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Housing costs in Universal Credit

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Summary

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

Roll-out of Full-Service and migration to Universal Credit

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

After some delays and a "reset" the DWP began rolling out "**Full Service**" – the final digital version of UC. As of 12 December 2018, UC Full Service became available in every part of Great Britain (and Northern Ireland). With some very limited exceptions, it is no longer possible to make a new claim for a "legacy" benefit or tax credit.

Existing claimants of legacy benefits may move to UC through **"natural migration"**, e.g. triggered by a change in circumstances. When a person moves onto UC, it will not normally be possible to move back to legacy benefits. The remaining legacy benefit and tax credit claimants will transfer to UC by a process known as **"managed migration."** Managed migration will be tested in 2019 and is expected to be complete by the end of 2023.

The housing element of UC

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

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

Rent arrears

There are significant concerns about the impact of waiting periods and other delays in paying UC on claimants' rent arrears.

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

The Work and Pensions Committee opened an inquiry into the roll-out of UC on 12 September 2017. An oral evidence session held on 13 September 2017 saw witnesses representing public and private sector landlords express concerns about growing rent arrears and levels of tenant debt. On 21 September, Damian Hinds wrote to the Committee setting out developments in relation to a Universal Credit Landlord Portal for social landlords, and advising that all social landlords would be offered the opportunity to acquire Trusted Partner status. This scheme allows landlords to identify vulnerable tenants and be paid rent directly before falling into arrears.

On 15 September 2017 the DWP published research commissioned from Ipsos MORI, Universal Credit Test and Learn Evaluation: Families, in which the five-week waiting period was identified as a key factor behind the accrual of tenant arrears after moving on to UC.

On 18 September 2017, the Chair of the Work and Pensions Select Committee, Rt Hon Frank Field, called on the Government to pause the roll-out of UC, saying:

> Evidence from the first three Universal Credit boroughs shows they have amassed £8m in rent arrears, with more than 2,500 tenants in London claiming Universal Credit so far behind with their rent they are at risk of eviction from their homes.
>
> We are hearing evidence of people being plunged into all sorts of vulnerability as a result of the debt, risk of hunger and homelessness, and resulting stress of being migrated onto Universal Credit, with its in-built 6 week delay in receiving a first payment and much longer waits for many people.

Following an Opposition Day debate on 18 October 2017 the House of Commons agreed by 299 votes to nil an Opposition motion calling on the Government to "pause" the roll-out of the UC Full Service. All Conservative Members, except for Dr Sarah Wollaston, abstained.

The day before this debate, the then Secretary of State, David Gauke, wrote to Frank Field setting out some detail on dealing with housing costs within UC and developments in relation to advance payments, alternative payment arrangements, and the position of private landlords.

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

On 23 November 2017, David Gauke announced what he described as "a balanced package of improvements that puts more money into claimants' hands earlier, ensuring extra support for those who most need it." This included the removal of the seven-day waiting period and new guidance for staff "to ensure that claimants in the private rented sector who have their housing benefit paid directly to landlords are offered that option when they join universal credit."

2018 saw publication of several reports by; for example, the Joseph Rowntree Foundation, National Housing Federation, Residential Landlords Association, National Audit Office, and The Smith Institute for Southwark Council, as well as the Work and Pensions Select Committee, which highlighted ongoing issues with rent arrears and hardship experienced by claimants of UC. The Committee's report on Universal Support called on the Government not to 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 Committee also recommended an overhaul of the Universal Support offer. The Government response was issued in January 2019. Secretary of State, Amber Rudd, announced that managed migration would be piloted with a small number of claimants from July 2019.

The Autumn 2018 Budget announced, amongst other measures, that maximum deduction rates would be reduced from 40% to 30% of a claimant's standard allowance from October 2019 and an extension of the period over which advance payments can be repaid from 12 to 16 months from October 2021. Evidence submitted to the Work and Pensions Committee "suggests that 30% is still far too high a deduction from each month's benefit for most claimants to manage."

Research published by Citizens Advice in February 2019 concluded that the changes announced by the Government had started to help claimants but represented only a "dent in the problem". Various bodies, including representatives of council and housing association landlords, and those that assist claimants are calling for further reforms to UC.

The devolved administrations

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

Welfare reform in Northern Ireland was delayed – implementation began at the end of September 2017. The size criteria (under-occupation) provision came into force in Northern Ireland on 20 February 2017. The Department for Communities (DfC) is mitigating the impact of the deduction for social housing tenants up to March 2020.

1. Introduction

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

Roll-out and migration to UC

Universal Credit was first introduced for a small subset of new claimants in certain areas in 2013. DWP's initial efforts targeted claimant groups whose claims were comparatively simple to manage, such as single, childless, out-of-work adults. Having learnt from these initial experiences, the Department for Work and Pensions (DWP) began to roll-out UC to successively wider areas and more complex caseloads.

UC Full Service was fully rolled out across the UK on 12 December 2018.

Following early problems, the entire programme was "reset" in early 2013. In 2016, the DWP began rolling out the "Full Service" – the final digital version of UC, available for all claimant groups – using a "test and learn" approach. The Full Service was to have been rolled out to every part of the United Kingdom by September 2018, but in autumn 2017, following emerging evidence of problems experienced by people moving onto UC, the Government slowed significantly the roll-out plans for January-March 2018 while it introduced measures intended to ease the transition to UC. Thereafter, the pace of roll-out accelerated **– as of 12 December 2018 the UC Full Service became available in every part of Great Britain (and Northern Ireland).** With some very limited exceptions, it is no longer possible to make a new claim for a "legacy" benefit or tax credit.

Existing claimants of legacy benefits may move to UC through **"natural migration"**, e.g. triggered by a change in circumstances. When a person moves onto UC, it will not normally be possible to move back to legacy benefits – the "lobster pot" rule. The remaining legacy benefit and tax credit claimants will transfer to UC by a process known as **"managed migration."** Managed migration will be tested in 2019 and is expected to be complete by the end of 2023:

> We are committed to delivering managed migration in a way which supports claimants. In 2019, and in line with our Test and Learn approach, we will test and refine our approach with a very small number of claimants from July 2019 to check that it is working well, before we take on larger volumes in 2020. We will complete the managed migration process by the end of 2023.[1]

On 11 January 2019, the Secretary of State, Amber Rudd, announced that a pilot of the managed migration scheme would take place before a vote on the full migration of existing benefit claimants onto Universal Credit.[2]

1 DWP Response to the Social Security Advisory Committee's recommendations on the Universal Credit (Managed Migration) Draft Regulations 2018, 5 November 2018, p2
2 DWP Press Release, 11 January 2019

Housing costs within UC

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

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

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

> An appropriate amount will be added to the Universal Credit award to help meet the cost of rent and mortgage interest. For those who rent their accommodation, this amount will be similar to the support currently provided through Housing Benefit.
>
> [...]
>
> Our aim is to simplify provision for rent support in Universal Credit as much as possible, while protecting potentially vulnerable people from unintended consequences, such as getting into arrears or being made homeless.[3]

There are several online guides which cover how entitlement to UC is calculated, e.g. GOV.UK. The DWP has published Universal Credit and rented housing: guide for landlords (updated 4 April 2019) and has brought information for landlords together on a website: Universal Credit and landlords.

Changes to Housing Benefit entitlement introduced prior to the implementation of UC, such as national caps on Local Housing Allowance (LHA)[4] entitlement, calculating LHA based on the 30th percentile of market rents, size criteria in social rented housing and the household benefit cap, have been carried over and apply to claims for the housing element of UC. Part 7 of the Regulations sets out how the household benefit cap operates under UC.

