

October 2018

UNIVERSAL CREDIT

& THE SHRINKING
HOUSEHOLD
BUDGET



Feeding Britain

Feeding Britain is a charity, which was established by a cross-party group of MPs and Peers to implement the main recommendations from their report on hunger in the United Kingdom. The report, *Feeding Britain: A strategy for zero hunger in England, Wales, Scotland and Northern Ireland*ⁱ, was published in December 2014 at the conclusion of an eight-month inquiry, which was co-chaired by Frank Field MP and the Bishop of Truro. The MPs and Peers published a follow-up report, *A route map to ending hunger as we know it in the United Kingdom*ⁱⁱ, in December 2015.

The charity undertakes practical action to prevent and relieve hunger in towns, cities, and counties across the UK. It also seeks to learn and apply the lessons from these activities, in an attempt to influence government policy and address the root causes of poverty.

Hunger Watch

A key element of Feeding Britain's programme is to demonstrate in each of its pilot areas how hunger and its underlying causes can be addressed, and to identify the downward forces on families' and individuals' living standards that make it increasingly difficult for them to put food on the table.

This exercise, 'Hunger Watch', is carried out through a monthly conference call with representatives from each of Feeding Britain's twelve pilot areas who collect evidence and present case studies on the main causes of hunger in their communities. Feeding Britain also gathers testimonials and case studies on an ongoing basis from individuals with lived experience of hunger, and from organisations and front-line services, to identify emerging issues and hidden aspects of hunger.

For this report we have gathered over 100 submissions with reference to nearly 200 unique case studies from front line services, local authorities, and those with lived experience from across eleven of our local pilot areas which include: Ayrshire, Birkenhead, Barnsley, Bradford, Bristol, Coventry, Cheshire West and Chester, Derbyshire, Leicester, Liverpool, and South Shields.

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Feeding Britain is a registered Charitable Incorporated Organisation (CIO) in England & Wales, 1163986, and is a Scottish charity, SC048470, regulated by the Scottish Charity Regulator (OSCR).

Summary

Over the past decade, food banks and other forms of emergency food aid have become an established feature in communities across all advanced Western economies. Stagnant wages, a growth in insecure and exploitative jobs, and cuts to the welfare system have left a small army of people unable to meet the costs of living and with nowhere else to turn but their local food bank.

While community groups and charities work incredibly hard to administer food aid with warmth, dignity, and compassion, it is impossible to ignore the reality that when a person is unable to choose and purchase the food and other essentials they need to live, they are in effect being barred from active participation in society as an equal citizen. They have become a dependent on the charity of others.

It is against this backdrop that the rollout of the Government's flagship reform to the benefits system, Universal Credit (UC), is taking place. Individuals and families are already vulnerable to even the slightest of changes in financial circumstances when UC sweeps in and causes further devastation. We have heard from front line service providers, charities, local authorities, academics, community organisations, and those with lived experience of the benefit, that the rollout of Universal Credit is leaving a significant minority of people in dire situations and is directly contributing to the number of people having to use food banks.

The overarching aims of UC are to simplify the benefits system and encourage more people in to work through financial incentives. While these aims are noble, the framing itself has led to some problems. Getting more people in to work is important, but it is crucial that we also recognise many people who are seeking benefits are not able to work and should not by any reasonable person be expected to in their circumstances.

For example, some of the cases we received relayed horrific situations where people with terminal illnesses, severe mental health issues, and/or chronic debilitating illnesses or disabilities who were receiving Employment Support Allowance (ESA) and/or Personal Independence Allowance (PIP), were being deemed "fit for work" at medical assessments and advised to move on to UC where they then lost a significant amount of financial support. This transition process risks leaving extremely vulnerable individuals without any payment at all for a minimum of five weeks, and places onerous requirements on them to both reapply for their benefits and begin fulfilling claimant commitments which they find physically or mentally impossible to meet. People are ending up in rent arrears for the first time in their lives, are having to rely on family members and food banks to afford food and are forgoing crucial health and social services to cover their other bills.

Upon reading these cases one can not conclude that the entire cohort of people seeking benefits need to find work to alleviate their poverty – some are unable to work, and this may well continue throughout their lives. The system must therefore be flexible enough to help those who can work to move in to employment, and to help them increase their earnings, while at the same time providing enough support and leniency throughout the application process and beyond for those who can not. Failure to do so leaves a large portion of already vulnerable claimants open to extreme stress, hardship, and in some cases, destitution and significantly worse health.

While there are some serious injustices within the current design and delivery of Universal Credit, we believe that it can be fixed so that it works for everyone. Universal Credit has set out to make a complicated benefits system more efficient and flexible. This remains a vitally important objective, but

only on the condition that it continues to serve and protect the people it is intended to help. If it is not working for those who are most vulnerable in our society, and if it is causing further financial hardship for those already suffering under extremely low wages and insecure employment types, then something has got to change – and fast.

It is in this spirit of urgency that we have compiled this report on some of the key problems arising from Universal Credit, along with a range of recommendations for addressing them. Our three key calls to action for preventing further hardship are that:

1. The Government must aim to reduce the debt burden on households on low incomes, by turning the emergency short-term loans being offered during the waiting period in to a claimant's first payment;
2. The Government must not begin the process of moving claimants of existing benefits onto Universal Credit until those claimants have been pre-populated in the new Universal Credit system. This will ensure no gap in income opens up when claimants are moved onto Universal Credit. As this new benefits system was the decision of the Government, claimants should not be forced to go through the application process again and risk being left with no money;
3. The rollout of Universal Credit should not proceed any further until the Government has met a series of minimum terms which collectively guarantee that no claimant – new or existing – will be exposed to hunger or destitution.

The Changing Face of Poverty in the UK

Through our work with local organisations and service users nationally we know that poverty, and hunger in particular, is not just affecting those who experience chronic unemployment, but also those who are currently in work, or who have worked for most of their lives. In some cases, people are not experiencing poverty because they have no income from work, but rather because their income is altogether too low, unpredictable, and volatile to afford life's essentials and withstand sudden unexpected expenses like new school uniforms or replacing broken furniture.

Keeping up with the cost of living

It is generally understood that in advanced Western economies like the UK, widespread poverty is due in part to the rising cost of living (the inflation in real terms of housing, food, and utilities), paired with stagnating incomes in real terms (whether through employment or social security benefits). These economic factors have been worsened by the gradual erosion of the welfare state for working-age families.

