House of Commons Library

Debate Pack
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By Steven Kennedy,
Andrew Mackley,
Siobhan Wilson,
Frank Hobson

Universal Credit deductions

1 Background

The Department for Work and Pensions (DWP) has the power to make direct deductions from benefit payments to pay certain debts and costs owed by claimants. This can include money owed to the Government due to a benefit overpayment or loan, or to a third party such as a landlord, utility provider, local authority, and the courts.

Universal Credit (UC) broadly replicates the rules which apply in the legacy benefits it replaces. However, recoveries of advances and tax credit overpayment debts have been common under UC.

Welfare rights organisations and others have argued that the level of deductions is creating hardship. In response, the Government has reduced the cap on the total amount that can be deducted, and increased the period of time claimants have to repay advance payments. They argue, however, that deductions help claimants to manage their finances, and that a balance has to be found between helping people out of debt and affordability.

1.1 UC deduction rules

Third party deductions were introduced in the benefits system in the 1970s, originally in response to fuel supply disconnections due to arrears. Over time, the provision was expanded to include other items such as housing costs, rent arrears and Council Tax debt, as well as social obligations such as court fines and child maintenance. In addition to third party deductions and social obligations, the Government can recover money owed for advances, benefit overpayments or Social Fund loans.

Universal Credit claimants may have amounts deducted from their awards for amounts owed for a variety of reasons, including:

- Advances people received while awaiting their first payment of UC, or following a change in their circumstances
- Benefit overpayments (UC or legacy benefit overpayments, or tax credit debts)
- Recoverable hardship payments paid to people whose UC award was reduced because of a sanction or penalty
- Budgeting loans and budgeting advances

- Third party debts, for things such as rent, child maintenance, utilities, service charges, and court fines[1]

The rules in UC are complicated, and each different type of deduction can be made at a specified level, or within a range.

Deductions are generally calculated in relation to the claimant's standard allowance – the basic amount of UC for the adult(s) in the household – not the household's actual total UC award, or their maximum UC award before the taper is applied. For a single claimant over 25 in the 2023-24, the standard allowance is £368.74 per month.

For many types of deduction, the amounts that may be deducted from UC are aligned with the amounts that can be deducted from legacy benefit awards. For example, fuel, water and Council Tax arrears can be deducted at a rate of £4.25 a week[2] from Income Support, income-based Jobseeker's Allowance (JSA), or income-related Employment and Support Allowance (ESA) – equivalent to 5% of the current UC standard allowance for a single person aged 25 or over.

In other areas, maximum amounts of deduction diverge from this amount. Rent arrears (and service changes included in rent), for example, have a minimum deduction rate of 10% and a maximum of 20%.

Two of the most significant changes in UC compared to the legacy system relate to the two most common forms of deductions:

- First, around half of all new UC claimants take out an advance during the wait for their first payment.[3] These are usually recovered by deductions in equal instalments over up to 24 months (although this may vary if in some months if the claimant doesn't have enough UC to cover the instalment). This was extended from 12 months in April 2021.

- Second, under the Welfare Reform Act 2012 and subsequent regulations, any outstanding tax credit debt is transferred to the DWP if a claimant or former claimant moves to UC, allowing the DWP to recover the debt by any of the methods available to it to recover debts it is owed.[4] For most claimants this means that overpayments will be recovered at a rate of 15% of the standard allowance if the debt is not fraud-related and they are not in work, or 25% for non-fraud debts where they have earned income).[5] The powers available to the DWP to recover overpayment debts are more extensive than those available to HMRC to recover tax credit debts.

1 See DWP, Find out about money taken off your Universal Credit payment, updated 12 April 2021
2 2023-24 rate
3 PQ 186092 [on Universal Credit], 5 June 2023
4 Section 126 of the Welfare Reform Act 2012
5 Revenuebenefits, Universal credit: Tax credit debt, updated 1 July 2022

Maximum amounts

No deduction is made if it would reduce the monthly amount of Universal Credit payable to less than 1 pence. Deductions are taken in a priority order which places rent arrears above fines and compensation orders, although certain types of deductions (such as fraud penalties, sanctions, and advance repayments) are taken before the priority order is applied.[6]

There is a cap on the total amount that can usually be deducted from UC awards. Originally, this was 40% of the standard allowance, but it was reduced to 30% in October 2019, and to 25% in April 2021. The 40% maximum is still prescribed in legislation[7], but the DWP's Advice for Decision Making guidance explains that current policy is to limit deductions to a maximum of 25% of the standard allowance.