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

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

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

> All private-rented sector tenants who are entitled to the housing costs element in Universal Credit will have that assessment based on the relevant LHA rate.[5]

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

5 DWP, Universal Credit and related regulations: Response to SSAC technical comments and policy points, 2012

2. Calculating the housing cost element (rent payments)

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

2.1 Administration

Housing Benefit is a national benefit which is administered by local authorities. UC is administered by the Department for Work and Pensions (DWP) with online application and administration as the main delivery mechanism. Local authorities continue to have responsibility for the administration of Discretionary Housing Payments.[6]

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

The DWP is working with partners, including:

- Local Authorities
- Citizens Advice
- credit unions
- registered social landlords
- relevant registered charities

to provide **Universal Support (US)** to claimants. US is "advice, assistance and support provided by agreed US partners" which takes the form of:

- managing their claim or award of Universal Credit including accessing and using online services
- managing their financial affairs[7]

2.2 Payment direct to the claimant

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

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

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

7 DWP, Universal Support 2018/19 Guidance, 27 September 2018

> (b) The Government's intention is to pay universal credit to the claimant in the majority of cases. The Government believes that this policy will replicate the budgeting skills that people will need when working and will help to break the cycle of welfare dependency that is a feature of the current benefit system.[8]

Direct payment of the housing element of Universal Credit to social housing tenants is controversial. There is concern that it results in increased rent arrears and impacts on landlords' revenue streams. Private landlords, who have experienced direct payment of LHA to claimants since April 2008, have long campaigned for tenants to be given a choice over whether their housing costs are paid direct to the landlord or not. There is evidence that private landlords are increasingly unwilling to let to claimants who are fully or partially reliant on LHA to meet their housing costs.[9]

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

Alternative Payment Arrangements

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

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

> ...including testing different trigger points when social landlords should receive direct payments if tenants fall into specified levels of arrears. The projects will also inform how best to communicate the changes to claimants, provide assistance with budgeting to successfully pay their rent, and support claimants and landlords experiencing financial difficulties.[10]

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

The current version of the guidance on Alternative Payment Arrangements was updated in April 2019. Some of the safeguards the DWP has developed to mitigate potential risks to tenancies and landlords' income streams resemble current arrangements within Housing Benefit for claimants living in the private rented sector. For example, it is possible to pay the rent to landlords on behalf of

8 HC Deb 10 October 2011 c255W
9 See Library paper SN07008: Can private landlords refuse to let to Housing Benefit claimants?
10 DWP Press Release, 19 January 2012

claimants in arrears. Personal budgeting advice is available for claimants who struggle to manage their finances.

On 11 January 2019, Amber Rudd acknowledged issues with APAs for tenants of private landlords and said:

> One third of UC claimants in social rented housing have their rent paid directly to their landlord. But in the private sector, that number is only 5%.
>
> People in the private rented sector already face a far higher risk of losing their tenancy, and I know from talking to claimants and landlords that the current system isn't working for some of them.
>
> So we need to make it easier for tenants in the private sector to find and keep a good home, by giving landlords greater certainty that their rent will be paid.
>
> **Therefore, I have asked the Department to build an online system for private landlords, so they can request (where necessary) for their tenant's rent to be paid directly to them.** And I will consider what else we can do, because I am determined to help keep people in their homes.[11]

2.3 Monthly payments in arrears & waiting periods

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

> Colleagues have had concerns about the waiting time for the first payment, and I am grateful to my parliamentary colleagues for their constructive engagement on this issue. There have been several debates here and in the other place. This statement responds to them and fulfils the commitment made on behalf of the Government by my right hon. Friend the Leader of the House in relation to the resolution of the House on 18 October 2017. We are now offering a balanced package of improvements that puts more money into claimants' hands earlier, ensuring extra support for those who most need it.
>
> [...]
>
> From February, we will remove the seven-day waiting period, reducing the length of time claimants might wait to receive their first full payment.[12]

This was achieved by *The Universal Credit (Miscellaneous Amendments, Saving and Transitional Provision) Regulations 2018.*

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

[11] DWP, Universal Credit: Personal Welfare, 11 January 2019
[12] HC Deb 23 November 2017 cc1200-02

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

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

It is not unusual for social landlords to operate rent a **rent-free period** for tenants over Christmas. The guidance for landlords advises:

> If rent is charged over fewer than 52 weeks, the monthly payment will be worked out based on the number of weeks rent is charged.
>
> For example, if rent is payable 48 weeks of the year, Universal Credit will be calculated as weekly rent multiplied by 48 and divided by 12.
>
> Tenants should be made aware of any rent free weeks they may be entitled to so that they can notify DWP, this will help to avoid confusion and ensure payments are accurate.[13]

2.4 Payment on a 52-week year

The National Housing Federation (NHF) has pressed the Government for amendments to the Regulations to allow Universal Credit to cover a whole year's rent for tenants with weekly tenancies where there are 53 rent payment days in a year.[14] The Government's initial response was to advise landlords to move to a monthly rent payment cycle.[15] On 12 February 2019, the Government said it was considering whether the formulation around weekly rents should be amended:

> No year contains 53 weeks. This perceived issue arises where a landlord charges rent weekly on a Monday and, because of the way the calendar falls every 5 or 6 years, seeks 53 rent payments in a year, with the 53rd payment in part covering the tenancy for the first few days of the following year.
>
> Universal Credit is paid on a monthly cycle. Where a tenant has a weekly rental liability, they will have to make either 4 or 5 rent payments in any one month. This means that claimants are 'overpaid' by UC in months where they have to make four rental payments and 'underpaid' where they make five. But over time this broadly balances itself out. It is impossible to accurately align weekly and monthly payment cycles at all points in time.
>
> Where a tenant makes a 53rd weekly rent payment on the last Monday of the 2019/20 year, only two days of that payment relates to a liability falling within that year (ie payment covering Monday and Tuesday of that week as Wednesday falls in the new year). Thus, five days of that payment is an advance payment for the following month and that month has only four Mondays and hence four rent payments. The combination of the advance rent payment and the 'overpayment' in April 2020 means that the shortfall is immediately recovered.

[13] DWP. Universal Credit and rented housing: guide for landlords, 31 December 2018, para 5.4
[14] NHF, Technical advice note, 20 December 2018
[15] Written question – 195091, 29 November 2018

> There is a separate issue with respect to the way the calculation in the Universal Credit regulations converts a weekly liability into a monthly allowance. The conversion is achieved by multiplying the weekly rent by 52 and then dividing by 12. This effectively means one day's rent a year (two days in a leap years) are not covered by UC. We are currently considering whether this formulation around weekly rents, and potentially other weekly amounts in the UC calculation, should be amended.[16]

This issue has been picked up by the Work and Pensions Committee. Correspondence on the matter between the Chair of the Committee and the Secretary of State, Amber Rudd, can be found on the Committee's webpage.[17]

2.5 Payment based on the end of the assessment period – mid-assessment moves

Universal Credit is assessed and paid monthly. If a person's circumstances change within that month, a 'whole month' approach to the change of circumstance is adopted. Under this model, the housing element of the UC award, is calculated to reflect the claimant's circumstances **at the end of their assessment period**. The DWP has described how this works:

> To do this, we treat all changes as applying from the beginning of the assessment month in which they take place (if reported in the assessment period within which they occurred). The award for that month is therefore wholly at the new rate, net of all changes in the period.
>
> The award under this approach will therefore reflect the claimant's circumstances at the point of payment, and will better anticipate their needs over the forthcoming month – the period for which we would expect them to use this money to budget and pay for living expenses. This balances the requirement that UC be a benefit paid in arrears with the need to reflect as accurately as possible the circumstances a claimant will be in for the month ahead.
>
> This rule applies to all elements of UC including housing costs. **If the claimant moves address part way through the Assessment Period, we pay the claimant the costs of the property they are in at the end of the month.**[18]

The DWP described this approach as "more straightforward for claimants to understand as they will be able to anticipate how much UC they will receive so they can budget accordingly."

It is possible that a mid-assessment period move could leave a claimant with zero entitlement to the housing element of UC at the end of the month. For example, if they move into their parent's home where they

16 Written question – HL13222, 29 January 2019
17 Work and Pensions Select Committee: Universal Credit: rent losses to claimants and landlords not a "problem of perception", 7 May 2019
18 Response provided by a DWP official following an inquiry from the House of Commons Library.

would be treated as ineligible for the housing element, thus there would be no payment to cover rent due before the move.

2.6 Incentivising regular payments

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

2.7 Interim/advance payments

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

The Government provided the following response:

> We are not making an equivalent provision to the existing rule in connection with Housing Benefit. In circumstances where we are not able to verify all elements of a claimant's Universal Credit award, **an advance of benefit may be payable in the interim**. This advance would then be recovered in full once the award becomes payable. Any under payments paid to the claimant as soon as is practical and overpayments recovered through usual deduction processes.
>
> We could also make an award of Universal Credit in respect of decided elements even where other elements remain undecided. So, for instance, we could make an award of Universal Credit that does not include an amount in respect of housing costs where a question around rent liability remains to be decided.[19]

The current guidance on advance payments can be found on GOV.UK.