Whereas in the post war period, when lower income households were experiencing for the first time a growing margin of income after essentials were covered, we are now seeing a claw back of progress. With the loss of this financial margin, budgets become more stretched or are plunged in to crisis with the smallest of cuts to income or surges in unexpected expenses. The steadily rising number of food banks and independent food aid projects in this country are a clear symptom of this socio-economic reality and are demonstrative of how the voluntary sector is having to step up to meet the needs of vulnerable people in our communities.

As the report which led to our creation noted in 2014, on the phenomenon of food banks:

“No authority sends anyone to prison for being hungry and, in order to prevent a court directed eviction for rent arrears, or a court order to cut off their utility supplies, many families go without food and therefore see food banks as reintroducing that buffer in their finances which many have lost.”ⁱⁱⁱ

In just four years after the report was published, the Trussell Trust foodbank network has released figures which indicate that the need for food aid is on the rise and that hunger is becoming a more chronic and permanent blight on our society. In 2017-18, 1,332,952 3-day emergency food parcels were distributed by a network of 1,235 foodbanks. In 2014 this number was just over 1 million food parcels which were distributed by an estimated 400 foodbanks^{iv}.

This surge in food banks is unprecedented, and yet it is still only one part of the picture. There is a growing number of food aid projects independent of the Trussell Trust food banks which now operate across the UK. The Independent Food Aid Network has estimated that there are at least 787 such projects, although it is likely that there are many we are still unaware of^v.

While we can know generally how many community-run food aid projects there might be, this does not reflect the true level of need, as many people do not access food banks due to a sense of stigma or are unable to reach one because of mobility issues, or long travel distances. These individuals must either rely

on family or extended networks (if they have them) or are forced to make difficult decisions to go without food or cut other essential costs.

Employment and Benefits

It is against this backdrop that Universal Credit is being rolled out across the UK. While having the potential to simplify a highly complex system, by merging six means-tested benefits into one payment, several injustices have become apparent within both the design and delivery of Universal Credit that are leading to chronic hardship. Benefits related issues are the single fastest growing reason for referral to a foodbank – something which is set to worsen as Universal Credit continues to roll out in its current form^{vi}.

Problems arising from Universal Credit

1. Digital access and technological inclusion

Universal Credit (UC) is an online benefits system which requires technological literacy and access to basic technology to complete applications, monitor claims and, in many cases, look for work on an ongoing basis. While access to internet and basic computer skills are now thought to be an essential requirement for everyday life, all too many claimants either do not have the technological literacy needed to submit a claim, or do not have easy access to computers, tablets or smart phones with internet access.

Mistakes made within the online form, an unresponsive system of online communication through each person's 'journal', or a failure to submit fully and monitor claims online, can lead to failed applications, sanctions, and individuals dropping out of the system all together. This is particularly true for older members of society but is also being seen amongst those experiencing homelessness and/or destitution, and those who have not picked up the skills they need to use an online system.

In 8% of the cases we received it was explicitly stated that the online nature of the new benefits system posed a major barrier to participation and resulted in delayed or incorrect payments and in some instances, sanctions.

Case Study 1

A single mum who was not computer literate was briefly shown how to login to the UC system and told that she needed to monitor her online journal to find out the date and time of her next appointment with her work coach. She stated that the appointment did not appear in the journal and thus missed the date. As soon as the appointment was missed her claim was cancelled and she could no longer access the online journal or connect with her work coach. Weeks later when no payment had been received she learned that her claim had been cancelled and she would need to make a new one. The entire process took well over 7 weeks, leaving the claimant and her child in destitution and reliant on food banks and the good will of the community. Two months later she was offered a basic computer skills course by a community centre to help with the ongoing monitoring.

Case Study 2

A couple were in receipt of benefits before transitioning to UC. Whilst one partner was employed full time the other struggled to find new work after having a child. The couple received one letter telling them to change over to the UC online service but were ill during the 2-week time frame they were given to change over. Upon missing the deadline their payments were completely stopped and they were sanctioned for two weeks. With assistance from a local community centre they were able to properly submit their online application and were paid two weeks later.

While there is some level of initial support offered by work coaches it is not enough for those who cannot use a computer and does little to alleviate the issue of accessing technology on a regular basis. While

libraries, community organisations and some Job centres can offer some limited (and often timed) access to the internet they are in many cases unable to keep up with demand.

Recommendations:

1. Feeding Britain recommends that the Government must weave together a ‘digital safety net’ to protect claimants from unnecessary suffering.

In particular, local Jobcentre Plus offices should be required to form new and closer working partnerships with community projects that are able to support people making their initial claim for Universal Credit and provide computer literacy training and access to computers and internet. This could be done in part to assist vulnerable individuals struggling to submit and monitor their claims, but also as a means of upskilling claimants who would like to move in to work.

In October 2018 the government announced that Citizens Advice will be funded from April 2019 onward to support claimants through every step of the Universal Credit process. We are supportive of this move and believe that it is a first step in offering more hands on support for claimants.

2. Feeding Britain recommends also that immediate action is taken to ensure vulnerable people are not locked out of the benefits system.

If an application is made and dropped, or if a claimant fails to report to a first appointment as scheduled in their online journal, for example, attempts need to be made to contact them and understand what happened. When people drop out of the system they are in many cases the most vulnerable in society. The Department for Work and Pensions should monitor and provide data around how many applicants drop out of the process from initial contact and onwards. If possible, this data should also show how many have dropped out due to difficulties with the online application process. In addition, the Department should ensure that UC documents and forms are available in Easy Read formats at every Jobcentre Plus. Our evidence has indicated that while the above might be readily available in some areas, it is not yet fully rolled out across the country.

2. Monthly assessment periods

Universal Credit is designed to make single monthly payments to claimants as a way of mirroring more accurately how an average worker in the UK is paid. This is intended to ease their later transition in to work- even though many will never work in the future due to insurmountable health issues, disabilities, terminal illnesses, or their age. CPAG UK have also pointed out that for those who do move in to work after benefits, many become employed in jobs that are more likely to be paid weekly, twice monthly, or at random^{vii}. The assumption that a monthly payment will work for most people who are claiming benefits has led to serious problems both with budgeting and accurate assessments of monthly payments. This in turn has led to hardship with the most extreme version resulting in rent arrears, an inability to pay bills and budget for essentials, and evictions.