The maximum figure can however be exceeded in certain circumstances. Broadly speaking there are two exceptions to the maximum amount rules:[8]

- If any additional amounts are being deducted for ongoing consumption for people with fuel or water debts, these additional amounts will not count towards the 25% maximum.
- If a sanction or penalty needs to be applied, or an advance needs to be deducted, "last resort deductions" (to safeguard vulnerable claimants at risk of eviction or disconnection of utilities) will continue even if it means the total amount exceeds the 25% maximum.

Further information

Further information on the rules on UC deductions and on the maximum amounts that may be deducted is given in:

- DWP, Find out about money taken off your Universal Credit payment, updated 12 April 2021
- DWP, Deductions (PDF), Universal Credit guidance, v14.0, current April 2023
- DWP, Advice for Decision Making Chapter D2: Third Party deductions UC, JSA & ESA (PDF)

[6] DWP, Deduction Priority Order (PDF), Universal Credit guidance, v7.0, current April 2023
[7] Schedule 6 of the Universal Credit, Personal Independence Payment, Jobseeker's Allowance and Employment and Support Allowance (Claims and Payments) Regulations 2013, SI 2013/380 as amended
[8] See DWP, Deductions (PDF), Universal Credit guidance, v14.0, current April 2023

1.2 Statistics

Of the 4.96 million households in Great Britain on Universal Credit in February 2023, 2.25 million (45%) had a deduction, and the average deduction was £61.[9] This includes advance repayments, third-party deductions and all other deductions, but excludes sanctions and fraud penalties, which the DWP says "are reductions of benefit rather than deductions".[10]

UC payments to households in February 2023 totalled £3.7 billion, and deductions totalled £137 million. Advance repayments totalled just under £61 million (44%).[11]

The written answer providing the above statistics includes an Excel spreadsheet gives figures by parliamentary constituency.

In February 2023, 732,000 households in Great Britain had a UC deduction for a new claim and benefit transfer advance, 911,000 had a deduction for a budgeting advance, and 39,000 had a deduction for a change of circumstance advance. 643,000 households had a deduction for tax credit overpayments, and 481,000 had a deduction for overpaid DWP benefits. 690,000 households had a deduction for more than one of these reasons.[12]

Between April 2022 and February 2023, 912,200 households on UC in Great Britain had at least one third-party deduction.[13]

Between March 2022 and February 2023, 464,300 new third-party debts totalling £339 million were registered against UC households in Great Britain. The single biggest category was court fines (£198.8 million owed by 253,100 households), Could Tax arrears (£80.1 million owed by 161,900 households), and water arrears (£55.6 million owed by 46,000 households).[14] These figures exclude ongoing consumption deductions for gas, water and electricity.

1.3 Calls for further changes

Various campaigning organisations, think tanks, and other stakeholders have expressed concern about the impact of deductions on households claiming UC, arguing that deductions are pushing people into destitution and

9 PQ 191819 [on Universal Credit: Deductions], 4 July 2023
10 As above
11 As above
12 PQ 191730 [on Universal Credit: Deductions], 12 July 2023
13 PQ 189029 [on Social Security Benefits: Deductions], 19 June 2023
14 PQ 187662 [on Universal Credit: Deductions], 8 June 2023

increasing dependence on food banks.[15] There have been calls on the Government to further reduce the rates at which deductions are made, or to pause deductions to provide a breathing space for low income households under pressure due to the increased cost of living. Some have also argued that the priority order for deductions should be changed to give greater emphasis to debts where non-payment has the most serious consequences, and less emphasis on debts to the government.

Work and Pensions Committee report on the cost of living, July 2022

In its report on the cost of living published on 27 July 2022[16], the Work and Pensions Committee highlighted that the impact of deductions on claimants was detailed frequently in the submissions it received, with many calling for a pause or reduction to give people some extra breathing space during the cost of living crisis. The Committee had heard that repaying advances had left many people struggling when they moved onto UC, and that deductions for overpayments were often unclear and unexpected, some coming years after overpayment debts were accrued.

The report also observed that repayments to the DWP are not subject to the same affordability assessments expected in consumer credit markets, and that many families simply could afford deductions from social security payments, which had not yet caught up with inflation.

The Committee recommend that, as during the pandemic, repayments should be paused and only restored gradually as the rate of inflation reduces, or when benefits had been uprated to reflect the current rate of inflation. The Committee said that if the Government was not willing to pause deductions, the DWP had to ensure people were aware of existing options such as short-term pauses to deductions, and that people who were struggling could get accessible and practical debt advice.

