to choose, even if that means the house is cold. I can afford heat for 4 hours a day only.”



“Sometimes I turn off the heat altogether. I go for the cheapest food. I shop every day and take the offer of the day.”



“I am constantly penny pinching. I have no money for clothes, I am really careful when I go shopping and buy cheaper brands of everything.”

3. “We just have to go without until money comes in again”:

Surviving on UC

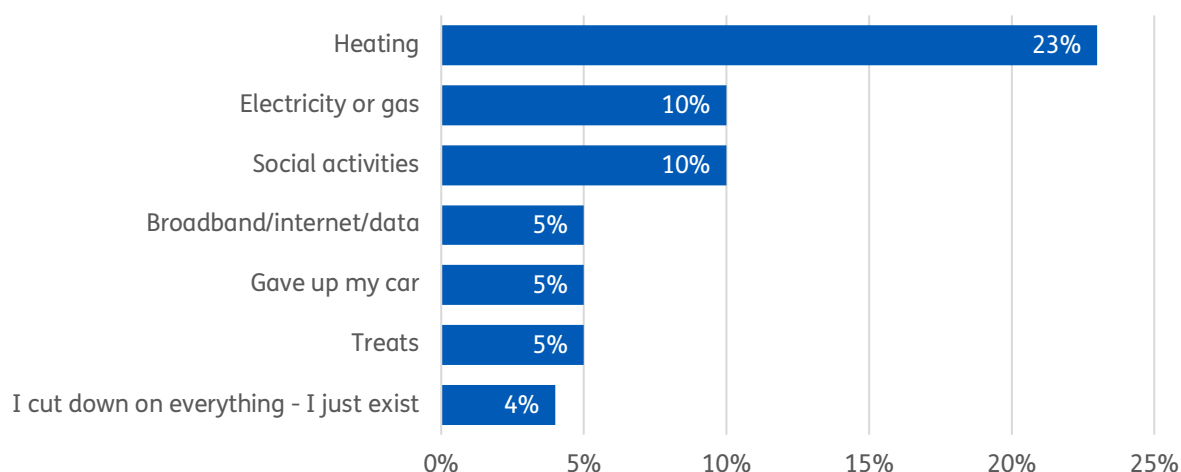
We also asked people whether there was anything they had gone without completely since making their claim for UC. This was an open question with no suggested answers. Researchers at SMR then coded and grouped together responses under common categories. Almost one in five (18%) said there are things that they have had to go without altogether, and of these people:

- > 23% had cut down altogether on heating;
- > 10% had cut down altogether on electricity or gas;
- > 3% had stopped buying essential toiletries;
- > 5% reported going without broadband and internet, particularly significant since people are expected to manage their UC claim online;
- > 5% reported giving up their car (5%), which may impact their ability to work.

There was also evidence that UC’s inadequacy pushed people into debt and arrears, with 3% saying they had given up on paying bills altogether and 1% reporting that they had missed car payments.

Our survey also found the bare life people have on UC. 10% said they had gone without social activities since claiming UC; 5% had foregone any kind of treats; and others had been forced to cut down on mental health counselling (2%) and dental care (1%). 4% responded that they had “cut down on everything – I just exist”.

Chart 10. What have you had to go without entirely since claiming UC? (n=111)



Once again, unemployed and economically inactive clients were more likely to say that there are things they have had to go without altogether than employed clients (employed, 9%; unemployed, 20%; economically inactive, 25%). Clients with a disability were also more likely to say that there are things they have had to go without altogether since making their claim for UC (21% vs. 13%).

3. “We just have to go without until money comes in again”:

Surviving on UC

In our interviews, people emphasised how distressing it is not having enough to go around, particularly when they cannot afford to buy things for their children.

- “It is hard, we just have to cope, I do sometimes run out of things like milk or bread so we just have to go without until money comes in again. I feel so disappointed with life sometimes. It’s a constant struggle to keep smiling.”
- “The kids come first. Clothes for them. My partner and I we have to do without. We are happy as long as the kids have all they need. But we have no treats, holidays, cinema, takeaways or pocket money. It really upsets me when the kids don’t understand.”
- “Due to health reasons, the diet that I and my son need is more expensive. I am not able to afford the groceries that we need.”
- “The kids get very disappointed and for me not being able to give them things is heart-breaking.”



3. “We just have to go without until money comes in again”:

Surviving on UC

Our clients’ experiences

Caït says that the key to making her money last is to think carefully before spending anything at all.

“Other than the essentials I have to think very carefully before I buy anything now, so there is no eating out, no alcohol and no petrol for the car.”

Glen tries to cook meals at home and ensure that he and his partner become less reliant on expensive takeaway food. He feels that this helps in some ways to make up for his financial reliance on his partner.

“I’m here all day while she is out at work. I cook more so it’s not as expensive as takeaways and our alcohol consumption is way down. It really is subsistence level living.”

Robert says that his UC is less than he expected it would be. Robert finds it very difficult to make his UC last for the full month.

“The monthly payments are too long and it’s hard to manage until the end of the month.”

“The rent has to be covered first. I cut back on food and try to buy economically by using value packs where I can, but still it’s not enough.”

Sheila says that they run out of some essentials before the next payment comes in, but they get by. She finds the situation depressing.

“We run out of things like fruit. You just do without until the next week.”

“Having to do without things has definitely impacted on our mental health. We feel awful, depressed, anxious about the future, worried about our children but there are others that are worse off than us.”

Sheila supplements her UC with a little from her savings each month. This strategy ensures that she can pay for essentials for the time being.

“So far we can pay the gas and electricity. We have a wee bit of savings, something put aside for a rainy day, but it’s disappearing fast.”

4. “It puts me in a worse situation paying it back”:

Debts, deductions, and sanctions

Summary

UC can force people into debt. As already outlined in our first report, almost half (48%) of people we surveyed said they had to borrow or take an advance to get through the five week wait, meaning they begin their claim with something to pay back.²³ But those struggling to afford basic necessities can also end up borrowing during their time on UC, trapping them in a cycle of debt and deductions.

Our survey found that, even after the five week wait:

- > **Over one in four (27%)** of those surveyed had to borrow money in order to pay for essentials.
- > A similar proportion **(26%)** said their loans and borrowing had gone up from the period before they had to claim UC to the time of the survey, suggesting that moving onto UC is directly linked to their taking on debt.
- > Most of those who had borrowed to get through the five week wait **(65%)** said they would find it difficult to repay this loan.
- > **People without a job, people who do not own their own home, and single parents** were most likely to have taken on debt to pay for essentials.

A working social security system should not require people to borrow money to make ends meet. Links between debt and poor mental health are well evidenced, which may introduce additional barriers to people finding and sustaining good work.²⁴ An urgent revision of the adequacy of UC, as well as a more sensitive and affordability-centred approach to the deductions that the DWP makes for government debt, will help put people on the right track.

Citizens Advice Scotland recommends

- > Abolishing the five week wait and introducing a non-repayable assessment period grant for all people claiming UC
- > Replacement of the DWP debt recovery process with a revised system based on a robust holistic affordability check that better reflects people's ability to pay, such as the Standard Financial Statement
- > Writing-off historic Tax Credit debt and other historic benefit overpayment debt

²³ See further 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, Section 5.

²⁴ See, among other sources, Elaine Kempson, [Independent Review of the Banking Code: Report to Code sponsors](#), September 2004; Money Advice Liaison Group, [Good Practice Awareness Guidelines for Helping Consumers with Mental Health Conditions](#), 2015; Money and Mental Health Policy Institute, [Income in Crisis: How the Pandemic has affected the living standards of people with mental health problems](#), June 2020.