Under UC, assessment periods run for a calendar month and begin from the date UC is awarded. Each month a claimant’s income and circumstances are reassessed to calculate their payment, and to consider

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whether it needs to be reduced because of extra earnings or changed circumstances. Payment is then made a week later with no information provided around deductions or how the payment has been calculated.

While there have been several issues raised already which stem from the monthly assessment period- most exhaustively by CPAG UK in their report “Rough Justice”^{viii}- we will focus specifically on the issues raised in our case studies most frequently:

- i. Issues accurately calculating payments for claimants who are not paid on a monthly cycle

For those who are paid fortnightly or weekly, the monthly assessment period makes little sense. Some months will have higher reported earnings while others will be lower depending on which month the paydays occur in. This leads to a high variability of UC payouts despite there being no change in earnings. This results in difficulties with budgeting, particularly as most claimants are caught unaware that there will be variation in their payments.

Case Study 1

A single parent moving on to UC who is working part time and attending college to become a pediatric nurse struggles on an income (including UC payments and work) of around £500 per month. To make her budget stretch she regularly sacrifices meals to ensure her child is well fed. She receives fortnightly payments, and thus has 3 pay days in some months and 2 in others. This distorts her actual monthly income and results in a benefit cap.

Case Study 2

A single parent on a zero hours contract received five weekly payslips in one monthly assessment period rather than the usual 4. This resulted in her entire UC payment being wiped out for that month, leaving her unable to pay rent and having to rely on her local foodbank.

Case Study 3

A couple with 5 kids are routinely benefit capped on UC despite their average earnings being under the threshold at which the benefit cap is meant to be applied. One partner is on a zero hours contract, and when he works 17 hours a week they are benefit capped and lose £500 a month.

Concerns have been raised that self-employed claimants are experiencing hardship because of UC. This is primarily due to fluctuating earnings which make it difficult to meet requirements of the minimum income floor within a monthly assessment period.

- ii. Problems arising for claimants changing jobs or recently moving in to work

UC aims to make the transition for people moving in to work much easier through financial incentives and ongoing reassessment of their earnings. In practice however, it is clear from the cases we have been receiving that the monthly reassessment period is not delivering on this objective.

Case study 1

A man's hours at work had changed, and upon notifying the DWP he was suddenly left without any payments for two months. During that time the entire household, consisting of two adults and two children, were left with very little earnings, and became reliant on foodbanks.

After being previously unemployed and struggling to afford food, a woman found a new job. Her UC claim was stopped while it was being reassessed because of her new job which did not have its first payday for +20 days in the future. She was left without any income for weeks and had to use the local foodbank to get by.

Case study 2

A woman who was on a zero hours contract was told by her employer at the start of her UC assessment period that there would no longer be any work for her. Due to the monthly nature of assessment periods her UC claim would not adjust to her lack of earnings until the end of the month, leaving her without pay for a number of weeks. Soon after she began a new job at the end of the month and was concerned about how long it would take UC to once again adjust to her new earnings. During this time, she had to rely on foodbanks.

Recommendations:

In the longer term the DWP should rethink the strict monthly assessment policy as it is not reflective of the changing work environment and the reality of payment cycles for those on benefits. The system needs to be reworked so that it can cope with more than one payment in a single assessment period. With that in mind we propose the below recommendations which might be introduced in the short or medium term to reduce hardship.

1. Use averaged earnings for benefit cap decisions and for those on non-monthly pay cycles.
2. Use regular monthly pay where applicable to determine awards.
3. Allow for the assessment date to be changed at the discretion of UC staff to avoid problems when paydays land within a single assessment period.
4. The assessment should take account of the period for which the claimant has been paid, not just the amount they have been paid.
5. Provide more information to claimants about the potential for their payments to fluctuate monthly.
6. Develop tools which would assist claimants to calculate what their payments should be, given the dates of their assessment period and when their paydays fall.
7. Provide information and tools to help claimants budget given the lack of consistency between payments.

3. The Real Time Information System and inaccurate earnings reported from HMRC to UC

UC payments for people in work are calculated on the basis of Real Time Information (RTI) provided to HMRC by employers. In Birkenhead and Coventry this process has been reported as burdensome for small businesses, and in many cases has led to HMRC receiving inaccurate information, and individuals receiving inadequate payments. It has also been highlighted that some employment agencies have found it to be less hassle to pay fines for inaccurate information rather than spending time to ensure calculations are correct.

Coventry Citizen's Advice has also pointed out that live service areas have only been available to a very limited cohort of claimants with the simplest of personal circumstances. They have thus warned that problems with UC calculations will become a major issue once full service roll out is accelerated. This will be particularly true for working claimants with constantly changing income who are reliant on the good will of employers providing accurate and timely data to the DWP.

There is no commitment nor any incentives for employers to get this information right- especially when dealing with so many people with changing circumstances. In addition, the DWP does not currently collect statistics around incorrect payments due to RTI issues. If RTI information is incorrect, but UC is paid correctly on this basis, the DWP is still counting it as a success.

Case Study 1

In Coventry, a client suffered serious financial hardship because the employment agency responsible for providing such information had mixed up his records with someone else's and provided the wrong data.

Case Study 2

An unmarried couple, both in work, received an unusually low monthly UC payment. They fell two months behind with their rent and needed to use a foodbank. The man had given up his job as a delivery driver because he could no longer afford petrol for his car. In response to an enquiry about the low payment, the DWP stated that the earnings information received by UC via HMRC were incorrect. Furthermore, this error had either been made by the employer or by HMRC but not UC. Therefore, the complaint would not be upheld as there was no evidence of a service failure.

Case Study 3

A claimant was left on the brink of destitution, with no money for food, gas or electricity, when their UC payment suddenly dropped by more than £500. The entirety of their wages were required to pay the rent, leaving them with little else to live on. A portion of the drop was accounted for by historical debt, but the DWP also stated in response to an enquiry that: "During the assessment period, the constituent's employer reported earnings on two separate occasions which were taken in to account, reducing their award of UC accordingly. In the previous assessment period the constituent did not have any earnings taken in to account as they were reported late by their employer."