Government response

In its response published on 8 September 2022[17], the DWP said that while deductions for benefit overpayments had been paused at the height of the pandemic, this was primarily to allow staff to be redeployed to help process the surge in new UC claims. The Department did not believe that pausing deductions by default was necessarily in the claimant's best interest:

> The impact of any future benefit uprating would clearly be diminished if it also coincided with the re-introduction of any paused deductions. While claimants will have retained more of their award in the interim, they may nonetheless feel no better off as a result. Furthermore, pausing third-party deductions could

15 See section 6 of Commons Library briefing CBP-9109, Universal Credit: Ten years of changes to benefit claims and payments

16 The cost of living, HC 129 2022-23

17 HC 671 2022-23

> result in an increase in enforcement action by third parties and would result in families losing out on essential Child Maintenance payments.[18]

Responding to the Committee's recommendation about awareness of the options for those facing deductions, and advice and support, the DWP said its UC agents had access to guidance on what to do should claimants raise hardship concerns, including signposting them to external support organisations. Guidance for UC agents had also been refreshed to ensure claimants were made fully aware of the effect of an advance on their future award.

The Department also said that DWP Debt Management would work with claimants to review their financial circumstances and consider a temporary reduction in their rate of repayment, and that the review period for such arrangements had recently been extended. It also said claimants contacting Debt Management were routinely referred to the Money Advisor Network, who offered free independent and impartial advice.

Further information on flexibilities in the recovery of overpayments or debts is given in a letter of 31 January 2023 (PDF) from the DWP Permanent Secretary, Peter Schofield, to the Chair of the Work and Pensions Committee. The letter stated that when a claimant is notified of an overpayment, they are advised to contact the Department if they would struggle with repayments. Subsequent notifications of deductions also give claimants the opportunity to contact the DWP "to negotiate a more affordable rate". Mr Schofield said he had asked officials "to strengthen this message and ensure consistency across all notifications" and across customer-facing channels such as GOV.UK.

Mr Schofield said the cap on deductions at 25% of the UC standard allowance "should be seen as a proxy for an affordability test", adding:

> The cap… means that not every claimant will repay an overpayment at the maximum rate. Other, higher priority, deductions may mean there is insufficient benefit available within the cap and, as a result, the overpayment deduction is reduced or even suspended. There is a priority ranking of deductions. This means that should a customer's UC entitlement be subject to multiple deductions, these will be applied in order of priority and where these cumulate to reach the 25% cap, some will not be taken.

Mr Schofield said the policy on debt recovery was clear, that the Department remained committed to working with people struggling with their repayment terms and encouraged anyone who could not afford proposed repayment rates to contact the DWP. He added:

> Guidance to our agents sets out that negotiations are based on the individual circumstances and not the amount owed. Our priority is to agree an affordable and sustainable repayment plan and this is set out in the Repayment Negotiation Framework published on Gov.uk. Quality assurance

18 As above, p4

> checks including call listening are carried out to ensure we continue to meet service standards.

The "Repayment Negotiation Framework" is not set out in a separate document, but is outlined in paras 5.73-5.78 of the DWP's Benefit overpayment recovery guide on GOV.UK.[19]

Mr Schofield said 13% of DWP customers currently had repayment terms they had negotiated with the Department.

Trussell Trust briefing, December 2022

In December 2022, the Trussell Trust published a briefing highlighting new research which found:

- 47% of people referred to food banks faced deductions from their or their partner's benefit income to pay back a benefit advance, benefit overpayment, DWP loan or other debts and fines.
- This rose to 57% of people referred to food banks who are in receipt of Universal Credit.
- More than half (56%) of all people claiming Universal Credit who experienced deductions from their benefits in the general population had more than one day when they didn't eat at all, or had only one meal, because they couldn't afford to buy enough food in the previous 30 days.[20]

This briefing gives an overview of findings from recent internal and external sources of (qualitative and quantitative) data and information.

The briefing concludes that debt to government "plays a significant role in pushing people into destitution and towards food banks". The Trussell Trust is calling for reform of the system "so that people can repay debts in an improved and affordable manner" which would enable people to keep more of their money relieve some of the financial pain they are enduring. Specifically, the Trussell Trust called on the Government to:

- lower the cap on total deductions from UC awards from 25% to 15% of the standard allowance, and cap deductions for debts to central government at 5% of the standard allowance; and
- ensure that government debt management processes "consistently embody the principles of clarity, flexibility and respect by providing all the information and options in a timely way, giving people options that work with their individual needs which may change over time, and

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19 Updated 1 June 2023

20 Trussell Trust, Debt and Deductions Fact Sheet (PDF), December 2022

treating people in a non-judgmental way, showing understanding and empathy".