As the roll-out of UC has moved forward, the lack of knowledge about advance payments has been raised as an issue. The Secretary of State said that more work would be done to raise awareness about the availability of advance payments.[20] On 23 November 2017, David Gauke announced a package of measures, including changes to advance payments:

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19 DWP, Universal Credit and related regulations consultation: DWP response to technical comments and policy points

20 David Gauke's letter to Frank Field, 17 October 2017

> In January we will make two changes to advances. First, the period over which an advance is recovered will increase from six to 12 months, making it easier for claimants to manage their finances. That will apply regardless of the level of advance claimed. Secondly, we are increasing the amount of support a claimant can receive from up to 50% of their estimated entitlement to up to 100%, interest free. In practice, that means that new claimants in December could already receive an advance of up to 50% of their estimated overall entitlement, and may receive a second advance to take it up to 100% in the new year. Taken with the first payment, that means that claimants in need could receive nearly double the money they would previously have received. In addition, from spring next year we will make it possible to apply for an advance online, further increasing accessibility for those who need it.[21]

2.8 Recovering debt through UC payments

Broadly, third party deductions for specific purposes can be taken from a claimant's standard allowance.[22] Deductions are made at a standard fixed rate of 5% of the claimant's standard allowance, with the exception of rent arrears and court fines. Deductions for rent arrears are made at a rate of at least 10% but not more than 20% of the standard allowance. For court fines, deductions are made at a minimum of 5% of the standard allowance and a maximum of £108.35 a month.

Where the claimant has more than one deduction, the total amount deducted cannot usually exceed 40% of their standard allowance. However, this figure can be exceeded in certain circumstances – e.g. if any additional amounts are being deducted for ongoing consumption for people with fuel or water debts, these additional amounts do not count towards the 40%.

There is concern that the caps applied in UC allow for a more substantial percentage of a claimant's entitlement to be deducted than was previously the case. Deductions for Advance Payments are not included in the caps – Citizens Advice told the Work and Pensions Committee "that adding Advance Payment deductions to repayments for third party debts can lead to caps regularly being breached."[23] The NHF told the Committee that the top level of deductions was "too high […] pushing claimants into unnecessary hardship" and that this frequently left them "struggling to sustain their tenancy".[24] During the Autumn Budget 2018 the Chancellor announced future changes to the deduction rates:

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21 HC Deb 23 November 2017 cc1200-02

22 The standard allowance is the basic amount of UC entitlement for the adult(s) in the benefit unit. It does not represent the household's actual total UC award or their maximum UC award before the taper is applied.

23 HC 1667 of 2017-19, 28 October 2018, para 33

24 Ibid., para 36

> From October 2019, the government will reduce the maximum rate at which deductions can be made from a Universal Credit award from 40% to 30% of the standard allowance. This will ensure that those on Universal Credit are supported to repay debts in a more sustainable and manageable way. From October 2021, the government will also increase the period over which advances will be recovered, from 12 to 16 months.[25]

There is some concern that a maximum 30% deduction rate is too high. See section 3.2

2.9 Housing Benefit 'run on'

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

> From April, for new claimants already receiving support towards their housing costs, **we will provide an additional payment of two weeks of their housing benefit to support them as they transition to universal credit, helping to address the issue of rent arrears for those who most need it**. That is a well-targeted measure that will support 2.3 million people, including the most vulnerable, with an unrecoverable automatic payment worth an average of £233 each. This is a one-off investment of £550 million to ensure that universal credit supports those who need it.[26]

This was achieved by *The Universal Credit (Miscellaneous Amendments, Saving and Transitional Provision) Regulations 2018.*

2.10 State Pension Credit and Housing Credit

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

Since October 2014, reforms to State Pension Credit have mirrored the introduction of UC so that Housing Benefit for pension age claimants will become the Housing Credit element of State Pension Credit. Pension-age Housing Benefit claimants not affected by the introduction of the social sector size criteria[27] so there will be no size criteria in the assessment of the new Housing Credit Element.

2.11 Mixed age couples

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

The DWP has confirmed that mixed-age couples will only be able to access pension-age income-related benefits when **both** partners have reached the qualifying age **after 15 May 2019**. There will be some protection for those already in receipt of Pension Credit/Housing Benefit:

> The change will not affect mixed age couples who are entitled to and claiming Pension Credit and/or pension age Housing Benefit immediately before the implementation date unless their

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25 HC 1629, 29 October 2018, para 5.36
26 HC Deb 23 November 2017 cc1200-02
27 See Library briefing paper: Under-occupation of social housing: Housing Benefit entitlement (6272)

> entitlement to both those benefits subsequently ends (for example, due to a change of circumstances) and they then need to make a fresh claim. Mixed age couples in receipt of pension age Housing Benefit but not Pension Credit will still be able to make a new claim to Pension Credit after the implementation date if they need additional support with their daily living expenses, provided they are entitled to pension age Housing Benefit at the date of claim. Similarly, those in receipt of Pension Credit but not pension age Housing Benefit will be able to make a new claim for Housing Benefit after the implementation date, if they require help with rent costs.[28]

The publication, Mixed age couples: benefit impacts of ending access to Pension Credit and pension age Housing Benefit, provides information on the number of pensioners that the DWP expects to be affected.

2.12 Single people aged between 18 and 21

From April 2017, single people (or members of a couple claiming as a single person) aged between 18 and 21 who claimed for the first time in a 'full service' area, became ineligible for the housing cost element of UC. There were a number of exceptions to this rule - the Government published detailed guidance on the exemptions in Memo ADM 6/17. website.

On 29 March 2018, the Government issued a Written Statement which announced that **the regulations would be amended "so that all 18-21 year olds will be entitled to claim support for housing costs in UC**." The Regulations (SI 2018/1129) were laid on 5 November 2018; the **relevant provisions came into force on 31 December 2018**.

2.13 Supported housing

Residents of supported 'exempt' accommodation have help with their housing costs provided separately to UC in a similar way to Housing Benefit. The *Universal Credit (Transitional Provisions) and Housing Benefit (Amendment) Regulations 2013* (SI 2013/2070) enable Universal Credit and Housing Benefit (HB) to be paid simultaneously where the claimant is in "exempt accommodation."[29] Exempt accommodation includes a resettlement place and accommodation provided by a county council, housing association, registered charity or voluntary organisation where that body, or person acting on their behalf, provides the claimant with care, support or supervision.

Similarly, claimants living in 'specified' supported accommodation are expected to claim Housing Benefit in respect of their housing costs. In 2014 the DWP introduced a new category of "specified accommodation"[30] to resolve concerns amongst providers of supported housing, who argued that the existing definition of exempt accommodation would not protect residents of supported housing from

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28 DWP, Mixed age couples: benefit impacts of ending access to Pension Credit and pension age Housing Benefit, 26 April 2019

29 See DWP Circular HB A19/2013

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

welfare reform policies, such as direct payments, the under-occupation deduction, and the benefit cap. The National Housing Federation published an explanatory note on the *Housing Benefit and Universal Credit (Supported Housing) (Amendment) Regulations 2014* which explains the definition of specified accommodation.

Having carried out extensive consultation over the future funding of supported housing, on 9 August 2018 the Government said that **a decision had been made to keep Housing Benefit in place to fund supported housing.**[31] There is an intention to carry out work with providers, local authorities, membership bodies and resident representatives "to develop a robust oversight regime". Ensuring quality and value for money will be key factors of this regime. A further review of housing related support will be carried out to "better understand how housing and support currently fit together".[32] For more information see Library paper SN06080: Paying for supported housing.

2.14 Temporary accommodation

The Regulations define temporary accommodation as accommodation where rent payments are made to the local authority, or a provider of social housing other than the local authority, where the accommodation is being used to discharge the authority's homelessness duty or to prevent the resident becoming homeless.[33]

The Government had intended that claimants in temporary accommodation would receive housing support as part of their UC and that this would be based on the appropriate Local Housing Allowance rate for the household and would take account of household size as opposed to property size.[34]

Early experiences of local authorities with homeless households placed in temporary accommodation who claimed UC identified delays in processing claims as a problem.

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

> In April, as a short-term measure, we will change how claimants in temporary accommodation receive support for their housing costs to ensure that local authorities can recover more of their costs and can therefore continue to offer this valuable support to those who need it most. We will also consider longer-term solutions.[35]

This was achieved by *The Universal Credit (Miscellaneous Amendments, Saving and Transitional Provision) Regulations 2018*. The explanatory memorandum to the Regulations explains the impact:

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31 MHCLG, Press Release, 9 August 2018

32 Ibid.

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

34 HB/CTB Circular G10/2010

35 HC Deb 23 November 2017 cc1200-02

This instrument provides that Universal Credit claimants cannot get the housing cost element whilst living in temporary accommodation and will instead be able to claim Housing Benefit for their temporary accommodation rent liability. By allowing Housing Benefit to be paid, this change reinstates the previous process which ensures that Local Authorities recover the money as before. Claimants will retain an underlying entitlement to the housing cost element during the transition from Universal Credit to Housing Benefit to ensure they remain eligible to claim Discretionary Housing Payments should they require additional assistance.

