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DEBATE PACK

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Universal Credit and Debt

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Summary

This House of Commons debate pack briefing has been prepared in advance of a debate on "Universal Credit and Debt". This debate will be led by Ruth George MP and will take place in Westminster Hall on Wednesday 5 June 2019, starting at 2.30pm.

The debate is expected to cover a range of issues including:

- The five-week wait for first payment of Universal Credit (UC)
- Budgeting on UC and Alternative Payment Arrangements (APAs)
- Deductions from UC awards
- Rent arrears
- Recovery of tax credit overpayments and other debts
- Availability of Local Welfare Assistance
- Effect of the benefits freeze

This debate pack briefing provides background information on all the issues listed above, in addition to parliamentary and press material which Members may find useful when preparing for this debate.

Contents

1. Background

1.1 Overview of Universal Credit

Universal Credit (UC) is replacing a range of existing means-tested benefits and tax credits for working-age households. The Department for Work and Pensions (DWP) refers to the benefits and tax credits that UC is replacing as "legacy benefits". When it is fully rolled out, around 7 million households will receive UC and payments will total more than £60 billion per year.

The aim of UC is to simplify and streamline the benefits system for claimants and administrators, improve work incentives, tackle poverty among low income families, and reduce the scope for fraud and error. UC is administered by the DWP in Great Britain, and by the Department for Communities in Northern Ireland.

Claimants are normally expected to make a claim for UC online and to manage their claim, including reporting changes in circumstances, via an online account. The Full Service has been available in all parts of Great Britain, and throughout Northern Ireland, since December 2018.

UC is paid monthly in arrears and usually as a single payment covering all the needs of a household, unless exceptional circumstances apply. Couples can choose which partner receives the payment or nominate a joint bank account.

Further information:

Commons Library Debate Pack CDP-2019-0053, Spending of the Department for Work and Pensions, 25 February 2019

1.2 Rollout timetable

The DWP originally envisaged that UC would be fully introduced by 2017, but the roll-out timetable has been pushed back several times. Following early problems, the entire programme was "reset" in early 2013. In 2016, using a "test and learn" approach, the DWP began rolling-out the "Full Service" – the final digital version of UC, available for all claimant groups. The Full Service was finally rolled-out to every part of the United Kingdom in December 2018.

Introduction of the Full Service means that new claims for "legacy" benefits cannot be made (with limited exceptions). Legacy benefit claimants do not move onto UC straight away, but a change in circumstances may trigger a move to UC. The DWP refers to this as "natural migration." When a person moves onto UC, it will not normally be possible to move back to legacy benefits – this is known as the "lobster pot" rule.

Legacy benefit and tax credit claimants not experiencing a change in circumstances will transfer to UC by a process known as "managed migration". Under the latest Government plans, a managed migration pilot involving around 10,000 claimants will begin in July 2019. The DWP will then seek parliamentary approval for the main phase of managed migration, which is expected to get underway in late 2020 and be completed by December 2023.

Around 2 million households – mainly people receiving income-related Employment and Support Allowance as well as families on tax credits – are expected to move onto UC by managed migration. Where claimants moved to UC via managed migration are entitled to less support than they were receiving through legacy benefits and tax credits, they may be entitled to a top-up payment so that they do not lose out in cash terms at the point of transfer. This "transitional protection" will continue until the claimant's circumstances change significantly, or increases in UC entitlement fully extinguish the additional transitional element.

In a recent report the Work and Pensions Committee sets out a series of provision tests of the DWP's readiness to proceed with managed migration "at scale" – i.e. the main phase due to start in late 2020. In addition to recommending that the Department monitor performance on payment timeliness (see below), the Committee recommended that the tests should include, among other things, indicators of "financial duress" for claimants, covering:

- Foodbank referrals
- % of claimants in financial hardship
- % of claimants in bill or rent arrears
- % of claimants accepting an advance
- % of claimants able to repay their Advance within 12 (soon to be 16) months
- % with other debt deductions (eg. local authority or utility debts) and rate of accumulation of debt
- Number of Alternative Payment Arrangements (APAs) in place
- % of claimants receiving a sanction

The Committee's website summarises its concerns about "problem debt" for UC claimants:

> Problem debt - the Committee concluded that the five-week wait built into Universal Credit risks causing or compounding debt problems, and the Advance Payments introduced to tide claimants over are themselves a further debt. Persistent debt can prevent claimants from finding and staying in work, and the extra costs and pressures of debt can quickly spiral out of control. DWP's aggressive approach to collecting debts owed by claimants to Government and third parties can compound matters further, leaving claimants "swimming against a tide of unmanageable repayments" which "pile debt upon debt, trapping people in a downward spiral of debt and hardship". DWP "must not proceed with managed migration until it has assessed the contribution that the five week wait makes to claimant debt" and reformed its own debt collection practices. The Department is planning to reduce

> the maximum amount it will deduct from debt repayments from 40% of your monthly Universal Credit allowance to 30% - and the period over which Advances can be repaid will increase from 12 to 16 months. Evidence the Committee has received suggests that 30% is still far too high a deduction from each month's benefit for most claimants to manage.

Further information:

Work and Pensions Committee, Universal Credit: tests for managed migration, HC 2019 2017-19, 24 April 2019

1.3 The Five-Week Wait

UC is paid monthly in arrears. For new claimants, the minimum wait before they receive their first payment, once their claim has been registered successfully, will be around five weeks (the first monthly "assessment period" plus up to a week for payment to be made). DWP statistics show that of the households with new UC claims in February 2019, 90% received some payment on time, and 86% received a full payment on time.

In Autumn 2017, following emerging evidence of problems experienced by people moving onto UC, the Government significantly slowed the roll-out plans for January-March 2018 while it introduced measures intended to ease the transition to UC. These included abolishing the 7 day "waiting period", increasing the amount of advance payment people could get at the start of their claim, extending the repayment period for advance payments, and allowing people moving onto UC to continue to receive Housing Benefit for two weeks.

Further measures were announced in Budget 2018 including:

- an additional two-week payment of Income Support, income-based JSA and/or income-related ESA at the start of a UC claim, effective from July 2020;
- from October 2019 ensuring a reduction in the maximum rate of debt deduction from a UC award from 40% to 30% of the monthly standard allowance; and
- extending the period over which advance payments are recovered from 12 to 16 months, effective from October 2021

Many believe further action is still needed to address problems experienced by people moving onto UC. In an open letter to the Government in February 2019, a coalition of charities warned that urgent steps were needed to protect people and communities in poverty from the potential economic impact of Brexit, including ending the five-week wait at the start of a new claim for UC, which they argue is "simply too long to wait for families who have few or no savings." They are calling on the Government to reduce the wait to two weeks.