Citizens Advice report, June 2023

On 5 June 2023, Citizens Advice published a report on benefit deductions: The welfare debt trap: Adjusting the level and priority of deductions from benefits to prevent hardship. This analysed the latest available DWP deductions data, as well as its own caseload data, and outlined the following findings:

- A large majority of deductions are for central Government (DWP) debt – which comprised 86% of benefit deductions applied in autumn 2021 – including debts relating to Universal Credit advance payments, overpayments, and budgeting loans.[21]
- Deductions have created hardship, with some benefit claimants with a deduction applied to their award requiring access to a food bank or financial support from their local authority to cover the cost of essentials.
- Deductions are applied disproportionately to households where someone has at least one long-term health condition or disability, as well as to households with children (which are also more likely to have deductions applied at a higher level).
- There is no requirement for the DWP to determine whether a claimant can afford a deduction, and around half of Citizens Advice's clients experiencing deductions have struggled to pay for, or gone without, essentials such as heating, food, and toiletries as a result.
- The priority order used for making deductions prioritises certain kinds of DWP debt recovery (such as advance payments, sanctions, and fraud penalties) above protecting claimants from the consequences of other types of debt, including unpaid court fines, rent arrears, and council tax arrears, which can lead to arrest and eviction, amongst other punitive measures.
- The UC rules allow the DWP to make deductions for overpayments, even if these were caused by DWP error (unlike in the legacy benefit system); and that in 2022/23, 2.9% of UC claimants were overpaid because of official error.

Citizens Advice therefore made three recommendations for immediate action:

- Deductions made for all DWP debts should be consolidated and capped at 5%, which is the cap for third-party deductions.

21 Based on data in PQ989 [Social Security Benefits: Deductions], 20 May 2022

- The priority order change so that deductions are first taken for debts where non-payment has the most serious consequences.
- Deductions for overpayments made owing to DWP error should not be made.

It also proposed the following medium to long-term actions:

- The DWP consider how to prevent claimants accruing debts to it in the first place, "especially through advance payments".
- The DWP set out a "roadmap" to reduce the total amount being deducted from households.

1.4 Recovering tax credit debts from UC

The DWP has greater powers to recover debts than HMRC, particularly when a Universal Credit claim is in payment. When someone with an outstanding tax credit debt claims UC, the debt is transferred to the DWP, who can recover it from ongoing UC payments or from earnings. This process is automatic and supersedes any existing payment plans the claimant may have had with HMRC.[22]

Between April 2016 and March 2023, £3.6 billion of UC-related tax credit debt was transferred from HMRC to the DWP for recovery. In 2022-23, the DWP recovered £428 million of tax credit debt, down from £520 million in 2021-22. The stock of tax credit debt held by the DWP stood at £2.5 billion at the end of 2022-23. The Department currently forecasts that by the time UC rollout ends, approximately £6.2 billion of tax credit debt will have transferred to the DWP for recovery.[23]

Various organisations have also called for the Government to write off historic tax credit debt owed by Universal Credit claimants. In particular, the House of Lords Economic Affairs Committee said in its July 2020 report, Universal Credit isn't working: proposals for reform:

> 159. Many people are unaware that they have tax credit debts and often the overpayments they have received were not their fault. Using Universal Credit to recover historic debts has left many households with an income well below that to which they are entitled.
>
> 160. The Government should write off historical tax credit debt owed by Universal Credit claimants. We believe that the £6 billion of tax credit debt should be treated as a sunk cost—it is highly unlikely to be repaid in full, and

[22] See DWP, Tax credits debt in Universal Credit, 18 April 2016 and the GOV.UK website (accessed 17 July 2023)

[23] DWP, Annual report and accounts 2022-23, HC 1455 2022-23, 6 July 2023, p32

> the Government should not jeopardise the financial security of claimants in pursuit of it.[24]

The Centre for Social Justice has also previously called for the transfer of tax credit debt to the DWP to be reversed, with tax credit debt older than three years to be written off. It has suggested that the remaining portion be retained by HMRC and recovered by a new system modelled on student debt recovery "where individuals only begin to pay it back in instalments when their earnings reach a specific threshold".[25]

In a report published in September 2021, the debt charity StepChange described the DWP's processes for proactively identifying vulnerability before starting recovery of historic tax credit debts as "woefully lacking".[26] StepChange found:

- 89% clients it surveyed had a payment taken which they couldn't afford.
- While it is possible to renegotiate levels of repayment, many clients did not realise they were able to do so.
- Vulnerabilities were not being efficiently identified – data was not effectively used to pick up difficulties people faced leading to an over-reliance on people coming forward to make disclosures.
- Communication could be unclear – two-thirds of survey respondents did not know collections were going to start before money was taken from their UC, while only 30% knew how much money was going to be taken. In addition, people were not being consistently signposted to additional support, while avenues for redress and renegotiation were often not clear.
- Few individuals see their tax credit overpayment debt written off. 68% of tax credit overpayment debt in 2019 related to claims made before 2016, and in cases where collection had not started on these debts, survey data suggested individuals could be unaware they owed money.