Case Study 4

A claimant's monthly payment was reduced when their employer provided payment information two days early because their pay day landed on a Sunday. As a result, two paydayes were recorded within one assessment period and no paydayes would be recorded in the next assessment period. The department stated that "It would appear the constituent's employer inadvertently contributed to her current financial difficulties (by changing the date they reported her income through RTI which produced as a consequence a higher than normal income during the assessment period, thus reducing her UC award."

Recommendations:

To some extent a number of these cases might not occur if the monthly assessment period were adjusted to allow for more than one payment and fluctuating paydayes. With that said, the issue around accuracy of information remains. We thus recommend that:

1. The DWP should begin monitoring accuracy of information being passed through the RTI system.
2. The DWP should provide clarity around who is responsible for ensuring accuracy of information.

4. Waiting period and issues with advance payments

Universal Credit is paid monthly in arrears and if all goes perfectly with the application, the process can take up to 5 weeks before a claimant receives their first payment. If there are problems with the application this waiting period can be much longer. For many people who are switching on to UC from other legacy benefits this "waiting period" is a massive loss in real income and is extremely difficult if not impossible to budget for when on low incomes with very little financial margins.

- i. 5 week (or more) waiting period leading to financial loss, budgeting difficulties, and destitution

In roughly 5% of the cases we received, claimants were waiting anywhere between 7-10 weeks before their first payment. For many claimants, having to go without any form of income or income support for 5 weeks, and in some extreme cases up to 10 weeks, is an undeniable hardship. We are hearing of people being pushed in to rent arrears and who are at risk of imminent eviction, parents keeping their children back from school for lack of money to afford uniforms and school meals, worsening mental health conditions and anxiety, deteriorating health due to poor nutrition when coupled with health issues like diabetes, and entire families having to rely on foodbanks for periods of time that extend well beyond the stated limit to the number of vouchers typically given out.

Case study 1

After being in a severe car accident an individual was prevented from working and began receiving Employment Support Allowance (ESA). For six months the claimant received ESA support until transitioning to UC. The claimant experienced a gap of 6 weeks without money and was sleeping in a car. They stated that they never knew where their next meal was coming from and that their "life has gone to pot".

Case study 2

A man in the North West was relocated from out of town and was living in sheltered accommodation paying rent. During his transition from Universal Credit online he has not been paid and has been told he won't be paid for another week. Due to his personal situation he lives on a tight budget and has little spare finances. His rent is due to be paid but because of the delay he is at risk of losing his flat and becoming homeless again. He is particularly fearful that this might happen as a friend of his recently lost accommodation due to the same reason.

Related to the wait period, we have also identified problems with the short-term emergency loans system, which is intended to provide help to claimants who would otherwise struggle financially during the waiting period. Three issues in particular are apparent:

i. Limited emergency short-term loans

There are issues around the maximum amount of payment being offered through emergency short-term loans. Only small payments are allowed which often do not cover even basic expenses. When claimants return for an additional loan because they budgeted for too small an amount, they are told that it is not possible to receive a second.

Case Study

A self-employed single parent with 3 children was previously in receipt of £34 weekly in child benefits before moving on to Universal Credit. For at least 5 weeks they will need to cover costs of childcare, food, rent, other bills and utilities, and travel for work without their benefit. While an advance payment was offered, the maximum amount available was not enough to cover childcare costs alone.

The claimant has had to rely on foodbanks and stated that "I nearly didn't come to the Food Bank due to the stigma associated with them- that they aren't for people 'like me' who work. However, I have no choice due to the situation I am in through no fault of my own."

The process and additional stresses have left the claimant, who struggles with a mental health condition, in a much worse state.

ii. Paying back emergency short-term loans

Problems are arising when people are forced to take on a short-term loan that needs to be paid back within the year. For some this means they must take on additional (and often high interest) credit to pay it off. Other claimants have told advice workers that they will not apply for the loan due to the high and inflexible repayment arrangements which merely push their crisis down the road a month.

Case study

A single parent was left with no income over the Christmas holidays during her transition to UC. She told her advisor that they would have no other source of income and was told to apply for an advance payment. As a result, the claimant's monthly UC payment has been reduced to pay back the loan and is left with very little to get by on.

iii. Knowledge of emergency short-term loans

There is an issue with emergency short-term loans not being widely taken up, either because they are not being proactively offered to claimants who might need the help, or because there are other barriers which make people reluctant to take up the support. Coventry Citizens Advice have reported that in their experience, work coaches are not routinely offering such advance payments, and some claimants are caught out by the limited period in which a claim can be made.

Recommendations:

Our central recommendation is that the emergency short term loan given out during a waiting period becomes the first payment for a claimant. People should not be asked to wait 5 weeks or more for their payment and then offered a loan which is then taken off subsequent payments sometimes at painfully high repayment rates. If there is a discrepancy between the first loan and the payment that is then calculated at the end of the month the second payment can be adjusted accordingly.

If the above measure can not be applied immediately, the following stop gap measures should be in place as soon as possible:

1. Ensure short-term emergency loans are being actively offered to potentially vulnerable claimants during their wait period rather than relying on them to be aware of this option. It is also imperative to communicate how they will need to be paid back to prepare for future budgeting and reduced payments.
2. Offer more flexible repayment options on the short-term loan.
3. Increase the number of loans available for those who have previously taken out a small loan and whose request still fits within the maximum amount offered.

5. Debt deductions

We have received evidence of benefit claimants facing large unexpected deductions from their UC payments. This is making it harder for people to pay for essentials and forces many to use credit and high interest “doorstep loans” to keep on top of bills.

The process known as “third party deductions” involves the Department for Work and Pensions (DWP) deducting a fixed amount from benefit payments to clear household arrears, most commonly housing costs, fuel costs, council tax, unpaid fines, and water and sewerage charges. Large deductions are also being made to pay off old social loans. The amounts previously deducted were reasonable (around £4 per week) but now are very challenging.

In addition to the high amounts being deducted, they often come as a surprise and are made without notice to the claimant. Furthermore, because there is no ‘breakdown’ of the deductions it is exceptionally difficult to contact the relevant department in case there has been a charge mistakenly added or to have the monthly deduction reduced to a more reasonable level.