Further information:

Trussell Trust, Five weeks is too long, 8 February 2019

Citizens Advice, Managing Money on Universal Credit, 6 February 2019

Christians Against Poverty, Checking in: applying and waiting for Universal Credit: CAP clients' experiences of Universal Credit so far, December 2018

1.4 Alternative Payment Arrangements

The default position is that the whole of UC, including amounts for children and housing costs, is paid to the household on a monthly basis, in arrears, and as a single payment. The thinking behind this is that UC should mimic work and receipt of a salary. A DWP explanatory memorandum of June 2012 for the Social Security Advisory Committee on its initial draft of the UC Claims and Payments Regulations stated the following on page 12:

> Universal Credit will be a calendar monthly assessed benefit that will be paid monthly in arrears. Claimants will receive a single household payment to go towards their household needs. This approach reflects the world of work, where 75% of all employees receive wages monthly. Paying in this manner will help smooth the transition into monthly paid work, encourage claimants to take personal responsibility for their finances and to budget on a monthly basis which could save households money. For example, monthly direct debits for household bills are often cheaper than more frequent billing options. Assessing Universal Credit on a monthly basis means we should receive at least one update of earnings information for each working member of a household, meaning that the benefit calculated accurately reflects the needs of the household.

"Alternative Payment Arrangements" (APAs), include more frequent payments, payments split between household members, and payment of the housing element direct to the landlord, and are available in certain circumstances. A claimant's arrangements in terms of UC depend on where they live in the United Kingdom.

In **England and Wales**, it is possible to request APAs, which include twice monthly payments, split payments, and direct payment of the housing element to the landlord; known as Managed Payment To Landlord (MPTL). APAs will, however, only be considered where a person is unable to manage single monthly payments, resulting in a risk of financial harm to them and/or their family. There is no right of appeal against a decision not to make more frequent payments of UC. If more frequent payments are made, DWP will review the person's need for them on an ongoing basis.

As part of the discussions between the **Northern Ireland** Executive and the UK Government about the implementation of welfare reform in Northern Ireland, it was agreed that different payment arrangements would apply for UC in Northern Ireland. Twice monthly payments are available to all households as the default, with monthly payments available on request.

In **Scotland**, by default UC is paid monthly, but because of measures in the *Scotland Act 2016* the Scottish Government and Parliament have powers to vary the payment arrangements in Scotland. Regulations laid in the Scottish Parliament in June 2017, among other things, give all UC claimants in Scotland the option of receiving their UC as twice monthly payments. For further information see Universal Credit (Scottish choices) at the Scottish Government website.

In a report in February 2019, Citizens Advice argues that APAs are "not available widely or used effectively." It believes that the arrangements:

> […] have design issues which means they don't work as they should. Rigidity in the system and lack of awareness on the part of people asking for them means that APAs are often accessed only once significant arrears have built up. Take up of some APAs is very low. Only 3% of people who claim receive more frequent payments and just 20 households currently receive split payments to different family members. Only 4 in 10 of the people we help are aware about managed payments to landlords. Just 1 in 6 know payments can be made more frequently, but 6 in 10 would take this option if they knew about it and could. This suggests they are not being widely offered to people who might benefit from them.

Citizens Advice recommends expanding access to APAs and urgent action to ensure direct payments to landlords fit around actual rent patterns.

A briefing produced by Christians Against Poverty in February 2019 argues that where paying rent is a problem, APAs take too long to be put in place. It believes there should be "clearer messaging about housing costs, and APAs should be available as standard from the beginning of a claim."

Further information:

Revenuebenefits, Universal credit: Payments, 14 May 2019

Citizens Advice, Managing Money on Universal Credit, February 2019

Christians Against Poverty, Checking in: living and working on Universal Credit, February 2019

1.5 UC assessment period and earned income

UC awards are made up of a standard allowance, plus additional amounts for children, housing, as well as other needs and circumstances. The actual amount a family receives, however, will depend on its income and savings, which are considered as part of the calculation of a UC award each month within a fixed monthly period – the "assessment period". Earned income – from employment or self-employment – will reduce the amount of UC someone is paid at a constant rate (the 'single taper'). Some families will be able to earn certain amount of income each month (the 'work allowance') before it begins to affect their UC. The taper rate is 63 pence for each additional pound of net earnings after the work allowance.

A rigid application of the assessment period rule in the *Universal Credit Regulations 2013* can cause problems for working claimants if the way they are paid their wages is not completely in step with the UC system. For example, claimants who are paid weekly and may therefore be paid five times in one month, or those who receive their wages on the last working or banking day of the month sometimes receive two months' wages during one assessment period. As a consequence, UC awards can change suddenly from month-to-month in ways which are difficult to predict and budget for.

Furthermore, those who receive two months' pay in one assessment period, but no payment of wages in the next, will only have one month's work allowance deducted from their earnings. They could then be subject to the benefit cap in the second month, even though their earnings have not changed. In some months, households can also lose their eligibility to passported benefits – such as free prescriptions— because their earnings appear to be more than they actually are.

Evidence suggests that a significant number of working UC claimants are experiencing fluctuations in their UC awards because of the assessment period rules. In August 2018, the Child Poverty Action Group (CPAG) said that of more than 400 UC cases submitted to its 'Early Warning System' since 2017, one in 20 included a problem related to the assessment period. CPAG reported that many of the claimants in its study found budgeting difficult because people were receiving "hugely variable UC awards even when their underlying earnings have not changed." In one case, a couple's UC monthly payments had ranged from zero to almost £1,200.

The Department for Work and Pensions has produced guidance on earning patterns for UC claimants: Universal Credit: different earning patterns and your payments (payment cycles). This guidance states explicitly that the assessment period system is designed to provide flexibility for claimants to take on additional work so that if a claimant's income changes every month, the UC award will change to reflect that. For those who receive two or more salary payments within a single assessment period, the guidance notes that claimants are at risk of receiving too much income to qualify for UC for which they "will need to be prepared". The guidance advises that claimants should "budget for a potential change in your monthly Universal Credit payments."

A recent High Court case, brought on behalf of four single parent UC claimants, challenged the rigidity of the assessment period system. On 11 January 2019, the High Court delivered its judgment in R (Johnson, Woods, Barrett and Stewart) v SSWP; [2019] EWHC 23 (Admin), which ruled that the DWP had wrongly interpreted the 2013 Regulations (specifically Regulation 54) on how earned income should be calculated. It held that the amount of earned income "in respect" of an assessment period is based on, but **not necessarily the same as**, income actually received in that period. The DWP would have to make adjustments where the actual amounts received in an assessment period do not in fact reflect earnings payable in respect of that period. A summary of the judgment is available to view online.

The DWP has not made any formal public statement in response to the High Court judgment, but at a further hearing on 26 February, the High Court refused an application from the DWP for permission to appeal the decision of 11 January. The DWP is now appealing directly to the Court of Appeal and this process is ongoing.

If the judgment stands, it could have significant repercussions. From the start, the DWP has assumed that calculation of UC awards would be more or less an automated process, with employers reporting earnings to HMRC, which in turn then sends payment data to the DWP to calculate UC awards automatically. This process will be complicated if manual intervention is required when it is clear that earned income received in an assessment period does not actually reflect the amount paid "in respect" of that period.

Further information:

Commons Library briefing paper CBP08501, The Universal Credit assessment period and earned income, published on 15 March 2019.