StepChange said that given its increasingly central role in the collection of tax credit overpayments alongside other debts, it was vital for DWP's deductions system to catch up with best practice seen in other sectors. The StepChange report made four recommendations to improve the deductions system:

- DWP should use data to assess affordability before determining the rate of repayment. The maximum deduction for tax credit overpayments

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24 House of Lords Economic Affairs Committee, Universal Credit isn't working: proposals for reform, 31 July 2020, HL 105 2019-21, 31 July 2020, para 159-160

25 Centre for Social Justice, Collecting Dust: A path forward for government debt collection, April 2020, p15

26 StepChange, The true cost of tax credit overpayments: A fairer approach, September 2021

should be reduced to 5% and there should be a new minimum deduction of a £1 token payment.

- Tax credit overpayment debts over six years old should be written off, and debts that would take over ten years to repay should be written down.

- Vulnerabilities should be proactively identified using proxy data held by DWP and other departments.

- Data sharing powers should be utilised to improve communications about tax credit overpayments.

More widely, StepChange believed that there needed to be “a statutory overarching framework that binds government debt management processes to accepted principles of good debt management practices”.

2 Press material

More than 900,000 households in receipt of universal credit are repaying a budgeting advance
Rightsnet (requires subscription)
13 July 2023

SSAC highlights need for a 'strong claimant communication strategy' in relation to gaining claimant consent for fuel deductions from benefits
Rightsnet (requires subscription)
29 June 2023

More than 2 million children are living in households with a universal credit deduction
Rightsnet (requires subscription)
10 May 2023

Disability minister silent as hardship payments rocket
Disability News Service
19 January 2023

More than 750,000 universal credit households with at least one person in work had deductions from their award in August 2022
Rightsnet (requires subscription)
17 January 2023

More than 600,000 universal credit households with someone assessed as having LCW had deductions from their award in August 2022
Rightsnet (requires subscription)
13 January 2023

Universal Credit uplift 'could be cancelled out by deductions', Citizens Advice Scotland warns
STV News
8 January 2023

Gordon Brown: Universal Credit doesn't add up
The Big Issue
3 January 2023

DWP deducting on average £80 a month from Scottish families on UC
The Guardian
28 November 2022

3 Press releases

[Call for a landmark change to Universal Credit so people can afford the essentials - research shows overwhelming public support for new ‘Essentials Guarantee’]
Joseph Rowntree Foundation
27 February 2023

[New data: Government clawing back over £80 million a month in UC deductions from families]
Child Poverty Action Group
23 February 2023

[StepChange urges DWP to improve historic Tax Credit overpayment deductions practices that leave 98% struggling]
StepChange
23 September 2021

4 Parliamentary material

4.1 PQs

[Universal Credit: Deductions](https://questions-statements.parliament.uk/)
12 July 2023 | UIN 191730

Asked by: Karen Buck

To ask the Secretary of State for Work and Pensions, for the most recent 12-month period for which this information is available, how many claims for Universal Credit were subject to deductions for (a) new claims advances, (b) change of circumstances advances, (c) budgeting advances, (d) tax credit overpayments, (e) Universal Credit overpayments and (f) any combination of the above; and for each type of deduction, what was the average value of the deduction.

Answering member: Guy Opperman | Department: Department for Work and Pensions

The requested information is provided in the separate spreadsheet.

https://qna.files.parliament.uk/qna-attachments/1648863/original/Data%20Table.xlsx (Downloadable Excel file)

Universal Credit: Deductions
4 July 2023 | UIN 191819

Asked by: Chris Stephens

To ask the Secretary of State for Work and Pensions, how many universal credit claims were subject to deductions in the most recent month for which data is available, broken down by parliamentary constituency; how much on average was deducted in each constituency; what the total sum was of deductions in each constituency; and what proportion of each of those sums was deducted to repay advance payments; and if he will make a statement.

Answering member: Guy Opperman |Department: Department for Work and Pensions

The Government recognises the importance of supporting the welfare of claimants who have incurred debt. We seek to balance recovery of debt against not causing hardship for claimants and their families. Processes are in place to ensure deductions are manageable, and customers can contact the DWP Debt Management Team if they are experiencing financial hardship, to discuss a reduction in their rate of repayment, or a temporary suspension, depending on their financial circumstances.

Since April 2021, we have reduced the normal maximum rate of deductions in Universal Credit from 40% to 25% of a claimant's Standard Allowance. These positive measures were put in place to support claimants to manage financial difficulties.

