



BRIEFING PAPER

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Housing costs in Universal Credit

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2. Calculating the housing cost element (rent payments)
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Summary

The *Welfare Reform Act 2012* and associated regulations provide for the replacement of a number of benefits, including Housing Benefit, with a single monthly payment of Universal Credit (UC). The roll-out of UC, having been delayed several times, is now due to be complete in 2022. Following changes announced as part of the Autumn 2017 Budget, the roll-out plan was [revised](#) but there was no change to the final roll-out point.

Detailed provisions setting out how housing costs will be calculated under UC were set out in the [draft Universal Credit Regulations 2013](#) published in December 2012. The regulations were considered by the Social Security Advisory Committee (SSAC) – the Committee’s [report](#) was published alongside the draft regulations in December 2012. The Regulations were subject to the affirmative resolution procedure, meaning that they had to be approved by both Houses of Parliament. The [Universal Credit Regulations 2013](#). (SI 2013/376) came into force on 29 April 2013.

The calculation of entitlement to assistance with rent payments is similar to the current Housing Benefit system. However, there are some significant differences. The default position is that UC is paid **direct to claimants as a single monthly sum** – claimants are responsible for ensuring that the housing cost element is paid to the landlord to cover the rent due. This involves a behavioural change for most tenants of social landlords. Alternative Payment Arrangements and budgeting assistance may be available in certain circumstances where claimants struggle to adapt. In addition, the **minimum** wait before first payment of UC is either **5 or 6 weeks from the point the person’s UC claim begins**. In August 2015, the Government introduced a further seven day “**waiting period**” (with certain exceptions) before people could become entitled to UC. The net effect was to increase the time people would have to wait for their first UC payment to a **minimum of one month and 14 days**. On 23 November 2017 the Government announced that this ‘waiting period’ would be removed from February 2018.

The phased roll-out of UC provides a basis on which the impact of claimants applying for UC can be assessed. In relation to the housing costs element, **there are significant concerns about the impact of waiting periods and other delays on rent arrears, particularly in short-term temporary accommodation.**

Following what it described as “compelling evidence of the problems in the rollout of Universal Credit in its recent follow ups” the Work and Pensions Select Committee re-launched its inquiry into UC in February 2017. The inquiry was not concluded before Parliament dissolved on 3 May 2017, but **evidence submitted demonstrated issues around rent arrears and hardship experienced for those claiming UC**. The Employment Minister, Damien Hinds, responded to several issues raised in a [letter](#) of 1 March 2017. He pointed to the fact that some claimants had had rent arrears before claiming UC, and expressed the view that newly arising rent arrears were expected to be of a short duration.

The roll-out of UC was the subject of a [Westminster Hall debate](#) on 19 April 2017 led by Catherine McKinnell MP for Newcastle upon Tyne North. Damien Hinds responded, again pointing to evidence of pre-existing arrears but acknowledging that there had been some delayed payments to claimants.

The Work and Pensions Committee opened an [inquiry into the roll-out of UC](#) on 12 September 2017 - written evidence was initially accepted up to 19 October 2017 but has been extended to 9 January 2018 as the Committee is now seeking evidence on self-

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employment and UC. An oral evidence session held on 13 September 2017 saw **witnesses representing public and private sector landlords express concerns about growing rent arrears and levels of tenant debt**. On 21 September Damian Hinds [wrote](#) to the Committee setting out recent developments in relation to a Universal Credit Landlord Portal for social landlords, and advising that all social landlords would be offered the opportunity to acquire Trusted Partner status. This scheme allows landlords to identify vulnerable tenants and be paid rent directly before falling into arrears.

On 15 September the DWP published research commissioned from Ipsos MORI, [Universal Credit Test and Learn Evaluation: Families](#), in which **the five-week waiting period was identified as a key factor behind the accrual of tenant arrears after moving on to UC**.

On 18 September, the Chair of the Work and Pensions Select Committee, **Rt Hon Frank Field, called on the Government to pause the roll-out of UC**, saying:

Evidence from the first three Universal Credit boroughs shows they have amassed £8m in rent arrears, with more than 2,500 tenants in London claiming Universal Credit so far behind with their rent they are at risk of eviction from their homes.

We are hearing evidence of people being plunged into all sorts of vulnerability as a result of the debt, risk of hunger and homelessness, and resulting stress of being migrated onto Universal Credit, with its in-built 6 week delay in receiving a first payment and much longer waits for many people.

Following an [Opposition Day debate on 18 October 2017](#) the House of Commons agreed by 299 votes to nil an Opposition motion calling on the Government to “pause” the roll-out of the UC Full Service. All Conservative Members, with the exception of Dr Sarah Wollaston, abstained.

The day before this debate, the Secretary of State, David Gauke, [wrote](#) to Frank Field setting out some detail on dealing with housing costs within UC and developments in relation to advance payments, alternative payment arrangements, and the position of private landlords. **Social landlords’ priority areas for improvement include:**

- Further improvements in processing times so people get the correct money in the first assessment period.
- Rollout of the landlord portal and Trusted Partner status.
- Better customer service and routes to escalate urgent issues.
- More efficient system for payments direct to the landlord in full service.
- Better support for tenants to make and manage their Universal Credit claims including advance payments.

Private landlords are seeking flexibility to enable more direct payments to landlords and are interested in access to the landlord portal and Trusted Partner status. There is evidence to suggest that private landlords are reluctant to let to prospective tenants who would be reliant on UC to cover all or part of their rent payments.

On 26 October 2017, the Work and Pensions Committee published a [report](#) on the “baked-in” 6 week wait for UC, which it described as a “major obstacle to the success of the policy.” **The Committee recommended that the Government reduce the standard waiting time for a first UC payment to one month.**

On 23 November 2017, David Gauke [announced](#) what he described as “a balanced package of improvements that puts more money into claimants’ hands earlier, ensuring

extra support for those who most need it.” This included the removal of the seven day waiting period and new guidance for staff “to ensure that claimants in the private rented sector who have their housing benefit paid directly to landlords are offered that option when they join universal credit.”

This paper explains the key differences between assistance with housing costs under the Housing Benefit regime and under UC. The paper also considers evidence of the impact of claiming housing costs under UC to date and the Government response.

The devolved administrations

The Scottish Government has power under section 29 of the *Scotland Act 2016* to make regulations in relation to the housing costs element of UC for claimants who rent their homes. The Scottish Government has made clear its intention to use this power to abolish the Removal of the Spare Room Subsidy/bedroom tax and to make changes to the payment arrangements under UC.

Welfare reform in Northern Ireland was delayed – implementation began at the end of September 2017.

Further reports and information

There are several Library papers and official reports on UC. Background on its introduction can be found in Library Research Papers 11/24 [Welfare Reform Bill: Universal Credit provisions](#) and 11/48 [Welfare Reform Bill: Committee Stage Report](#). A [final impact assessment](#) on UC was published in December 2012.

Information on how entitlement to UC is calculated can be found in a Library paper [Universal Credit: an introduction](#) (6469).

Other Library papers include: [Universal Credit changes from April 2016](#) (7446); [Universal Credit: proposals for a seven day “waiting period” for claims](#) (6694); and [Universal Credit roll-out: Autumn/Winter 2017](#) (8096).

All the evidence submitted to the Work and Pensions Select Committee’s inquiries into UC, together with its published reports and correspondence, can be found on the [Committee’s website](#).

The National Audit Office published [Universal Credit: early progress](#) (September 2013) and [Universal Credit: progress update](#) (November 2014). The NAO is due to publish a further report in spring 2018:

In this study we will examine whether the Department is on course to deliver Universal Credit in accordance with its plans. We will also assess whether there are early signs that Universal Credit is delivering its objectives, and what impact it is having both on claimants and on local stakeholders.

The Public Accounts Committee first reported on UC in November 2013 and decided to keep the programme under review, reporting on progress in both February 2015 and February 2016. More information can be found on the [Committee’s website](#).

Additional reports are summarised in section 3 of this paper.

1. Introduction

The *Welfare Reform Act 2012* (and associated regulations) provides for the replacement of a number of benefits, including Housing Benefit, with a single payment of Universal Credit (UC).

Roll-out

Universal Credit was first introduced for a small subset of new claimants in certain areas in 2013. DWP's initial efforts targeted claimant groups whose claims were comparatively simple to manage, such as single, childless, out-of-work adults. Having learnt from these initial experiences, the Department is rolling out to successively wider areas and more complex caseloads. Roll-out has, however, been "substantively delayed" several times.¹

UC is now available in all Jobcentres across Great Britain, but in most areas is only available for new claims from people with relatively simple circumstances. This should change with the roll-out of the "**Full Service**" (formerly the Digital Service), which will see UC expand to all claimant groups. At that point, new claims for existing benefits and tax credits will no longer be possible. Once this is achieved, the remaining benefit and tax credit claimants will be moved onto UC by "managed migration." The latest final end date for the introduction of UC is now March 2022.

In summary, the latest plans are as follows:

- "**National expansion**" of Universal Credit was completed by Spring 2016, so that Universal Credit is available in all Jobcentres in Great Britain – although initially for new claims only, for select claimant types. In [most areas](#) UC is still limited to new claims from single unemployed people (or people with very low earnings) satisfying the "gateway conditions"
- **Roll-out of the Full Service**, starting from 2016. Initial trials started in Sutton, Croydon and Southwark. Where the Full Service has been introduced UC claims will be taken from all claimant groups.
- In his [Written Ministerial Statement on 20 July 2016](#), the Secretary of State for Work and Pensions, Damien Green, announced that the Government was "**reshaping**" the next phase of UC and, accordingly, set out a new plan for rolling out the Full Service, which involves:
 - Introducing the Full Service in 5 jobcentres a month to June 2017;
 - Expanding it by 30 jobcentres a month from July 2017;
 - Following a break over summer 2017, "scaling up" the roll-out of the Full Service to 55 jobcentres a month between October and December 2017;
 - Accelerating the roll-out to 65 jobcentres a month by February 2018; and

¹ [Autumn Statement 2015: Policy Costings](#); p33

- Finishing roll-out with the final 57 jobcentres in September 2018.
- Information on **when the Full Service is due to be rolled out in each local authority in Great Britain** is available on GOV.UK – see [Universal Credit transition to full service](#) (last updated in November 2017 following the Autumn Budget).
- As the Full Service is rolled out, new claims for “legacy” benefits – the benefits UC is replacing – will be progressively closed down.
- The **final “managed migration” stage** when the remaining legacy benefit and tax credit claimants are moved over to Universal Credit. Managed migration is expected to start in 2019 and **to be completed by March 2022**.