4. “It puts me in a worse situation paying it back”: Debts, deductions, and sanctions

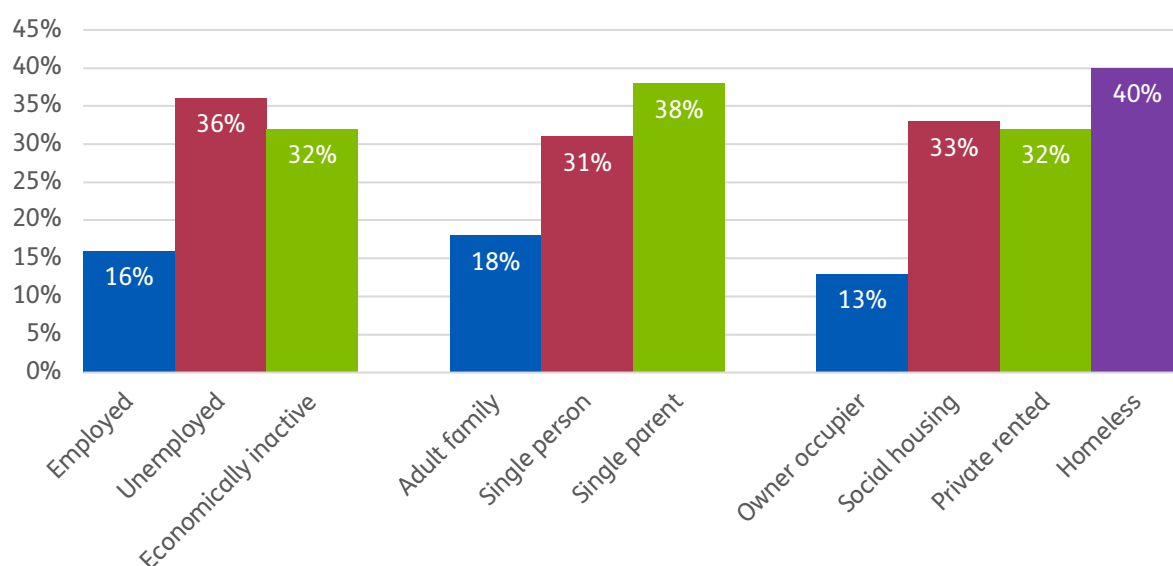
Our research findings

Debt and borrowing by people on UC can be divided into two groups: first, debts incurred privately to make ends meet; and second, DWP debts and deductions, in particular recovery of the advance payment many people take to cover the five week wait for first payment, which is deducted from the person’s next 24 UC payments.²⁵

The two are, of course, interconnected. Deductions made by the DWP reduce the already low amounts people receive from UC, and so people must compensate by taking out private credit to get them through the month. This traps people in a cycle of debt and hardship that can be difficult to escape.

Taking private debt first, over one in four (27%) of those surveyed had to borrow money in order to pay for essentials, with single parent families (adult family, 18%; single person, 31%; single parent, 38%), homeless people (owner occupier, 13%; social, 33%; private rented, 32%; homeless, 40%), and unemployed and economically inactive people (employed, 16%; unemployed, 36%; economically inactive, 32%) reporting this more commonly.

Chart 11. Demographics of clients who had to borrow to pay for essentials (n=601)



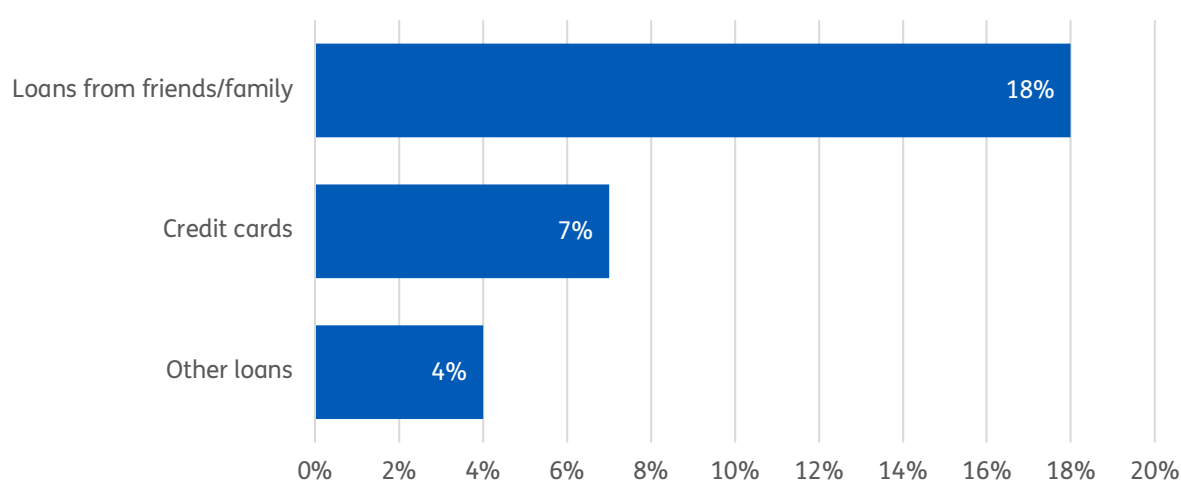
A similar proportion (26%) said their loans and borrowing had gone up from the period before they had to claim UC to the time of the survey, suggesting that moving onto UC was directly linked to their need to take on debt. Increased borrowing was again more common among single parent households and clients living in social housing (adult family household, 19%; single person household, 29%; single parent, 41%) (owner occupiers, 12%; social housing, 34%; private rented, 26%; homeless, 27%).

²⁵ The recovery period for advance payments was increased from 12 to 24 payments in the Spring Budget 2021, after the survey was conducted.

4. “It puts me in a worse situation paying it back”: Debts, deductions, and sanctions

Our survey found that people borrow from a variety of sources. 18% reported an increase in loans from friends and family; 7% an increase in credit card debt; and 2% reported loans from high street banks. Concerningly, 2% also reported taking out loans with unregulated lenders, suggesting that UC is pushing people into dangerous and unsustainable forms of debt.

Chart 12. Three most common increases in loans and borrowing from the period before UC claim to now (n=601)



Most of those we interviewed said they try hard to avoid borrowing because they know that it is only a short term fix and can be difficult to pay back:

- “I did borrow through the first lockdown from friends and family but I don’t do that now because it puts me in a worse situation paying it back.”
- “I borrow from my family most months. I try to pay them back eventually. I have a credit card but I don’t use it. I am currently paying off the balance.”
- “I have a doorstep loan. It’s not ideal but we can manage and it ends in a couple of months. We don’t borrow anywhere else and we have no credit cards.”

Many spoke of relying on family as they know they will not need to pay this back as quickly:

- “I borrow from other members of the family, but they can only help so much. Thankfully they don’t ask for it back so it doesn’t have a knock on effect. A charity buys the special footwear that my son needs. I don’t have any other loans; I couldn’t possibly pay them back.”
- “I have no loans and no credit cards. I sometimes get help from my daughters, but I don’t have to pay it back. I wouldn’t be able to.”

