

UK Parliament Work and Pensions Committee: an inquiry into the current state of the UK's welfare safety net

Response from Citizens Advice Swansea Neath Port Talbot

Food bank usage

Since Universal Credit went full service locally, first in Neath Port Talbot in October 2017 and then in Swansea in December 2017, here at Citizens Advice Swansea Neath Port Talbot we have seen increasing use of foodbanks. Our staff and volunteers regularly bring in food donations in order to enable us to provide emergency food parcels to people unable to get to the foodbank before it closes for the day, so they can eat that night.

Evidence from the Trussell Trust shows that: *'When Universal Credit goes live in an area, there is a demonstrable increase in demand in local Trussell Trust foodbanks. On average, 12 months after rollout, foodbanks see a 52% increase in demand, compared to 13% in areas with Universal Credit for 3 months or less. This increase cannot be attributed to randomness and exists even after accounting for seasonal and other variations.'*¹

In terms of our own provision, in 2016 we gave out a total of 132 foodbank vouchers, an average of 11.5 per month. In 2017, we gave out 193 foodbank vouchers, an average of 17 per month. More specifically, for the two months of December 2016 and January 2017 combined (prior to Universal Credit) we gave out 9 foodbank vouchers. A year later, for the two months of December 2017 and January 2018 combined, during which Universal Credit was full service but still new in both Swansea and Neath Port Talbot, we gave out 42 foodbank vouchers.

In October 2018 we gave out 24 foodbank vouchers, for a total of 28 people.

- 5 were children
- 8 had a disability and/or health condition.

There were a range of reasons for needing for foodbank vouchers.

- 6 of the 24 vouchers were given because of problems with UC. These included low income due to incorrect calculations. 4 of these were issued because the client had no income at all as they were awaiting their first payment. 1 person refused to take out an advance payment because they knew it would push them into debt.
- 4 of these vouchers were needed for issues relating to debt: 3 of these were for clients whose main source of income was UC.
- 3 were issued due to problems with ESA. The most prominent issues were people being found fit for work and left with very little or nothing to live on whilst they pursued their right to appeal.
- Other reasons for issuing food vouchers included: low income due to asylum status; and appeals for other benefits, such as PIP.

¹ <https://www.trusselltrust.org/what-we-do/research-advocacy/universal-credit-and-foodbank-use/>

Universal credit²

Challenging Times; an Uncertain Future

Universal credit (UC) has been rolled out fully across Swansea, Neath and Port Talbot since October and December 2017. It now replaces legacy benefits for all new claimants. Though it streamlines the welfare system, the rollout has not been smooth. Our clients have come to us disproportionately affected by debt, citing various elements of Universal Credit as an exacerbating, if not directly causal, factor.

Considerable efforts have been made by our advisers to alleviate this through one to one advice sessions, telephone and drop-in support. Since the overarching aim of Universal Credit is to move people off benefits into employment, it is a deeply unfortunate irony that the list of effects includes a drastic reduction of these people's chances of immediate and future employment.

Laying the Foundations for Change

Citizens Advice Swansea Neath Port Talbot has been working with clients and government bodies to develop a system which preserves the financial capability and resilience of the individual. In Neath Port Talbot we have a partnership arrangement with Neath Port Talbot Council, and the Department for Work and Pensions. We provide Personal Budgeting Support to clients referred to us by the Job Centre. The service aims to ensure individuals are receiving all financial support they are entitled to, as well as providing guidance about living on a low income. This includes looking at outstanding or new debts, to make sure clients are managing them the best they can. At our Swansea Central office we also offer Assisted Digital Support to those who need help to make their initial claim, as the benefit is mainly administered online. We break down the claims process; the next steps a client can expect; what they need to do now, and how to manage their claim going forward.

The Path to the First Payment

A Universal benefit should be universally accessible. The reasons for claiming UC were as diverse as our community. Many had lost their jobs due to redundancy, or an employment contract naturally came to an end. Others had felt forced into leaving their jobs due to conditions at work. A few of those interviewed managed to find work quickly, but more commonly clients were looking for work long-term. Many expressed dismay at needing to claim when they did, forcing them to wait weeks before receiving a single payment. Other clients stated they claimed UC because something had changed in their lives which forced them to move onto UC and halted their current claims and leaving some worse off. Others were too sick to work due to physical or mental health conditions. For these claims, the process of making the initial claim online was harder. Many had to rely on friends or family members to make their claim for them, or they came to us for guidance.