To appeal the process people are told they need to speak with their work coach who will then speak with their benefits advisor. In some cases, work coaches have relayed that this is not their responsibility and direct people to the DWP Debt Management team, who can, however, only deal with social loans. In most cases there is confusion around who is responsible.

Case study 1

A claimant was receiving ESA due to physical health issues. After being found fit for work they were told to claim UC. While waiting for their first UC payment they attended a foodbank for support. When their first payment arrived £197 was deducted because of old social loans which they had no knowledge of.

Case study 2

A foodbank client had to receive support due to a £200 deduction from their UC payment leaving them with just £117 to live on for the month. The deduction was due to a social loan the client believed to be over 20 years old.

Case study 3

A self-employed parent had to use a foodbank to support their family because old social loans were being taken off their UC payments. The deductions were being taken off at the same time as their partner's PIP payments were reduced. They decided to keep their children back from school for two days because they could not afford lunches and were calculated as being above the threshold for free school meals.

Case study 4

A claimant previously on ESA transitioned to UC. £197 was taken out of their first payment due to a very old social loan. They were then left with only £3 a day to live off. Prior to his first payment they were living off food vouchers.

Case study 5

A client came in to a Citizens Advice Bureau to understand deductions that were being taken from their UC payments. They were in arrears with a water company, but their son had paid this off previously which the client was able to prove with a bank statement. They had asked on their UC journal why the deduction from this month's payment had been made and heard back that they had not received confirmation from the water company that the debt had been paid.

Recommendations:

1. We recommend that the upper limit of what can be taken off payments should be reduced from its current 40%, as well as potentially decreasing the number of debts that can be paid in this way, ensuring that each individual repayment/fine/order does not exceed reasonable amounts.

2. Those calculating the repayment level should be obliged to take account of the government's own nutrition standards and the associated cost (£5 per day). The DWP should set out guidance that claimants can not be paid less than this amount after housing costs and other monthly bills.
3. Ensure that those who are making decisions around the level of debt deductions have full access to case files, so that they know the entire picture OR that job centre staff have a role to play in adjusting repayment as they will likely be aware of a person's extenuating circumstances.
4. Consider a six-year time limit after which third party debt repayments can no longer be pursued.
5. Make it mandatory to inform claimants in advance that their payments will be deducted due to old social loans or debts, including how much they will be, and which agency the claimant needs to contact to query or appeal each one.

6. Benefit sanctions and job search requirements

Benefit sanctions are a reduction or suspension of payments because a claimant has failed to meet a specific responsibility set out by the DWP and enforced by Job Centre staff. Benefit sanctions can be applied for a wide range of reasons and are largely at the discretion of work coaches. Examples range from failure to attend an appointment at a Job Centre, being late for or missing an interview, not doing enough to seek work, or not taking part in an employment or training scheme. In Coventry, the Citizens Advice Bureau has reported that benefit sanctions continue to be a constant primary trigger for food crises, with 3-5% of food bank vouchers given out for this reason.

Benefit sanctions are a common issue woven throughout many complex cases. Some of the reasoning behind benefit sanctions stem from one or more of the other issues noted in this report. For example, we have seen cases of individuals sanctioned for not understanding how UC works, their lack of basic computer skills or access to technology, and for technical glitches with the online journal. As we have covered this already in section A- Digital Access and Technological Inclusion, this section will focus specifically on sanctions applied because an individual has failed to meet job search requirements.

i. Job search requirements

Everyone who receives UC will be placed in a conditionality group based on their circumstances and work capability. This includes people who are already in work as well as those who have recently been deemed 'fit to work' after previously being found to be incapable due to illness or disabilities. People who were formerly on employment support allowance but who have recently been moved on to UC are finding this transition particularly difficult. They are required to log on to their portals daily to check their work commitments before being placed in the correct UC component. They face being sanctioned if they do not fulfill this commitment.

In Leicester the council are in the process of comparing how people are being treated on UC compared with the previous scheme under Jobseekers Allowance (JSA). Initial findings are that under UC claimants are five times more likely to be sanctioned- that's nearly 6% of the entire caseload who are sanctioned each month. Under JSA there were a wide range of reasons for people being sanctioned, under UC however it appears that two thirds of claimants in Leicester are sanctioned purely because they are not fulfilling their work focus interviews. One possibility is that perhaps UC claimants are unaware that they need to book their first introductory interviews themselves to sign their claimant commitment. Previously, under JSA, the interviews were automatically set up and people were sent a letter with their appointment date and time.

One thing to note is that while sanctions appear to be increasing under UC the sanctioning periods themselves are in many cases much shorter. With that said, any delay in payment, whether 1 week or 3 can cause serious financial hardship and distress.

Case Study 1

A woman suffering from mental health problems and addictions had to leave work as a theatre nurse due to stress and anxiety. After applying for UC she received a first payment six weeks later. She is now in rent arrears and relies on foodbanks to get by. She does not have a smart phone or access to the internet and is therefore unable to access her journal on a regular enough basis to keep in touch with her job coach. The fear of sanctions is aggravating her anxiety which worsens her addictions and has led her to consider suicide.

Case Study 2

A woman with two teenage daughters who suffers with anxiety and depression was going through the process of transitioning from benefits to UC. She has struggled to understand the process and stated that she had no clear directives from her advisor at the Job Centre or over the phone. As a consequence, she has been sanctioned for 3 years and has a portion of her benefits taken away from her payments each month. She is still unsure why she has been sanctioned. Her family struggles over the winter months when the weather is extremely cold, as she is worried about turning the heat up and being unable to top up her prepayment meter. She has accessed community support and has been referred on two separate occasions for food hampers and emergency gas top up. The situation is making her mental health and wellbeing considerably worse.

Case Study 3

A man had missed his UC appointment when he had to go in to hospital for an emergency procedure. This was not taken in to account at the Job Centre and he was sanctioned as a result. Despite having NHS documentation, he was advised by the UC helpline that it would still take weeks to appeal the decision. During his sanctioning period he was forced to rely on a foodbank to get by.

Case Study 4

A 7-year-old child with a special guardianship order is living with her maternal aunty after being removed from her home for severe neglect from a family with a long history of mental health problems. She has attachment disorder and severe mental health problems including auditory and visual hallucinations. She is currently attending a lot of medical appointments and if she misses any she will be discharged.