Josephine Tucker and Dan Norris, Rough Justice: Problems with monthly assessment of pay and circumstances in universal credit, and what can be done about them, August 2018

1.6 Deductions from Universal Credit

To repay a variety of debts and costs – such as advance repayments, as well as rent and Council Tax arrears, court fines, and utility bills – deductions can be made directly from benefits including UC. Universal Credit Full Service Guidance (version 4) outlines three categories of schemes which require deductions to be made:

- "Last resort deductions which safeguard vulnerable claimants who could be at risk of homelessness or disconnection of fuel"
- "Enforcing social obligations when other repayment methods have failed or are not cost effective (court fines, Child Maintenance)"
- "Ensuring benefit debt is recovered in a cost effective manner (Social Fund loans, benefit overpayments)"

There are maximum or set deduction rates for each individual item which requires deduction. The Full Service guidance also notes that there is an "overall maximum amount" which can be deducted from a UC award, which is equivalent to 40% of the benefit unit's UC standard allowance. This is to prevent claimants facing hardship and this will be reduced to 30% from October 2019, as announced in the November 2018 Budget. There are two exceptions to this overall maximum deduction:

> where there are deductions for arrears of fuel or water, deductions for ongoing normal consumption will also be made but the amount deducted for normal consumption will not count towards the 40% maximum amount
>
> if a sanction or penalty needs to be applied or an advance needs to be deducted, last resort deductions will continue even if it means the total deductions exceed the 40% maximum amount

If a claimant is struggling financially, they can ask for the amount being deducted to be reconsidered. This option is only available when the amount to be deducted is more than 10% of the UC standard allowance, and is being made for benefit debt, a Social Fund loan, or rent arrears.

Organisations, including Citizens Advice and Christians Against Poverty have recently expressed concern about the hardship which deductions are causing to some UC claimants. In its report "Managing Money on Universal Credit", published in February 2019, Citizens Advice noted:

> Under UC, rules are prescriptive and some deductions are taken at higher rates than under legacy benefits. As a consequence of their high rates and prevalence, advisers have been pointing to the hardship deductions are causing since UC began to roll out. Around 5 in 6 advisers tell us that the affordability of deductions and people's understanding of how they work is worse in UC than in legacy benefits.[1]

The report found that repayment of advances in particular is causing financial challenges for some claimants:

> Evidence from our interviews suggests that, even where deductions for other debts are not being made, repayment of advances can create severe financial challenges for some. Because, as we show, people who take out advances are more likely to be getting into other forms of debt, the 12 month burden of repayment will be particularly difficult. Those we interviewed for this report told us they took advances because they felt they had no other option, and for some the knock on consequences in reduced income have been difficult.[2]

It reported that the consequences of deductions have included claimants cutting back on essentials, such as food and heating, selling personal possessions, and building up further debt. Additionally, it reported the negative impacts deductions have caused to the mental health of some claimants through stress and depression.[3]

In its report – Checking in: Debt and Universal Credit, published in January 2019 – Christians Against Poverty cited two main reasons for deductions under UC causing a higher degree of hardship than under legacy benefits:

- The higher overall maximum amount which can be deducted (under legacy benefits this was no more than 25% of the personal allowance, compared with 40% of the standard allowance under UC (soon to be lowered to 30%).

1 Citizens Advice, Managing Money on Universal Credit, February 2019, p23
2 Ibid., p23
3 Ibid., p25

- The fact that the minimum deduction rates for certain types of debts are also higher under UC.[4]

In a recent PQ response from May 2019, the DWP revealed that, between April 2017 and October 2018, the total amount deducted from UC payments had risen from £9,000,000 to £39,000,000. As a percentage of UC paid during this period, this represented a rise from 7% to 10%.[5]

Further information:

Citizens Advice, Managing Money on Universal Credit, February 2019

Christians Against Poverty, Checking in: debt and Universal Credit, January 2019

1.7 Rent arrears

As the roll-out of UC moved forward, concerns were raised about the impact of waiting periods and other delays on rent arrears, particularly in short-term temporary accommodation. The Government acted to remove the initial 7-day waiting period and introduced a two-week 'run-on' of Housing Benefit to assist claimants with the transition to UC. Entitlement to Housing Benefit was reintroduced for claimants in temporary accommodation. Despite this, a series of reports has identified issues with rent arrears associated with the move to UC. In June 2018, the DWP published Universal Credit Full Service Survey which identified an issue with rent arrears:

> Four in ten claimants at both survey waves were experiencing difficulties keeping up with bills approximately eight to nine months into their claim. **In both waves, just over a third were experiencing housing payment arrears and, for 44 per cent, the situation had deteriorated between the two surveys**. One in three claimants in arrears in both waves said the situation had improved.

Research by the National Audit Office (NAO) and conducted on behalf of the Residential Landlords Association (RLA) has highlighted a reluctance amongst private landlords to let to people in receipt of UC due to delayed payments and a loss of certainty over income (see: Rolling Out Universal Credit, NAO, June 2018 and Investigating the impact of Welfare Reform on Private Renting RLA, October 2018).

On 11 July 2018, the National Federation of ALMOs (NFA) and the Association of Retained Council Housing (ARCH) published a joint report, Carrying the debt, which highlighted "the increasing burden of debt that Universal Credit is causing for tenants and landlords" and which called on the Government "to slow down the roll-out and fix the outstanding problems with UC."

4 Christians Against Poverty, Checking in: debt and Universal Credit, January 2019, p3
5 PQ 224493 [Universal Credit], 15 May 2019

November 2018 saw publication of Safe as Houses 2: A follow-on report into the impact of Universal Credit on Southwark Council's housing tenants rent payment behaviour. The research was conducted by the Smith Institute. Southwark was an early adopter of UC full service; the 2017 report had, according to Councillor Victoria Mills, "confirmed our concerns that more tenants were falling into significant or deeper rent arrears under UC than the previous housing benefit system, and struggling to pay those arrears down." The follow-up report shows a similar picture of arrears:

> A year on, this new research adds to a growing body of independent evidence of deep-seated problems in UC. The report shows a similar picture, with tenants claiming UC a year after the first cohort having an almost identical experience in terms of underpayment of rent and mounting rent arrears. This suggests that the problems of rent arrears evidenced in the first Safe As Houses report were not just a consequence of teething problems in what was at that time a new system. The findings also suggest that, despite an initial levelling off of rent arrears evidenced in the first report, significant underpayment of rent due and rising rent arrears may be a longer term consequence of UC for many social housing tenants and their landlords. For local authority landlords these impacts would add to existing uncertainty on the future health of their housing fund. More worrying still is the new evidence that those who struggle to claim UC or who drop in and out of UC over time, due to changing circumstances, appear to be at greatest risk of building up rent arrears. This would suggest that UC is failing to address one of its fundamental principles of supporting people to more easily move into work than the previous benefits system.

Around 40% of Southwark tenants are subject to APAs. A third wave of research is planned for early 2019 to assess whether changes, such as the removal of the 7-day waiting period, have made a significant difference to UC claimants.

In February 2019, Citizens Advice published Managing Money on Universal Credit, this research found that changes such as the removal of the 7-day waiting period, had started to help claimants but had only made a "dent in the problem".

The Government has emphasised the safeguards in place for claimants, including advances, budgeting support and APAs. In October 2018, the Minister, Justin Tomlinson, said:

> We are currently carrying out further analysis of this issue with a number of housing providers, to investigate and understand the true level of rent arrears for their tenants, what is causing them and any impacts Universal Credit may be having. It will be published when complete.
>
> Written question – 181576, 29 October 2018

Further information:

Section 3 of Library briefing paper: Housing costs in Universal Credit.