In Swansea, one client stated they had received help at the civic centre to fill in the form.

² The following are extracts from *Universal Credit and Debt: The Impact of Personal Budgeting Support* published by CASNPT October 2018

Most clients were able to make their claim themselves within a couple of days, and for a small majority the claims process ran smoothly. The clients who required help from us to make their claim were either seen on the same day, or arranged an appointment on a one-to-one basis with our adviser. However, some had to make multiple claims due to technical errors before their payments began to be processed and assessed. These claimants were caused significant financial hardship which is detailed below. A few clients found difficulties with verifying their identity using the online systems, for example, those who were not IT literate, or one who possessed a European non-British passport. Some of these clients required further guidance, the provision of which is also detailed below.

Most clients then received their first payment within 5-8 weeks. Some believe they may have been paid within 5 weeks. There were a few who waited far longer however: one client stated that there were so many mistakes she had to wait 7 months for a single payment. She ended up having to take out multiple advance payments totalling £1,400, all of which have to be paid back.

Complications

Lack of information about changes to their award

Often the amount of Universal Credit you receive will fluctuate from month to month. The amount you receive as your first payment can often be reduced to reflect your individual circumstances such as pre-existing income. Of those asked, 60% of clients we asked understood why these later changes took place before they happened, but around 40% did not and were still unsure.³ Some still didn't know why changes had occurred when they came to us for advice much later on during their claim.

Sometimes if a client made their claim for UC before they received their final wages instalment from their previous employer after being made redundant, this amount would be factored into next month's calculations, resulting in a reduced award for that month. For every client this applied to this came as an emotional and financial shock, as they had not been informed prior to the fact. The results were negative for many.

Providing clients with sufficient information to manage their claim in the months ahead is vital to protecting a person or families' financial resilience. The extent to which clients felt that key elements of their claim had been explained to them was therefore concerning. A majority did not understand how their claim was calculated and had not had this explained to them until they spoke with an adviser. Most did know and understand how many hours they had to spend looking for work, but fewer knew how to ask for changes in their claimant commitment due to circumstances and when to do so before speaking with us. This trend has the potential to trip people up unnecessarily, preventing them from receiving all money and options they are entitled to. Worryingly, this also sets up claimants for future overpayments (therefore future debts), and punishing sanctions.

Universal Credit should not set claimants up for failure automatically. Claimants should be made aware of the basics of how payments are calculated. This will allow them to

³ % of 10 responses from clients surveyed from case record sample

plan ahead, improving their resilience in the face of fluctuations. This allows both families and individuals to avoid running into unnecessary financial shocks.

Inflexibility

Everyone must sign a commitment which states what work-related activities each claimant needs to do whilst on UC, which allows for circumstances such as childcare responsibilities. However, it seems some client groups are not catered for sufficiently by the UC system. Conditionality agreements are not flexible enough. Armed forces families can be barred from claiming entirely due to income levels, despite the extensive costs of living and circumstances they face. Low income families, particularly single parents, also struggle. Juggling full-time working and/or job seeking at threat of sanction puts significant strain on the parent, mentally and financially. One client stated she already worked 30hrs a week and originally just wanted to claim tax credits for her 10 year old as a single mum. Only being eligible for UC meant that she also had to look for more work, which forced her to spend less time with her young children. Another despaired at the level of financial and job-seeking support he had received as the sole parent of his children, and feared for the future; his Universal Credit award barely gives him the financial support he needs while he looks for work.

The notion that a Universal benefit can be so out of step with low income families, even those who look for work or work nearly full time, flies in the face of what Universal Credit was meant to stand for. One vulnerable individual handing in sick notes was told to make it look like he was looking for work regardless while he waited for his disability assessment, because "that's just how the system works". He ended his claim in fear of being at risk of accusations of fraud, in distress and in debt.

The system itself is designed to accommodate a person's circumstances. The interview a claimant has with their work coach is an opportunity to take into account child care, illness or other responsibilities. It is vital that this opportunity for fairness is exercised appropriately to avoid putting extra strain on the individual where unnecessary. As a Universal benefit, UC should not accidentally exclude or marginalise less visible members of our community.

Institutionalised Debt

It is deeply concerning that 95%⁴ of clients we surveyed felt that their debt situation had become worse since claiming Universal Credit. There was universal consensus amongst clients that the award they received was crippling and unrealistically low, severely limiting their ability to manage their finances and stay out of debt. Advisers regularly agreed, acknowledging that some clients were already budgeting as much as they could. There was simply nothing more they could do to alleviate the symptoms of living on such a low income.