Her carer was recently moved on to UC and was threatened with a sanction if she did not log in to the online system regularly to say she was looking for work. She could not use a computer and had only learned to read as an adult. She confided in a member of staff at her nieces' school about how frightened she was that they might stop her money. She was very distressed, frightened and tearful when the member of staff attended an appointment with her at the Job centre to discuss her concerns. She was told that she could go downstairs where a member of staff would look over her as she completed her tasks on her online account. The school staff shared this with the Job Centre Manager who agreed that as a carer of a very vulnerable child she would no longer have to attend the job centre and prove she was actively looking for work.

Recommendations:

1. Do not sanction claimants for failing to set up or attend their first appointment. Our evidence points to many sanctioned claimants not meeting this commitment due to the lack of clarity and direction given, or because they are struggling with digital barriers. For those thought to be struggling with digital barriers, ensure a letter is sent out or a phone call is made to confirm they are aware of their appointment.
2. Introduce a Yellow card warning system which would give claimants 14 days to appeal a sanctioning decision on the grounds it was imposed wrongly.
3. Include in Job Coach guidelines that they need to explain to claimants why sanctions have been applied and how they can access available support (hardship and crisis loans). While we have heard that every effort is being made to fulfil the above, evidence from across our pilots suggest that this is not regularly being done by job coaches.
4. Provide guidance which outlines that an individual can not be sanctioned if they have a dependent or are vulnerable themselves. When sanctioning someone who has care responsibilities the sanction extends to their child or dependent. In effect this means the system is sanctioning a child or dependent for the digressions of their parent or carer.

7. People moving on to UC from legacy benefits

When claimants move on from legacy benefits to Universal Credit, the reduction in the amount awarded to them is a constant problem and one which is regularly sited in our evidence as causing chronic poverty and pushing people in to arrears and debt. There are also specific problems with the technical process which migrates claimants from their current benefits on to UC. For those with diagnosed health issues or terminal illness there can be even worse consequences. The below issues will focus on the problems which can arise during this migration process.

- i. Housing Benefit component

We have heard from advice workers, local authorities and claimants that the handover between housing benefits and Universal Credit is particularly poor and is largely being left to claimants to sort out themselves. Claimants are sent back and forth between the DWP and Local authority with neither appearing to accept responsibility. As a result, claimants are losing out on a couple of months worth of their housing benefit which puts them at risk of going in to rent arrears or facing eviction.

Case Study 1

After a claimant became self employed he was incorrectly advised to claim UC by the local authority and his Housing Benefit was promptly terminated. After submitting a claim for UC he was advised that he was not yet eligible as he had more than 2 children. In the meantime, his landlord, Birmingham City Council began eviction proceedings against him and his family. A late appeal was lodged which pointed out the illegality of the Council's actions. The Council quickly reversed its decision and awarded Housing Benefit for an amount which cleared his arrears of over 3,000.

Case Study 2

An advice worker assisted a client to apply for Universal Credit. They arranged for the housing benefit to be paid directly to the claimant's landlord. Despite this, no payments had been paid. The DWP acknowledged that they had made a mistake which resulted in the rent not being paid and the claimant being evicted.

Case Study 3

A woman with Bi Polar disorder lives in a flat with extremely poor conditions. Her UC housing allowance does not cover the full rent; however, her landlord is letting her stay in the property anyways. She is afraid to complain about the conditions of the property as she perceives her landlord to be 'doing her a favour'. She is struggling to get by on her small UC payments and with assistance from foodbanks. Her social care has been stopped and she has been told that if she wants it to continue she will need to pay- the cost of which would leave her with £1 a month.

Case Study 4

A man has been receiving incorrect UC payments for six months. He is now in rent arrears as his housing benefit has not been paid properly. He has been told that the balance will be repaid but potentially faces eviction. His mental health has been deteriorating from the stress.

Case Study 5

A woman who used to work for the NHS had to leave work due to complex health issues related to diabetes and severe nerve damage. She is in receipt of a Personal Independence Payment (PIP) and recently claimed UC. Her housing benefit component was refused, and she receives only £248 a month because of deductions on her payments from an advance payment during the wait period. She is forced to use her PIP to cover rent and is left with no money to help her bathe and cook. She has stated: “I can not afford to eat properly which makes my diabetes worse. I have considered taking my own life. My doctor will only issue weekly prescriptions due to concerns with my safety. I am just getting nowhere with them and I just don’t know where to turn now because they hold all the power and they have broken me down.”

Case Study 6

A woman in receipt of ESA, PIP and Housing Benefits moved between council areas and was told she would need to claim UC. She suffers from severe anxiety and depression and had to be assisted by a local charity to complete the application. When she received her first payment she became aware that her PIP had been reduced by £70 per week and that her housing benefit was no longer being paid. After experiencing suicidal thoughts, she sought support from a Citizens Advice Bureau who helped her to reinstate her Housing Benefit which had been mistakenly taken off.

ii. Problems migrating from ESA to UC

Those who were previously in receipt of Employment and Support Allowance (ESA) and who are told to move on to UC either mistakenly, or because they were recently found “fit for work”, are in some cases experiencing extreme hardship during the transition process.

Case Study 1

A man had to claim UC after his wife, who he shared a joint ESA claim with, passed away. He notified all relevant benefit offices of his change in circumstances, including his advisor at the Job Centre plus about his carers allowance being stopped. When he received his first payment he had nearly 300 taken off his payment because he was thought to be in receipt of other benefits. After contacting the Carers Unit, it was determined that he had not received a payment in the same time-period but as he may have been entitled to an 8-week grace period, dependent on his late wife’s stay in hospital, the claim was suspended not closed. Upon contacting UC he was advised that the system could only see that a claim was still open for Carers Allowance but not whether it was in payment.

Case Study 2

An individual in her early fifties who is registered as severely sight impaired/ blind, wears hearing aids, and has various other health problems including mobility issues was transitioned from benefits to UC.

She had previously been in receipt of ESA benefits amounting to £566.92 per month. The individual's family supported her to attend a Job Centre to register for UC. A small loan was made to tide her over until the first payment could be made. However, despite repeated messages online, and an in-person meeting at the Job Centre with a helpful work coach, payment was still not made over 5 weeks later. When the payment was finally made it was incorrect as a deduction was made for a previous ESA payment that had not been received during the period in question.