This change will result in those who move in and out of temporary accommodation within an assessment period receiving more help towards their housing costs as, under current arrangements, these outgoings would not be recognised. Most other claimants in temporary accommodation are likely to receive a higher level of benefit as Housing Benefit is not restricted in temporary accommodation cases whereas in Universal Credit the Local Housing Authority cap applies. However, this increase in entitlement is notional as Local Authorities pick up the short-fall between the Local Housing Authority level and the actual cost of the accommodation for those on Universal Credit.

Except in those cases where the claimant moves on the last day of their assessment period, someone with a housing liability in Universal Credit who moves to temporary accommodation will lose up to one month's housing element at the point of transition. It is for this reason that the transitional provisions have been amended to allow for Discretionary Housing Payments in such cases.

To give an example: George receives the housing element in Universal Credit and his assessment period runs from the 1st to the 31st of the month. His tenancy ends on the 15th of the month and his Local Authority place him in temporary accommodation. Currently, George would receive one month's rent at the appropriate local housing allowance rate for that assessment period.

Under the new arrangements, Universal Credit housing costs would be switched off for that month as George has entered temporary accommodation. Housing Benefit would be payable from the 15th onwards so the claimant receives no support with housing costs for the Private Tenancy between 1st to 15th of the month. By allowing an underlying entitlement to Universal Credit, George is able to seek a Discretionary Housing Payment, should one be required, for support with this period.

However, George moves out of temporary accommodation and into mainstream accommodation on the 15th day of the following month. He would receive Housing Benefit for the first 15 days and then, at the end of that month, would receive a whole month's rent even though he has lived at his new address for only two weeks. The Housing Benefit received in that period would not be taken into account in the Universal Credit assessment.[36]

[36] Explanatory Memorandum to *The Universal Credit (Miscellaneous Amendments, Saving and Transitional Provision) Regulations 2018*

2.15 Service charges

There were initial concerns that the housing element of UC would cover far fewer types of service charge that tenants are liable to pay than under the Housing Benefit system. On 21 December 2012, the DWP published an 'exhaustive list' of eligible service charges (i.e. those charges for services that are covered by UC) and guidance for consultation up to the end of January 2013.[37] Social landlords welcomed the move but highlighted some remaining issues:

> However, housing benefit consultant Chris Smith warned there is still likely to be some uncertainty.
>
> He cited a DWP survey published in 2010 showing that more than 400 descriptions of service charges are used by landlords. He said there could be legal disputes as social landlords try to 'shoehorn' charges into one of the four headings in the guidance.
>
> According to the most recent global accounts for housing associations, service charge income is worth £870 million a year.[38]

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

2.16 Ground rent

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

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

The Government provided the following response:

> Provision for ground rent is excluded from support within Universal Credit. Amounts for such liabilities are generally low and it is not considered appropriate to include them within a simplified system.[39]

2.17 Use and occupation charges & mesne profits

The SSAC questioned the omission of use and occupation charges and mesne profits[40] from the definition of rent payments that the housing costs element of UC will cover:

> Rent Payments (Schedule 1, para 2): in the definition of 'rent payments' no provision is made for 'use and occupation charges'

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37 DWP, Universal Credit service charges – guidance for landlords, December 2012

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

39 DWP, Universal Credit and related regulations: Response to SSAC technical comments and policy points

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

> (the payments made by a person commonly left in the property after the death of a tenant whilst the new tenancy situation is resolved). Similarly there is no provision for mesne profits.

The Government said:

> No specific provision is being made for mesne profits in the housing element of Universal Credit as we consider that they would be more likely to appear as rent or payments for a licence or permission to occupy. In these cases legitimate housing costs are likely to be covered under Schedule 1 of the regulations. We decided not to carry forward specific provision for mesne profits as it would not be fair for the benefit system to underwrite such arrangements.[41]

2.18 Size criteria

Overnight care

Reductions in Housing Benefit can apply to claimants where they live in a property that is deemed to be too large for their needs.[42] An exemption operates so that an additional bedroom is allowed where a disabled person, or someone with a long-term health condition, has a proven need for overnight care and it is provided by a non-resident carer. This exemption was introduced for claimants in the private rented sector in April 2011 by an amendment to the *Housing Benefit Regulations 2006*. It also applies to claimants in the social rented sector from April 2013.

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

Temporary protection

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

Temporary absences

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

- a child (or young person aged 16-19) will be considered as occupying a bedroom for the first six months that they are in care or in prison, or outside Great Britain (depending on circumstances).

[41] DWP, Universal Credit and related regulations: Response to SSAC technical comments and policy points

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

- non-dependants will be considered to be still occupying a bedroom during travel outside Great Britain for up to six months, during a prison sentence that is expected to or has reached no more than six months, or for any other temporary absence of up to six months.

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

> Temporary Absences (regs 3(6) & 4(7)): reducing the period of temporary absences from 52 weeks to 26 weeks may cause some difficulties for a claimant whose partner or child is, for example, in hospital or respite care. Although the partner would be eligible to claim as a single person, the loss of support with respect of a child could jeopardise ongoing contact with them if they were at a distance and travel costs were high.

The Government responded:

> Universal Credit clarifies and aligns a disparate mix of temporary absence rules in the current income-related benefits. DWP believes that introducing a standard 26 week rule for temporary absence is broadly fair. Where there are clear rules, there will always be people who fall on the wrong side of the line but we do not expect that this change will cause significant problems in practice.[43]

Death

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

Lodgers

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

Amendments to the UC Regulations

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

2.19 Non-dependant deductions

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

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[43] DWP, Universal Credit and related regulations: Response to SSAC technical comments and policy points

Under UC, one flat-rate Housing Cost Contribution (HCC) of £73.89 per month is deducted from a claimant's entitlement[44] - all under-21s are exempt from the HCC. There are also exemptions (as there are under Housing Benefit) for non-dependants who are in receipt of or entitled to receive the care component of DLA at the middle or highest rate, AA or the daily living component of PIP, carer's allowance, as well as prisoners and those responsible for a child under 5.

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

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

Some working non-dependants will benefit from the flat-rate contribution while others on benefit and with lower incomes – particularly younger people aged 21-25 (who receive a lower rate of UC) may struggle. The National Housing Federation (NHF) said that the single rate of deduction would "cause hardship within households where the non-dependant is on benefit but not exempt."[45]

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

2.20 Paying rent on two homes

Under UC benefit is payable on two homes if:

- liability to pay rent on two homes has arisen because of fear of violence in the accommodation normally occupied as the home. In this case, both liabilities can be paid for up to 12 months as long as there is an intention to return to the original property;[46]
- a disabled person is unable to move into a new home because it needs adaptations to make it suitable. The claimant will have to prove that the delay is reasonable. A disabled person is defined as someone in receipt of specified disability benefits (high or middle rate care component DLA, Attendance Allowance or PIP). Benefit will be payable for up to one month.

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

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

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44 This is the rate at April 2019.
45 NHF Briefing: Universal Credit Regulations, December 2012
46 The original draft regulations only allowed for domestic violence.

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

2.21 Temporary and other absences from home

From 28 July 2016, the Government amended the rules on claiming Housing Benefit while absent from the Great Britain to limit entitlement to 4 weeks "to align with the allowable period in other benefits, including Universal Credit."[47] Prior to this, Housing Benefit could be claimed for up to 13 weeks. It is possible to receive the housing costs element for a longer period in certain circumstances.

Claimants may continue to receive the housing element of UC for six months where they are in prison and are not expected to be absent from their home for longer than that period. This is less generous than under Housing Benefit where prisoners in custody waiting for a trial or sentencing, or who have to stay away from home (for example, in a bail or probation hostel) as a condition of bail, may get Housing Benefit for up to 52 weeks. Housing Benefit can also be received for up to 13 weeks if a claimant is sentenced to prison, if the total time spent in prison is likely to be 13 weeks or less, including any time spent on remand. The NHF pointed out: "delays in the court process mean that people who may be subsequently found not guilty are sometimes held in custody for much longer than six months."[48]

The SSAC commented on this issue:

> Temporary Absence of a Benefit Unit Member (Schedule 4, para 13): this provision will have an adverse impact upon remand prisoners subsequently found not guilty or who are given an outcome by the court which is other than a custodial sentence.[49]

The Government responded:

> This provision provides protection for claimants where members of the extended benefit unit are absent temporarily. In the case of remand prisoners, six months protection for the claimant is a reasonable period.[50]

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

47 SSAC report on SI 2016/624, July 2016
48 NHF Briefing: Universal Credit Regulations, December 2012
49 DWP, Universal Credit and related regulations: Response to SSAC technical comments and policy points
50 Ibid.