1.8 Recovery of tax credit debt

Overpayments of most benefits can be recovered by the Department for Work and Pensions by deductions from UC awards – including overpayments of "legacy benefits", including tax credits (which occurred before the claimant moved onto UC). In these circumstances, where a benefit overpayment is being recovered the same rules apply as apply to deductions for UC overpayments (Regulation 16(7A) and (B) The Social Security (Payments, Overpayments & Recovery) Regulations 1988; SI 1988/664 as amended).

This does not mean that a benefit which would not be recoverable under the legacy benefit system – e.g. because it wasn't caused by a misrepresentation or failure to disclose a material fact – would suddenly become recoverable if the person started claiming UC. Instead, it means that the overpayment can be recovered in the same way and at the same rate as an overpayment of UC.

The maximum rates at which an overpayment can be recovered are set at certain percentages of the household's standard allowance – i.e. the basic amount paid for the adult(s) in the household. The maximum rates are:

- 40% of the standard allowance for fraud overpayments (where the claimant or their partner was found guilty of an offence, or accepted a caution or agreed to pay a penalty in connection with an overpayment); or
- 25% if the household has earnings above the level of their work allowance (or any earned income, if the work allowance doesn't apply); or
- 15% in all other cases.

According to the DWP, 17% (255,000 claims) of eligible claims for UC in February 2019 had a deduction for tax credit overpayments.[6] In April 2019, the DWP reported that 340,000 UC payments had such a deduction. Most recently, DWP statistics published on 31 May 2019 reported that as of 30 April, 570,000 UC claimants were repaying tax credit debt, with 410,000 UC claimants having had a deduction to repay a tax credit debt within the preceding 31 days. The mean and median amount of tax credit debt for these claimants was £1,560 and £610 respectively.[7]

According to the HMRC report and accounts for 2017/18 published in July 2018, £6.8 billion of outstanding tax credit debt will move from HMRC to the DWP for recovery, with £5.9 billion expected to transfer by 2023.[8]

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6 PQ 253637 [Universal Credit], 20 May 2019; PQ 255341[Universal Credit], 16 May 2019

7 DWP, Volumes of Universal Credit claimants with tax credit overpayments, 31 May 2019

8 HMRC, Report and Account for 2017/18, 12 July 2018, pR55. See also the DWP, Annual Report and Accounts 2017/18, p181

Further information:

Revenuebenefits, Universal credit: Tax credit debt, last updated 14 May 2019

DWP, Guidance: Tax credits debt in Universal Credit, 18 April 2016

1.9 Local Welfare Assistance

Recipients of state benefits may be able to get help with occasional or one-off needs such as money to tide the person over before their first benefit payment, loans for purchases such as a new bed or cooker, or where they are faced with an unforeseen emergency or disaster.

The main source of help for needs such as these used to be the discretionary Social Fund, but this was abolished by the Coalition Government in April 2013.

The discretionary Social Fund consisted of:

- Community Care Grants – mainly to help enable independent living or continued independent living, preventing the need for institutional care;
- Crisis loans – for people faced with an unforeseen emergency or disaster which left them without funds, where there was a danger to their health or safety; or to help with living expenses pending a first payment of benefit; and
- Budgeting Loans – to provide help with occasional or "lumpy" items of expenditure, such as furniture and household equipment

From 1 April 2013, Community Care Grants and Crisis Loans (other than "alignment loans" to tide people over pending their first payment of benefit) were abolished and funding was made available to local authorities in England and to the devolved administrations in Scotland and in Wales to provide such assistance in their areas as they saw fit. The transfer of funding was not accompanied by the transfer of any new powers or the introduction of any new responsibilities. Nor was the money ring-fenced in any way. The criteria by which an application is assessed, decision-making processes and review arrangements, and what form of assistance to provide, are matters for the local authority or devolved administration.

DWP provided (non-ring-fenced) grant funding totalling £347 million to local authorities in England for local welfare provision in 2013-14 and 2014-15 (plus additional funding for the devolved administrations in Scotland and in Wales – around £28 million and £12 million a year, respectively). The Coalition Government initially proposed to discontinue additional funding after 2014-15, but in February 2015 the Department for Communities and Local Government announced that it would provide a further £74 million to upper-tier authorities in England in 2015-16, in recognition of their requests for additional support, "including to help them respond to local welfare needs and to improve social care provision."[9] In 2016-17, DCLG merely identified a notional

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[9] HCWS246 [on Local Government Finance], 3 February 2015

figure of £129.6 million within the general Revenue Support Grant (RSG) for councils in England to spend on local welfare provision. However, this was not ring-fenced and there was no proposal to repeat the additional £74 million funding awarded in 2015-16.[10]

In a report in January 2016, the National Audit Office commented that the future of local welfare provision appeared uncertain. With reducing resources and competing pressures, many councils had said they could not afford to continue to provide welfare assistance without specific Government funding. NAO found that some councils had already closed their schemes, or reduced provision, placing increased demand on charities.[11]

In March 2019, the Children's Society published a report – Nowhere To Turn: Strengthening the safety net for children and families facing crisis – which found that 23 of 152 'upper tier' local authorities had closed their welfare assistance schemes, with one fifth of councils having cut spending these schemes, and that as a consequence 75% fewer people have access to crisis support from welfare assistance schemes than under the Social Fund schemes.[12] In October 2018, a report from Church Action on Poverty found that "at least" 28 local authorities in England had closed their welfare assistance schemes completely.[13]

Further information:

Children's Society, Nowhere to Turn: Strengthening the safety net for children and families facing crisis, March 2019

Church Action on Poverty, Compassion in Crisis: how to people in poverty stay afloat in times of emergency?, October 2018

Centre for Responsible Credit, The Decline of Local Welfare Schemes in England: why a new approach is needed, 13th September 2018

Greater Manchester Poverty Action (GMPA) report, The decline of crisis support in England, September 2018

Children's Society and the Church of England, Not Making Ends Meet, 25 May 2018

1.10 Benefits Freeze

Most working-age benefits and tax credit elements are subject to a four-year freeze, covering the period 2016-17 to 2019-20. This follows a three-year period (2013-14 to 2015-16) when increases were limited to 1%.

[10] Department for Communities and Local Government, Core spending power: final local government finance settlement 2016 to 2017, 8 February 2016
[11] NAO, Local welfare provision, 12 January 2016
[12] Children's Society, Nowhere to Turn: Strengthening the safety net for children and families facing crisis, March 2019
[13] Church Action on Poverty, Compassion in Crisis: how to people in poverty stay afloat in times of emergency?, October 2018

The four-year freeze was announced in the 2015 Summer Budget. The Coalition Government said that since 2008's financial crisis most benefits had risen by 21% compared to a rise in average earnings of 11% and that the freeze was necessary "to ensure it always pays to work" (Summer Statement 2015, para 1.137)

The four-year freeze keeps affected benefits and tax credit elements at the same cash amount as in 2015-16. The freeze does not include disability/carer benefits and premiums, statutory payments and the Support component of Employment and Support Allowance (payable to those with the severest work-limiting conditions).