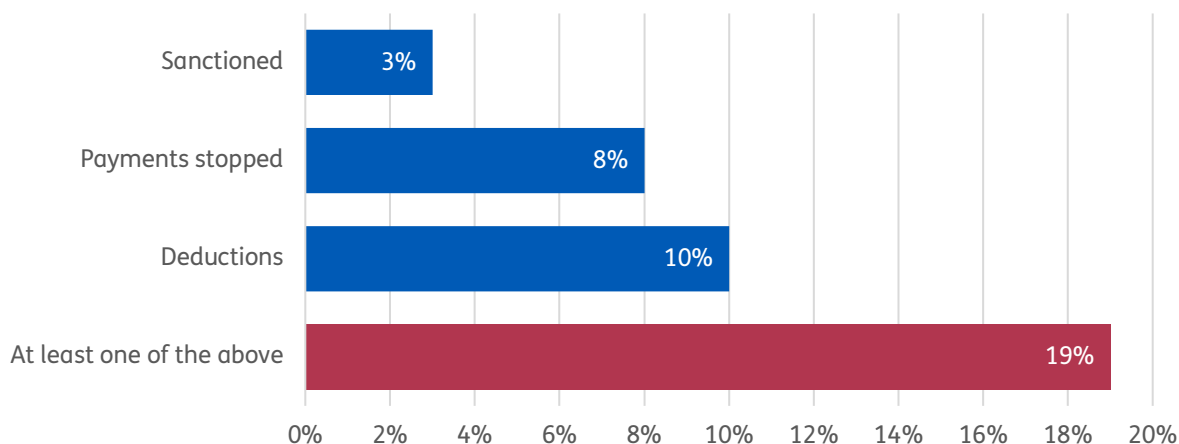
4. “It puts me in a worse situation paying it back”: Debts, deductions, and sanctions

Deductions made by the DWP add an additional layer of difficulty for people on UC. As outlined in our first report, almost half (48%) of people we surveyed said they had to borrow or take an advance to get through the five week wait. In a majority (61%) of these cases, people applied for an advance payment from the DWP (which is then recovered through deductions to their next 12 UC payments²⁶), 45% had taken a loan from friends/family, 6% had used credit cards, and 2% other loans. One person had used an unofficial or unregulated lender (0.3%), and 1% cited other sources.

Most of those who had borrowed to get through the five week wait (65%) said they would find it difficult to repay this loan, with around a quarter (26%) of those who would struggle saying it would be very difficult to repay.²⁷ Balancing budgets to pay these debts from already low UC payments contributes to the cutting back on essentials we saw in Section 3 of this report.

But the advance payment is not the only way in which a person’s UC payment can be reduced by the DWP. 19% of the people we surveyed had their claim sanctioned, their payment stopped, or were subject to deductions at some point during their time on UC. Chart 13 shows that 3% of clients reported having had their claim sanctioned, 8% had their payments stopped, and 10% had deductions from their payments. Clients who said they are homeless were more likely to report having had their claim sanctioned, stopped, or subject to deductions (owner occupiers, 14%; social housing, 22%; private rented, 15%; homeless, 47%).

Chart 13. Clients whose claim was sanctioned, stopped, or subject to deductions (n=601)



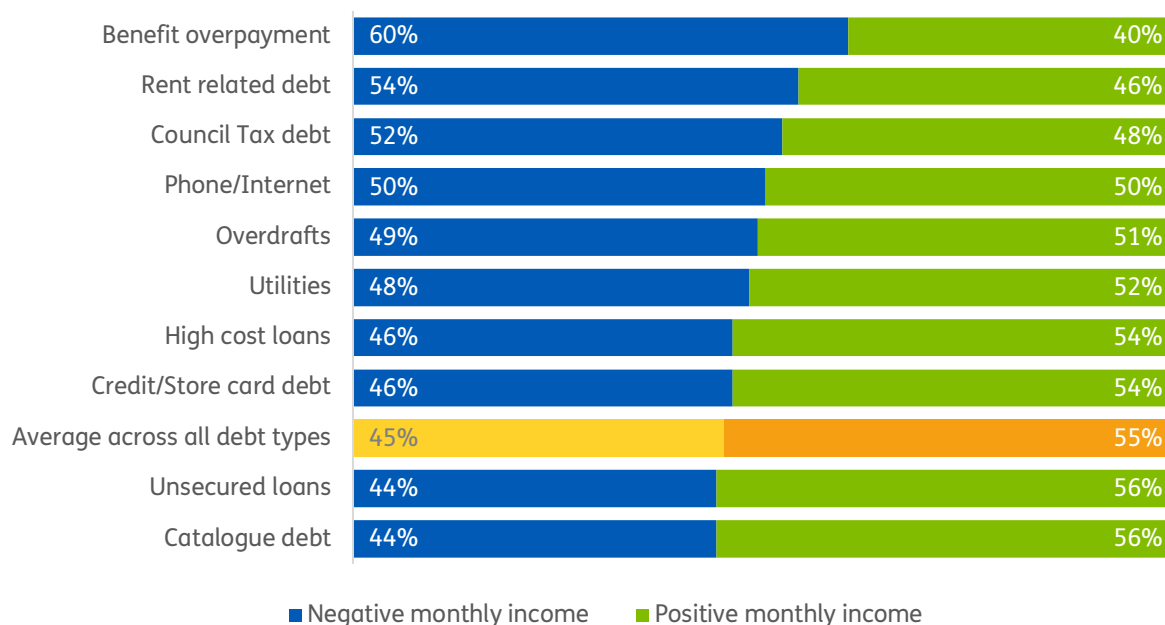
²⁶ The recovery period for advance payments was increased to 24 payments in the Spring Budget 2021, after the survey was conducted.

²⁷ See further 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, Section 5.

4. “It puts me in a worse situation paying it back”: Debts, deductions, and sanctions

The impact of this debt can be significant. In its recent State of Hunger report, the Trussell Trust found that the DWP is now the most common creditor for foodbank users, with 47% of all people referred to a foodbank indebted to the DWP. Of those repaying debts to the DWP, 77% were repaying their UC advance, 34% another DWP loan such as a budgeting loan, and 20% were repaying a benefit overpayment.²⁸ Separate CAS analysis of 1,928 of our complex debt clients²⁹ shows a similar picture, with the 131 clients with benefit overpayment debt more likely to have a negative monthly income than for other kinds of debt.³⁰

Chart 14. Debt types associated with positive/negative incomes



This shows the unaffordable nature of the current deductions scheme. While the maximum level of deductions has twice been lowered (from 40% to 30% in October 2019 and again to 25% in March 2021), currently there is no affordability check before deductions are applied. The maximum level of deduction tends to be used as the default level. This saddles people with inappropriate debt repayment structures that take no account of their individual needs and circumstances.

²⁸ Trussell Trust, [State of hunger: Building the evidence on poverty, destitution, and food insecurity in the UK \(year 2 main report\)](#), May 2021, page 56.

²⁹ 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.

³⁰ 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.

4. “It puts me in a worse situation paying it back”: Debts, deductions, and sanctions

As CAS outlined in a response to the Cabinet Office in 2020, DWP deductions are significantly harsher than comparable debt recovery schemes in the private sector.³¹ In 2018 the National Audit Office found that “Government lags behind the retail lending sector in following good debt management practice”.³² If a standard debt instrument such as the Standard Financial Statement (SFS) was used to calculate what is reasonable for a person receiving UC to repay to their debts, it is likely that only the smallest number of recipients would be considered in a position to make any repayments and that none would have 25% available income to spare in repayments. Reform of the DWP’s debt recovery procedures would help mitigate the severe hardship many face as a result of deductions.

In that same consultation response, CAS also called for a writing-off of historic tax credit debt. 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. One interviewee told us how he was fearful about high repayments for tax credit debt:



“Tax credits have been in touch to say I was overpaid. I have to pay that back and they are wanting £100 a month. That is going to be very hard.”