2.22 The benefit cap

The cap, which limits the total amount of annual benefit that a family can receive to £20,000 outside of London and £23,000 within Greater London, applies under UC.[51]

2.23 Conditionality & sanctions

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

UC carries consequences for non-compliance and sanctions increase in duration for repeat offences. The housing element of UC is unaffected by these sanctions but as UC, in most cases, is paid direct to the claimant, there are concerns that the severity of the sanctions regime may lead to some claimants failing to prioritise rent payments. The NHF suggested that claimants subject to a UC sanction should automatically be switched to direct payment of the housing element to the landlord to prevent the accrual of rent arrears.[52]

2.24 Overpayments of UC

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

2.25 Scotland & Northern Ireland

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

The Scottish Government said it would use this power to abolish the size criteria for claimants in social rented housing (Removal of Spare Room Subsidy/bedroom tax). On 26 March 2017 the Scottish Government announced that it would extend the Scottish Welfare Fund to assist claimants affected by the measure to limit entitlement to housing costs in UC for young people aged 18-21.[53]

In January 2017, the Scottish Government launched a consultation exercise on the *Universal Credit (Claims and Payments) (Scotland)*

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51 Certain benefits are excluded from the cap. See Library briefing paper: The Benefit Cap (6294)

52 NHF Briefing: Universal Credit Regulations, December 2012

53 Note that from 31 December 2018, entitlement to the housing element was restored to this group of claimants.

Regulations 2017. The Scottish Government committed to giving the recipients of UC more choice over how and when payments are made:

> Managed payments of rent to landlords, and more frequent payments of Universal Credit have been two issues that stakeholders have repeatedly raised with us and we want to let people claiming Universal Credit have the option to choose these if they so wish. Work with DWP to deliver the flexibilities is progressing. We need to also progress the legislation that will be required. It's important that we gather your views on the draft regulations and whether they are fit for purpose. You can help us do this by responding to this consultation.
>
> As many of you may recall, the recent social security consultation included a question on extending managed payment of rent to private sector tenants. Early indications from the consultation responses, and previous feedback from relevant organisations, indicate that offering the same choice to private sector tenants is the favoured approach and also the fairest one. These regulations have therefore been drafted to cover both the private and social rented sectors.[54]

The Regulations were drafted to give tenants the option of:

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

The outcome of the consultation exercise was published in June 2017: Response to the Consultation on Universal Credit (Claims and Payments) (Scotland) Regulations 2017. The *Universal Credit (Claims and Payments) (Scotland) Regulations 2017* came into force on 4 October 2017.

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

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

54 Consultation exercise on the *Universal Credit (Claims and Payments) (Scotland) Regulations 2017*, *January 2017*

3. Impact and Government response

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. As noted in section 2 of this paper, the Government acted to remove the initial 7-day waiting period and has 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, landlords continue to report rising arrears where tenants are claiming UC.

3.1 Early evidence

East Lothian Council

East Lothian Council was initially involved as a partner agency to Musselburgh Job Centre Plus (JCP) during the roll-out of the Universal Credit Live Service (UCLS) from 27 April 2015. The Council subsequently signed up to a further Delivery Partnership Agreement, (DPA) for the full digital roll-out of the Universal Credit Full Service (UCFS) from 23 March 2016. A report prepared for, and considered by, East Lothian Council in December 2016 described the impact of Universal Credit Full Service on mainstream council house rent collection as "severe". The report recommended that the DWP should "carry out an urgent investigation into the impact of Universal Credit in East Lothian on claimants and on the local authority and other social landlords" and asked "the UK Government to suspend the housing cost element of Universal Credit until this investigation has taken place."[55]

Work and Pensions Committee inquiry 2016-17

Following what it described as "compelling evidence of the problems in the rollout of Universal Credit in its recent follow ups" the Committee re-launched its inquiry into UC in February 2017.[56] Evidence was taken up to 20 March 2017. The Committee took oral evidence on 23 January 2017 from witnesses representing the Halton Housing Trust, Resolution Foundation, Child Poverty Action Group (CPAG), and Gateway and Welfare in the London Borough of Croydon. Martin Williams of CPAG responded to a question about the time it was taking for claimants to receive their first payment of UC:

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

> Working with claimants waiting for payment, the evidence we see is that they just cannot manage with that sort of wait. This is not a wait that is a delay; it is a designed-in period at the start of a claim. If I deal with the start of a claim first and then with the frequency of payment afterwards, the wait is because for many claimants there is no entitlement during the first seven days anyway, particularly if you come straight from work to UC. You then have an assessment period of one month and you are paid at the end of that and, in fact, it is seven days after the end of that.

55 East Lothian Council, Update on welfare reform and UC, 20 December 2016
56 Universal Credit roll-out: inquiry relaunched, 21 February 2017

> Assuming it works well as intended, you are looking at at least six weeks to wait.
>
> We already see cases where the housing cost element is not calculated in that time, so there is a further wait for housing costs. I was reviewing case studies and there were two where people were at risk of eviction because the housing cost element had not been calculated.
>
> You have to understand that the vast majority of people we come across— and it is typical of Universal Credit claimants—do not have six weeks' money in hand at the point they make their claim.[57]

Nick Atkin of the Halton Housing Trust said:

> The issue with ourselves and UC is that if you look at the fact that in Halton there are 12,000 tenancies that the four main housing associations have between them, there are just over a thousand of those households are in receipt of UC. 920 of them are in arrears, and if you look at the figures, UC claimants make up just 9% of all our tenancies but they account for 37% of our arrears at the moment.[58]

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

Mark Fowler confirmed that **payment concerns related to UC were feeding through to private sector landlords**.[59] The Residential Landlords Association (RLA) supported research carried out by Sheffield Hallam University in 2015 which, inter alia, sought the views of RLA members on Universal Credit and their experiences of it. The research found:

> Of those landlords with tenants in receipt of UC, 25% said that they were in arrears. This supports the concerns raised by former Welfare Reform Minister, Lord Freud, and is consistent with what he told the Work and Pensions Select Committee that UC was having an "effect" on rent arrears for around a quarter of claimants. [60]

Lord Freud, former Minister of State for Welfare Reform, gave evidence to the Committee on 8 February 2017. He responded to questions about the level of arrears tenants on UC were experiencing and cautioned against taking the rent arrears figures at face value on the basis that some tenants had moved onto UC with pre-existing arrears:

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

57 HC 898, Oral Evidence, 23 January 2017, Q8
58 Ibid., Q36
59 Ibid., Q44
60 RLA, Changes needed to Universal Credit to give confidence to tenants and landlords, March 2017

> rent is something that you need to liaise three ways between the Department, the tenant and the landlord.
>
> Now, that process needs to be improved and I know they are working on that improvement. They are looking at a portal—[61]

The Committee published a letter on 16 March 2017 in which the then Employment Minister, Damian Hinds, responded to several issues raised by the Committee concerning UC.[62] The Committee's inquiry was not concluded before Parliament was dissolved on 3 May 2017. The evidence submitted can be found on the Universal Credit inquiry page.

Lords Financial Exclusion Committee report March 2017

On 25 March 2017 the House of Lords Select Committee on Financial Exclusion published Tackling financial exclusion: A country that works for everyone?[63] The Committee's report said that while it did not seek to conduct detailed post-legislative scrutiny of the *Welfare Reform Act 2012*, it had set out to understand the ways in which changes resulting from the Act had helped to address, or served to intensify, financial exclusion. The Committee had received "extensive evidence" on this theme. Changes that were particularly highlighted as having had an impact included, among other things, the introduction of Universal Credit. While acknowledging the Government's intention to promote social and financial inclusion through the introduction of Universal Credit, the Committee was concerned that unintended consequences could undermine these aims. Accordingly, it made several recommendations which, it believed, would help to prevent benefit recipients "spiralling unnecessarily into debt and financial exclusion." More generally, the Committee recommended that the Government conduct a "detailed, comprehensive cumulative impact study of how changes in social security policy resulting from the *Welfare Reform Act 2012* might have adversely affected financial wellbeing and inclusion. This research should consider the extent to which these changes have contributed to debt and arrears and to any greater reliance on high-cost lending." (Recommendation 22)

The Government's response March 2017

The Work and Pensions Select Committee published a letter on 16 March 2017 in which the then Employment Minister, Damian Hinds, responded to several issues raised concerning the roll-out of UC, particularly in relation to the impact on rent arrears. Overall, the Minister said:

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

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[61] HC 898, Oral Evidence, 8 February 2017, Q106

[62] Response from Minister for Employment Damian Hinds, 1 March 2017, paras 18-19

[63] HL Paper 132 2016-17

> arrears had fallen to 33% - very close to the historic JSA position.[64]

Joseph Rowntree Foundation report April 2017

On 6 April 2017 the Joseph Rowntree Foundation published a briefing providing "information and evidence on the latest developments as Universal Credit rolls out across the UK. It included recommendations on how the system could be improved."[65] The introduction to the report expressed support for the introduction of "an integrated benefit system that responds to people's changing circumstances".[66] The briefing went on to highlight "three priorities for immediate action to ensure UC achieves its goals and helps reduce poverty." The first area highlighted in the report related to waiting times.[67] The other two immediate priorities included not going ahead with the two-child limit in UC, and a "devolution deal for employment support".