Advances are a claimant's benefit entitlement paid early, allowing claimants to access 100% of their estimated Universal Credit payment upfront. They ensure nobody has to wait for a payment in Universal Credit, and those who need it are able to receive financial support as soon as possible. Claimants can receive up to 100% of their estimated Universal Credit award if required, resulting in 25 payments over a 24-month period. This is not a debt.

The requested analysis of Universal Credit claims with a deduction in February 2023 by parliamentary constituency in Great Britain (GB) is provided in the separate spreadsheet.

Data for February 2023 has been provided in line with the latest available Universal Credit Household Statistics.

https://qna.files.parliament.uk/qna-attachments/1648879/original/PQ191819%20Data%20Table.xlsx
(Downloadable Excel file)

Universal Credit: Food Bank Use
19 June 2023 | 734 c553

Asked by: Chi Onwurah

Across the north-east, 120,000 children are impacted by universal credit deductions. Take my constituent Amanda: she has two small children, yet her entire personal allowance of £300 a month was deducted, and on top of that she was sanctioned because of tech issues with her work journal. I have worked to support her, as has Citizens Advice Newcastle, but of course she had to go to a food bank. Does the Minister think that is a working system?

Answered by: Guy Opperman | Department: Work and Pensions

In recent years, the standard cap has been reduced, as I said, from 40% to 25%. Reducing the threshold further would risk key social obligations such as child maintenance not being met. We aim to continue to strike the right balance between ensuring that protections are in place and allowing claimants to retain as much of their award as possible.

Universal Credit: Deductions
9 May 2023 | UIN 182577

Asked by: Jonathan Ashworth

To ask the Secretary of State for Work and Pensions, what was the (a) average amount per household and (b) total aggregated amount taken from Universal Credit payments amongst households subject to a deduction in each of the last 12 months for which data is available.

Answering member: Guy Opperman | Department: Department for Work and Pensions

The primary aim of the Universal Credit deductions policy is to protect vulnerable claimants by providing a last resort repayment method for arrears of essential services. In recent years, the standard UC deduction cap has been reduced twice – from 40% to 30% of the Standard Allowance in October 2019, and down to 25% in April 2021.

The requested information is provided in the separate spreadsheet.

https://qna.files.parliament.uk/qna-attachments/1623731/original/Data%20Table.xlsx (Downloadable Excel file)

Universal Credit: Deductions
16 January 2023 | UIN 117529

Asked by: Stephen Crabb

To ask the Secretary of State for Work and Pensions, how many households in receipt of Universal Credit and subject to deductions with (a) no one and (b) at least one person in work had (i) up to five per cent, (ii) between six and 10 per cent, (iii) between 11 and 15 per cent, (iv) between 16 and 20 per cent, (v) between 21 and 25 per cent and (vi) more than 25 per cent of the Standard Allowance deducted in the most recent month for which data are available; and what the average deduction was for each category.

Answering member: Guy Opperman | Department: Department for Work and Pensions

The requested information is provided in the attached spreadsheet. Table 1 provides the number of Universal Credit households broken down by the level of deduction and Table 2 provides the average deduction amount for each of the Universal Credit household types requested that have at least one deduction.

https://qna.files.parliament.uk/qna-attachments/1564663/original/Table%201%20and%202.xlsx (Downloadable Excel file)

Universal Credit: Deductions
12 January 2023 | UIN 117703

Asked by: Rachael Maskell

To ask the Secretary of State for Work and Pensions, how many households with one or more claimants of Universal Credit who were (a) assessed to have limited capability for work and (b) in receipt of a disabled child element had a deduction made to their standard allowance in (i) York and (ii) the UK in each of the last 12 months.

Answering member: Tom Pursglove | Department: Department for Work and Pensions

The requested information is provided in the attached spreadsheet.

https://qna.files.parliament.uk/qna-attachments/1564373/original/117703%20Table%201.xlsx (Downloadable Excel file)

Cost of Living: People on Low Incomes
5 December 2022 | 724 c7

Asked by: Amy Callaghan

A recent report for the Aberlour children's charity found that the DWP deducts an average of £80 a month from Scottish families on universal credit to cover debts such as advance payments caused by the five-week wait. Does the Secretary of State think that it is acceptable that 56% of our constituents claiming universal credit have been left with such tiny sums of money that they have been forced to go without food or to eat just one meal a day? Will he consider replacing the advance payment loans with a non-repayable grant?