Cumulatively, if there had been no four-year freeze and affected benefits had been allowed to rise in line with CPI, affected benefits would have risen by 6.5% in nominal terms by 2019-20 compared with 2015-16. The converse way of expressing this is that the affected benefit/tax credit rates in 2019-20 are **worth 6.1% less** than if the freeze had not been introduced.

Further information:

Commons Library briefing CBP-8454, 2019 Benefits Uprating, 1 March 2019

Resolution Foundation, The Living Standards Outlook 2019, February 2019

Joseph Rowntree Foundation, End the benefit freeze to stop people being swept into poverty, March 2019

Josie Tucker, Children still out in the cold: The benefits freeze has left families out in the cold – but just £20 per month for families would help restore children's benefits and keep 100,000 out of poverty, CPAG blog, 28 March 2019

1.11 Universal Credit and "survival sex"

In March 2019 the Work and Pensions Committee launched a new phase in its ongoing Universal Credit inquiry in response to reports from charities and support organisations that increasing numbers of people—overwhelmingly women—have been getting involved in "survival sex" as a direct result of welfare policy changes including the roll-out of UC.

The Committee is seeking evidence on:

- What features of UC might drive people into "survival sex"? How does UC compare to the previous benefits system in this respect?
- How widespread is this problem? To what extent are any increases in prevalence directly attributable to UC?
- Are some claimants at particular risk of turning to "survival sex"? If so, who are they and what are the risk factors?
- What changes to UC could help tackle this problem and better protect claimants?

- What role should Jobcentre Plus play in supporting claimants who are involved in "survival sex" or sex work more widely?

The Committee's first evidence session was on 22 May.

The Department for Work and Pensions states that there is little reliable data to indicate a direct causative link between UC and "survival sex." Its written submission to the Committee observes:

> 15. There is little reliable data to illustrate any specific cause and effect in this space. Over time, and in many countries, sex work increases and decreases. It is often linked to wider economic conditions, and much evidence shows that there are multiple barriers facing those entering or returning to prostitution or sex work. However, it is very clear that "social security" or "welfare" more broadly has long been blamed for a rise in prostitution or sex work. This can literally be tracked back as far as research allows, and links can be often found where they are sought.
>
> 16. On the basis of current evidence, it is wrong to suggest that there is a direct causative link between Universal Credit specifically and an increase in prostitution or survival sex.

Further information:

Work and Pensions Committee, Universal Credit and Survival Sex: sex in exchange for meeting survival needs inquiry - publications.

2. Parliamentary material

2.1 Written PQs

Universal Credit, PQ 255341, 21 May 2019

Asked by: Greenwood, Margaret | **Party:** Labour Party

To ask the Secretary of State for Work and Pensions, how many and what proportion of universal credit payments have been subject to a deduction as a result of a claimant's historic debt to (a) her Department and (b) HM Treasury in the latest month for which data is available.

Answering member: Alok Sharma | **Party:** Conservative Party | **Department:** Department for Work and Pensions

Internal Management information shows that in April 2019, 280,000 payments of Universal Credit (UC) had a deduction applied to repay a non UC debt owed to the Department for Work and Pensions (DWP), and 340,000 payments of UC had a deduction applied to repay a Tax Credit debt (these figures have been rounded to the nearest 10,000). Some payments of UC may have had a deduction for both a non UC debt and a Tax Credit debt. These claimants would appear in both totals, therefore the figures cannot be summed.

In line with the deductions policy in UC, for both types of debt, the deductions would not usually exceed the maximum amounts, which are set out legislation. Only in cases where last resort deductions are applied can these rates be exceeded. DWP ensures that appropriate safeguards are in place to protect claimants who have deductions from their benefit to repay overpayments. If a claimant is struggling they can contact DWP's Debt Management to discuss lowering their repayment rate.

It is also worth noting that it is not possible to provide this as a proportion at April 2019, as the latest UC caseload data is only available as of 14 February 19. However, for context, as of 14 February 19, 1.4m households received payments of UC.

N.B. This data on deductions has been sourced from internal management information. It should therefore not be compared to any other similar data subsequently released by the DWP.

Universal Credit, PQ 255340, 21 May 2019

Asked by: Greenwood, Margaret | **Party:** Labour Party

To ask the Secretary of State for Work and Pensions, what estimate her Department has made of the effect of the 5-week wait for the first payment of universal credit on (a) a claimant's level of (i) debt and (ii) rent arrears and (b) the finances of disabled claimants.

Answering member: Alok Sharma | **Party:** Conservative Party | **Department:** Department for Work and Pensions

No one has to wait 5 weeks for their first payment of Universal Credit. Advances are available from the first day of a valid claim, if required, to support claimants.

show related items (1)

Universal Credit, PQ 253637, 20 May 2019

Asked by: Smyth, Karin | **Party:** Labour Party

To ask the Secretary of State for Work and Pensions, how many and what proportion of universal credit claimants have had money deducted as a result of (a) council tax arrears, (b) rent arrears and (c) historical tax credit debt.

Answering member: Alok Sharma | **Party:** Conservative Party | **Department:** Department for Work and Pensions

The latest available data is for eligible claims to Universal Credit Full Service that were eligible for payment in February 2019.

Of these claims:

- 2% (34,000 claims) had a deduction for council tax arrears

- 6% (83,000 claims) had a deduction for rent arrears

- 17% (255,000 claims) had a deduction for tax credit overpayments

Notes:

- Figures include only those claims with a non-zero deduction for each deduction type.
- Rent arrears deductions are defined as arrears of rent and/or service charges relating to a rented property.
- Figures for tax credit overpayments include both fraud and normal overpayments.
- Figures rounded to nearest 1,000

Universal Credit: Overpayments, PQ 254089, 20 May 2019

Asked by: Timms, Stephen | **Party:** Labour Party

To ask the Secretary of State for Work and Pensions, what assessment she has made of the reasons for the overpayment of universal credit.

Answering member: Alok Sharma | **Party:** Conservative Party | **Department:** Department for Work and Pensions

The design of UC is expected to reduce considerably the losses that are currently incurred in DWP-administered benefits and in Tax Credits (TC) by around £1bn annually in steady state, meaning that overall levels of fraud and error across welfare (DWP benefits & TC) should fall.

The Department has a clear strategic approach to tackling fraud, error and debt, based on a clear understanding of where loss is incurred. This is informed by our own internal data and by the estimated levels of overpayments, published annually. The most recent edition (published 9 May 2019) can be accessed via the link below.

https://www.gov.uk/government/statistics/fraud-and-error-in-the-benefit-system-financial-year-2018-to-2019-estimates

Universal Credit, PQ 224493, 15 May 2019

Asked by: George, Ruth | **Party:** Labour Party

To ask the Secretary of State for Work and Pensions, how much has been deducted from universal credit claimants' standard allowance in each month since April 2017.

Answering member: Alok Sharma | **Party:** Conservative Party | **Department:** Department for Work and Pensions

Internal figures are provided in the table below from two DWP datasets.

The Government recognises the importance of safeguarding the welfare of claimants who have incurred debt. The aim of the deductions policy in Universal Credit is to protect vulnerable claimants from eviction and/or having their gas, electricity and water cut off, by providing a last resort repayment method for arrears of these essential services.

The increase in Universal Credit caseload and activity to increase awareness of advances has had an effect on deductions. Increased awareness has resulted in around 60% of eligible new claims to Universal Credit receiving an advance in October 2018, providing further financial support until their first payment.