Details of the UC implementation schedule in Northern Ireland are on the nidirect website – see [Introduction to Universal Credit](#).

Housing costs within UC

Detailed provisions setting out how housing costs will be calculated under UC are contained in Regulations 25 and 26 together with Schedules 1-5 of the [Universal Credit Regulations 2013](#). The explanatory note to the draft Regulations said:

In part 4, in particular, regulations 25 and 26 and Schedules 1 to 5 provide for the amount to be included in respect of a claimant’s liability for payments in respect of accommodation occupied as their home. Schedules 1 to 3 contain general provision as to the types of payments, when a person is regarded as liable for such payments and when they are regarded as occupying accommodation. Schedule 4 provides for the calculation of the amount of the housing costs element where a claimant is renting accommodation and Schedule 5 provides for the calculation where a claimant owns their accommodation.

Briefly, where a claimant is liable to pay rent, their level of assistance will be calculated with reference to their household size and circumstances, in addition to the actual rent level charged. The White Paper, *Universal Credit: welfare that works* provided the following information on calculating housing costs under Universal Credit:

An appropriate amount will be added to the Universal Credit award to help meet the cost of rent and mortgage interest. For those who rent their accommodation, this amount will be similar to the support currently provided through Housing Benefit.

[...]

Our aim is to simplify provision for rent support in Universal Credit as much as possible, while protecting potentially vulnerable people from unintended consequences, such as getting into arrears or being made homeless.²

Information on how entitlement to UC will be calculated can be found in a Library briefing paper entitled [Universal Credit: an introduction](#) (6469). The DWP has published [Universal Credit and rented housing: guide for landlords](#) (updated 29 November 2017).

Changes to Housing Benefit entitlement introduced prior to the implementation of UC such as national caps on Local Housing

² DWP, *Universal Credit: Welfare that Works*, CM 7957, November 2010, paras 28-30

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Allowance (LHA)³ entitlement, calculating LHA based on the 30th percentile of market rents, size criteria in social rented housing and the household benefit cap, are being carried over and will also apply to claims for the housing element of UC. Part 7 of the Regulations sets out how the household benefit cap operates under UC.

The intention is that those claimants living in the private rented sector who are not currently subject to the Local Housing Allowance rules (e.g. protected/regulated tenancies governed by the *Rent Act 1977*) will be included in the new scheme:

All private-rented sector tenants who are entitled to the housing costs element in Universal Credit will have that assessment based on the relevant LHA rate.⁴

Section 2 of this paper highlights some of the main differences between the Housing Benefit system and entitlement to the housing element of UC.

³ LHA is the equivalent of Housing Benefit for claimants living in the private rented sector.

⁴ DWP, [Universal Credit and related regulations: Response to SSAC technical comments and policy points](#), 2012

2. Calculating the housing cost element (rent payments)

The following sections highlight the key differences between the current Housing Benefit system and the calculation of assistance with housing costs under UC.

2.1 Administration

Housing Benefit is a national benefit which is administered by local authorities. UC is administered by the Department of Work and Pensions (DWP) with online application and administration as the main delivery mechanism. Local authorities continue to have responsibility for the administration of Discretionary Housing Payments.⁵

Over time, social landlords will need to replace their relationship with Housing Benefit sections within local authorities with DWP links.

DWP is working with local authorities, social landlords, charities and other service providers to develop local face-to-face support services to help UC claimants. The aim of "[Universal Support – delivered locally](#)" (previously known as the Universal Credit Local Support Services Framework) is to establish a "joined-up, holistic service, particularly for vulnerable claimants and those with complex needs, helping the claimant move from welfare dependency," providing help with, for example, understanding the new system, getting online and managing a monthly budget.⁶

2.2 Payment direct to the claimant

Council tenants who qualify for assistance currently receive their Housing Benefit as a rent rebate, their rent accounts are adjusted accordingly. Housing associations, the other main providers of social housing, cannot require the direct payment of tenants' Housing Benefit entitlement to the landlord but the vast majority of their tenants opt for this method of payment. Since April 2008 the majority of claimants living in private rented accommodation have had assistance with housing costs paid directly to them.

Under UC, the intention is that the housing component will be paid direct to tenants. This will bring the social housing sector in line with the private rented sector:

(b) The Government's intention is to pay universal credit to the claimant in the majority of cases. The Government believes that this policy will replicate the budgeting skills that people will need

⁵ These are discretionary payments to Housing Benefit claimants who experience a shortfall between their benefit and contractual rent payment.

⁶ DWP, [Universal Credit at work](#), October 2014, p15; see also the speech to the Local Government Association by Lord Freud, [Universal Credit and Universal Support](#), on 12 January 2015

when working and will help to break the cycle of welfare dependency that is a feature of the current benefit system.⁷

Direct payment of the housing element of Universal Credit to social housing tenants is controversial. There is concern that it will result in increased rent arrears and impact on landlords' revenue streams. Private landlords, who have experienced direct payment of the LHA to claimants since April 2008, have long campaigned for tenants to be given a choice over whether their housing costs are paid direct to the landlord or not.

The Scottish Government intends to use its powers under the *Scotland Act 2016* to give claimants more choice over how and when UC is paid. This is covered in section 2.22 of this paper.

Alternative Payment Arrangements

Regulation 58 of the [Universal Credit, Personal Independence Payment, Jobseeker's Allowance and Employment and Support Allowance \(Claims and Payments\) Regulations 2013](#) (SI 2013/380) provides for alternative payment arrangements (APAs) under UC – this enables direct payment of all or some of a claimant's UC to a third party (such as a landlord) in certain circumstances.

A good deal of preparatory work was put in to the development of APAs. For example, the DWP ran six small-scale demonstration projects which operated from June 2012 to the end of 2013. The projects tested different elements of direct payments:

...including testing different trigger points when social landlords should receive direct payments if tenants fall into specified levels of arrears. The projects will also inform how best to communicate the changes to claimants, provide assistance with budgeting to successfully pay their rent, and support claimants and landlords experiencing financial difficulties.⁸

Detailed information on direct payments to social landlords, including information on the results of the demonstration projects, can be found in Library briefing paper 6291, [Paying Housing Benefit direct to tenants in social rented housing](#).

The current version of the guidance on APAs, [Universal Credit personal budgeting support and alternative payment arrangements](#), was updated in November 2017. Some of the safeguards the DWP has developed to mitigate potential risks to tenancies and landlords' income streams resemble current arrangements within Housing Benefit for claimants living in the private rented sector. For example, it is possible to pay the rent to landlords on behalf of claimants in arrears. Personal budgeting advice is available for claimants who struggle to manage their finances. The guidance, [Universal Credit personal budgeting support and alternative payment arrangements](#) states:

Alternative Payment Arrangements will be 'claimant centric,' in other words something that is discussed and considered **with** the claimant. Applications will be considered on a case by case basis.

⁷ HC Deb 10 October 2011 c255W

⁸ DWP Press Release, 19 January 2012

Personal Budgeting Support and Alternative Payment Arrangements

A claimant can be considered for one or more Alternative Payment Arrangements based on individual circumstances and characteristics. The Universal Credit Agent acting on behalf of the Secretary of State makes the decision whether to award an Alternative Payment Arrangement taking account of numerous factors.

For example:

- Is the claimant managing to pay their bills on time, particularly their rent, and have they fallen into arrears in the past, or are they currently in arrears?
- Do they think they will be able to manage a monthly budget, taking account of their income and outgoings over a calendar month?
- If the claimant is part of a couple, are they used to managing their money together and do they think they will be able to manage the single Universal Credit payment to the household?⁹

[Annex A](#) to the APA guidance provides information on issues that will/may trigger an alternative payment arrangement.

2.3 Monthly payments in arrears & waiting periods

In August 2015 the Government announced that UC would include a waiting period of 7 days from the submission of a claim before payment of UC began. This meant that claimants, with some exceptions, would not get paid for the first 7 days after a claim was submitted. However, on 23 November 2017, the **Government announced that this 'waiting period' would be removed from February 2018** in response to concerns that it was causing hardship for claimants:

Colleagues have had concerns about the waiting time for the first payment, and I am grateful to my parliamentary colleagues for their constructive engagement on this issue. There have been several debates here and in the other place. This statement responds to them and fulfils the commitment made on behalf of the Government by my right hon. Friend the Leader of the House in relation to the resolution of the House on 18 October 2017. We are now offering a balanced package of improvements that puts more money into claimants' hands earlier, ensuring extra support for those who most need it.

[...]

From February, we will remove the seven-day waiting period, reducing the length of time claimants might wait to receive their first full payment.¹⁰

There is also an assessment period of one month, **meaning that claimants may have to wait at least 5-6 weeks before receiving a**

⁹ DWP, [Universal Credit personal budgeting support and alternative payment arrangements](#), November 2017, pp5-6

¹⁰ [HC Deb 23 November 2017 cc1200-02](#)

payment. Issues identified with assessment periods and the impact on rent arrears are covered in section 3 of this paper.

Monthly payments in arrears does not necessarily 'fit' with social landlords' rent account systems. The UC Regulations allow for more frequent payments and split payments in certain circumstances.

It is not unusual for social landlords to operate rent a rent free period for tenants over Christmas. The UC payment is based on the total annual rent divided by 12 – landlords offering rent free weeks will receive slightly less per month than the money needed to cover the rent and will have to 'catch-up' during the rent free period.

2.4 Incentivising regular payments

The *Universal Credit (Approved Tenant Incentive Scheme) (Amendment) Regulations 2017* were introduced to facilitate a scheme proposed by a housing association in East Lothian. The association wanted to reward tenants who paid their rent by direct debit or standing order, and who engaged in the digital roll-out of UC, by offering a rent reduction. In the absence of the Regulations, the rent discount would have been clawed back through a reduction in the tenant's benefit award. The Regulations allow for social landlords to devise these schemes but each subsequent proposal must secure the Secretary of State's approval prior to implementation. The Regulations were considered by the [Social Security Advisory Committee on 8 March 2017](#).