Answered by: Mel Stride | Department: Work and Pensions

On deductions from universal credit, the hon. Lady will know that, during the pandemic, when things were extremely difficult, we paused that entire process. As a matter of principle, it is important that, when claimants are in debt, arrangements are made such that they can work their way through that and come out of debt. That often means deductions—I say "often" because it does not always mean that, and our debt management team are always very aware of the circumstances of those with whom they are dealing. We also reduced the maximum amount that can be deducted—first, from 40% to 30%, and now to 25%—so I am satisfied that the balance is broadly correct, but wherever there are individual instances where somebody feels that they are not being treated appropriately, they always have recourse to appeal.

4.2 Early Day Motions

IMPACT OF UNIVERSAL CREDIT DEDUCTIONS ON DEMAND FOR FOOD AID
EDM 383 (session 2022-23)

21 September 2022

Chris Stephens

This House notes the high proportion of people seeking help from food aid projects across Good Food Scotland, and the wider Feeding Britain network, who are having sums deducted from their Universal Credit payments; notes also that those deductions arise from the repayment of advances required to cover the five-week waiting period at the beginning of a Universal Credit claim, and historic debts and overpayments; notes also that the Government has acted before to reduce the rate of deductions by lowering the cap and extending repayment periods; calls on the Government immediately to reduce the rate of deductions still further, by lowering the cap to 10 per cent and extending repayment periods by a further 12 months; and calls on the Government to reconsider its decision not to reform the five-week waiting period or replace advances with grants.

CHANGES TO UNIVERSAL CREDIT

EDM 75 (session 2022-23)

18 May 2022

Chris Stephens

This House notes that Universal Credit payments are not keeping pace with rising living costs; notes that deductions taken from those payments, for example to repay advances, leave households on low incomes struggling to afford food and other essentials; recognises the action taken by the Department for Work and Pensions in 2021 to extend the repayment period for Advances from 12 to 24 months and to reduce the maximum rate of deductions from 30% of the standard allowance to 25%; and calls on the Department to immediately take further action by reducing the maximum rate to 10% again, in recognition of the fact that deductions are taken from benefits already set at subsistence levels.

4.3 Committee papers

Seventh Special Report - Children in poverty: Child Maintenance Service: Government Response to the Committee's Sixth Report [please see Recommendations 8, 9 and 10]
Work and Pensions Committee
HC 1675
6 July 2023

Sixth Report - Children in poverty: Child Maintenance Service
Work and Pensions Committee
HC 272
27 April 2023

Correspondence with the Permanent Secretary about the DWP Annual Report and Accounts 2021-22
Work and Pensions Committee
31 January 2023

[Third Special Report - The cost of living: Government Response to the Committee's Second Report of Session 2022–23]
Work and Pensions Committee
HC 671
8 September 2022

[Second Report - The Cost of Living]
Work and Pensions Committee
HC 129
27 July 2022

[2nd Report - Universal Credit isn't working: proposals for reform]
Lords Economic Affairs Committee
30 June 2020

[Government response to the report, Universal Credit isn't working: proposals for reform]
Lords Economic Affairs Committee
13 October 2020

4.4 Petitions

Universal Credit deductions [P002738]
Presented by David Linden MP
21 June 2022 | 716, c. 817.

The petition of residents of the constituency of Glasgow East,

Notes that analysis by CPAG shows that in the constituency of Glasgow East there are approximately 5,000 households claiming Universal Credit who are receiving on average £58 less each month than they are entitled to because of automatic deductions; declares that these deductions affect an estimated 4,400 children; further that immediate changes to universal credit deductions must be made in order to allow families to access more of their universal credit award, which will in turn ease the pressures of the cost of living crisis on struggling families; further that having to repay a universal credit advance which sustains claimants through the five week wait for the first universal credit payment, is the most common reason for a deduction; further that every month, families across the east end of Glasgow lose a total of £153,000 from their UC payments to service advance debts to the DWP; further that a further £31,238 is paid by UC claimants to HMRC for historic tax credit overpayments; further that the British Government should reduce the maximum deduction rate for government debts to 5 per cent of the UC standard allowance, in line with other creditors; further that the British Government should also reduce the cumulative level of deductions taken from peoples' benefits from the current 25 per cent down to 15 per cent, and further that this cost-neutral intervention would provide up to £53 more a month for a couple and up to £33 more a month for a single person or lone parent.

The petitioners therefore request that the House of Commons urge the Government to reduce Universal Credit deductions and allow families to access more of their Universal Credit award.

And the petitioners remain, etc.

Observations from The [former] Secretary of State for Work and Pensions (Dr Thérèse Coffey):

The Government recognise the importance of supporting claimants to manage their liabilities. Under universal credit, there is a co-ordinated approach to deductions from benefit, which supports claimants to manage their financial obligations.