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

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

An oral evidence session was held on 13 September 2017. Councillor Fiona Colley, cabinet member for finance, modernisation and performance on Southwark Council, reported an additional £1.3 million in rent arrears attributable to tenants in receipt of UC. She said that this was primarily due to the time tenants had to wait for a payment.[68]

Witnesses from local authorities including Newcastle, Plymouth and Liverpool, argued for more flexibilities in the system, e.g. around verification of rent payments, and for all local authorities to be given trusted partner status. A desire for improved communication about the roll-out of full service was expressed. Councillor Colley said that early experiences of the landlord portal had been positive but said it was "just a start" as the information on it was still limited.[69] There was support for a pause or slow-down in the roll-out.[70]

The RLA submitted updated written evidence to the Work and Pensions Select Committee inquiry in September 2017. This evidence contained the headline results of a survey of RLA members conducted in August 2017, the findings in relation to welfare reform were described as

64 Response from Minister for Employment Damian Hinds, 1 March 2017
65 Katie Schmuecker, Universal Credit: a Joseph Rowntree Foundation briefing, 6 April 2017
66 Ibid.
67 Ibid., p4
68 HC 336, 13 September 2017, Q3 and Q5
69 Ibid., Q16
70 Ibid., Q38

"stark".[71] The RLA's submission included a long list of 'asks' aimed at improving how UC works for private landlords and tenants. More information can be found in the RLA's report, Welfare Reform and Universal Credit - The impact on the private rented sector, August 2017.

DWP research September 2017

On 15 September the DWP published research commissioned from Ipsos MORI, Universal Credit Test and Learn Evaluation: Families, in which the five-week waiting period was identified as a key factor behind the accrual of tenant arrears after moving to UC.[72]

Opposition Day debate 18 October 2017

The Opposition motion called on the Government to pause the roll-out of UC full service.[73]

Committee report 'Universal Credit: the six week wait' 26 October 2017

On 26 October 2017, the Work and Pensions Committee published a report on the "baked-in" 6 week wait for UC, which it described as a "major obstacle to the success of the policy." It noted compelling evidence linking it to an increase in acute financial difficulty, adding that most low-income families do not have the savings to see them through the period. While welcoming the increased availability of advance payments, the Committee did not believe these were a solution to a fundamental flaw in the benefit's design. The Committee recommended that the Government reduce the standard waiting time for a first UC payment to one month.[74]

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

This Resolution Foundation report recommended that, among other things, the Government should:

- speed up initial payments of UC, including payment of housing support;
- allow recipients to opt for fortnightly payments;
- allow tenants to choose direct payment of the housing element to landlords; and
- accelerate implementation of the landlord portal.[75]

71 RLA, Written Evidence to the Work and Pensions Select Committee, September 2017, UCR0028

72 DWP, Research into families claiming Universal Credit, September 2017; Summary report: Universal Credit Test and Learn Evaluation: Families

73 HC Deb 18 October 2017 c859

74 HC 336, 26 January 2017, para 14

75 Resolution Foundation, Universal Challenge – making a success of Universal Credit, October 2017

HMRC: The transition from tax credits to Universal Credit: qualitative and quantitative research with claimants November 2017

This report was released on 4 April 2019, leading commentators to suggest that it had been "sat on" by Ministers.[76] The study found around 30% of claimants who had previously claimed Housing Benefit were "unaware that their UC award included the money they needed to pay their rent with." In addition, qualitative research highlighted a payment gap for customers of around three months or more "which resulted in considerable stress, use of loan sharks and/or falling behind with their rent commitments." The authors suggested a need for "improved signposting to the information that claimants are most likely to need."[77]

Government response: Autumn Budget November 2017

As previously noted, the Budget contained several measures aimed at supporting UC claimants:

- from January 2018 those who need it, and who have an underlying entitlement to Universal Credit, will be able to access up to a month's worth of Universal Credit within five days via an interest-free advance. The government will extend the period of recovery from six months to twelve months, making it easier for claimants to manage their finances. New claimants in December will be able to receive an advance of 50% of their monthly entitlement at the beginning of their claim and a second advance to take it up to 100% in the new year, before their first payment date
- from February 2018 the government will remove the seven-day waiting period so that entitlement to Universal Credit starts on the first day of application
- from April 2018 those already on Housing Benefit will continue to receive their award for the first two weeks of their Universal Credit claim
- the government will also make it easier for claimants to have the housing element of their award paid directly to their landlord[78]

The Budget also included an announcement on Targeted Affordability Funding:

> To support Housing Benefit and Universal Credit claimants living in areas where private rents have been rising fastest, the government will increase some Local Housing Allowance rates by increasing Targeted Affordability Funding by £40 million in 2018-19 and £85 million in 2019-20. This will increase the housing benefit awards of approximately 140,000 claimants in 2018-19, by an average of £280, in areas where affordability pressures are greatest.[79]

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76 *Inside Housing*, "Damning Universal Credit study appears 17 months late", 5 April 2019

77 DWP & HMRC, Research Report 526, The transition from tax credits to Universal Credit: qualitative and quantitative research with claimants, November 2019

78 HC 587, 23 November 2017, para 6.14

79 Ibid., para 5.37

The Secretary of State also announced changes to the payment of housing costs for those in temporary accommodation.[80]

3.2 Evidence of impact: 2018 onwards

The DWP published Universal Credit Full Service Survey in June 2018 – issues with rent arrears were identified:

> 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.[81]

The National Audit Office (NAO) published Rolling Out Universal Credit in June 2018. This report highlighted a growing reluctance amongst private landlords to let to UC claimants:

> As a result of the delay in receiving rent payments the private landlords and their representatives that we spoke to told us that from a business perspective there is increasing reluctance to rent to Universal Credit claimants. For example, during our research, a private landlord, who had previously worked closely with his local council to house people, told us he no longer rented to Universal Credit claimants because of delays in getting payments and the loss of certainty of income. He felt that given the demand for rental accommodation in his local area that it was no longer cost-effective to rent to Universal Credit claimants. In the Hastings area, a property agent told us that only one in 10 private landlords using their agency in the town will rent to benefit claimants. The precise impact will vary depending on the local area and the housing economy.[82]

Research conducted by Dr Tom Simcock for the RLA, Investigating the impact of Welfare Reform on Private Renting, was published in October 2018. The following issues were identified:

- We found that 61% of landlords that let to tenants on Universal Credit have experienced their UC tenants going into rent arrears in the past 12 months. This is over double from 27% of landlords in 2016, and a significant increase from the previous year where it was 38% of landlords.
- We found that the amount owed by Universal Credit tenants in rent arrears has increased by 49% in comparison to the previous 12 months. This has increased from £1,600.88 in 2017 to £2,390.19.
- Rent arrears for Universal Credit tenants are likely to be driving homelessness, with 28% of landlords regaining possession of their property from a UC tenant and the primary reason being rent arrears (77% of landlords).
- The significant increase in rent arrears for both UC tenants and 'legacy' Housing Benefit tenants also points to much broader issues than just the implementation of Universal Credit. The findings suggest that the freeze to LHA rates since 2016 and

80 HC Deb 23 November 2017 cc1200-02
81 DWP, Research Report 958, Universal Credit Full Service Survey, June 2018, p4
82 HC 1123 of Session 2017-19, 15 June 2018, para 2.32

> that LHA rates had not increased with market rents between 2010 and 2016.[83]

In Rolling Out Universal Credit (June 2018) the NAO reported on increased costs for social landlords, including rent arrears:

> Universal Credit is creating additional costs for local organisations that help administer Universal Credit and support claimants. Local authorities told us that they have faced additional burdens during the development of Universal Credit, such as through increased administration for processing Housing Benefit stop notices. Local authorities, housing associations and landlords have seen an increase in rent arrears since the introduction of Universal Credit full service, which can often take up to a year to be recovered. There has been an increase in the use of foodbanks in at least some areas where Universal Credit full service has been introduced, and a greater demand for advisory and advocacy services. The Department has acknowledged and compensated local authorities for some additional costs. It told us that it will pay for additional costs if authorities can prove them. The Department places the burden of proof on authorities, uses its discretion in assessing claims, and has not sought to systematically collect data on these wider costs.[84]

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."[85] Beyond the built-in delayed payment of UC, this report identified the following issues which were felt to be contributing to rent arrears:

- DWP administrative failings and errors.
- Tenants' lack of understanding about how the housing element works and the need to pay the rent. Lack of budgeting skills and appropriate advice leading to other bills being prioritised over rent payments. Difficulties in getting APAs in place.
- Work related issues, including the need to reapply for a new claim if the claimant was previously on UC and payments ended because of higher earnings during the payment period. This affects people on zero hour contracts, in seasonal work in rural or coastal areas or on temporary contracts.[86]

The Work and Pensions Select Committee published the report of its inquiry into **Universal Support** on 28 October 2018. Universal Support incorporates initial support with claiming UC online (Assisted Digital Support) and **Personal Budgeting Support** (PBS). The Committee was highly critical of the DWP decision to fund Universal Support for a single two-hour session and to restrict delivery to within the first three months

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83 PEARL, Dr Tom Simcock, Investigating the impact of Welfare Reform on Private Renting, October 2018
84 HC 1123 of Session 2017-19, 15 June 2018, para 2.31
85 NFA & ARCH, Carrying the debt, July 2018
86 Ibid., section 6

of a claim. Evidence submitted to the Committee highlighted difficulties experienced by claimants after the three-month window had closed:

> We heard, however, that that claimants frequently find themselves in "acute financial difficulty" after the three month window has expired. By the time the need for budgeting support has become apparent—to either the claimant or their Work Coach—it may be too late for Universal Support funding to cover it. London Councils told us this is a particular risk for claimants migrating to UC from the legacy system. Their members' experiences suggested such claimants are "frequently under the impression that they do not require PBS [at the outset] because they feel they have coped well under the legacy system".
>
> The Department's research on Universal Credit full service claimants reflected the evidence that we received. It found "signs of [financial situations] deteriorating over time" for some claimants. For example, seven out of ten claimants (71%) who were in rent arrears three months into their claim were still in arrears at eight to nine months. 44% said that they amount they owed had become larger, suggesting ongoing difficulties with budgeting and managing expenses. The Local Government Association accordingly told us that the three-month window is so restrictive that it renders the PBS element of Universal Support "not currently fit for purpose". They recommended lifting the restriction, allowing providers to deliver PBS at the point in a claim when a support need becomes apparent— irrespective of when that occurs.[87]

The Committee recommended:

> …the Department lift the three month limit for Personal Budgeting Support and engage with local authorities and Citizens Advice to agree arrangements for funding ongoing support for those claimants who require it.[88]

The Committee was also critical of the "aggressive approach" to collecting debt from UC claimants which it concluded leaves claimants "swimming against a tide of unmanageable repayments" which "pile debt upon debt, trapping people in a downward spiral of debt and hardship".[89] Despite changes announced in the Autumn Budget 2018 to the recovery of Advanced Payments, the Committee called on the DWP not to proceed with managed migration of UC "until it has assessed the contribution that the five week wait makes to claimant debt and reformed its own debt collection practices."[90]

The Government response was published in January 2019; a number of the Committee's recommendations were accepted. As previously noted, managed migration will be piloted from July 2019. Amber Rudd said:

> I'm only going to seek powers for a pilot: the chance to support 10,000 people through the process. This is an opportunity to learn how we can best facilitate the transition – before returning to

[87] HC 1667 of 2017-19, 28 October 2018, paras 20-21
[88] Ibid., para 23
[89] Work and Pensions Select Committee Universal Credit inquiry webpage [accessed on 3.1.19]
[90] Ibid.

> Parliament with the legislation which we will need for future managed migration.[91]

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."[92] 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.[93]

Around 40% of Southwark tenants are subject to Alternative Payment Arrangements.[94] 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.[95]

In February 2019, Citizens Advice published [Managing Money on Universal Credit] based on the findings of a survey of 1,193 people helped by the charity with Universal Credit and on an analysis from 21,085 debt advice clients and interviews with claimants and frontline advisers. The research found that the changes, including the removal of the 7-day waiting period, had started to help claimants but had only made a "dent in the problem". Key findings included:

- The wait for an initial payment still leaves half of the people we help unable to keep up with bills, rent or going without essentials.

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91 DWP, Universal Credit: Personal Welfare, 11 January 2019
92 The Smith Institute, Safe as Houses 2: A follow-on report into the impact of Universal Credit on Southwark Council's housing tenants rent payment behaviour, November 2018, p4
93 Ibid.
94 Ibid.
95 Ibid.

- 7 in 10 (70%) of the people we see on Universal Credit who take out advances are also getting into arrears on bills or rent.
- Debt problems are more common for the people we help with Universal Credit than those claiming legacy benefits, with 24% of people we helped also seeking debt advice.
- Only 45% of people we helped last year who were in work before claiming Universal Credit were paid monthly.
- Deductions in Universal Credit were experienced by more than half of all claimants in September 2018.[96]

Citizens Advice is calling for more action to:

- Make sure people can access adequate financial support at the beginning of their claim and look to improve Universal Credit design to reduce the wait.
- Ensure Universal Credit provides enough to live on by reviewing how benefit rates are set and ensuring deductions are manageable.
- Help people to budget by designing Universal Credit around real lives, providing greater flexibility in how UC is paid and income is assessed.[97]

The National Housing Federation has joined forces with the other UK housing federations, Community Housing Cymru, Scottish Federation of Housing Associations and the Northern Ireland Federation of Housing Associations to lobby the Government for changes to UC. On 21 March 2019 they called for changes to six aspects of the system:

> **1.End the five-week wait for money.**
>
> The five-week wait is causing unnecessary hardship, a rise in food bank usage and an increase in rent arrears. Some tenants are being advised to claim the 100% advance on their payments to cover the five-week wait. This leads to people falling into debt before receiving their first payment. People should be able to receive a payment in this period and there should be greater flexibility on payment frequency and backdating for all.
>
> **2. Allow more data sharing between DWP and social landlords.**
>
> Landlords need to be told in advance who is moving onto Universal Credit, so they can better support tenants and prevent problems for those struggling with payments or in need of extra assistance to make their initial claim. We want to see 'implicit consent' restored and better use of the Landlord Portal for two-way communications between landlords and DWP. This is key to the success of managed migration.
>
> **3. Ensure that Landlords receive their payments on the same cycle as their tenant.**
>
> When benefits are paid direct to the landlord through Alternative Payment Arrangements (APAs), they are paid four weekly, whereas Universal Credit is paid monthly. We recognise DWP have committed to monthly APAs and we look forward to working with them, ensuring landlord's voices are heard in the design of a

[96] Hobson F, Spoor E, Kearton L, Managing Money on Universal Credit, February 2019
[97] Ibid.

new system and encourage DWP to make these changes as soon as possible.

4. Increase funding for support and advice.

The Government needs to ensure people do not miss entitlement for Universal Credit. They should allow flexibility of backdating for those who need it.

5. Make sure that work pays for everyone.

The current system often means that when payday falls twice in the same calendar month, payments are reduced or missed the next month**.** Back payments and tax rebates can also trigger this problem. This leaves little money for families and households to live on. We're calling for monthly assessments to be matched to earnings within that period, improving work allowances and reducing the repayment taper.

6. End the freeze of working age benefits from April 2020.

Benefits have been frozen for the last three years, so haven't risen in line with inflation. This means that monthly payments may not cover the increased cost of living. We're calling for the Government to lift this freeze, including the freeze on the Overall Benefit Cap.[98]

3.3 The Government response

The Minister, Justin Tomlinson, provided the following response to a PQ on support for claimants to protect them against rent arrears on 29 October 2018:

> Safeguards are in place for Universal Credit claimants, including Advances, budgeting support and Alternative Payment Arrangements and research shows that over time claimants successfully reduce their arrears.
>
> For Housing Benefit claimants there are also safeguards in place such as paying Housing Benefit directly to the landlord if the tenant is likely to have difficulty in managing their rent payments, is unlikely to pay their rent or is in rent arrears equivalent to eight weeks.
>
> Claimants already receiving Housing Benefit are paid an additional two weeks of Housing Benefit to support them and reduce the issue of rent arrears whilst they transition to monthly payments on Universal Credit. Our work coaches gauge claimants' financial needs from their first interview and can refer them to more specialist support for debt advice if required. There are a range of tools available to help claimants budget including a Personal Planner, Budgeting Support guidance and the Money Manager tool from the Money Advice Service.
>
> We do not routinely collect information on rent arrears as part of the claim process. However, there is research which shows more broadly that many people come onto Universal Credit with existing rent arrears. For example, in their report published on 11 July 2018, the National Federation of Arms-Length Management Organisations (ALMOs) of Social Housing providers found that of those Universal Credit households in rent arrears, 76 per cent had arrears prior to moving onto Universal Credit.