2.5 Interim/advance payments

When commenting on the draft Universal Credit Regulations, the Social Security Advisory Committee (SSAC) sought clarification over whether there would be an equivalent provision to Regulation 93 of the *Housing Benefit Regulations 2006*. Regulation 93 requires that an authority must make an interim HB payment to a claimant if all necessary information has been supplied and the authority has not determined the claim within 14 days.

The Government provided the following response:

We are not making an equivalent provision to the existing rule in connection with Housing Benefit. In circumstances where we are not able to verify all elements of a claimant's Universal Credit award, **an advance of benefit may be payable in the interim**. This advance would then be recovered in full once the award becomes payable. Any under payments paid to the claimant as soon as is practical and overpayments recovered through usual deduction processes.

We could also make an award of Universal Credit in respect of decided elements even where other elements remain undecided. So, for instance, we could make an award of Universal Credit that does not include an amount in respect of housing costs where a question around rent liability remains to be decided.¹¹

¹¹ DWP, [Universal Credit and related regulations consultation: DWP response to technical comments and policy points](#)

The current guidance on advance payments can be found on [GOV.UK](https://www.gov.uk).

As the roll-out of UC has moved forward, the lack of knowledge around advance payments has been raised as an issue (see sections 3 and 4 of this paper). The Secretary of State said that more work on raising awareness of the availability of advance payments would be carried out.¹² On 23 November 2017, David Gauke announced a package of measures including changes to advance payments:

In January we will make two changes to advances. First, the period over which an advance is recovered will increase from six to 12 months, making it easier for claimants to manage their finances. That will apply regardless of the level of advance claimed. Secondly, we are increasing the amount of support a claimant can receive from up to 50% of their estimated entitlement to up to 100%, interest free. In practice, that means that new claimants in December could already receive an advance of up to 50% of their estimated overall entitlement, and may receive a second advance to take it up to 100% in the new year. Taken with the first payment, that means that claimants in need could receive nearly double the money they would previously have received. In addition, from spring next year we will make it possible to apply for an advance online, further increasing accessibility for those who need it.¹³

2.6 Housing Benefit 'run on'

On 23 November 2017, the Secretary of State announced a further concession in response to concerns about rising levels of rent arrears amongst claimants moving from Housing Benefit to UC:

From April, for new claimants already receiving support towards their housing costs, **we will provide an additional payment of two weeks of their housing benefit to support them as they transition to universal credit, helping to address the issue of rent arrears for those who most need it.** That is a well-targeted measure that will support 2.3 million people, including the most vulnerable, with an unrecoverable automatic payment worth an average of £233 each. This is a one-off investment of £550 million to ensure that universal credit supports those who need it.¹⁴

2.7 State Pension Credit and Housing Credit

Claimants must be under State Pension age in order to be eligible to claim UC.

Since October 2014 reforms to State Pension Credit have mirrored the introduction of UC so that Housing Benefit for pension age claimants will become the Housing Credit element of State Pension Credit. Pension age Housing Benefit claimants not affected by the introduction of the social sector size criteria¹⁵ so there will be no size criteria in the assessment of the new Housing Credit Element.

¹² [David Gauke's letter to Frank Field](#), 17 October 2017

¹³ [HC Deb 23 November 2017 cc1200-02](#)

¹⁴ [HC Deb 23 November 2017 cc1200-02](#)

¹⁵ See Library briefing paper: [Under-occupation of social housing: Housing Benefit entitlement](#) (6272)

2.8 Mixed age couples

Couples where one person is over and the other under Pension Credit age will be expected to claim UC and will, therefore, be subject to relevant conditionality requirements and measures such as the social sector size criteria. Couples already in receipt of Pension Credit are expected to continue to be entitled to it.

2.9 Single people aged between 18 and 21

Since April 2017 the housing cost element of UC has not been payable to single people (or members of a couple claiming as a single person) aged between 18 and 21, who claim for the first time in a 'full service' area. There are a number of exceptions to this rule - the Government has published detailed guidance on the exemptions in [Memo ADM 6/17](#), there is guidance on [Housing Costs for 18-21 year olds](#) on the GOV.UK website. There is also a Library briefing paper: [Housing cost element of Universal Credit: withdrawing entitlement from 18-21 year olds](#) (6473).

2.10 Supported housing

Residents of supported 'exempt' accommodation have help with their housing costs provided separately to UC in a similar way to Housing Benefit in the short term. The *Universal Credit (Transitional Provisions) and Housing Benefit (Amendment) Regulations 2013* (SI 2013/2070) enable Universal Credit and Housing Benefit (HB) to be paid simultaneously where the claimant is in "exempt accommodation."¹⁶ Exempt accommodation includes a resettlement place and accommodation provided by a county council, housing association, registered charity or voluntary organisation where that body, or person acting on their behalf, provides the claimant with care, support or supervision.

Similarly, claimants living in 'specified' supported accommodation are expected to claim Housing Benefit in respect of their housing costs. In 2014 the DWP introduced a new category of "specified accommodation"¹⁷ in an attempt to resolve concerns amongst providers of supported housing, who argued that the existing definition of exempt accommodation would not protect residents of supported housing from welfare reform policies, such as direct payments, the under-occupation deduction, and the benefit cap. The National Housing Federation published an [explanatory note](#) on the *Housing Benefit and Universal Credit (Supported Housing) (Amendment) Regulations 2014* which explains the definition of specified accommodation.

2.11 Temporary accommodation

The Regulations define temporary accommodation as accommodation where rent payments are made to the local authority, or a provider of

¹⁶ See [DWP Circular HB A19/2013](#)

¹⁷ *Housing Benefit and Universal Credit (Supported Housing) (Amendment) Regulations 2014*

social housing other than the local authority, where the accommodation is being used to discharge the authority's homelessness duty or to prevent the resident becoming homeless.¹⁸

The Government had intended that claimants in temporary accommodation would receive housing support as part of their UC and that this would be based on the appropriate Local Housing Allowance rate for the household and would take account of household size as opposed to property size.¹⁹

Section 3 of this paper considers early experiences of local authorities with homeless households placed in temporary accommodation who have claimed UC. Delays in processing claims have been highlighted as a problem.

On 23 November 2017, the Secretary of State announced changes to the payment of housing costs for those in temporary accommodation:

In April, as a short-term measure, we will change how claimants in temporary accommodation receive support for their housing costs to ensure that local authorities can recover more of their costs and can therefore continue to offer this valuable support to those who need it most. We will also consider longer-term solutions.²⁰

If someone is claiming UC while living in temporary accommodation, then the housing costs claim will be transferred to Housing Benefit. Any new tenants will claim Housing Benefit from April 2018. This change requires secondary legislation.

2.12 Service charges

There were initial concerns that the housing element of UC would cover far fewer types of service charge that tenants are liable to pay than under the Housing Benefit system. On 21 December 2012 the DWP published an 'exhaustive list' of eligible service charges (i.e. those charges for services that will be covered by UC) and guidance for consultation up to the end of January 2013.²¹ Social landlords welcomed the move but highlighted some remaining issues:

However, housing benefit consultant Chris Smith warned there is still likely to be some uncertainty.

He cited a DWP survey published in 2010 showing that more than 400 descriptions of service charges are used by landlords. He said there could be legal disputes as social landlords try to 'shoehorn' charges into one of the four headings in the guidance.

According to the most recent global accounts for housing associations, service charge income is worth £870 million a year.²²

¹⁸ Certain types of temporary accommodation where support is provided fall into the category of 'specified' accommodation – claimants in these types of temporary accommodation continue to claim Housing Benefit.

¹⁹ HB/CTB Circular G10/2010

²⁰ [HC Deb 23 November 2017 cc1200-02](#)

²¹ DWP, [Universal Credit service charges – guidance for landlords](#), December 2012

²² *Inside Housing*, "DWP spells out service charges eligible for benefit", 10 January 2013

The current version of the list of service charges covered by UC was published in April 2013: [Universal Credit service charges – guidance for landlords](#).

2.13 Ground rent

Ground rent is payable by long leaseholders as a condition of their lease agreement. It is possible to claim Housing Benefit to cover ground rent liability but this is not the case under UC. This change was raised by the Social Security Advisory Committee (SSAC) when they considered the draft Universal Credit Regulations:

Payments which are not Rent Payments (Schedule 1, para 3): this means that leaseholders will have to meet a demand for ground rent from their own resources.

The Government provided the following response:

Provision for ground rent is excluded from support within Universal Credit. Amounts for such liabilities are generally low and it is not considered appropriate to include them within a simplified system.²³

2.14 Use and occupation charges & mesne profits

The SSAC questioned the omission of use and occupation charges and mesne profits²⁴ from the definition of rent payments that the housing costs element of UC will cover:

Rent Payments (Schedule 1, para 2): in the definition of 'rent payments' no provision is made for 'use and occupation charges' (the payments made by a person commonly left in the property after the death of a tenant whilst the new tenancy situation is resolved). Similarly there is no provision for mesne profits.

The Government said:

No specific provision is being made for mesne profits in the housing element of Universal Credit as we consider that they would be more likely to appear as rent or payments for a licence or permission to occupy. In these cases legitimate housing costs are likely to be covered under Schedule 1 of the regulations. We decided not to carry forward specific provision for mesne profits as it would not be fair for the benefit system to underwrite such arrangements.²⁵

²³ DWP, [Universal Credit and related regulations: Response to SSAC technical comments and policy points](#)

²⁴ Sums of money paid for the occupation of land to a person with right of immediate occupation where no permission has been given for that occupation.

²⁵ DWP, [Universal Credit and related regulations: Response to SSAC technical comments and policy points](#)

2.15 Size criteria

Overnight care

Reductions in Housing Benefit can apply to claimants where they live in a property that is deemed to be too large for their needs.²⁶ An exemption operates so that an additional bedroom is allowed where a disabled person, or someone with a long term health condition, has a proven need for overnight care and it is provided by a non-resident carer. This exemption was introduced for claimants in the private rented sector in April 2011 by an amendment to the *Housing Benefit Regulations 2006*. It also applies to claimants in the social rented sector from April 2013.

