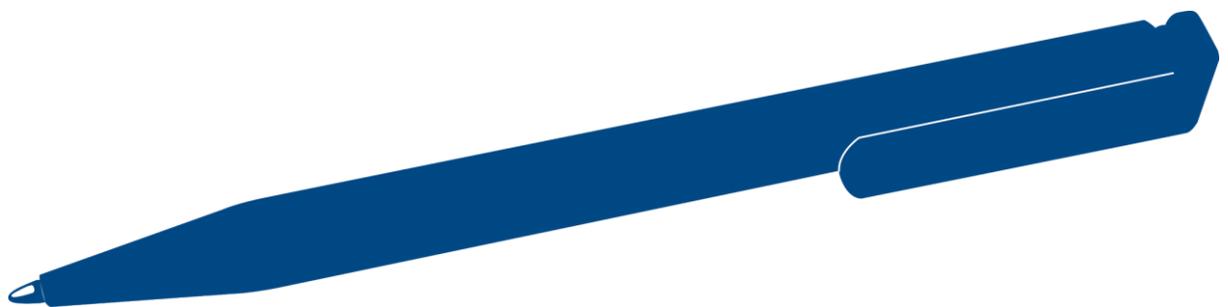


Universal Credit, 18 Months On

Assessing the impact of
Universal Credit in Surrey
Heath, 18 months after its
introduction



**Surrey
Heath**

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Executive Summary

Why have we done this research?

It has been over eighteen months since Universal Credit (UC) was fully rolled out in Surrey Heath. Citizens Advice Surrey Heath (CASH) has been heavily involved in supporting UC claimants and we want to assess what its impact has been now that it has had time to take effect.

How have we conducted this research?

We have used both our own experiences and interviews with various local organisations who have also been heavily involved in supporting UC claimants to inform our analysis. We have also used publicly available research by third parties and government statistics.

This report is not intended to be a comprehensive, national analysis of UC and its issues. Various publications from national Citizens Advice already provide this and their work on UC continues to contribute a great deal to national policymaking. Instead, we hope that this report gives readers an idea of the local picture of UC in Surrey Heath, through the eyes of organisations that directly support local claimants.

You can find full details in **Appendix 2**.

Key findings

UC has contributed to increased financial issues for many of the benefits claimants that CASH helps.

- The five-week wait for the first payment can cause significant problems for some claimants, including causing them to fall into debt soon after claiming
- Work does not always ensure that claimants are better off
- Local food bank use is increasing, with providers asserting that the introduction of UC has been a contributing factor

It has also caused issues regarding housing in particular

- There has been a longstanding shortfall between UC payments and claimant's housing costs, which has only been acted on very recently
- Various local stakeholders report that the system for directly paying claimants' housing money to their landlords does not work as effectively as it should
- It has been reported that significant numbers of local private landlords do not seem confident in UC's ability to ensure that tenants claiming it can pay their rent, and have become less willing to let to benefits claimants in general

New claimants who were previously receiving the 'legacy benefits' replaced by UC are particularly vulnerable.

In addition, it is clear that many UC claimants have complex issues and require more support with managing their affairs.

However, it is important to note that CASH, and all of the organisations we spoke to for this report, were supportive of the basic principle of UC. All agreed that the simplification of the legacy benefits system, encouraging claimants to work and promoting greater financial responsibility are laudable goals.

We are not advocating the abolition of UC but a number of key changes that will enable claimants to be more financially resilient and improve their chances of maintaining their accommodation and not slipping into unmanageable debt.

Key recommendations

- For those moving from legacy benefits to UC, we welcome the upcoming introduction of a two-week run-on for Job Seeker's Allowance, Employment and Support Allowance and Income Support in July 2020 as a major step in the right direction. However, we feel that a similar run-on for those on Tax Credits would cover the last major gap in legacy benefit provision over the UC waiting period
- A more flexible approach should be taken towards claimants being able to establish different payment schedules and assessment periods in order to better reflect their work experience and make it easier for them to budget. Greater efforts should also be made to increase awareness of existing options to modify payment schedules
- Funding from DWP to provide ongoing support, for UC claimants who struggle with managing their money, to improve their longer-term financial resilience and confidence.

Even with our very local perspective we are confident that these changes could make a significant difference to UC and the lives of individuals that claim it in Surrey Heath and across the country.

Introduction

The introduction of Universal Credit (UC) in 2013 has proven to be one of the biggest changes to the welfare system in decades. Surrey Heath became a 'full service area' for UC in November 2018, and as of 9th January 2020 there were 2,841 individuals claiming UC through Camberley JobCentre Plus¹.

Citizens Advice Surrey Heath (CASH) has been heavily involved in supporting UC claimants throughout this period. We have provided assistance on all aspects of UC claims, from their initial submission through the Citizens Advice 'Help to Claim' scheme, to supporting claimants experiencing issues with their payments.