Total amount deducted from Universal Credit payments between April 2017 and October 2018

Month	Amount deducted [rounded to the nearest million]	Amount of Universal Credit paid [rounded to the nearest million]	Amount deducted as a percentage of Universal Credit paid
Apr-17	£9,000,000	£140,000,000	7%
May-17	£10,000,000	£148,000,000	7%
Jun-17	£10,000,000	£159,000,000	6%
Jul-17	£11,000,000	£166,000,000	6%
Aug-17	£11,000,000	£176,000,000	6%
Sep-17	£12,000,000	£186,000,000	6%
Oct-17	£13,000,000	£195,000,000	7%
Nov-17	£13,000,000	£205,000,000	7%

Dec-17	£15,000,000	£216,000,000	7%
Jan-18	£17,000,000	£232,000,000	7%
Feb-18	£19,000,000	£243,000,000	8%
Mar-18	£22,000,000	£257,000,000	8%
Apr-18	£23,000,000	£266,000,000	9%
May-18	£25,000,000	£284,000,000	9%
Jun-18	£27,000,000	£319,000,000	8%
Jul-18	£29,000,000	£335,000,000	9%
Aug-18	£32,000,000	£360,000,000	9%
Sep-18	£35,000,000	£380,000,000	9%
Oct-18	£39,000,000	£410,000,000	10%

Notes:

Data sources: Universal Credit Live Service Reference Datasets and Full Service PDM data, UC Analysis Division

Figures are provided for the total of UC Live Service and Full Service. The data is sourced from two different computer systems and the information available is slightly different on each system.

Full Service deductions include advance repayments and all other deductions, but exclude sanctions and fraud penalties which are deductions of benefit rather than deductions.

Live Service deductions do not include sanctions which are reductions of benefit rather than deductions, but may include Fraud Penalties as these could not be removed from the Live Service data.

The Full and Live Service datasets use slightly different definitions for the month. Full Service data uses the month the UC payment is due, whereas Live Service data uses the month the assessment period related to the payment ends. The 'Total' column sums the figures using these different definitions.

Increase in the total deduction amounts by month reflects the effect of Universal Credit (UC) roll out as more people move onto UC.

Amount of Universal Credit paid reflects the amount of money paid to claimants and their landlords as part of their award. It does not include other payments such as advances and hardship payments.

Figures are provisional and are subject to retrospective change as later data becomes available.

Universal Credit, PQ 251202, 13 May 2019

Asked by: Timms, Stephen | **Party:** Labour Party

To ask the Secretary of State for Work and Pensions, what assessment she has made of the (a) accuracy and (b) clarity of the universal credit payment statements provided to claimants.

Answering member: Alok Sharma | **Party:** Conservative Party | **Department:** Department for Work and Pensions

Universal Credit (UC) has been designed with accessibility and accuracy in mind and we are committed to providing personalised support for all claimants. Most people claiming UC will be able to access and navigate the internet, to make and maintain their UC account.

The Department delivers UC in a way which responds to the needs of those who are supported by it. UC payment statements have been designed to give claimants a relevant breakdown of their award, including details of any outstanding debt and the reason for deductions. Every UC award is calculated based on the circumstances of individuals during each assessment period, taking into account savings, assets and income.

Further enhancements will be introduced in the future to make UC payment statements even easier to understand, with a particular focus on making it clearer when amounts are deducted and whether people are being paid as a single person or as part of a couple. Claimants will be able to access a 'blank' statement, available through their online account as soon as their claim is received, allowing them to view expected entitlements based on what information has been submitted.

Universal Credit: Arrears, PQ 249941, 8 May 2019

Asked by: George, Ruth | **Party:** Labour Party

To ask the Secretary of State for Work and Pensions, how many of the universal credit claimants who have taken an advance payment on their first payment are in arrears.

Answering member: Alok Sharma | **Party:** Conservative Party | **Department:** Department for Work and Pensions

The Government recognises the importance of safeguarding the welfare of claimants who have incurred debt. Universal Credit already has procedures and regulations in place to protect claimants from excessive deductions. The maximum rate of deductions cannot normally exceed 40% of the Universal Credit standard allowance, and from October 2019, this will be reduced to 30% of a claimant's standard allowance of their UC award. If a claimant is in financial difficulty as a result of the level of deductions being made they can contact the Department to request that a reduction in deductions be considered.

Universal Credit (UC) new claim advances provide access to a payment for those in financial need, which can be accessed on the same day, until their first UC payment is due. Claimants can access up to 100% of the total expected monthly award, for which they can pay back over a period of up to 12 months, and in the Autumn Budget 2018, we announced that from October 2021, the payback period for these advances will be extended further, up to 16 months.

Currently there are around 850,000 claimants that have a UC advance repayment in place. Of these claimants, the table below shows 440,000 also have at least one other debt relating to benefit overpayments, social fund loans or previous advances (figures rounded to nearest ten thousand). The data held by the Department does not include other third party debts, for example arrears, utility bills or other borrowing. However, research conducted by Almo's shows that while many people join UC with pre-existing arears, this fell by a third after 4 months on universal credit.

Debt Source/Combination	**Volume**	**Percent**
Tax Credits only	120,000	27.31
Social Fund only	80,000	18.29
Other Combinations inc Social Fund	62,000	14.04
Other Combinations	40,000	9.05
UC Overpayment only	22,000	4.94
Other Combinations inc UC	20,000	4.49
Other Combinations inc Leg OP & SF	18,000	4.05
Legacy Benefit overpayment only	18,000	4.04
Other Combinations inc Legacy	17,000	3.89
UC Recoverable Hardship Payment	10,000	2.39
Legacy Benefit overpayment and Social Fund	10,000	2.22
Housing Benefit only	10,000	2.20

Tax Credits & Housing Benefit	9,000	2.05
Housing Benefit & Social Fund	5,000	1.03

Source: DWP internal statistics

Notes:

1. Data has been sourced from DWP internal statistics.

2. The figures within the data table for those with more than two types of benefit debt have been combined and reported according to whether they have both a legacy benefit (LegOP) and a social fund (SF) debt, either of these singularly or another UC related debt.

Universal Credit, PQ 249847, 8 May 2019

Asked by: McCabe, Steve | **Party:** Labour Party

To ask the Secretary of State for Work and Pensions, what information her Department holds on the number of universal credit claimants that have debts in addition to a universal credit advance.

Answering member: Alok Sharma | **Party:** Conservative Party | **Department:** Department for Work and Pensions

The Government recognises the importance of safeguarding the welfare of claimants who have incurred debt. Universal Credit already has procedures and regulations in place to protect claimants from excessive deductions. The maximum rate of deductions cannot normally exceed 40% of the Universal Credit standard allowance, and from October 2019, this will be reduced to 30% of a claimant's standard allowance of their UC award. If a claimant is in financial difficulty as a result of the level of deductions being made they can contact the Department to request that a reduction in deductions be considered.

Universal Credit (UC) new claim advances provide access to a payment for those in financial need, which can be accessed on the same day, until their first UC payment is due. Claimants can access up to 100% of the total expected monthly award, for which they can pay back over a period of up to 12 months, and in the Autumn Budget 2018, we announced that from October 2021, the payback period for these advances will be extended further, up to 16 months.