Under UC a more restrictive definition of people requiring overnight care applies. Currently it is possible for claimants to have a spare room for an overnight carer and not suffer a Housing Benefit reduction if they do not receive Attendance Allowance (AA) or Disability Living Allowance (DLA) if the authority is satisfied that overnight care is needed, and is provided by someone who does not live with the claimant. Under UC the exemption will only apply if the claimant or the person receiving the care (the claimant's partner/child/non-dependant) is in receipt of DLA (middle or highest rate), AA or the daily living component of the Personal Independence Payment (PIP).

Temporary protection

Currently, where the tenant could previously afford the rent and has not claimed Housing Benefit in the last 52 weeks the size criteria does not apply for 13 weeks. Under UC the reduction applies immediately.

Temporary absences

Under UC the following rules on temporary absences from the home will apply:

- a child (or young person aged 16-19) will be considered as occupying a bedroom for the first six months that they are in care or in prison, or outside Great Britain (depending on circumstances).
- non-dependants will be considered to be still occupying a bedroom during travel outside Great Britain for up to six months, during a prison sentence that is expected to or has reached no more than six months, or for any other temporary absence of up to six months.

The SSAC questioned the changes to eligibility for assistance with housing costs during a temporary absence:

Temporary Absences (regs 3(6) & 4(7)): reducing the period of temporary absences from 52 weeks to 26 weeks may cause some difficulties for a claimant whose partner or child is, for example, in hospital or respite care. Although the partner would be eligible to claim as a single person, the loss of support with respect of a child

²⁶ For working-age claimants in social rented housing under-occupation deductions have applied since 1 April 2013.

could jeopardise ongoing contact with them if they were at a distance and travel costs were high.

The Government responded:

Universal Credit clarifies and aligns a disparate mix of temporary absence rules in the current income-related benefits. DWP believes that introducing a standard 26 week rule for temporary absence is broadly fair. Where there are clear rules, there will always be people who fall on the wrong side of the line but we do not expect that this change will cause significant problems in practice.²⁷

Death

Currently, where a member of the household dies, resulting in under-occupation, Housing Benefit entitlement is not reduced for a period of 52 weeks. Under UC this period is reduced to 3 months.

Lodgers

Under UC no room is allowed for a lodger but any income from lodgers is disregarded in full. Currently a room is allowed for a lodger but any income received is taken into account aside from the first £20.

Amendments to the UC Regulations

The UC Regulations have been amended to take account of several court cases which established that certain disabled people may be entitled to an additional bedroom. For example, disabled children and adults who cannot share a bedroom because of a disability. For more information see Library briefing paper: [Under-occupying social housing: Housing Benefit entitlement](#) (6272).

2.16 Non-dependent deductions

A non-dependant is someone who normally lives with the Housing Benefit claimant such as an adult son, daughter, relative or friend. Currently, there are seven separate rates at which a deduction is made from the claimant's Housing Benefit entitlement irrespective of whether or not the non-dependent actually makes this payment. These rates vary by income (of the non-dependent) – under 25s on benefit are exempt.

Under UC, one flat-rate Housing Cost Contribution (HCC) of £68 per month is deducted from a claimant's entitlement - all under-21s are exempt from the HCC. There are also exemptions (as there are now) for non-dependents who are in receipt of, or entitled to receive the care component of DLA at the middle or highest rate, AA or the daily living component of PIP, carer's allowance, as well as prisoners and those responsible for a child under 5 years old.

Tenants registered as blind and anyone in receipt of, or entitled to receive the care component of DLA at the middle or highest rate, AA or the daily living component of PIP will not face a HCC deduction.

²⁷ DWP, [Universal Credit and related regulations: Response to SSAC technical comments and policy points](#)

The flat-rate HCC deduction is made from the claimant's housing cost element after other deductions e.g. in respect of any under-occupation, have been made.

Some working non-dependents will benefit from the flat-rate contribution while others on benefit and with lower incomes – particularly younger people aged 21-25 (who receive a lower rate of UC) may struggle. The National Housing Federation (NHF) said that the single rate of deduction would “cause hardship within households where the non-dependent is on benefit but not exempt.”²⁸

Under Housing Benefit full-time students are exempt from non-dependent deductions but they are not exempt from the HCC under UC.

2.17 Paying rent on two homes

Under UC benefit is payable on two homes if:

- liability to pay rent on two homes has arisen because of fear of violence in the accommodation normally occupied as the home. In this case, both liabilities can be paid for up to 12 months as long as there is an intention to return to the original property;²⁹
- a disabled person is unable to move into a new home because it needs adaptations to make it suitable. The claimant will have to prove that the delay is reasonable. A disabled person is defined as someone in receipt of specified disability benefits (high or middle rate care component DLA, Attendance Allowance or PIP). Benefit will be payable for up to one month.

The housing element of UC is payable for up to one month if a claimant cannot move into their accommodation immediately because they are in hospital or a care home.

An additional amount for housing costs can be paid where someone is not able to occupy their home because of essential repairs but this payment will only cover either the housing costs of the other accommodation or the accommodation which they normally occupy as their home (not both).

There is no equivalent in the UC Regulations to the four-week concession that allows Housing Benefit to be paid where there is an unavoidable overlap in liability for rent.

2.18 Temporary and other absences from home

From 28 July 2016, the Government amended the rules on claiming Housing Benefit while absent from the Great Britain to limit entitlement to 4 weeks “to align with the allowable period in other benefits, including Universal Credit.”³⁰ Prior to this, Housing Benefit could be

²⁸ NHF Briefing: Universal Credit Regulations, December 2012

²⁹ The original draft regulations only allowed for domestic violence.

³⁰ [SSAC report on SI 2016/624](#), July 2016

claimed for up to 13 weeks. It is possible to receive the housing costs element for a longer period in certain circumstances.

Claimants may continue to receive the housing element of UC for six months where they are in prison and are not expected to be absent from their home for longer than that period. This is less generous than under the current system where prisoners in custody waiting for a trial or sentencing, or who have to stay away from home (for example, in a bail or probation hostel) as a condition of bail, may get Housing Benefit for up to 52 weeks. Housing Benefit can also be received for up to 13 weeks if a claimant is sentenced to prison, as long as the total time spent in prison is likely to be 13 weeks or less, including any time spent on remand. The NHF pointed out: “delays in the court process mean that people who may be subsequently found not guilty are sometimes held in custody for much longer than six months.”³¹

The SSAC commented on this issue:

Temporary Absence of a Benefit Unit Member (Schedule 4, para 13): this provision will have an adverse impact upon remand prisoners subsequently found not guilty or who are given an outcome by the court which is other than a custodial sentence.³²

The Government responded:

This provision provides protection for claimants where members of the extended benefit unit are absent temporarily. In the case of remand prisoners, six months protection for the claimant is a reasonable period.³³

Where a member of the household dies, UC continues to be paid at the same rate for up to three months. This is less generous than under the current system where Housing Benefit entitlement is not reduced for a period of 52 weeks when a member of the household dies.

2.19 The benefit cap

The cap, which limits the total amount of annual benefit that a family can receive to £20,000 outside of London and £23,000 within Greater London, applies under UC.³⁴

2.20 Conditionality & sanctions

The *Welfare Reform Act 2012* enshrines the principle that, in order to receive financial assistance, claimants must look for work. All claimants of UC are required to accept a claimant commitment. It is expected that most claimants will fall into the “all work requirements” category meaning that they must take all reasonable steps to search for work.

UC carries consequences for non-compliance and sanctions increase in duration for repeat offences. The housing element of UC is unaffected by these sanctions but as UC, in most cases, is paid direct to the

³¹ NHF Briefing: Universal Credit Regulations, December 2012

³² DWP, [Universal Credit and related regulations: Response to SSAC technical comments and policy points](#)

³³ Ibid.

³⁴ Certain benefits are excluded from the cap. See Library briefing paper: [The Benefit Cap](#) (6294)

claimant, there are concerns that the severity of the sanctions regime may lead to some claimants failing to prioritise rent payments. The NHF suggested that claimants subject to a UC sanction should automatically be switched to direct payment of the housing element to the landlord in order to prevent the accrual of rent arrears.³⁵

2.21 Overpayments of UC

Section 71ZB of the *Welfare Reform Act 2012* provides that the Secretary of State can recover any amount of UC paid in excess of entitlement – this applies regardless of the cause of the overpayment. This represents a change from the position under Housing Benefit; for example, overpayments are generally not recoverable where the claimant can establish that the overpayment arose as a result of an official error.

2.22 Scotland & Northern Ireland

The **Scottish Government** has power under section 29 of the *Scotland Act 2016* to make regulations in relation to the housing costs element of UC for claimants who rent their homes.

The Scottish Government has said it will use this power to abolish the size criteria for claimants in social rented housing (Removal of Spare Room Subsidy/bedroom tax). On 26 March 2017 the Scottish Government announced that it would extend the Scottish Welfare Fund to assist claimants affected by the measure to limit entitlement to housing costs in UC for young people aged 18-21.

In January 2017, the Scottish Government launched a [consultation exercise](#) on the *Universal Credit (Claims and Payments) (Scotland) Regulations 2017*. The Scottish Government is committed to giving the recipients of UC more choice over how and when payments are made:

Managed payments of rent to landlords, and more frequent payments of Universal Credit have been two issues that stakeholders have repeatedly raised with us and we want to let people claiming Universal Credit have the option to choose these if they so wish. Work with DWP to deliver the flexibilities is progressing. We need to also progress the legislation that will be required. It's important that we gather your views on the draft regulations and whether they are fit for purpose. You can help us do this by responding to this consultation.

As many of you may recall, the recent social security consultation included a question on extending managed payment of rent to private sector tenants. Early indications from the consultation responses, and previous feedback from relevant organisations, indicate that offering the same choice to private sector tenants is the favoured approach and also the fairest one. These regulations have therefore been drafted to cover both the private and social rented sectors.³⁶

The Regulations have been drafted to give tenants the option of:

³⁵ NHF Briefing: Universal Credit Regulations, December 2012

³⁶ [Consultation exercise on the Universal Credit \(Claims and Payments\) \(Scotland\) Regulations 2017, January 2017](#)

22 Housing costs in Universal Credit

- UC being paid twice a month rather than monthly; and
- any UC housing element being paid direct to landlords.