10 weeks after the initial claim was made the error was corrected. The claimant had been driven in to arrears totalling £1107.50 and had only managed to survive with a loan from family members.

iii. Medical Assessment and mandatory reconsideration

In medical assessments clients are being found fit for work even when they have extreme health issues and disabilities. They are not advised that they can appeal the decision and are told to claim UC. This leads to a large financial loss and in some cases increased job search requirements or work-related activities.

Case Study 1

An individual with an extremely rare neurological disease had an ESA medical assessment and was found 'fit for work'. They were told to claim UC and were not advised that they could apply for a mandatory reconsideration. In 9-weeks they have received only £250 due to mistakes acknowledged by the DWP. They are in constant pain but are still required to attend the Job Centre every month which causes further pain and distress.

Case Study 2

A client who was previously claiming ESA due to physical health issues was found 'fit to work' after a medical assessment. They were told to claim UC and were not advised that they could apply for a mandatory reconsideration. While waiting for their first UC payment they had to rely on foodbanks for support. On their first payment 197 was deducted because of old social loans which the client had no knowledge of.

Case Study 3

A woman failed a work capability assessment because she was 'having a good day'. Consequently, her ESA was stopped after 25 years of support. Following a lengthy process, she now receives UC but is struggling to pay rent arrears which accumulated in the process.

Case Study 4

A woman who had worked for most of her life had to leave her job due to physical and mental health issues. For 12 years she had received Incapacity Benefits and then ESA. After attending a medical assessment, she was told she would no longer be receiving ESA as she was 'fit for work'. While she did apply for a mandatory reconsideration the decision was upheld. The claimant was advised to apply for UC where she no longer receives her disability premiums and work-related activity group payments. On ESA she was receiving 323 every 2 weeks, whereas now on UC she is receiving 317 per month. Because she took an advance payment this has been reduced to 291 per month which alongside her PIP makes up her total income. In the space of three months she has gone from 'just getting by' to having to rely on food and fuel banks and re-extending her mortgage.

Case Study 5

A man in Bristol was in receipt of PIP for 4 years due to mental health issues. In April the claimant had developed new mobility issues and notified the DWP. He was asked to attend a reassessment. At the medical assessment his mental health issues were not taken in to consideration and he was determined to be 'fit for work'. His benefits of 4 years stopped, despite his overall condition worsening. He was not told that this would be happening and after making inquiries was advised that he now had to claim UC.

Recommendations:

1. Improve communication between legacy benefits and UC to ensure there is no double counting of benefits which results in a reduced or incorrect payment. Currently there is no communication between the two systems, however UC and JCP staff can see that previous legacy benefit claims were open but can not always see when the last payment was made or for how much. This leads to inaccurate deductions being made on first payments as they believe the claimant was still in receipt of a legacy benefit for a portion of the assessment period.
2. Provide clarity for claimants, local authorities and Job Centre advisors around who is responsible for overseeing the transition. The onus is currently completely on the claimant.
3. Claimants who are being found "fit for work" after previously being on health-related benefits need to be told in every occasion that they have the right to appeal for a mandatory reassessment. We have heard that in some cases claimants are not told this and are instead advised to move straight on to UC where they lose a large chunk of their payment.
4. The DWP should commit to reporting on the number of claimants who are worse off (or better off) under UC in terms of payment amounts and living standards. This should likewise assist the Government to demonstrate the efficacy of their plans to ensure transitional protection so that no one transferring over to UC will be worse off.
5. Ensure payments are enough to support a reasonable living standard, especially for those with previously documented illnesses or disabilities.

8. Poor communication and complexity of the system

In most of the cases we received there was an overarching issue where claimants were finding the system difficult to navigate and that they were not receiving enough communication and transparency throughout the process.

While we recognise that efforts are being made by DWP and Job Centre staff to ensure claimants are aware of their rights and responsibilities under UC, the numerous design and implementation issues with the current model leave a significant minority of individuals battling a highly complex system which even professionals are experiencing difficulties untangling.

i. Overall complexity of the system and rigour of application process

One submission from an advice worker in the north west stated that “Members of the community are feeling suicidal and that they can not cope with the demands of the system. Community members state that they feel like giving up. A Job centre staff member told a connector that they have grown people crying in front of them because they can not cope.”

In West Cheshire a similar story emerged. Upon reviewing their cases of UC related referrals to foodbanks they highlighted that: “Individuals found the forms complex, degrading, and consequently difficult to complete and required agency support in completion.” Furthermore, they stated that “some individuals describe the application process and delays as worsening their health conditions.”

Case Study 1

“It took over an hour to complete the complex and degrading online forms and identify proof for UC and I then had to have an interview. Due to me being self employed I was unable to get any advice or support at the meeting as the advisor wasn’t trained in that. I now have to attend two weeks later. In the mean time I have very little money.”

Case study 2

A claimant described the application process as “confusing” and despite being “absolutely starving” because she had no food over the weekend and consequently had to visit her GP, the application process makes her feel as though she may as well not bother applying.

Case Study 3

An older man who was struggling to submit a new UC claim and was at risk of homelessness has found the entire process extremely stressful. He has experienced 2 panic attacks and felt physically ill the entire time. Although his job coach was extremely supportive the gentleman said that if this still didn’t result in him getting any money he would “rather give up than put [himself] through the trauma again.”

journal, paired with a feeling that the overall system is too complex, has prevented clients from claiming their full entitlement or has led them to withdraw their claim entirely.

ii. Lack of clear directives from Job centre staff and/or failed communications through the online journal

In an even smaller minority still there are cases where claimants have felt that there has been little to no direction at all, and that the process from start to finish has left them feeling completely in the dark, anxious, and at risk of just “giving up”. For some, poor communication, or problems with the online journal, paired with a feeling that the overall system is too complex, has prevented clients from claiming their full entitlement or has led them to withdraw their claim entirely.

Testimonial 1

“As I am not familiar with the system it is very difficult to understand and found that anyone who I come in to contact with who works for the DWP can be reluctant to explain how this works. I feel there may be a training element required.”