Currently there are around 850,000 claimants that have a UC advance repayment in place. Of these claimants, the table below shows 440,000 also have at least one other debt relating to benefit overpayments, social fund loans or previous advances (figures rounded to nearest ten thousand). The data held by the Department does not include other third party debts, for example arrears, utility bills or other borrowing. However, research conducted by Almo's shows that while many people join UC with pre-existing arears, this fell by a third after 4 months on universal credit.

Debt Source/Combination	Volume	Percent
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Other Combinations inc UC	20,000	4.49
Other Combinations inc Leg OP & SF	18,000	4.05
Legacy Benefit overpayment only	18,000	4.04
Other Combinations inc Legacy	17,000	3.89
UC Recoverable Hardship Payment	10,000	2.39
Legacy Benefit overpayment and Social Fund	10,000	2.22
Housing Benefit only	10,000	2.20
Tax Credits & Housing Benefit	9,000	2.05
Housing Benefit & Social Fund	5,000	1.03

Source: DWP internal statistics

Notes:

1. Data has been sourced from DWP internal statistics.

2. The figures within the data table for those with more than two types of benefit debt have been combined and reported according to whether they have both a legacy benefit (LegOP) and a social fund (SF) debt, either of these singularly or another UC related debt.

Universal Credit, PQ 248697, 8 May 2019

Asked by: Gray, Neil | **Party:** Scottish National Party

To ask the Secretary of State for Work and Pensions, how many and what proportion of universal credit payments were subject to deductions above the maximum cap of 40 per cent in the last month for which data is available.

Answering member: Alok Sharma | **Party:** Conservative Party | **Department:** Department for Work and Pensions

The Government recognises the importance of safeguarding the welfare of claimants who have incurred debt. Universal Credit already has procedures and regulations in place to protect claimants from excessive deductions. The maximum rate of deductions cannot normally exceed 40 per cent of the Universal Credit standard allowance, and from October 2019 this will be reduced to 30 per cent.

However, last resort deductions can be applied to protect vulnerable claimants from eviction and/or having their fuel supply (gas/electricity) cut off, by providing a last resort repayment method for arrears of these essential services. In these circumstances, when it's considered to be in the best interests of the claimant and their family, deductions may be taken above the 40 per cent limit.

If a claimant is in financial difficulty as a result of the level of deductions being made they can contact the Department to request that a reduction in deductions be considered.

Of eligible* claims to Universal Credit Full Service due a payment in December 2018:

0.8% (10,000 claims) had a deduction above 40 per cent of their standard allowance.

Notes

1. *Eligible claimants are claimants that have satisfied all the requirements of claiming Universal Credit; they have provided the necessary evidence, signed their claimant commitment and are eligible and have received their first payment.

2. Deductions include Universal Credit advance repayments, third party deductions and all other deductions, but exclude sanctions and fraud penalties which are reductions of benefit rather than deductions.

3. Figures rounded to nearest 1,000.

4. Claim numbers may not match official statistics caseloads due to small methodological differences.

Universal Credit, PQ 243331, 23 April 2019

Asked by: McCabe, Steve | **Party:** Labour Party

To ask the Secretary of State for Work and Pensions, pursuant to the Answer of 8 April to Question 240478 on Universal Credit, what steps her Department is taking to monitor the (a) levels of debt and b) finances of claimants of universal credit that have received an advance payment.

Answering member: Alok Sharma | **Party:** Conservative Party | **Department:** Department for Work and Pensions

We continue to evaluate Universal Credit as it is delivered. Research and analysis is conducted to assist and inform the evaluation and expansion of Universal Credit, focusing specifically on the effects of Universal Credit on claimants' behaviours and outcomes. The Universal Credit Full Service Omnibus Survey was published in February 2019, which can be accessed here https://www.gov.uk/government/publications/universal-credit-full-service-omnibus-survey

The Government recognises the importance of safeguarding the welfare of claimants who have incurred debt. Universal Credit already has procedures and regulations in place to protect claimants from excessive deductions. The maximum rate of deductions cannot normally exceed 40% of the Universal Credit standard allowance. If a claimant is in financial difficulty as a result of the level of deductions being made they can contact the Department to request that a reduction in deductions be considered.

At Autumn Budget 2018 we announced we will reduce the maximum rate at which deductions can be made from a Universal Credit award from 40% to 30% of the standard allowance, from October 2019.

Additionally, from October 2021, the recovery period for advances will increase from 12 to 16 months. This will help over 600,000 families to manage their debts at any one point when roll-out is complete, providing them with, on average, £295 extra a year as their debts are repaid over a longer period.

Universal Credit, PQ 240478, 8 April 2019

Asked by: McCabe, Steve | **Party:** Labour Party

To ask the Secretary of State for Work and Pensions, what assessment her Department has made of the effect of advance repayments of universal credit on the (a) household income and (b) levels of debt among claimants.

Answering member: Alok Sharma | **Party:** Conservative Party | **Department:** Department for Work and Pensions

Advances are not loans; they are an interest free payment benefit advance, available to help people who need immediate financial support, which is then recovered over an agreed period. The Department has taken a number of steps to ensure that advances meet the needs of claimants and that the recovery arrangements are personalised and reasonable. In January 2018 we increased the amount available for advances from 50 per cent to 100 per cent of the total award.

From October 2021 we are increasing the recovery period for advances from 12 to 16 months, further supporting those in financial need. Furthermore, if a claimant feels that they are experiencing financial hardship because of the amount that is being deducted from their Universal Credit award, they can ask the Department to consider reducing their deductions. From October 2019, the overall maximum level of deductions that can be taken from a Universal Credit award will be reduced from 40% to 30% of the claimant's Standard Allowance. The Money and Pension Service also provides debt advice and money guidance to claimants if they need support managing their money.

Universal Credit, PQ 233547, 26 March 2019

Asked by: Rosindell, Andrew | **Party:** Conservative Party

To ask the Secretary of State for Work and Pensions, what measures are in place to help universal credit claimants with the repayment of debt.

Answering member: Alok Sharma | **Party:** Conservative Party | **Department:** Department for Work and Pensions

The Department recognises the importance of safeguarding the welfare of claimants who have incurred debt, and Universal Credit already has procedures and regulations in place to protect claimants from excessive deductions.

A claimant's circumstances are always taken into account when applying debt repayment thresholds to avoid undue hardship. If a claimant is having difficulty repaying a benefit overpayment, they can request a reconsideration of the amount that is being taken. Any reduction will be based on the individual circumstances of the claimant rather than the amount of the overpayment, which helps to ensure that a sustainable repayment plan based on affordability is put in place.

The maximum rate of deductions will not normally exceed an amount equal to 40 per cent of the Universal Credit standard allowance, and from October 2019 this maximum rate will be reduced to 30 per cent. However, where it is in the best interest of vulnerable claimants, to protect them from being made homeless or having their fuel disconnected, deductions in excess of the maximum rate may be applied. This is only for 'last resort' third party deductions for arrears of service charges, rent, gas and electricity. When we take deductions for gas and electricity arrears, we will also take them for the on-going monthly cost of these utilities.