The outcome of the consultation exercise was published in June 2017: [Response to the Consultation on Universal Credit \(Claims and Payments\) \(Scotland\) Regulations 2017](#). The *Universal Credit (Claims and Payments) (Scotland) Regulations 2017* were laid in the Scottish Parliament on 29 June to come into force on 4 October 2017.

In **Northern Ireland**, the [Welfare Reform \(Northern Ireland\) Bill 2012](#) failed to make progress. This prompted the UK Government to introduce the *Welfare Reform (Northern Ireland) Act 2015* to provide for the implementation of welfare reform measures in Northern Ireland. More information can be found in Library Briefing Paper 07389: [A Fresh Start: the Stormont Agreement and Implementation Plan and the Northern Ireland \(Welfare Reform\) Bill 2015-16 \[Bill 99\]](#). The [roll-out of UC in Northern Ireland](#) began at the end of September 2017.

The size criteria (under-occupation) provision came into force in Northern Ireland on 20 February 2017. The Department for Communities (DfC) is mitigating the impact of the deduction for social housing tenants up to March 2020. A review will take place in 2018/19.

3. Experiences of implementation

As noted earlier in this paper, the **National expansion** of Universal Credit was completed by Spring 2016, so that Universal Credit is available in all Jobcentres in Great Britain – although initially for new claims only, for select claimant types. In [most areas](#) UC is still limited to new claims from single unemployed people (or people with very low earnings) satisfying the “gateway conditions.”

Roll-out of the Full Service started in 2016. Initial trials started in Sutton, Croydon and Southwark. Where the Full Service has been introduced UC claims are being taken from all claimant groups.

The roll-out so far provides a basis on which the impact on claimants applying for UC can be assessed. In relation to the housing costs element, **there are concerns about the impact of waiting periods and other delays on rent arrears, particularly in short-term temporary accommodation.**

The Government responded to some of these concerns with changes announced during the Autumn Budget 2017

3.1 Impact on rent arrears

East Lothian Council was initially involved as a partner agency to Musselburgh Job Centre Plus (JCP) during the roll-out of the Universal Credit Live Service (UCLS) from 27 April 2015. The Council subsequently signed up to a further Delivery Partnership Agreement, (DPA) for the full digital roll-out of the Universal Credit Full Service (UCFS) from 23 March 2016.

A [report](#) prepared for, and considered by, East Lothian Council in December 2016 described the impact of Universal Credit Full Service on mainstream council house rent collection as “severe”:

- **590** council house tenants were known to be claiming UC at the end Q2 2016/17. The total value of rent to be collected from these tenants each fortnight was **£75,400.47**. This equates to **£1,809,611.28** over a 12 month period.
- Current tenant rent arrears reduced from **£1,295,782.60** at the end of 2015/16 to **£1,210,872.63** at the end of Q1 2016/17 - an **£84,909.97** reduction (**6.55%**). This significant reduction was mainly due to the summer rent charge break at the end of June 2016. This is an expected reduction at this time of year as those in arrears continue to pay.
- Current tenant rent arrears increased from **£1,210,872.63** at the end of Q1 2016/16 to **£1,452,515.37** at the end of Q2 2016/17 – a **£241,642.74** increase (**19.95%**).
- This equates to a net in-year increase of **£156,732.77** (**12.09%** increase). The increase in rent arrears in Q2 2016/17, has almost entirely wiped out the reduction in rent arrears reported in both 2014/15 and 2015/16.
- Of the year-to-date increase of **£156,732.77 – £79,140.69** relates directly to debt associated with UC. The remaining **£77,592.08** remaining is the indirect impact, i.e. time spent

dealing with UC claimants is detracting from the time officers are able to spend dealing with other tenants.

- By way of comparison, during the same period in 2015/16, current tenant rent arrears reduced by **£51,262.42**.
- **481** of these 590 tenants have rent arrears. **316** of these 481 tenants have **increasing** rent arrears.
- The average rent arrears for a UC claimant is **£898.89** – to put this into context, the average rent arrears against a non-UC case are £589.49.
- Overall, there has been a **12.09%** increase in current tenant rent arrears in 2016/17. However, for UC claimants, there has been a **22.40%** increase in rent arrears.³⁷

The report recommended that the DWP should “carry out an urgent investigation into the impact of Universal Credit in East Lothian on claimants and on the local authority and other social landlords” and ask “the UK Government to suspend the housing cost element of Universal Credit until this investigation has taken place.”³⁸

Work and Pensions Committee inquiry 2016-17

Following what it described as “compelling evidence of the problems in the rollout of Universal Credit in its recent follow ups” the Committee re-launched its inquiry into UC in February 2017.³⁹ Evidence was taken up to 20 March 2017. The Committee Chair, Rt Hon Frank Field, said:

Huge delays in people receiving payments from Universal Credit have resulted in claimants falling into debt and rent arrears, caused health problems and led to many having to rely on food banks. It is bad enough that UC has a built-in six-week wait between someone applying and them receiving their first payment, but we have heard that many have to wait much longer than this. The adverse impact on claimants, local authorities, landlords and charities is entirely disproportionate to the small numbers currently claiming UC, yet Lord Freud has told us he thinks it will take decades to optimise the system. We have therefore felt compelled to investigate UC yet again. We will examine what its impact is on claimants and those local bodies which deal with them, and what Government needs to do to ease the pressure on those worst affected.⁴⁰

The Committee took oral evidence on [23 January 2017](#) from witnesses representing the Halton Housing Trust, Resolution Foundation, Child Poverty Action Group (CPAG), and Gateway and Welfare in the London Borough of Croydon. Martin Williams of CPAG responded to a question about the time it was taking for claimants to receive their first payment of UC:

Working with claimants waiting for payment, the evidence we see is that they just cannot manage with that sort of wait. This is not a wait that is a delay; it is a designed-in period at the start of a claim. If I deal with the start of a claim first and then with the frequency of payment afterwards, the wait is because for many

Witnesses said that claimants were struggling to manage while waiting for their first payment of UC.

³⁷ [Report for East Lothian Council: Update on welfare reform and Universal Credit](#), 20 December 2016 (opens in word)

³⁸ Ibid.

³⁹ [Universal Credit roll-out: inquiry relaunched](#), 21 February 2017

⁴⁰ Ibid.

claimants there is no entitlement during the first seven days anyway, particularly if you come straight from work to UC. You then have an assessment period of one month and you are paid at the end of that and, in fact, it is seven days after the end of that. Assuming it works well as intended, you are looking at at least six weeks to wait.

We already see cases where the housing cost element is not calculated in that time, so there is a further wait for housing costs. I was reviewing case studies and there were two where people were at risk of eviction because the housing cost element had not been calculated.

You have to understand that the vast majority of people we come across—and it is typical of Universal Credit claimants—do not have six weeks' money in hand at the point they make their claim.⁴¹

Mr Williams said that **advance payments for claimants suffering hardship were not well advertised**.⁴² Mark Fowler of Gateway and Welfare in Croydon (a full service area) commented on claimants' experiences in that area:

Just to pick up on the point of those more vulnerable groups that were identified, under Universal Credit for single people under the age of 35, they were previously receiving a one-room rate of £155 a week. Under Universal Credit it is shared facilities at £72. Now, bearing in mind what Martin was saying about the duration, we have seen at Croydon on average it is about 12 weeks before any form of payment is awarded, which is creating considerable pressures, as you can understand.

[...]

What we have also found is that people in emergency accommodation—so people who are unlikely paid, incredibly vulnerable, fleeing domestic violence, mental health issues, single parents, English not their first language—are particularly hit by the approach to Universal Credit. One example is that in emergency accommodation without shared facilities we obviously want to move people on within the six-week window, otherwise you are in trouble with the Ombudsman and it is not appropriate. To receive housing costs from Universal Credit, you have to be in the property for six weeks. That is immediately obvious of where the policy is contradictory one side to the other.⁴³

He reported that rent collection rates amongst vulnerable households in temporary accommodation had fallen in Croydon, Sutton and Southwark from 90% to between 42% and 59%.⁴⁴ More information on the experiences of Croydon, Sutton and Southwark councils can be found in a [letter from Mark Fowler to Rt Hon Frank Field](#) of 3 February 2017.

Nick Atkin of the Halton Housing Trust said:

The issue with ourselves and UC is that if you look at the fact that in Halton there are 12,000 tenancies that the four main housing associations have between them, there are just over a thousand of

Particular problems were reported in securing rent payments from claimants living in temporary accommodation.

⁴¹ [HC 898, Oral Evidence](#), 23 January 2017, Q8

⁴² *Ibid.*

⁴³ *Ibid.*, Q18 & 20

⁴⁴ *Ibid.*, Q24

those households are in receipt of UC. 920 of them are in arrears, and if you look at the figures, UC claimants make up just 9% of all our tenancies but they account for 37% of our arrears at the moment.⁴⁵

Mark Fowler confirmed that **payment concerns related to UC were feeding through to private sector landlords.**⁴⁶ The Residential Landlords Association (RLA) supported research carried out by Sheffield Hallam University in 2015 which, inter alia, sought the views of RLA members on Universal Credit and their experiences of it. The research found:

1. Of those landlords with tenants in receipt of UC, 25% said that they were in arrears. This supports the concerns raised by former Welfare Reform Minister, Lord Freud, and is consistent with what he told the Work and Pensions Select Committee that UC was having an “effect” on rent arrears for around a quarter of claimants.
2. As a result of UC claimants being in arrears, 34% of landlords said that they had requested that payment to cover rents be made directly to them (known as Alternative Payment Arrangements or Landlord Managed Payments) which can be put in place where a tenant gets into two months of rent arrears. Just 38% of these said that they had been successful in achieving this.
3. In seeking such arrangements, 61% of landlords found the process either “tricky” or “very difficult”. The same proportion found that the Department for Work and Pensions was not very helpful in dealing with their concerns or queries.
4. The removal of the housing element of UC from being paid to 18-21 year olds has made 76% of landlords less likely to rent to those in this age group because of worries about whether the rent will be paid or not.⁴⁷

There is evidence that private landlords are reluctant to let to benefit claimants.