The primary aim of deductions in universal credit is to protect vulnerable claimants by providing a last resort repayment method for arrears of essential services. The policy also enables social obligations to be enforced when other repayment methods fail, or are not cost-effective, and ensures benefit debt is recovered for the taxpayer in a cost-effective manner.

Regulations provide an overall level of protection that ensures claimants do not see excessive deductions. The overall cap on deductions is set at 25% of standard allowance, this is only ever exceeded to address priority rent and fuel debts. The threshold of 25% provides a balance to ensure priority debts and liabilities are addressed whilst allowing claimants to retain most of their award to meet day-to-day needs.

The Government have reduced the cap twice in recent years. The standard cap was reduced from 40% to 30% of the standard allowance in October 2019, and down again to 25% in April 2021. These two reductions have helped hundreds of thousands of UC claimants to retain more of their award.

Within the standard cap on deductions, there is even more discretion available to support claimants. If claimants find themselves still struggling with the repayment of benefit overpayments, claimants can ask DWP to agree a lower rate of repayment which is affordable for them. Many tens of thousands of claimants have been helped in this way if they contact DWP for support.

Tailored, individual support is the right way to support claimants. Reducing the standard cap in its entirety below 25% of the standard allowance would not be possible without potentially significant negative outcomes.

Firstly, it would reduce the range of debts a claimant could address. It is possible that deductions for vital obligations such as child maintenance or council tax arrears would not be made at all. In November 2021, we supported 29,000 families through making child maintenance payments in this way, many of these would no longer be possible.

Secondly, reducing the standard cap could limit the support claimants can access as an advance. Advances are a claimant's benefit award paid early in order to support them in times of financial need. A claimant can only request one budgeting advance at a time, meaning that a budgeting advance must be recovered in full before a claimant can request further support for unexpected, emergency costs. Reducing the standard cap, inevitably increasing the recovery period of such advances, would leave some claimants unable to access financial support for unexpected, emergency costs they may face.

Furthermore, there is already a significant amount of support available for claimants who are repaying overpayments. As noted, anyone repaying benefit overpayments who is experiencing financial hardship is actively encouraged to contact the Department's debt management team. DWP agents will always look to negotiate an affordable and sustainable repayment plan with anyone who contacts us. In many cases, the rate of repayment which can be agreed can even be below 5% of the standard allowance.

There are no plans to reduce the rate for recovering benefit overpayments to 5% of the standard allowance. The Government believe it is important to support claimants out of debt so as to ensure that debt does not act as a disincentive to moving into work. It is right we ensure benefit debt is recovered in a cost-effective manner as it is also our duty to protect public funds. However, we are continually reviewing the deduction policy and will include assessment of this recommendation in our review.

The Government understands the continued pressures that people are facing with the cost of living. These are global challenges to which no country is immune. In considering how best to support claimants, the Government have opted to prioritise non-repayable financial support, deliverable and targeted, to support and help families. This support is worth over £37 billion in 2022-23.

The Government are helping all domestic electricity customers in Great Britain to cope with the impact of higher energy bills, with £400 off their bills from October through the expansion of the Energy Bills Support Scheme (EBSS). This is a doubling of the £200 of support announced in February, and there will no longer be any repayments.

The Government have also considered the specific issues those on means-tested benefits may be experiencing. This includes supporting over 8 million households across the UK in receipt of eligible means-tested benefits with a one-off cost of living payment of £650, paid in two instalments. The Government are going further, giving additional UK-wide support to help disabled people with the extra costs they will face, with 6 million people who receive eligible non-means tested disability benefits receiving a one-off disability cost of living payment of £150.

In total, millions of low-income households will receive at least £1,200 of one-off support in total this year to help with the cost of living. This is in addition to reductions in the taper rate, helping those families who are in work and claiming universal credit to boost their income and ensuring work pays. The extensive measures noted underlines this Government's commitment to supporting families across the UK, including those in receipt of universal credit.

5 Further reading

5.1 Reports

“Enough to be able to live, not just survive” A report by the APPG on Poverty following its inquiry into the (in)adequacy of social security
APPG on Poverty
June 2023

Hunger in the UK
The Trussell Trust
June 2023

The welfare debt trap: Adjusting the level and priority of deductions from benefits to prevent hardship
Citizens Advice
June 2023

Debt and Deductions Fact Sheet [PDF]
The Trussell Trust
December 2022

Universal Credit deductions for households with children by Scottish local authority
Aberlour Children’s Charity
28 November 2022

Debt to Government, deductions and destitution: Qualitative research report [PDF]
Trussell Trust
February 2022

The true cost of tax credit overpayments: A fairer approach
StepChange
September 2021

5.2 Library briefing papers

Universal Credit: Ten years of changes to benefit claims and payments (section 6)
House of Commons Library
16 July 2021

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