With thousands claiming UC for the first time as a result of the pandemic, there will be many who were previously on legacy benefits who will now be unexpectedly having deductions to recover these kinds of historic overpayments. This problem will only become more prevalent as the DWP begins its “Move to UC” campaign in 2021/22 to encourage legacy benefit claimants to claim UC voluntarily.³³

In agreement with the recommendations of the House of Lords’ Economic Affairs Committee,³⁴ 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.

³¹ Citizens Advice Scotland, [CAS response to the Cabinet Office consultation: Fairness in Government Debt Management](#), September 2020.

³² National Audit Office, [Tackling Problem Debt](#), 6 September 2018.

³³ Rightsnet, [DWP exploring an approach to “encourage” those who will benefit from moving to universal credit to do so voluntarily](#), 27 April 2021; Rightsnet, [“Voluntary move” to universal credit to “start in earnest” after the autumn and continue through 2022, says DWP](#), 7 July 2021; and Work and Pensions Committee, [Oral evidence: The work of the Secretary of State for Work and Pensions](#), 7 July 2021, HC 514, Q37–38.

³⁴ 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.”



4. “It puts me in a worse situation paying it back”:

Debts, deductions, and sanctions

Another interviewee told us of deductions for rent that were made wrongly by the DWP. He sought help from CAB and won his case, but in the meantime he received £100 less in UC. This caused him severe mental distress:

“They made deductions for rent payments which were all wrong. I went to CAB and they took them to court and won it back, but they (DWP) had put me into debt in the meantime. They totally disregarded my mental health. I was living hand to mouth during that time.”

As we also noted in our first report, 14% of those subject to sanctions, deductions, or a payment stopped felt they were not given a reason by DWP, which poses real difficulties if the person wishes to challenge and appeal these decisions.³⁵

Our clients' experiences

Sheila says that they rely on family to help them out when they need it.

“We rely on family to help us out, not actual loans because we could not afford to pay them back. And we are not maxed out on credit cards, we’re very mindful of this.”

They have loans from before the pandemic, but they have payment holidays from these and they have deferred their mortgage payments.

“We have ongoing loans, but we have some payment breaks. The mortgage has been deferred. We’re robbing Peter to pay Paul to keep the other payments up so that we maintain our credit rating.”

³⁵ 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, page 25.



4. “It puts me in a worse situation paying it back”:

Debts, deductions, and sanctions

Robert borrows from friends, especially at the end of the month when he has run out of funds.

“I borrow from friends at times, but everybody is finding it tight at the moment. Sometimes, at the end of the month, I have no money left at all and they help me out.”

He also depends on his local shop allowing him to have essentials and not pay for them until he is in funds again.

“I shop in the corner shop next door and I can get things on tick there. I pay them when my money comes through.”

Robert ran into problems when he received a late payment from his previous employer.

“I had received a belated overtime payment from my previous employer of £372 and UC had deducted it from my payment so I couldn’t pay the rent or bills. I called CAB and they organised a food parcel. CAB eventually got my £372 back for me, but it was a really hard time.”

This unexpected drop in his UC income seriously affected his mental health.

“My mental health was really bad at that time and I tried suicide twice. I’m on anti-depressants and sleeping tablets now and I see a psychiatrist.”

Glen sometimes has to borrow from friends and family even though he knows that he won’t be able to pay the loans back.

“I borrow from my girlfriend or family but can’t afford to pay it back at the moment. I can’t have a credit card as I’ve no credit history and maybe it’s just as well.”

Glen feels that he has to rely too much on his partner and hopes that this will not damage their relationship.

“It wouldn’t be adequate if I was on my own, but I share food costs with my girlfriend and she pays the way basically. I can’t say that I’m happy about that and it wouldn’t be good for us if that went on for a long time.”

5. “Just on the edge of managing”:

The impact of proposed cuts to UC

Summary

In the previous sections of this report, we’ve shown the difficulties people already face living on UC. This final section considers the future. First, it shows how worried people are already about their ability to continue paying for essentials, as well as the impact any emergency costs would have on their finances. Second, it looks at how people would cope with further drops to their income – a very real possibility, considering the UK Government’s plans to cut UC’s basic allowance by £20 a week in September.

Our survey results present a difficult picture for people on UC:

- > **Nearly six out of ten (59%)** said they are worried about energy bills in their current situation.
- > **More than half (55%)** are worried about affording food and other household shopping.
- > **Half (50%)** are worried about mortgage or rent payments.
- > **Most** said they would be unable to cope if their UC income dropped, with **61%** unable to cope if it dropped by £10 per week, **74%** unable to cope if it dropped by £20 per week, and **78%** unable to cope if it dropped by £30 per week.
- > If these cuts went ahead, **26%** said they would be unable to pay for essentials and **14%** said they would be unable to buy food.

With UC already struggling to meet people’s needs, cutting its basic allowance is the wrong direction to head in. For many, the income drop may be larger than £20 a week. With the in-work threshold for UC dropping by over £1,400 as a result of the cut,³⁶ those already near the income threshold for UC entitlement may be moved off of the system altogether, ending their entitlement to passported benefits like the £10-a-week Scottish Child Payment.

While the DWP has notified people on UC of the upcoming cut, they have only stated its impact on the basic allowance of UC, meaning many in work will be unprepared for the larger income shock that this cut could bring. The UK Government must reverse its decision and protect the incomes of the lowest paid.

Citizens Advice Scotland recommends

- > Cancelling the £20 a week cut to UC in September
- > Better DWP communication if the cut does go ahead, particularly on its impact for people in work and accessing passported benefits such as Scottish Child Payment
- > Support services including DWP helplines to be properly resourced to support people in need if the cut goes through

³⁶ Income earned from employment on UC is “tapered”, with a person’s UC reduced by 63p for every £1 they earn. The annual value of the £20 a week cut (£1,040) means those in work can earn an additional £1,424.80 a year before their UC entitlement ends.

5. “Just on the edge of managing”:

The impact of proposed cuts to UC

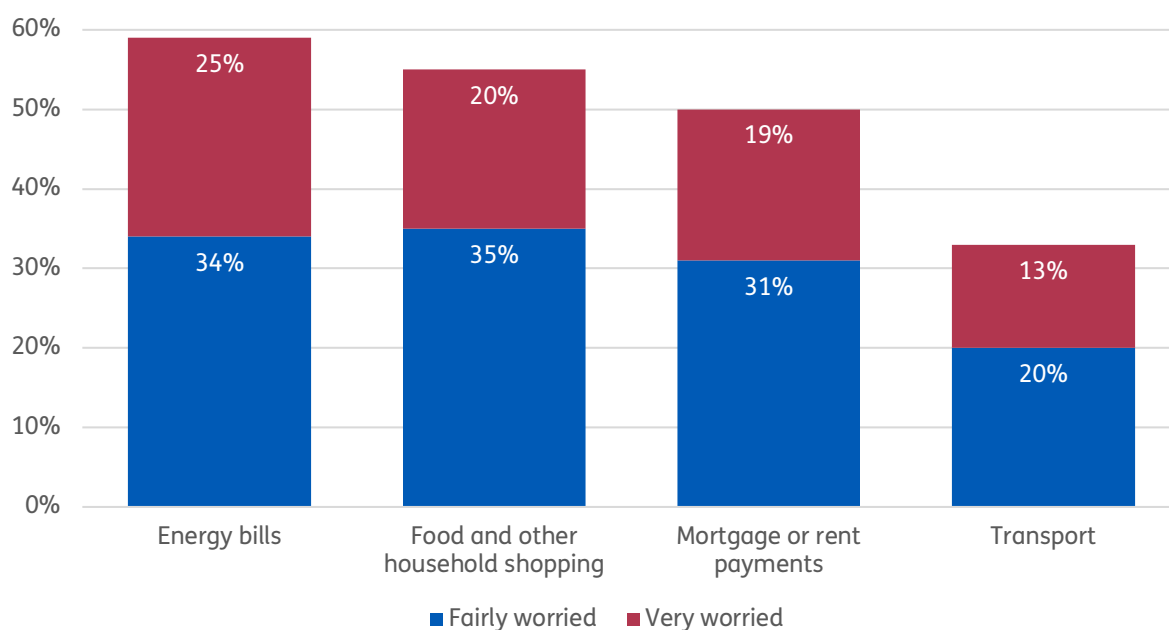
Our research findings

In the previous sections of this report we’ve shown the hardship people already face on UC. Many have had to make hard choices on what essentials they can afford and have even borrowed to pay for basic essentials.