Witnesses to the Work and Pensions Committee identified that some aspects of the roll-out were identified as working well:

The job coaches are working in a positive way, the relationship we have at a local level is broadly positive. As long as people are continuing in role and there are not too many changes; that is good. If we could share information in a more joined up way and that was slightly more open and transparent, that would certainly support that initial enthusiasm that you all saw when you kindly visited us. Equally, I have to be honest, the size and the scale of the rollout and the timing of that is considerable. That brings pressures and pressures on resource and people and their understanding. In short, it is at odds with the enthusiasm. I think it is fair to say that is the case, at the moment.⁴⁸

Lord Freud, former Minister of State for Welfare Reform, gave evidence to the Committee on [8 February 2017](#). He responded to questions about the level of arrears tenants on UC were experiencing and

⁴⁵ Ibid., Q36

⁴⁶ Ibid., Q44

⁴⁷ RLA, Changes needed to Universal Credit to give confidence to tenants and landlords, March 2017

⁴⁸ [HC 898, Oral Evidence](#), 23 January 2017, Q55

cautioned against taking the rent arrears figures at face value on the basis that some tenants had moved onto UC with pre-existing arrears:

The figures that you saw, that 86% is not what it appears, as I say is because you already have 79% anyway. However, when I left in December I was looking at figures that show that there was a problem and there was a proportion of people, probably around a quarter, where UC was having an effect on the arrears. The Department is obviously really concerned to sort that. The issue is around how long does it take to work out what the right rent is to make those payments? There is an element about getting the right data and the speed of processing. They need to and are working on speeding up and then accuracy of data—one of the things that has happened in the social housing sector is people find it quite difficult to know what their rent is because of the way that it is worked so getting accurate information about the rent is something that you need to liaise three ways between the Department, the tenant and the landlord.

Now, that process needs to be improved and I know they are working on that improvement. They are looking at a portal—⁴⁹

Lord Freud pointed to the development of Universal Support:

...what we did is look at something that we call Universal Support, which is a partnership between the Department and the local authorities. We have now got an agreed partnership agreement signed with every single local authority to help with the barriers that some people will find. Currently we are only dealing with two or three barriers: digital, competence and budgeting support. But there is no reason why that system should not expand to handle other barriers.⁵⁰

However, Lord Freud did indicate that claimants in short-term temporary accommodation could be removed from UC.⁵¹

The Committee published a [letter](#) on 16 March 2017 in which the then Employment Minister, Damian Hinds, responded to several issues raised by the Committee concerning UC.⁵²

The Committee's inquiry was not concluded before Parliament was dissolved on 3 May 2017. The evidence submitted can be found on the [Universal Credit inquiry page](#).

Lords Financial Exclusion Committee report March 2017

On 25 March 2017 the House of Lords Select Committee on Financial Exclusion published a report, [Tackling financial exclusion: A country that works for everyone?](#)⁵³ The Committee's report states that while it did not seek to conduct detailed post-legislative scrutiny of the *Welfare Reform Act 2012*, it had set out to understand the ways in which changes resulting from the Act had helped to address, or served to intensify, financial exclusion. The Committee had received "extensive evidence" on this theme. Changes that were particularly highlighted as

⁴⁹ [HC 898, Oral Evidence](#), 8 February 2017, Q106

⁵⁰ [HC 898, Oral Evidence](#), 8 February 2017, Q114

⁵¹ *Ibid.*, Q130

⁵² [Response from Minister for Employment Damian Hinds](#), 1 March 2017, paras 18-19

⁵³ HL Paper 132 2016-17

having had an impact included, among other things, the introduction of Universal Credit.

The section of the Committee's report on welfare reform and financial exclusion covering Universal Credit concentrates on three aspects:

- the initial waiting time;
- monthly payments; and
- payment of housing costs.

While acknowledging the Government's intention to promote social and financial inclusion through the introduction of Universal Credit, the Committee was concerned that unintended consequences could undermine these aims. Accordingly, it made a number of recommendations which, it believed, would help to prevent benefit recipients "spiralling unnecessarily into debt and financial exclusion." The recommendations included:

- Abolishing the seven-day waiting period at the start of a Universal Credit claim. The Committee states: "the waiting period contributes to sometimes lengthy delays in claimants receiving their first payment. These delays put claimants at significant risk of falling into arrears." (Recommendation 19)
- The Government should allow for greater flexibility in the frequency of Universal Credit payments in England and Wales so that, where monthly payments would contribute to a claimant's financial exclusion, payments can be made twice-monthly, as will be possible in Scotland and Northern Ireland. This could be on the basis of a DWP decision-maker decision or on the basis of a Trusted Partner scheme with local authorities or social landlords. (Recommendation 20)
- Tenants in receipt of Universal Credit in England and Wales should be allowed to decide for themselves whether their housing costs should be paid to them or direct to their landlord. (Recommendation 21)
- Trusted Partner pilots should be rolled out more urgently to all registered social landlords and local authority landlords, "so that claimants experiencing vulnerability do not have to fall into arrears before having payment arrangements amended."

More generally, the Committee recommended that the Government conduct a "detailed, comprehensive cumulative impact study of how changes in social security policy resulting from the *Welfare Reform Act 2012* might have adversely affected financial wellbeing and inclusion. This research should consider the extent to which these changes have contributed to debt and arrears and to any greater reliance on high-cost lending." (Recommendation 22)

The Government's response March 2017

The Work and Pensions Select Committee published a [letter](#) on 16 March 2017 in which the then Employment Minister, Damian Hinds, responded to several issues raised concerning the roll-out of UC,

particularly in relation to the impact on rent arrears. Overall, the Minister said:

We believe that any arrears of rent associated with UC are likely to be of a short duration, cleared relatively quickly and should not present an insurmountable obstacle to landlords over the lifetime of a tenancy. The early evidence from UC backs up this hypothesis. In 2015 we found that 48% of UC claimants with housing costs were in arrears in the first month of a claim (compared to 31% in JSA), but by month 3 the UC cases in rent arrears had fallen to 33% - very close to the historic JSA position.⁵⁴

The full contents of the letter can be found online: [Response from Minister for Employment Damian Hinds](#). The letter listed Government action to improve how UC operates for people claiming the housing costs element.

The Chair of the Committee, Rt Hon Frank Field issued the following response:

Despite a growing body of evidence about the very real hardship the rollout of Universal Credit is creating for some, often the most vulnerable, claimants - and the struggles it is creating for local authorities trying to fulfil their responsibilities - it is flabbergasting that the Government continues to keep its head in the sand.

There is no urgency in the Government's attempts to solve, for example, the incompatibility between Universal Credit and a council's duties to those in emergency temporary accommodation. This is affecting some of society's most vulnerable people, at a point of crisis, yet the Government appears unwilling to take the action it could to solve this and simply remove these people from the Universal Credit system.⁵⁵

The roll-out of UC was the subject of a [Westminster Hall debate](#) on 19 April 2017 led by Catherine McKinnell MP. Damien Hinds responded to questions about delayed payments and rent arrears.

Joseph Rowntree Foundation report April 2017

On 6 April 2017 the [Joseph Rowntree Foundation published a briefing](#) providing "information and evidence on the latest developments as Universal Credit rolls out across the UK. It provides recommendations on how the system could be improved."⁵⁶

The introduction to the report expressed support for the introduction of "an integrated benefit system that responds to people's changing circumstances".⁵⁷ The briefing went on to highlight "three priorities for immediate action to ensure UC achieves its goals and helps reduce poverty." **The first area highlighted in the report related to waiting times:**

⁵⁴ [Response from Minister for Employment Damian Hinds](#), 1 March 2017

⁵⁵ Work and Pensions Select Committee, [Universal Credit: "Government has its head in the sand"](#), 16 March 2017

⁵⁶ Katie Schmuecker, [Universal Credit: a Joseph Rowntree Foundation briefing](#), 6 April 2017

⁵⁷ Ibid.

Risk of destitution while people wait for a first UC payment

Living for a sustained period with very low – or no – income and no savings to fall back on increases the risk of destitution. Destitution is when someone is unable to afford to eat, stay warm and dry, and keep clean (Fitzpatrick et al, 2016).

New UC claimants must wait at least five weeks for a first UC payment (an arbitrary seven-day wait before being allowed to claim, plus payment one month in arrears). As UC wraps multiple major benefits into one payment, this leaves people with few, or no, other sources of income to fall back on. Among the poorest fifth of households, 69% have no savings, and a further 10% have less than £1,500 to fall back on (Tinson et al, 2016).

The early experience of delivering UC shows the risk of debt and destitution and the threat of eviction is heightened (Work and Pensions Committee 2017). In Croydon, which was a UC pilot area and has one of the largest UC caseloads in the country, the average wait time for a first payment is currently 12 weeks. During this time, the availability of benefit advances are not being effectively communicated (Work and Pensions Committee 2017). This appears not to be an isolated problem. Up to 40% of local welfare assistance applications are estimated to result from DWP advisers failing to inform people of support they might be eligible for (Work and Pensions Committee 2016).

The widespread use of benefit advances is not the solution to this problem, as they result in an accumulation of debt. To reduce debt and destitution, people who are entitled to, and in need of, income support should receive it quickly.

JRF recommends the DWP gets rid of arbitrary waiting days in UC. In addition, the impact of payment one month in arrears should be monitored and reconsidered, if it results in rising debt and destitution.⁵⁸

The other two immediate priorities included not going ahead with the two-child limit in UC, and a “devolution deal for employment support”. Further details of these proposals, and other areas of concern can be found in the report.

Work and Pensions Committee inquiry – UC roll-out September 2017

Following the 2017 General Election, the Committee reopened its inquiry into the DWP's preparedness for the scheduled acceleration of the roll-out of full service Universal Credit from October 2017. The inquiry initially took submissions up to 19 October 2017 – this was subsequently extended to 9 January 2018 as the Committee decided to seek evidence on self-employment and UC. Written submissions can be accessed on the [Committee's website](#).