98 NHF, We're calling on the Government to fix flaws in the Universal Credit system, 21 March 2019

> We know that arrears are usually temporary and the majority of claimants do succeed in paying their rent, managing their monthly payments and clearing their arrears over time.
>
> 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 completed.[99]

One of the key Government responses has been to develop the **Landlord Portal and Trusted Partner Status** for landlords. On 21 September 2017, Damien Hinds wrote to Frank Field to outline two measures aimed at tackling social landlords' concerns about UC:

> First, we have been developing and testing a Universal Credit Landlord Portal which allows social sector landlords to input information and receive it directly, helping us to further improve rent verification rates and identify those claimants who need direct payments. From October, we will begin by supporting the largest social sector landlords to enrol and engage with the portal, with the intention of covering 80% of tenancies. Eventually, we hope to expand the portal to all social sector landlords and retrofit it to those councils already working with the full service.
>
> Coupled with the rollout of the portal, we intend to offer every social sector landlord the opportunity to become a 'Trusted Partner'. We have been trialling this approach with a range of landlords over the last two years. By drawing on landlords' knowledge of their tenants we can identify those who need to have their rent paid directly to their landlord, which we expect will help minimise the risk of arrears building up.[100]

90% of social landlords were on the portal by the end of December 2018.

By the end of December 2018, 90% of social landlords were on the Portal. The Minister confirmed that "we are looking at how best to complete rollout for the remaining social landlords."[101] When social landlords enrol with the Portal they are invited to accept Trusted Partner Status which allows them to apply for alternative payment arrangements, such as managed payments. A review of the Trusted Partner pilot was published in September 2017. Social landlords welcomed the roll-out of the Portal and Trusted Partner Status, for example the NHF said:

> The Federation has pressed for these improvements and worked closely with members and DWP staff in their development over the last two years.
>
> Trials of the landlord portal have shown that even in a very basic form it improves communication between the DWP and landlords, speeds up the verification of claims and cuts the burden of administration. Being a Trusted Partner allows landlords to make the recommendation for a tenant to have the rent portion of their Universal Credit paid direct to their landlord.[102]

Other landlords are keen to gain Trusted Partner Status. Although supported housing residents continue to have their housing costs met

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99 Written question – 181576, 29 October 2018
100 Letter from Damien Hinds to Rt Hon Frank Field MP, 21 September 2017
101 Written question – 181575, 29 October 2018
102 NHF, Universal Credit update: landlord portal and Trusted Partner programme rollout, 27 September 2017

by Housing Benefit rather than the housing element of UC, providers argue that residents still have to make and manage a UC claim for their personal needs and that this presents specific difficulties for their client group. St Mungo's, The Salvation Army, YMCA and Riverside published Universal Credit: making it work for supported housing residents in October 2018 in which they make a case for specific modifications to UC and for Trusted Partner Status:

- Universal Credit can be adapted to meet the needs of residents in short-term supported housing and the current barriers to claiming the personal elements can be largely overcome if DWP treat supported housing landlords as partners in helping their residents manage their claim.
- In exchange for enhanced trusted partner status, with much better communication channels, short-term supported housing providers would be able to remove some of the administrative burdens currently faced by the DWP, actively supporting residents to adapt to Universal Credit's unique requirements.
- Now that Housing Benefit has been maintained for supported housing, there is a need to ensure that the DWP and providers of supported housing minimise any potential disruption caused by working with two different benefit systems. In the future, there may be a greater role for Universal Credit in helping to prepare residents in supported housing for living in mainstream accommodation, but this cannot be the case until our proposed modifications have been made and shown to be working effectively.[103]

Private landlords have also argued for the extension of Trusted Partner Status in addition to specific improvements to the UC system:

> Finally, we believe that the DWP should work with private landlords to develop a 'Trusted Partner' status model, where those landlords who demonstrate a high level of tenant engagement, good quality housing and willingness to participate in training can go through a 'Trusted Partner' intermediary to request direct payment from the offset. This would potentially increase the opportunity to safeguard the tenancies of the most vulnerable as happens in the social sector.[104]

On 17 October 2017, the then Secretary of State wrote to Frank Field (Chair of the Work and Pensions Select Committee) and provided an update on work with organisations representing private landlords:

> Verification of rents in the Private Rented Sector have been consistently over 80%, partly because tenants have a much clearer idea of their rent than in the social rented sector. (The Committee will be aware that rent has not been paid direct to landlords in the PRS, except in cases of arrears, since 2008).
>
> We are in regular contact with organisations representing private landlords and have, in discussion with them, improved the 'Alternative Payment Arrangements' (APA) and other aspects of how UC operates. At a local level, as Universal Credit is rolled out in an area our Partnership Managers work with local landlords,

[103] YMCA; St Mungo's; The Salvation Army; Riverside: Paul Howarth, Zoe Charlesworth, Deven Ghelani: , Policy and Practice Briefing, Universal Credit: making it work for supported housing residents, October 2018
[104] RLA, Dr Tom Simcock blog post: How have welfare reforms impacted the private rented sector? A review of our research and policy work, 7 August 2018

> both private and social sector to help prepare them for the changes it will bring. We are currently looking at how we can improve our on-line communications with private landlords, and allow them to share information more quickly with us.[105]

The Residential Landlords Association (RLA) has confirmed improved communications between the private rented sector and DWP over UC:

> …our work with DWP is making good progress. Ministers and Civil Servants are showing they are willing to listen to our concerns and we have done some positive engagement work and user research work over the past ten months or so. Some of the work we have done includes:
>
> - Setting up ten stakeholder events with landlord forums across the country and having DWP representatives at all 3 of our Future Renting Conferences this year to speak directly to landlords and hear their experiences
> - Providing volunteers for DWP digital services to feedback on the UC47 direct payment to landlord process and how to improve it. This includes some of our members volunteering to go into private beta testing, feeding directly into the heart of service design
> - Continuing to represent landlords at the PRS Stakeholder group in Caxton House putting forward the experiences of members
> - Monthly phone calls with the DWP to discuss recurring themes coming into the RLA Landlord Advice Team and collecting data on the number of UC calls and types of calls to feed into DWP directly[106]

When probed on how the DWP is ensuring prompt payment of managed payments to private landlords the Government has said:

> For private landlords, in December 2017 we introduced new guidance for staff to ensure that claimants who had a managed payment to their landlord in Housing Benefit, were identified at the start of their Universal Credit claim. This allows our work coaches to consider and implement direct payment at the earliest point in the claim, provided the relevant criteria continue to be met. We have also delivered additional training to help staff identify when a MPtL would be appropriate.
>
> Further details about Managed Payments to Landlords can be found at https://www.gov.uk/government/publications/universal-credit-and-rented-housing--2/universal-credit-and-rented-housing-guide-for-landlords.[107]

David Gauke's letter of 17 October 2017 also said that the guidance on advance payments for claimants had been strengthened and that work was underway to increase awareness:

> In my Conference Speech I announced that I was updating the guidance to ensure to ensure that anyone who needs an advance payment will be offered it up-front. I have attached a copy of the updated guidance for your reference. You will see that it says:

105 David Gauke's letter to Frank Field, 17 October 2017
106 RLA, Dr Tom Simcock blog post: How have welfare reforms impacted the private rented sector? A review of our research and policy work, 7 August 2018
107 Written question – 139518, 3 May 2018

> *Claimants should be made aware that advances are available to them if they are in financial need. To establish if the claimant has a financial need and requires an advance they should then be asked if they have enough money to live on until the first payment of Universal Credit is due. This might be money from savings, earnings, redundancy payments or support from the claimant or partner's parents, family or friends. If the answer is no, then a claimant should be offered an advance.*[108]

As noted in section 2.2 of this paper, Amber Rudd has asked the DWP to improve access to direct payments for private landlords:

> **Therefore, I have asked the Department to build an online system for private landlords, so they can request (where necessary) for their tenant's rent to be paid directly to them.** And I will consider what else we can do, because I am determined to help keep people in their homes.[109]

Section 2.8 of this paper explains the rate at which deductions can be made from UC in respect of repayment of debts to third parties. The Autumn 2018 Budget announced that maximum deduction rates would be reduced from 40% to 30% of a claimant's standard allowance from October 2019 and an extension of the period over which advance payments can be repaid from 12 to 16 months from October 2021.[110] Evidence submitted to the Work and Pensions Committee "suggests that 30% is still far too high a deduction from each month's benefit for most claimants to manage."[111]

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108 David Gauke's letter to Frank Field, 17 October 2017
109 DWP, Universal Credit: Personal Welfare, 11 January 2019
110 HC 1629, 29 October 2018, para 5.36
111 Work and Pensions Select Committee Universal Credit inquiry webpage [accessed on 3.1.19]

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