The Department has also implemented a range of measures to further support claimants such as providing a two-week 'transitional housing payment' for those who had been receiving Housing Benefit before transitioning onto Universal Credit, and interest free advances, worth up to 100 per cent of their indicative Universal Credit award which can be paid back over 12 months.

Universal Credit, PQ 218207, 20 March 2019

Asked by: Field, Frank | **Party:** Independent (affiliation)

To ask the Secretary of State for Work and Pensions, how many and what proportion of universal credit claims that had a deduction applied had (a) up to 20 per cent, (b) between 21 and 30 per cent, (c) between 31 and 40 per cent and (d) more than 41 per cent deducted in the latest period for which data is available.

Answering member: Alok Sharma | **Party:** Conservative Party | **Department:** Department for Work and Pensions

The Government recognises the importance of safeguarding the welfare of claimants who have incurred debt. Under Universal Credit there is a co-ordinated approach to deductions from benefit, which simplifies the current complex arrangements.

The aim of the deductions policy in Universal Credit is to protect vulnerable claimants from eviction and/or having their gas, electricity and water cut off, by providing a last resort repayment method for arrears of these essential services.

Work has been done to increase awareness of advances and access to them for claimants, and to support this, new guidance has been issued to staff.

This guidance makes it clear that claimants should be made aware of advances, made aware of their maximum entitlement and informed that their entitlement will be adjusted over the relevant recovery period to take this into account. This increased awareness has resulted in around 60% of eligible new claims to Universal Credit receiving an advance in October 2018, providing further financial support until their first payment.

Of all eligible claims* to Universal Credit Full Service due a payment in October 2018, 53% (532,000 claims) had a deduction to their standard allowance.

Of these 532,000 claims with a deduction:

a) 53% (284,000 claims) had deductions up to 20% of the Standard Allowance (28% of all eligible claims).

b) 21% (113,000 claims) had deductions between 21% and 30% of the Standard Allowance (11% of all eligible claims).

c) 24% (129,000 claims) had deductions between 31% and 40% of their Standard Allowance (13% of all eligible claims).

d) 1% (6,000 claims) had deductions above 40% of their Standard Allowance (0.6% of all eligible claims).

Notes:

*Eligible claimants are claimants that have satisfied all the requirements of claiming Universal Credit; they have provided the necessary evidence, signed their claimant commitment and are eligible and have recieved their first payment.

These figures do not include sanctions or fraud penalties which are reductions of benefit rather than deductions.

Claim numbers may not match official statistics caseloads due to small methodological differences.

Claim numbers are rounded to the nearest 1,000

2.2 Oral PQs

In-work Poverty, HC deb, volume 660 c4, 13 May 2019

Asked by: Andrew Bridgen (North West Leicestershire) (Con) | **Party:** Conservative Party

Will my right hon. Friend tell the House what safeguards are in place to help universal credit claimants with regard to the repayments of any debts they might have accrued?

Oral questions – Supplementary

Answering member: Amber Rudd | **Party:** Conservative Party | **Department:** Work and Pensions

My hon. Friend asks a very good question. Many universal credit applicants have already accrued debts, and sometimes they wish to take out an advance on their claim, which they would then need to repay over a period. We have been able to reduce the amount that they need to repay, from 40% to 30%, to ensure that they can keep more of their funds. I am constantly alert to the fact that people may have debts, and we need to be careful about the rate at which they need to repay, to protect vulnerable clients.

Universal Credit: Debt, HC deb, volume 656 c760, 18 March 2019

Asked by: Heidi Allen | **Party:** Independent (affiliation)

I am afraid to say that the five-week wait issue is not going to go away until the Government recognise that it is driving some people to food banks. I was in Glasgow on Friday with the Chair of the Work and Pensions Committee, the right hon. Member for Birkenhead (Frank Field), and we will continue on our tour of the UK, taking a camera crew with us and shining a spotlight on poverty until the Government change their mind on this. For the most vulnerable in society who have zero financial resilience, the four-week assessment period makes no sense at all—they have to wait four weeks to prove they have no money. I have suggested that there is a need to identify the most vulnerable claimants—those with no financial resilience—and hand-hold them through the system, and either make the assessment period start minus four weeks or make those advance payments non-repayable grants, not for everyone but for the vulnerable.

Answered by: Amber Rudd | **Party:** Conservative Party | **Department:** Work and Pensions

I am always willing to look at suggestions for how to improve universal credit. The hon. Lady is well known for bringing forward a lot of suggestions for us to look at. However, we need to be careful not to create incentives that are counter to our intention to help people into work. I do believe that advances work well, and the work coaches I talk to—I also go around the country talking to people about it—do tell me that they make a significant difference.

Welfare Support, HC deb, volume 656 c752, 18 March 2019

Asked by: Stephen Timms (East Ham) (Lab) | **Party:** Labour Party

The five-week wait for universal credit assumed that everybody would have their last month's pay cheque in the bank, but reality is not like that. Most claimants have to take an advance—a debt to the Department—the repayment of which often forces people to use food banks, as the Secretary of State has rightly acknowledged, or go into rent arrears. Will she scrap the five-week delay?

Answered by: Amber Rudd | **Party:** Conservative Party | **Department:** Work and Pensions

I thank the right hon. Gentleman for raising this important issue; we have addressed concerns about the five-week wait by putting in additional measures. One measure now in place relates to the receipt of legacy housing benefit over two weeks. All universal credit applicants can get an advance, and we now find that 60% of applicants take up that opportunity. That obviates the need for concerns about the early amount of cash that people get.

3. Press articles

Fury as DWP spends £200k on giant advert for universal credit as charities reveal claimants 'selling sex to survive', Independent, 22 May 2019

Rise of 'survival sex': Women are exchanging sex for living essentials over welfare reforms, Sky News, 22 May 2019

Universal credit: 10% deducted from claimants, figures show, Independent, 20 May 2019

Universal credit claimants being underpaid as they are 'left in the dark' about entitlements, charity warns, Independent, 1 May 2019

Universal credit comes under fresh fire, Financial Times, 4 April 2019

Nearly 2 million single mothers are being hit by the benefit freeze, Independent, 31 March 2019

Benefits rollout is 'forcing women into sex work', Independent, 19 March 2019

Women doing sex work to survive due to roll-out of universal credit, MPs fear, Independent, 19 March 2019

Minor tweaks can't address the deep, inhuman flaws of universal credit, Guardian, 12 February 2019

Universal credit rollout linked to rising food bank use, Rudd admits, Guardian, 11 February 2019

Brexit seems irrelevant when you can't pay your bills, Telegraph, 6 February 2019

Universal credit claimants struggling to pay the rent, Times, 6 February 2019

Parents won't work because universal credit pays childcare too late, Times, 24 December 2018

Get in debt or turn down job? Universal Credit's 'stark choice', BBC, 23 December 2018

Pay nurseries directly for childcare, MPs urge ministers, Financial Times, 23 December 2018

Universal credit childcare is hurting the poorest, MPs warn, Observer, 23 December 2018

Universal credit forcing families to wait months for help to pay childcare bills, MPs warn, Independent, 23 December 2018

The Chancellor saved Universal Credit – along with the thousands it will help into work, Telegraph, 30 October 2018

Universal credit is a Wonderland reform divorced from real lives, Financial Times, 19 October 2018

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