What is clear from our survey is that people do not expect these costs to become easier to deal with:

- > Almost six out of ten (59%) said they are worried about energy bills in their current situation (fairly worried, 34%; very worried, 25%);
- > More than half (55%) are worried about food and other household shopping (fairly worried, 35%; very worried, 20%);
- > Half (50%) are worried about mortgage or rent payments (fairly worried, 31%; very worried, 19%); and
- > One in three (33%) are worried about transport (fairly worried, 20%; very worried, 13%).

Chart 15. Thinking about your current situation, how worried if at all are you about paying for each of the following? (n=601)



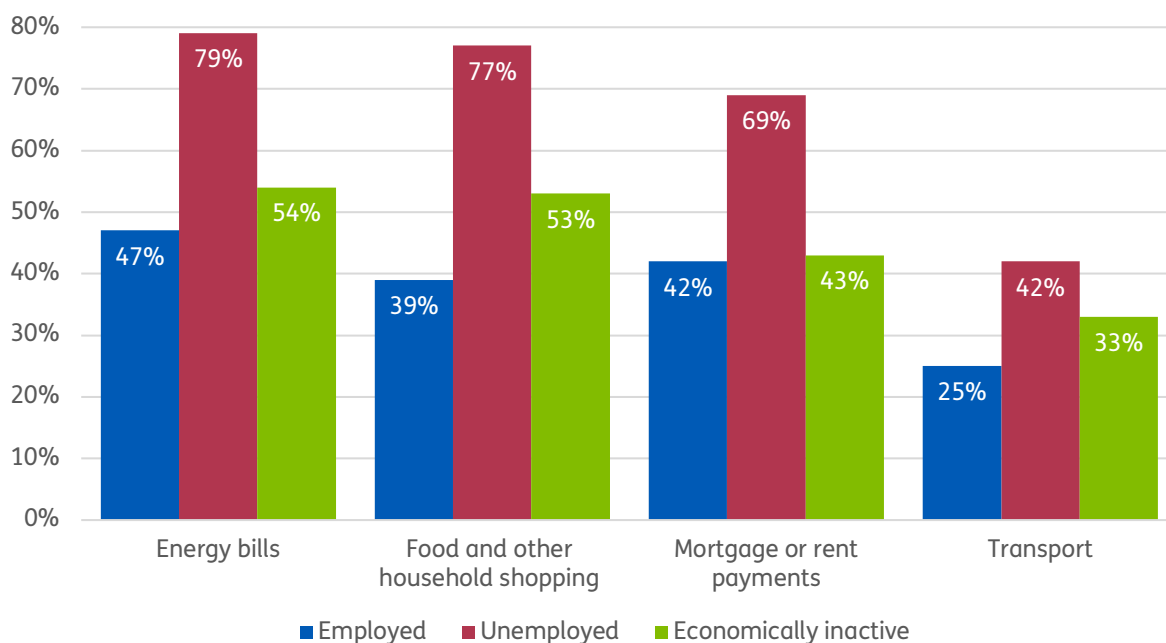
5. “Just on the edge of managing”:

The impact of proposed cuts to UC

Unemployed people were significantly more worried about their ability to pay for essentials. They were 68% more likely to be worried about paying their energy bills and transport costs (energy bills: employed, 47%; unemployed, 79%; economically inactive, 54%) (transport: employed, 25%; unemployed, 42%; economically inactive, 33%), 64% more likely to be worried about their mortgage or rent payments (mortgage or rent payments: employed, 42%; unemployed, 69%; economically inactive, 43%), and almost twice as worried about paying for food and other household shopping (employed, 39%; unemployed, 77%; economically inactive, 53%).

In all cases, these numbers remain far higher than one would expect from a strong and sufficient social security system.

Chart 16. Impact of employment circumstances on worrying about paying for essentials (n=601)



Some interviewees have a little put aside for emergencies and could cope with an unexpected expenditure if, for example, their washing machine broke down:

- “I have a wee bit of savings and if I didn’t have them I’d have to go to a charity shop or go for a freebie if someone is changing theirs.”
- “It would be very hard but I have a couple of very small private pensions. If I didn’t have those pensions the bailiffs would be round.”
- “I put a wee bit aside and have a small amount of savings, but it would wipe that money out if something had to be replaced.”

5. “Just on the edge of managing”:

The impact of proposed cuts to UC

Others have no savings at all and could not afford a replacement:



“Disastrous. Right now, I have to choose between paying my Direct Debits and buying food. How could I afford to buy a new washing machine? Just not possible.”

Some were aware of emergency payments, but knew from the experience of others that they may not be accessible or sufficient to buy a replacement:



“I might get it sorted on the cheap or go to Scottish Welfare Fund. Otherwise, I’d find myself in a very difficult position, I’d have to go to a charity.”



“I’d apply for an emergency grant, but they are never enough. You might get half of it, but you can’t buy half a washing machine.”

With this in mind, the UK Government’s confirmation that it intends to cut UC by £20 a week at the end of September is concerning. While this figure may not sound significant on its own, for a UC claimant out of work that represents as much as a 25% cut to their income overnight.³⁷ Recent polling of people on UC by the Trussell Trust found that 18% were unaware of the upcoming cut,³⁸ and the DWP’s own communications have only focused on the £86.67 reduction to UC’s basic allowance, failing to mention its wider impact for those in-work or near the income threshold for UC entitlement.³⁹ These people may experience a larger income drop, for example, if their UC entitlement ends as a result of the cut and they lose access to the £10-a-week Scottish Child Payment. Full awareness of the implications of the cut is key for people to budget effectively.

³⁷ See Citizens Advice Scotland, [MP Briefing on Fall in UC Real Terms Value since 2013](#), 10 February 2021.

³⁸ The Guardian, [Universal credit cut will come as shock for claimants, says Labour](#), 20 August 2021. Wider polling of the public by Turn2Us (cited in the same article) found 36% were unaware of the £20 cut, suggesting that awareness of the cut will also be low for anyone who claims UC in the future.

³⁹ Rightsnet, [Claimants now being notified via their online accounts of the date of the last payment of their universal credit “uplift”](#), 13 August 2021. The DWP’s journal notification reads:

“You have been getting an extra £86.67 each month since [individual date for claimant]. This is a temporary increase because of the coronavirus (COVID-19) pandemic. This increase will end soon.

Your payment on [individual date for claimant] will be the last time you receive this amount.”