An [oral evidence session](#) was held on 13 September. Councillor Fiona Colley, cabinet member for finance, modernisation and performance on Southwark Council, reported **an additional £1.3 million in rent arrears attributable to tenants in receipt of UC**. She said that this was primarily due to the time tenants have to wait for a payment.⁵⁹ Witnesses from local authorities including Newcastle, Plymouth and

⁵⁸ Ibid., p4

⁵⁹ [HC 336, 13 September 2017, Q3 and Q5](#)

Liverpool, argued for more flexibilities in the system, e.g. around verification of rent payments, and for all local authorities to be given trusted partner status. A desire for improved communication about the roll-out of full service was expressed. Councillor Colley said that early experiences of the landlord portal had been positive but said it was “just a start” as the information on it was still limited.⁶⁰

There was agreement amongst the local authority witnesses that temporary accommodation presents particular problems and should be taken out of UC altogether.⁶¹ There was also support for a pause or slow-down in the roll-out:

My advice would be to slow it down, learn from the full service sites and enhance the partnership working there, which we can build on by working together. Put more investment into service centres for people who are calculating housing costs, and upskill them—either put Housing Benefit staff in there or bring the guidance more up to date.⁶²

The point was made that **private landlords will not have access to the landlord portal.**

In terms of private landlords, in Plymouth there is a meeting next week with private landlords and the DWP, because a number of them have already said that they will not take Universal Credit claimants. That is the fear factor over having to wait for payments and so on.⁶³

Natalie Williamson of the Residential Landlord Association (RLA) elaborated on this point:

Our real concern is the rising rent arrears for private landlords. The previous panel touched on the difference between the treatment of private and social landlords. The key difference is really the lack of support and information that is available for landlords where it might be going wrong. They are not in a position to be able to think, “Right, can we get a plan in place?” For example, if the tenant is coming from Housing Benefit, they do not get told. There is no communication there, so they could find that the payments stop completely for a number of weeks, and they are not given information from the local authority, and they are not given information because of DWP because of data protection, so they don’t know which way to turn. All the while, their rent arrears are accruing, because there is a seven-day waiting period plus the six weeks on top of that. Tenants are almost at risk of eviction at eight weeks before they have even started to manage their own money.

If there was more available to give private landlords confidence in the system, and if they were treated the same as in social housing, perhaps, as was mentioned previously, evictions in the private rented sector and the unwillingness of some private landlords to operate within the welfare claimant sector would not be as severe.⁶⁴

Private landlords expressed concern about the lack of information from local authorities and the DWP. Rising rent arrears can put tenants at risk of eviction.

⁶⁰ Ibid., Q16

⁶¹ Ibid., Q32

⁶² Ibid., Q38

⁶³ Ibid., Q21

⁶⁴ Ibid., Q48

The RLA submitted [updated written evidence](#) to the Work and Pensions Select Committee inquiry in September 2017. This evidence contains the headline results of a [survey of RLA members conducted in August 2017](#), the findings in relation to welfare reform are described as “stark”. Of those landlords who let to tenants on UC or Housing Benefit:

- 38% of landlords reported that they have experienced universal credit tenants going into rent arrears in the past 12 months
- This is especially concerning with the finding that on average, landlords were owed £1600.88 in rent arrears
- 53% of landlords successfully request an Alternative Payment Arrangement
- 45% of landlords reported that the DWP were unhelpful when contacted
- The issue of rent arrears for universal credit tenants, is also one of the leading reasons for a landlord attempting to regain possession of the property (64% of landlords).⁶⁵

The RLA’s submission called on the Government to:

- Introduce Tenant Choice – the right for a tenant to elect to have UC paid direct to their landlord.
- Permit arrears to follow a tenant so that if a tenant receiving UC leaves a property owing rent arrears then these can be recouped from subsequent benefit payments.
- Improve data sharing between DWP and landlords where the tenant consents or without the need for consent where it is in the claimant’s interests. This includes information about the progress of applications for direct payment to the landlord. Standing consents should be permitted for the duration of a claim for housing costs for a particular property; not just for “a particular piece of business”.
- DWP should send landlords proper written notifications of their decisions which affect the landlord.
- Improve the arrangements when a claimant’s housing benefits is switched to UC.
- Provide a standardised script for Job Centre interviews around rental payment issues, and improve work coaches’ knowledge and training relating to housing costs issues.
- Improve the availability of advance payments of UC.
- Change the rules so that a history of rent arrears becomes a Tier 1 reason for direct payment of housing costs to landlords.
- Improve the arrangements for dealing with landlords’ applications for alternative payment arrangements, i.e. for housing costs to be paid direct to the landlord where there are arrears (APAs). This includes improving and streamlining procedures for landlords when they submit applications.

⁶⁵ RLA, [Written Evidence to the Work and Pensions Select Committee](#), September 2017, UCR0028

- Suspend paying UC housing costs pending investigations of claims by landlords for direct payment to them when there are arrears. This should be done automatically as soon as the application form itself is received, even though DWP may be waiting for further information.
- Make sure that landlords are always told if direct payment to the landlord is to cease for any reason.
- Introduce a trusted person scheme for private landlords.
- Improve ways in which landlords can communicate direct with DWP.
- Continue to allow the landlords to pursue complaints about DWP service under the DWP Complaints Procedure. Compensation should be payable where landlords suffer financial losses as a result of mal-administration by DWP. DWP should not hide behind the argument that this is a simple contract dispute; nor expect landlords to waste money pursuing fruitless claims against tenants for rent arrears in this situation.
- Set up a specific UC complaints procedure, including appropriate provisions for landlords to complain. Set up a specific UC complaints procedure, including appropriate provisions for landlords to complain.
- Vitally, there is a need to ensure that DWP's staff follow the correct procedures and that sufficient resources are in place to process APA claims in particular.

More information can be found in the RLA's report, [Welfare Reform and Universal Credit - The impact on the private rented sector](#), August 2017.

On 15 September the DWP published research commissioned from Ipsos MORI, [Universal Credit Test and Learn Evaluation: Families](#), in which the five-week waiting period was identified as a key factor behind the accrual of tenant arrears after moving to UC.⁶⁶ Data on claim processing times published by DWP on 15 September, [Universal Credit payment timeliness: Jan 2017 to June 2017](#), showed an improvement in the number of claims paid in the first assessment period.

Government response: the Landlord Portal and Trusted Partner Status

On 21 September 2017, Damien Hinds [wrote](#) to Frank Field to outline **two measures aimed at tackling social landlords' concerns about UC**:

First, we have been developing and testing a Universal Credit Landlord Portal which allows social sector landlords to input information and receive it directly, helping us to further improve rent verification rates and identify those claimants who need direct payments. From October, we will begin by supporting the largest social sector landlords to enrol and engage with the portal, with the intention of covering 80% of tenancies. Eventually, we hope to expand the portal to all social sector landlords and retrofit it to those councils already working with the full service.

⁶⁶ DWP, [Research into families claiming Universal Credit](#), September 2017; Summary report: [Universal Credit Test and Learn Evaluation: Families](#)

Coupled with the rollout of the portal, we intend to offer every social sector landlord the opportunity to become a 'Trusted Partner'. We have been trialling this approach with a range of landlords over the last two years. By drawing on landlords' knowledge of their tenants we can identify those who need to have their rent paid directly to their landlord, which we expect will help minimise the risk of arrears building up.⁶⁷

The National Federation of Housing welcomed the commitment to roll-out the landlord portal and Trusted Partner status to housing associations across the country, saying:

The Federation has pressed for these improvements and worked closely with members and DWP staff in their development over the last two years.

Trials of the landlord portal have shown that even in a very basic form it improves communication between the DWP and landlords, speeds up the verification of claims and cuts the burden of administration. Being a Trusted Partner allows landlords to make the recommendation for a tenant to have the rent portion of their Universal Credit paid direct to their landlord.⁶⁸

A [review of the Trusted Partner pilot](#) was published in September 2017 and also a [Q&A document](#) for social landlords.

On 2 October 2017 David Gauke [wrote](#) to all local authorities setting out progress in implementation and what authorities can do to help landlords prepare for UC.⁶⁹

The day before the Opposition Day debate on 18 October 2017, the Secretary of State wrote to Frank Field setting out some detail on dealing with housing costs within UC, and **developments in relation to advance payments, alternative payment arrangements, and the position of private landlords:**

We know, from internal research, that the housing costs determination is often complex and can be paid, in some cases, after the rest of the UC allowance, much as in the legacy system now, where core JSA entitlements are often paid well before Housing Benefits or Tax Credits claims are finalised. Getting the primacy attached to getting the claims right, rather than at speed has been a feature of the Social Security System since 1998 when you, as Welfare Reform Minister, introduced the change. This is an important principle and one we will look to the Committee for support to maintain.

I hope the Committee will agree that we cannot pay those cases in full (or in instances where identity has not been verified -in part) without risk to fraud and error creeping into the system.⁷⁰

He explained that the guidance on advance payments had been strengthened and that work was underway to increase awareness:

In my Conference Speech I announced that I was updating the guidance to ensure that anyone who needs an advance

⁶⁷ [Letter from Damien Hinds to Rt Hon Frank Field MP](#), 21 September 2017

⁶⁸ NHF, [Universal Credit update: landlord portal and Trusted Partner programme rollout](#), 27 September 2017

⁶⁹ [David Gauke letter to GB local authorities](#), 2 October 2017

⁷⁰ [David Gauke's letter to Frank Field](#), 17 October 2017

payment will be offered it up-front. I have attached a copy of the updated guidance for your reference. You will see that it says:

Claimants should be made aware that advances are available to them if they are in financial need. To establish if the claimant has a financial need and requires an advance they should then be asked if they have enough money to live on until the first payment of Universal Credit is due. This might be money from savings, earnings, redundancy payments or support from the claimant or partner's parents, family or friends. If the answer is no, then a claimant should be offered an advance.⁷¹

He confirmed that testing of the landlord portal had received positive early feedback:

Landlords will be contacted by a DWP Account Manager to invite and support them to enrol on to the landlord portal, usually four weeks in advance of their enrolment date. We will continue to do this in a managed way, testing the portal as more landlords take up the opportunity to use this service. There isn't a roll-out schedule as landlords will not be mandated to enrol on to the Landlord Portal. However, we expect that most will accept the invitation to enrol which will also provide them with Trusted Partner status.⁷²

The Secretary of State also provided an update on work with organisations representing private landlords:

Verification of rents in the Private Rented Sector have been consistently over 80%, partly because tenants have a much clearer idea of their rent than in the social rented sector. (The Committee will be aware that rent has not been paid direct to landlords in the PRS, except in cases of arrears, since 2008).