Testimonial 2

“The problem I am facing is the communication. I write in the journal and nobody responds. When I try phoning and finally get through they keep fobbing me off with excuses. They say that they will get someone to ring me but nobody rings. I am just going ‘round in circles. I need to sort my housing costs out because I can not afford to eat properly which makes my diabetes get worse and I have considered taking my own life... I am just getting nowhere with them and I just don’t know where to turn now because they hold all the power and they have broken me down.”

Testimonial 3

“This is not a benefit, this is horrible and certainly not a pleasant way to live... It’s not even the monthly thing, it’s the fact that I don’t get told, they just take the money, no explanation. Same as my rent being short, why? Not a clue. This has affected my human rights. I feel like I’m sinking and every time it gets better, I end up back at square one!”

Recommendations:

1. Especially during the roll out phase, extra supports need to be in place to ensure individuals are receiving communication and that they feel the process is transparent and fair. If this means following up partially completed applications, missed appointments, or lack of communication through the online journal, some level of effort needs to be made to inform the claimant of how they can re engage.
2. Invest in community organisations that can provide advocacy services for claimants who are struggling to navigate the system.
3. Better training for Job Centre and Universal Credit staff to improve their knowledge and interactions with claimants. The training should focus specifically on some of the key problems which are arising from the system, how to mitigate for them, and how to understand the process from the claimants’ perspective. For JCP staff to feel confident and empowered in their position to help claimants, a great deal of investment needs to be made in their training- especially during the initial stages of roll out.

9. Groups disproportionately impacted

It is clear from the case studies we received, and from ongoing discussions with charities, local authorities, advice workers and front-line service providers, that while Universal Credit might be working for many, for those most vulnerable or marginalised members in our society the shift over to UC can lead to extreme hardship.

For these groups the application process and ongoing monitoring can be difficult, the waiting period inhumane, the reduction or loss of any level of income disastrous, and the overall experience as contributing to worsening health conditions. For some, there are issues with the design of UC that leaves them at risk of ongoing abuse or chronic destitution. This is especially true for women who are living in abusive situations or for those seeking refugee status.

i. Disabled people

Our network of food poverty alliances has been clear on the potential hardship and extreme poverty that the transition to Universal Credit poses to disabled people. While managed migration for disabled people is not set to begin until July 2019, cases from individuals who have moved on to UC early demonstrate what could quickly become a massive problem if roll out continues as planned with no improvements to the current model. Disabled people risk the loss of their disability premiums and a reduction of their overall payments which are critical for them to receive the support they need. Furthermore, the potential waiting period before being enrolled with UC can leave individuals without any income and considerably high bills for ongoing care or support needs.

ii. Older people

From Coventry Citizens advice, and others across our network, we have heard that older people are particularly hard hit by the digital barriers presented by this new online benefits system. Older people are less likely than other age cohorts to have digital access or confidence in their skills. Limited evidence from Coventry Citizens Advice points to a disproportionate number of older people coming to their offices for help with their UC claims.

iii. People with mental or physical health issues

In approximately 1 out of every 3 cases we received individuals were struggling with mental and/or physical health issues. Those who are struggling with mental and physical health issues are finding the conditionalities placed on them to receive the financial support they need to live, to be so strict and unduly complicated that in some cases they would prefer to drop out of the system all together. In some of the more extreme personal testimonies we heard that people have considered ending their lives. Considering many claimants are having to apply for social support because they are finding it impossible to engage in the work place due to their health and wellbeing, a benefits system which demands nearly the same level of commitment as a paid job is either misguided or uncaring.

iv. People experiencing extenuating life circumstances

As we have heard throughout this report, the application process and ongoing monitoring of claims can be difficult. This is especially true for individuals who are having to make a claim based on extenuating circumstances- such as the loss of a close family member. We have heard evidence of people who were previously on joint benefits with their spouse, and who immediately after their death had to transition on to UC where they experienced hardship after long periods of time without any income, mistakes made on

their payments, and a sudden step up in the conditionalities placed on them to continue receiving financial assistance. No one should be forced to tackle the transition over to UC while at the same time trying to grieve the loss of a lifetime partner or child.

v. People living with homelessness

It is concerning that those individuals who are experiencing a domestic crisis are still being required to complete job seeking requirements. We heard from Action Homeless in Leicester that people being referred to them, who are completely without a home, are still being required to complete 30 hours of job searching when this clearly isn't their most pressing issue. Additionally, those who are temporarily or chronically homeless often struggle to meet basic requirements around UC, including identification, a bank account, and stable access to technology.

One other issue has been raised by the YMCA regarding those claimants who have their benefits paid directly in to the organisation's account to better manage their finances. Claimant's do not have a benefits number assigned to their accounts by the DWP and so each time a payment is due, YMCA staff must ring up the DWP to gain a reference number. This can take up to an hour for each client and is a considerable drain on both charitable and DWP resources. This can also lead to human error with correctly assigning the payment, and a financial loss for the claimant.

vi. Women living in, or trying to leave, abusive home situations

Under Universal Credit all payments must be paid in to a single bank account. The Government has said that women in vulnerable or abusive situations can request an exceptional set up payment. However, Women's Aid has shown that 85 percent of women being abused said they wouldn't dare request an exceptional set up payment, and that it would make their situation much worse. As the Government is currently reviewing evidence from a public consultation on domestic abuse (including financial abuse) the charitable sector's call for split payments should be something it wishes to consider seriously.

Furthermore, survivors have recommended that the housing element of UC be paid directly to landlords or lenders to ensure they have a roof over their heads^{ix}.

vii. Individuals gaining refugee status

Individuals who are gaining refugee status and who are moving on to UC are quickly becoming sanctioned due to the complexity of the system and the lack of support to help them understand the commitments associated with it. Many people in this group are at the same time struggling with language, cultural, and societal barriers. By helping refugees to quickly access basic financial support they can more quickly build longer term stability and independence. Investment should be made in to community support services which work alongside these individuals to ensure they understand their claimant commitments and how to monitor their claim.

References

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- ⁱⁱⁱ Ibid.
- ^{iv} Trussell Trust, End of Year Stats 2017-2018, website.
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- ^{vii} CPAG UK, “Rough Justice”, August 2018.
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- ^{ix} Women’s Aid, “Unequal, Trapped and Controlled: Women’s experiences of financial abuse and the potential implications for Universal Credit”, March 2015.