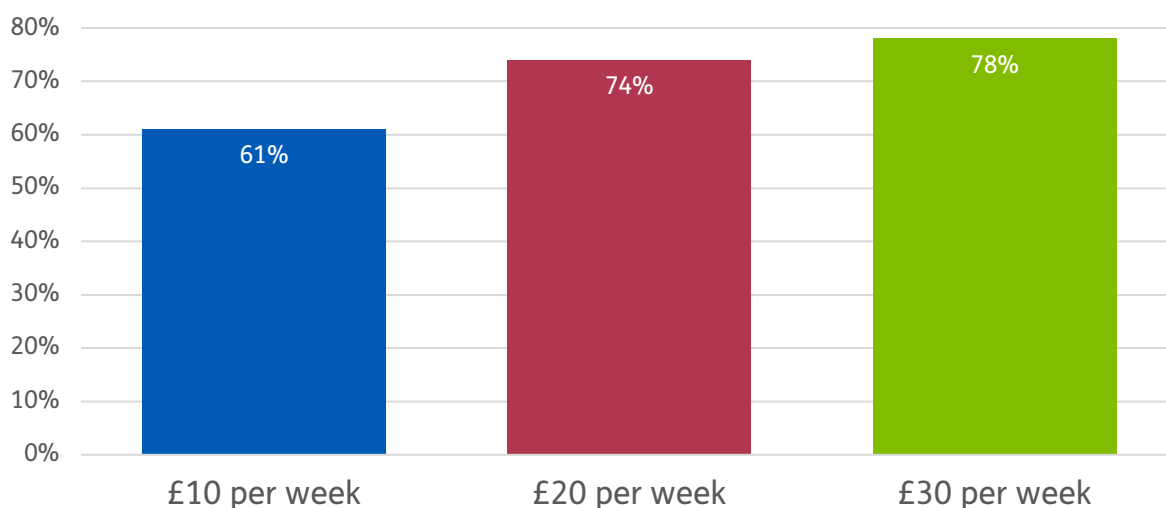


5. “Just on the edge of managing”:

The impact of proposed cuts to UC

Most clients said they would be unable to cope if their income dropped by £10 per week (61%), £20 per week (74%), or £30 per week (78%). Only a minority of clients said they could cope with a drop in income of these different amounts (£10 per week, 32%; £20 per week, 19%; £30 per week, 16%). This means the majority of the people we surveyed will struggle significantly if the £20 a week cut goes through, with the added risk that those taken off of UC and consequently losing entitlement to Scottish Child Payment will face a cut of £30 or more.⁴⁰

Chart 17. Percentage of respondents who would struggle if their UC was cut by the following amounts (n=601)



⁴⁰ Scottish Child Payment is paid at £10-per-week for each child under 6, meaning families with more than one young child may experience even greater hardship.



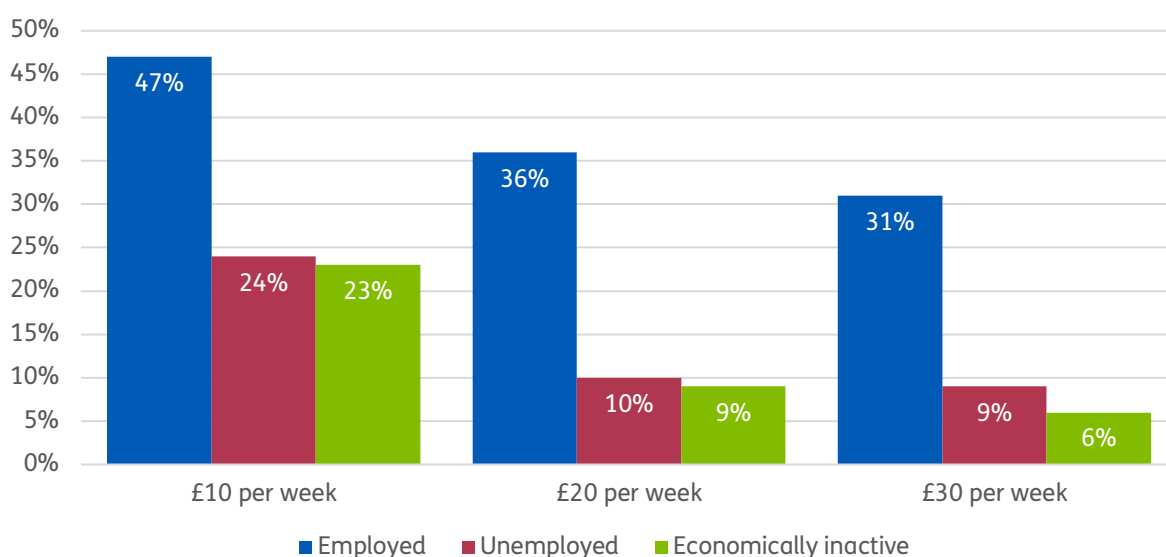
5. “Just on the edge of managing”:

The impact of proposed cuts to UC

Across the board, those employed at the time of the survey were more likely to say they could cope with a drop in income. 47% of employed clients said they could cope with a drop in income of £10 per week compared to 24% of unemployed clients and 23% of economically inactive clients.

These figures fell for all groups as the cuts got deeper: only 36% of employed people, 10% of unemployed people, and 9% of economically inactive people could cope with a cut of £20 per week; and only 31% of employed people, 9% of unemployed people, and 6% of economically inactive people could cope with a cut of £30 per week.

Chart 18. Demographic data on ability to cope financially if your income was reduced (n=601)



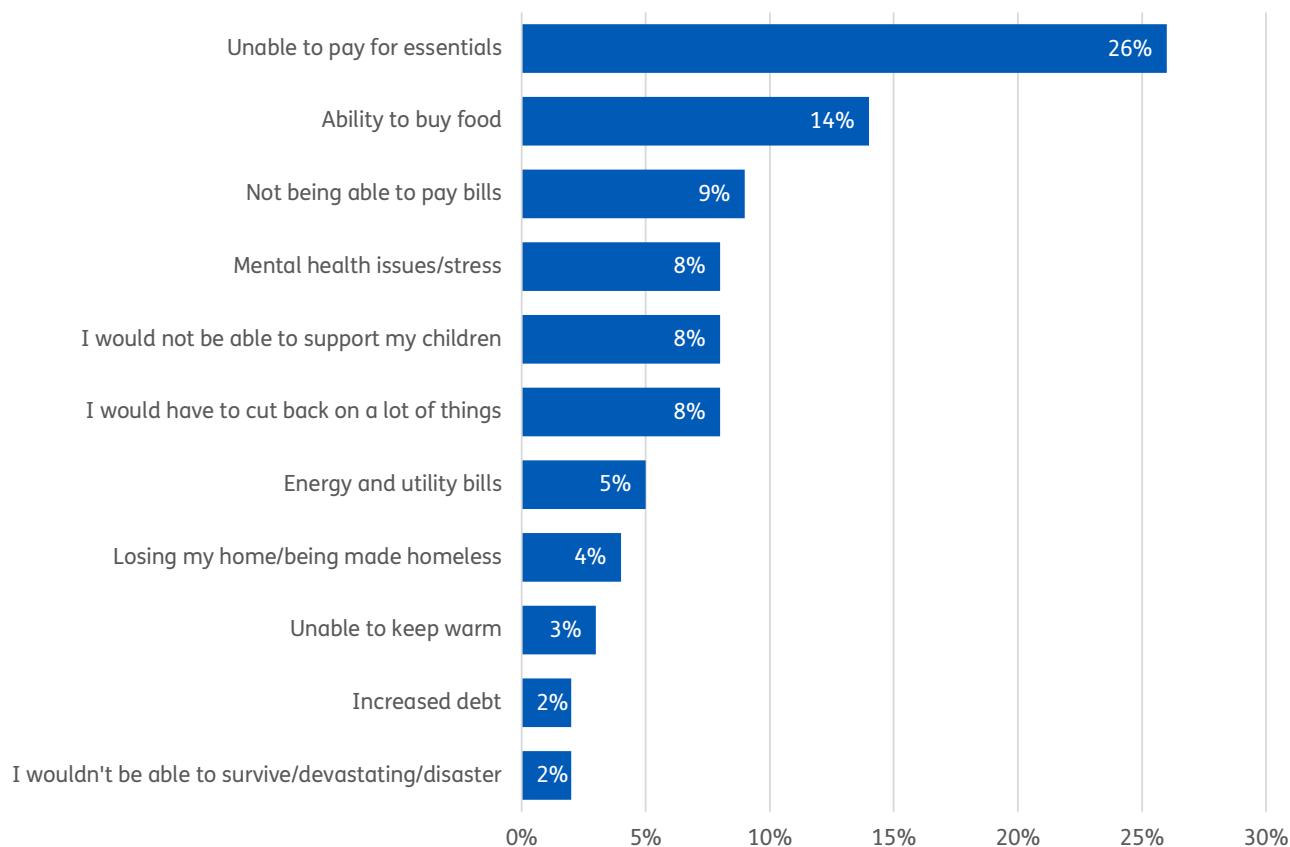
5. “Just on the edge of managing”:

The impact of proposed cuts to UC

Clients were asked what would be the single biggest impact that loss of income would have on them. This was an open question with no suggested answers. Researchers at SMR then coded and grouped together responses under common categories.

26% said they would be unable to pay for essentials, with 14% saying a loss of income would impact on their ability to buy food. Other common impacts included: not being able to pay bills (9%); having to cut back on a lot of things (8%); inability to support their children (8%); mental health and stress (8%); energy/utility bills (5%); losing their home and being made homeless (4%); increased debt (2%); and reduced living standards (1%). 1% said they would need to use a foodbank and 2% responded “I wouldn’t be able to survive/devastating/disaster”.

Chart 19. What would be the single biggest impact that loss of income would have? (n=601)



5. “Just on the edge of managing”:

The impact of proposed cuts to UC

Most interviewees said that they were just about managing or just getting by on UC. There is no money for extras and nothing for even the smallest of treats that might make lockdown more bearable. All the interviewees were conscious of the need to be careful, to budget well, and to make sure the necessities are taken care of. Nevertheless, some are having to make choices between essentials such as food and heat. Some commented that the only reason that UC is adequate at the moment is because of the £20 a week increase during Covid. They fear what will happen if it is cut:

“OK, it is tight but if I am careful it is alright, there is no money at all for extras.”

“Just on the edge of managing, anything extra to pay out and I will not be managing.”

“I keep my outgoings to the bare minimum except for the mortgage.”

If UC were to be cut again, the amount left would not be adequate for recipients' needs:

“I was told by the job centre that it would be much more of an increase from JSA but the temporary uplift has made it just about adequate.”

“It's just about enough, but that's only because of the £20 uplift, that takes it to the level where it should be. I hope it stays there.”

“I am managing better now with the £20 uplift. I would really struggle if I didn't have that.”



5. “Just on the edge of managing”:

The impact of proposed cuts to UC

Our clients’ experiences

Sheila says that, with their savings being used up for essentials, they would find it difficult if there were unexpected bills or expenditure.

“That would be a disaster. We’d have to ask family for help or ask for a freebie from somewhere.”

If there was an unexpected expenditure, **Glen** says that it would cause real difficulties.

“I just don’t buy anything. We needed a new floor mop the other day and I couldn’t afford even that. I try to fix things that are broken rather than replace them.”

He does not even have enough to replace small items at the moment.

“If we run out of things we just try to make do. I can’t afford any new clothes. Our fall back is to survive on beans and baked potatoes.”

To make his finances last **Neal** budgets carefully but he dislikes the fact that he only has enough to get by on and no more. He says that it would be difficult if there was an unexpected bill because he is just about managing as it is.

“I’m okay, I don’t run out of things. I make sure the bills are all paid but miss the little luxuries like going to the cinema or a short break away somewhere. If the washing machine broke down I’d just have to go without until I could get hold of one, maybe secondhand or from a charity. It would be a problem.”

Neal says that he is getting by, but he gets lonely and he found the winter hard on his own. He says that he gets “very down” sometimes.

“Winter was awful as I’m on my own. I get very lonely. I take a lot of painkillers that kind of knock me out. Sometimes I feel very down but tomorrow’s another day. I’m just trying to stay alive.”

5. “Just on the edge of managing”:

The impact of proposed cuts to UC

Robert has no reserves and does not know how he would cope with an unexpected expenditure.

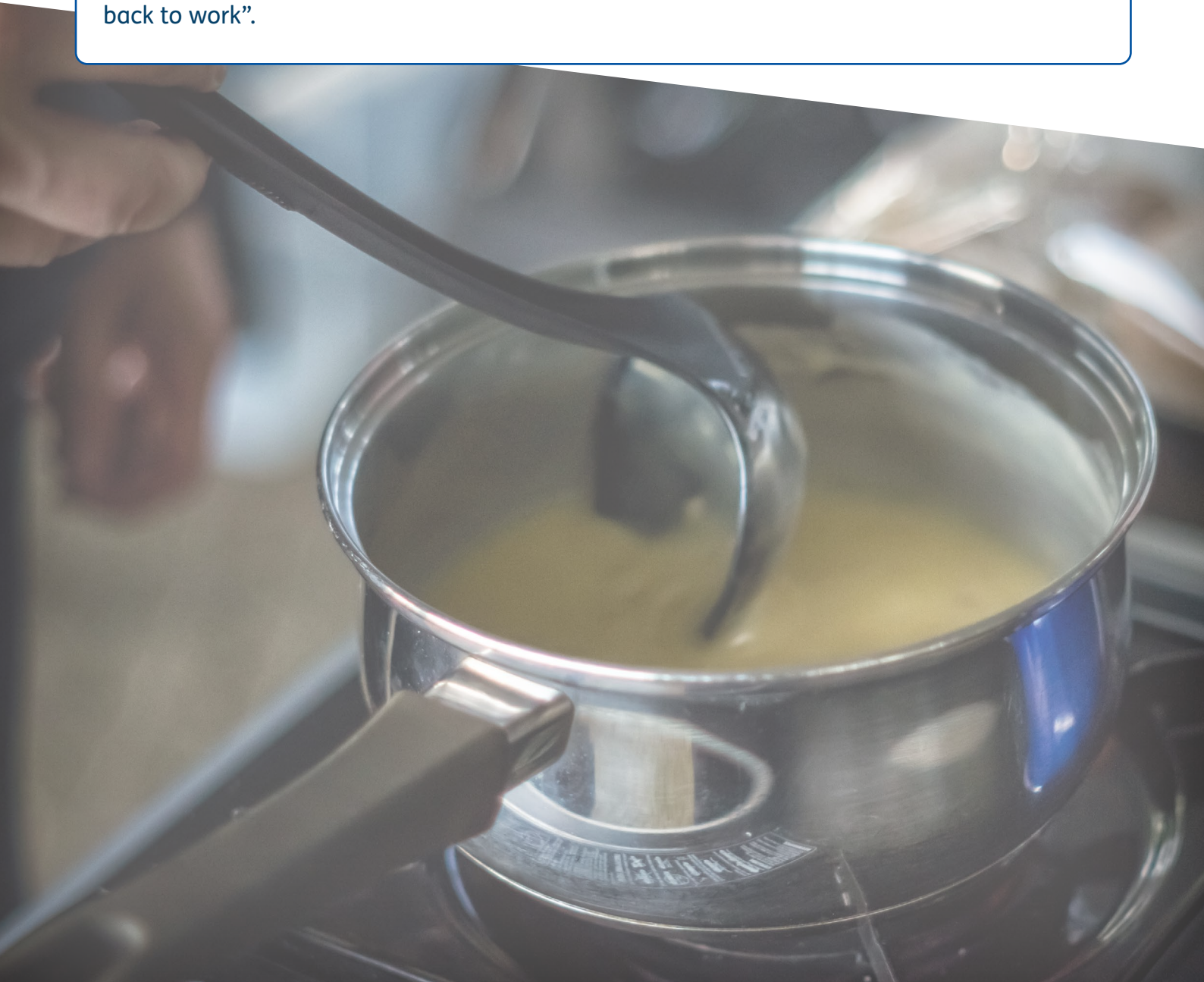
“I would ask friends and neighbours to keep me in mind if they were renewing anything like the time my bed was broken and I had to throw it out. I slept on the sofa until a neighbour was renewing theirs and gave me their old one.”