It became clear from the responses that many claimants are pushed firmly into a cycle of debt. A large number of clients fell into dangerous forms of debt like fuel or rent arrears, non-payment of which can lead to outcomes which are proven to severely

⁴ % of 22 clients surveyed, sourced from the sample of case records

decrease a person's quality of life.⁵ The threat of eviction seemed omnipresent in claimants' minds. For some, it became a reality.

By attempting to use low awards as an incentive to move off benefits and look for work, the award fails to operate fundamentally as a social security. It does not provide the protection from destitution that it should, nor does it support people into work. Instead, it forces claimants into a poor quality of life which can have long-term consequences.

Incorrect calculations

Incorrect calculations sprang up either as part of Universal Credit's response to changing circumstances or as part of the calculation of the initial payment. Mistakes included drastically reduced or non-existent housing allowance awards and incorrect awards for children living at the household, which served to further reduce an already minimal monthly award... or push them to the brink of homelessness.

Some clients presented with incorrect calculations made concerning other benefits such as Carers Allowance or Income Support claims, where entitlement to these benefits had ended and yet they were still factored in as income as part of the monthly UC assessment. One client appeared to have been underpaid around £400 each month, leaving himself his partner and 14 weeks' old child with considerable debts. Another client found his account was closed due to income records suggesting he earned too much to claim, but in fact his income fluctuated from month to month and therefore should never have been closed; he may have been entitled to around £500 of backdated payments which would repay what had become two claims' worth of advance payments.

A few were charged with overpayments they had received through no fault of their own, and which they would not necessarily have been able to notice by themselves. Such overpayments made in error are challengeable, but if a claimant does not know their rights then unfair deductions for overpayments further reduce the money they actually receive each month.

The impact and frequency of incorrect calculations is concerning, and flies in the face of the security that welfare should be providing. If rollout across the country is to continue it is vital that administrative errors are addressed swiftly to avoid jeopardising the financial stability of the most vulnerable members of our community.

The wait for the first payment, and the advance payment

There is officially a 5-6 week wait before being paid your first payment. If someone needs help to get by whilst waiting for this, they can request an advance payment totalling up to the maximum amount of UC they are potentially entitled to. Those who did not request an advance relied on entering into other forms of debt, primarily borrowing from family or friends or taking out loans... or omitting to pay for essentials. Once payments start, the advance is deducted each month out of your payment before you receive it. This amount can only be reduced to a minimum payment which depends on the amount of Universal credit you receive. People receiving UC are therefore forced onto and under the poverty line. Repayments leave claimants with precious little of their

⁵ Qualitative data sourced from 56 case records and surveys conducted separately funded by the Postcode Lottery Fund

award each month to live on, because they had needed that money to live on during the waiting period.

It is concerning that administrative errors delaying receipt of the first payment force clients into owing the DWP even more than their maximum award. If a client is forced to make multiple claims their 5-6 week wait is technically extended. We spoke to some clients who became entitled to an advance twice or even three times, because they had to make multiple claims. The wait for their first payment left them with no option but to request the advance.

The result is to force people into long-term debt. This is unnecessarily unfair. The rate at which the deductions will come out of future awards will largely be out of the claimants' control: the claimant will be shouldered with long term debt through no faults of their own, and the ability to balance their finances in the face of emergencies, changing circumstances or hardship is severely limited.

One client only requested an advance of under £100 because they didn't want to end up owing the DWP too much money. Instead, they borrowed from family members to get by. Another received over £1400 due to problems with their claim forcing them to have to make multiple claims, forcing them to request more advances to ensure they had any income at all.

Over and over again, we were told that the stress had taken its toll on clients' lives. The one client who found work before receiving his first official payment had in fact received advance payments. This meant he claimed UC with no debts, and left it with Universal Credit as his only debt.

Unlike other debts, the advance payment is deducted at a rate which can only be reduced by a certain amount depending on how much you're entitled to, and even this must often be fought for. This means that even if you are in severe financial hardship, claimants will not receive your monthly maximum entitlement for months. As it is deducted before claimants receive payment, this leaves them with very little to buy food, or pay back other debts. From the moment someone takes out an advance payment to survive the 5-6 week wait, they are burdened with what operates like a loan, but with practically no flexibility.

Since most who request the advance are already in a fragile financial position, this structural unfairness discriminates against the least well off in society, making it that much harder to improve their living conditions and manage their finances.

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