We are in regular contact with organisations representing private landlords and have, in discussion with them, improved the 'Alternative Payment Arrangements' (APA) and other aspects of how UC operates. At a local level, as Universal Credit is rolled out in an area our Partnership Managers work with local landlords, both private and social sector to help prepare them for the changes it will bring. We are currently looking at how we can improve our on-line communications with private landlords, and allow them to share information more quickly with us.⁷³

Opposition Day debate 18 October 2017

The Opposition motion called on the Government to pause the roll-out of UC full service.⁷⁴

The Minister for Employment, Damian Hinds, resisted this call and set out progress in processing UC claims:

Our latest data show that about 80% of new claims were paid in full and on time, and over 90% of people receive some payment at the due date. Among all claims, 92% are paid in full and 96% are getting some payment by the due date. Advances are available, paid within five working days and, in an emergency, on the same day. They are paid back over six to nine months. For vulnerable claimants, it is possible to have rent paid direct to the landlord, and 34% of social sector tenants on universal credit

⁷¹ Ibid.

⁷² Ibid.

⁷³ Ibid.

⁷⁴ [HC Deb 18 October 2017 c859](#)

have this arrangement right now. Our trusted partner system will further streamline the system for landlords to identify tenants who should be on those direct payments. My hon. Friend the Member for Gloucester (Richard Graham) asked about publishing the schedule of when that is coming to different housing associations. I cannot see him in his place, but I say to him that we will do that. Split payments and more frequent payments are also available where needed.⁷⁵

He said that the position of residents in emergency temporary accommodation and the process through which private tenants can secure alternative payment arrangements was being looked at.⁷⁶

Eviction action by social landlords “unacceptable”

During the debate, several Members referred to tenants facing an increased risk of eviction due to delayed UC payments resulting in the accrual of rent arrears. On the morning of the debate, the Secretary of State and the Director of the Universal Credit Programme at the DWP addressed this issue while giving evidence to the Work and Pensions Select Committee:

Mr Gauke: We have seen one case of eight people. There is a pre-action protocol—and Neil can come in on this—that essentially says social housing providers should not be taking eviction measures against tenants where there is a source of income that is coming to them from the state. We are ensuring and improving the system, whereby social landlords can be paid directly through an alternative payment arrangement, which means the money goes straight to the landlord rather than to the tenant. In those circumstances, it is not acceptable for a housing association or a council to evict people simply because they have gone on to Universal Credit and there has been a delay in payment, because they will be getting their rent paid. Neil, do you want to come in on that?

Neil Couling: Having seen the evidence that the Committee published about the evictions, I was particularly concerned about that, so I have written to the National Housing Federation to ask them to remind social landlords about the pre-action protocol and possession. What the pre-action protocol and possession is is guidance to judges, so judges should not grant possession orders, ie evictions, unless the social landlord can show that there is no possibility of Universal Credit being paid. Even in the case of a delay, there should not be an eviction in that situation.

Subsequently, David Orr of the National Housing Federation [wrote](#) to Neil Couling to confirm that the pre-action protocol is embedded in housing associations’ arrears recovery procedures but raised several concerns about the challenges associations face in meeting the intention of the protocol in relation to UC cases, including:

- Difficulties for landlords in getting information from DWP about the status of a claim in time to influence a decision about proceedings.
- Lack of an effective escalation route for Full Service through which urgent cases can be dealt with very quickly.

⁷⁵ [HC Deb 18 October 2017 c951](#)

⁷⁶ [HC Deb 18 October 2017 c952](#)

- Deductions from UC to pay back arrears being set at too high a level for some households resulting in some households not being able to access this method of payment.
- Difficulty in getting errors in decision making corrected.
- Difficulties in landlords obtaining information on APAs, including why they have stopped.⁷⁷

Committee report 'Universal Credit: the six week wait'

26 October 2017

On 26 October 2017, the Work and Pensions Committee published a [report](#) on the “baked-in” 6 week wait for UC, which it described as a “major obstacle to the success of the policy.” It noted compelling evidence linking it to an increase in acute financial difficulty, adding that most low-income families do not have the savings to see them through the period. While welcoming the increased availability of advance payments, the Committee did not believe these were a solution to a fundamental flaw in the benefit’s design. **The Committee recommended that the Government reduce the standard waiting time for a first UC payment to one month.**⁷⁸

Resolution Foundation 'Universal challenge – making a success of Universal Credit' 31 October 2017

This Resolution Foundation [report](#) recommended that, among other things, the Government should:

- speed up initial payments of UC, including payment of housing support;
- allow recipients to opt for fortnightly payments;
- allow tenants to choose direct payment of the housing element to landlords; and
- accelerate implementation of the landlord portal.⁷⁹

Government response: Autumn Budget November 2017

The Budget contained several measures aimed at supporting UC claimants:

- from January 2018 those who need it, and who have an underlying entitlement to Universal Credit, will be able to access up to a month’s worth of Universal Credit within five days via an interest-free advance. The government will extend the period of recovery from six months to twelve months, making it easier for claimants to manage their finances. New claimants in December will be able to receive an advance of 50% of their monthly entitlement at the beginning of their claim and a second advance to take it up to 100% in the new year, before their first payment date

⁷⁷ [David Orr’s letter to Neil Couling](#), 18 October 2017

⁷⁸ [HC 336](#), 26 January 2017, para 14

⁷⁹ Resolution Foundation, [Universal Challenge – making a success of Universal Credit](#), October 2017

- from February 2018 the government will remove the seven-day waiting period so that entitlement to Universal Credit starts on the first day of application
- from April 2018 those already on Housing Benefit will continue to receive their award for the first two weeks of their Universal Credit claim
- the government will also make it easier for claimants to have the housing element of their award paid directly to their landlord⁸⁰

The 7 day waiting period will be abolished from February 2018.

The Budget also included an announcement on Targeted Affordability Funding:

To support Housing Benefit and Universal Credit claimants living in areas where private rents have been rising fastest, the government will increase some Local Housing Allowance rates by increasing Targeted Affordability Funding by £40 million in 2018-19 and £85 million in 2019-20. This will increase the housing benefit awards of approximately 140,000 claimants in 2018-19, by an average of £280, in areas where affordability pressures are greatest.⁸¹

Also on 23 November 2017, the Secretary of State announced changes to the payment of housing costs for those in temporary accommodation:

In April, as a short-term measure, we will change how claimants in temporary accommodation receive support for their housing costs to ensure that local authorities can recover more of their costs and can therefore continue to offer this valuable support to those who need it most. We will also consider longer-term solutions.⁸²

Claimants in temporary accommodation will continue to receive Housing Benefit from April 2018. This will require secondary legislation.

⁸⁰ [HC 587](#), 23 November 2017, para 6.14

⁸¹ *Ibid.*, para 5.37

⁸² [HC Deb 23 November 2017 cc1200-02](#)

4. Support for home owners

Under UC, home-owners will receive help with mortgages and other eligible loans based on a standard rate of interest and subject to a set capital limit. Payments will also cover eligible service charges. This will broadly replicate the current system of Support for Mortgage Interest (SMI) with some differences:

- there will be no help where the owner-occupier (not including shared-ownership) is doing any paid work – referred to as the ‘zero hours rule;’
- there will be a waiting period of three months before owner-occupiers can claim help with mortgage costs.

Since January 2009 receipt of SMI has been limited to two years for Jobseeker’s Allowance claimants. The first draft of the *Universal Credit Regulations* published for consultation in June 2012 also included a provision limiting receipt of mortgage interest to two years for claimants subject to “all work-related requirements.”⁸³ However, the paragraph containing the provision on time-limiting was omitted from the final version of the *Universal Credit Regulations 2013*.

The Work and Pensions Select Committee recommended that the Government should “look again” at the removal of support for mortgage interest as soon as any hours of work are undertaken:

It could discourage claimants from entering part-time employment, especially the newly separated and those recovering after a long illness.⁸⁴

The Government rejected this recommendation:

Only around 5% of those currently getting help with their mortgages work part time. Having a mortgage to pay provides a strong incentive for moving into full-time employment. Part time earnings cannot sustain mortgages in the long term, so those who would be worse off need to re-consider their position with regard to the amount of work they do or the level of their housing costs.

The zero earnings rule should not be looked at in isolation. Universal Credit will have more generous disregards than the current system. Unless someone has a very large mortgage, is working only a very small number of hours and receives a low rate of pay, they can still expect to be better off in work even though they lose their Support for Mortgage Interest (SMI). For example, a lone parent receiving the average level of support for mortgage interest who takes up a national minimum wage job will be better off after just 7 hours of work a week and better off than under the current system after 10 hours of work. Clearly such a person would be better off after even fewer hours if earning above the legal minimum.⁸⁵

⁸³ Schedule 5, paragraph 15 of the [draft Universal Credit Regulations 2012](#) submitted by the DWP to the Social Security Advisory Committee for consultation in June 2012

⁸⁴ Work and Pensions Select Committee, [Third Report of 2012-13](#), HC 576, November 2012

⁸⁵ [Government response to Universal Credit implementation: meeting the needs of vulnerable claimants](#), Cm 8537, February 2013, paras 76-77

From April 2018, SMI will change from a benefit to an interest-bearing loan, secured against the mortgaged property. Provisions to implement this scheme are contained within the *Welfare Reform and Work Act 2016*. Full details can be found in Library briefing paper: [Support for Mortgage Interest \(SMI\) scheme](#) (6618).

The *Social Security Loans for Mortgage Interest Regulations 2017* were considered by the [Social Security Advisory Committee on 8 March 2017](#).

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