Robert is finding things difficult. He has developed ways of coping that he thinks no-one should have to use. His mental health is poor as is his quality of life.

“I run out of heat and when I do, I just go to bed at 6.30.”

“I just eat what I have to eat. Sometimes that is nothing”.

“I’m really struggling. I’ve no money for essentials never mind luxuries. I just want to get back to work”.



6. Conclusions and recommendations

The pandemic has been a struggle for everyone. Requirements to stay at home and the closure of public spaces have left people isolated and anxious. But as our survey found, those on low incomes have had it even harder, often going without heating, food, and other essentials.

These findings should force us to look at how strong our social security system really is. Is it good enough that more than two in three said UC was inadequate for their needs? Can we call it effective when one in four had to borrow to make ends meet? Can a person on UC really be expected to find work when they have no heating, electricity, or food?

Ensuring that UC offers an effective safety net is vital for those individuals who need to rely on it. But it also supports our wider society. 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. Adequate social security support can lift people out of poverty and prevent huge and unnecessary public spending by reducing demand on other services.

People on low incomes spend their money in their local communities, meaning any cut to social security is a cut to some of the most deprived local economies.⁴¹ For the £20-a-week cut planned in September, that's half a billion pounds a year being taken out of the Scottish economy and more than £6 billion being taken out across the UK.⁴² With our pandemic recovery still underway, we need to encourage this kind of spending.

Many of our interviewees commented on their hopes for the future. Some expressed anxieties about their health:



"I just worry about my health and whether I've enough money to stay well. I want my children and my grandchildren to be happy and have a good future."

Others expressed hope that they could find work and move off of UC:



"If I can keep a roof over my head for now and then get a job, I'll be okay."



"I just want to make sure I get back to a steady job and don't get into a sticky mess like now or lose my job again."

And some hoped for only the barest essentials:



"In the future? Not having to choose between paying for the utilities and having proper food. That would be good."

Ultimately, we need to view the pandemic as a stress test for our social security system. Future lockdown restrictions, recessions, or other economic shocks could see numbers spike again to the levels we've seen over the past 18 months. We need to know the system will support people when they need help most.

Strengthening, not cutting, our social security net is the right step forward.

⁴¹ 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."'

⁴² 481,074 (number of people on UC across Scotland) and 5,923,820 (number of people on UC across the UK) multiplied by £1,040 a year.

6. Conclusions and recommendations

Citizens Advice Scotland recommends

A commitment to ongoing review of social security payments to ensure they meet everyone's needs:

People should not be pushed into hardship when they seek to rely on the social security system. Yet of the people we surveyed, 67% said what they received from UC was inadequate to cover their needs. UC's basic allowance should be reviewed to ensure that it is meeting the basic needs of everyone who requires support.

A review of UC as an in-work benefit, including reintroduction of Work Allowances for everyone and a reduction of the Taper Rate, to make sure UC properly supports those in employment:

UC is intended to encourage people into work by continuing to support people in low income work. But our survey shows that 70% of those in employment found UC to be inadequate for their needs. A reintroduction of Work Allowances for everyone and a reduction to the Taper Rate will allow people to keep more of their income each month and give them the security to look for good, secure, and well-paid jobs.

Introducing an income protection payment, to properly support those who have lost higher-paid work and protect against income shocks:

Over seven out of ten (71%) said the amount they received on UC was lower than what they are used to living on. Introducing an income protection payment will prevent income shocks for those previously on higher wages and allow for advanced budgeting and a smoother transition onto UC.

Introducing policy measures to target high housing and utilities costs: A majority (56%) reported that their spending had gone up on at least one necessity, with particular spikes in heating and electricity (50%), food (40%), and housing costs aside from rent (27%). Unfreezing and uprating Local Housing Allowance, increasing the Warm Home Discount, and other policy measures should be considered to alleviate the financial pressure for those on the lowest incomes.

A permanent increase to the basic allowance of UC: For any social security system to work, it must allow people to meet their basic needs. Our survey found that almost two in three (64%) cut down on at least one necessity during their UC claim, including heating (47%) and food (20%) – and this is with the £20 a week increase. UC must be uprated permanently so people are not forced to cut back and borrow just to make ends meet.

Abolishing the five week wait and introducing a non-repayable assessment period grant for all people claiming UC:

Most of those who had borrowed to get through the five week wait (65%) said they would find it difficult to repay this loan. People should not have to choose between going without income for five weeks or taking on debt and deductions from their future payments if they want to exercise their right to social security. Introducing a non-repayable assessment period grant to replace the current Advance Payment system will help tackle exclusion and allow people to safely access their right to social security without fear of debt and hardship.

6. Conclusions and recommendations

Replacement of the DWP debt recovery process with a revised system based on a robust holistic affordability check that better reflects people's ability to pay, such as the Standard Financial Statement:

DWP deductions are significantly harsher than comparable debt recovery schemes in the private sector. If a standard debt instrument such as the Standard Financial Statement was used to calculate what is reasonable for a person receiving UC to repay to their debts, it is likely that only the smallest number of recipients would be considered in a position to make any repayments at all and that none would have 25% available income to spare in repayments. Reform of DWP debt recovery procedures to reflect this reality would help mitigate the severe hardship many face as a result of deductions.

Writing-off historic Tax Credit debt and other historic benefit overpayment debt: Tax credit debt has often been incurred many years prior to a 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. In agreement with the recommendations of the House of Lords' Economic Affairs Committee, 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.

Cancelling the £20 a week cut to UC in September: The Government's plan to cut UC by £20 a week in September will be disastrous for those on low incomes. 74% of the people we surveyed said they would be unable to cope if their UC income dropped by £20 per week, with 26% saying they would be unable to pay for essentials and 14% saying they would be unable to buy food. Reversing this decision and making the £20 a week increase permanent is vital for supporting our pandemic recovery.

Better DWP communication if the cut does go ahead, particularly on its impact for people in work and accessing passported benefits such as Scottish Child Payment: Cutting UC's basic allowance will also lower the income threshold for UC entitlement, which is required for families to access passported benefits like the £10 a week Scottish Child Payment. DWP communications on the cut have so far failed to mention this impact on passported benefits. If the cut is not cancelled, people must be alerted to this risk immediately, in order that they can prepare and budget for the significant overnight cut to their income.

Support services including DWP helplines to be properly resourced to support people in need if the cut goes through: Recent polling of people on UC by the Trussell Trust found that 18% were unaware of the upcoming cut. This, combined with poor existing messaging on the impact of the cut on entitlement and passported benefits, means many will not see the cut coming until their monthly payment drops. DWP must ensure support services are adequately resourced to deal with any influx in advice needs if the cut goes through.

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