UC has helped significantly in simplifying the welfare system and its aim of ensuring that claimants are always better off in work is laudable. The flexibility in its calculation complements this by ensuring that claimants can enter and leave work without their claim ending, with their payments instead being recalculated on an ongoing basis to top up their income.

On paper UC is an excellent change to the welfare system. However, various issues with its administration can cause its claimants serious problems.

The negative impacts of UC on Surrey Heath residents can be broken down into three key areas:

1. UC has contributed to increasing financial deprivation and food poverty.
2. It has exacerbated issues with finding and paying for housing.
3. UC has left numerous individuals with complex needs struggling to manage their affairs due to the increased demands placed on them by the system.

Section One: How UC works

UC is now the standard working-age benefit. It has replaced six existing benefits, which will collectively be referred to as 'legacy benefits'. No new applications can be made for these benefits in normal circumstances. Once someone claims UC they cannot receive legacy benefits and their payments will immediately stop. The only exception currently is Housing Benefit, which will carry on for two weeks after a UC application is made. For now, legacy benefit claimants are not being forced to claim UC instead, but if they

¹ Department for Work & Pensions (2020). Universal Credit: Official Statistics. Department for Work & Pensions. Figure from 9th April 2020.

experience a change of circumstances (a new partner moving in, for example) then they may have to move to UC.

Payments

UC is made up of several 'elements' or payments. Every eligible claimant is entitled to the 'standard' element and can get other elements on top of this to help with meeting the costs of housing, childcare and if the claimant and/or their child(ren) is disabled.

Payments of UC are normally made every month. The four-week gap between each payment is called the 'assessment period', during which the DWP will use data from HMRC (Her Majesty's Revenue and Customs) to calculate how much UC the claimant will get in their next payment. If the claimant has capital and/or is earning above a certain amount then this will reduce their UC award, but not at an equal rate, so in theory claimants are always better off working.

Once their UC payment has been calculated the claimant gets about a week's notice and will then receive this amount as a lump sum. However, if claimants are having significant issues with managing their finances they are able to apply for an APA (Alternative Payment Arrangement). The two most common types of APA are the direct payment of a claimant's housing element (the UC element for housing costs) to their landlord and to be paid every two weeks rather than every four. There are strict rules on when claimants can apply for these and their availability is restricted.

During the Covid-19 crisis, the UC standard allowance received an increase of £20 a week. This constitutes a very significant increase in the incomes of all UC claimants and is a simple, very welcome change that has helped many people.

Waiting time

Once a UC application has been made the claimant has to wait five weeks for their first payment. Claimants do not receive any 'backdated' money for this period in future payments. In order to tide claimants over for this time the DWP offers the option of taking an Advance Payment. This is a loan which it will recover by deducting money from the claimant's subsequent payments for up to a year. This repayment period is due to be extended to two years in October 2021. Money can also be deducted from payments for other debts, such as court fines.

Section Two: Financial issues and food poverty

CASH has supported numerous UC claimants experiencing financial issues. Nationally, a significant proportion of claimants also appear to be experiencing similar problems. Citizens Advice research at the national level shows that over 75% of UC claimants have priority debts². Furthermore, 55% of UC claimants went without essentials at some point between September 2018 and September 2019.³ Life on benefits has never been easy, but the evidence appears to show that UC claimants are more likely to experience financial hardship than legacy benefit claimants. Here are some statistics to illustrate:

Financial Issue	% of legacy benefit claimants experiencing this issue	% of UC claimants experiencing this issue
Council Tax arrears	38%	55%
Rent arrears	27%	43%
Gone without essentials in the past year	37%	55%

Issues with the five-week wait time and the 'debt trap'

It is clear that specific features of UC can cause its claimants to experience financial difficulties. The problems can begin early, with the five-week wait for the initial payment. Local charities, CASH, Frontline and the Hope Hub all report that this can create a 'debt trap' in which significant numbers of claimants are forced to take an Advance Payment as they cannot stretch their finances for this long, thereby being forced immediately into debt and experiencing deductions from their UC payments for up to the next year⁴. The size of these deductions was a frequent cause for concern. Accent housing authority and Surrey Heath Borough Council said they actively advised against taking out an Advance

² Hobson, F., Kearton, L., and Spoor, E. (2019). Managing Money on Universal Credit: How design and delivery of Universal credit affects how people manage their money. Citizens Advice. Pages 15-16

³ Citizens Advice (2019). Ensuring income security for all. Citizens Advice. Page 4

⁴ Interviews with Frontline and the HopeHub

payment, even in cases of real need, due to the subsequent deductions causing repeated instances of financial hardship later down the line. They instead prefer to tide claimants over with emergency grants or 'substitutions' for income, such as food bank referrals to cover food costs⁵.

CASH have seen many instances of clients using the advance payment to pay off debts or purchase items of furniture, leaving them without money for food in the five-week period until the first payment is made.

The March 2020 budget extended the period over which Advance Payments are recovered from one year to two years. This is a welcome development, but does not fundamentally solve the problem and is only due to take effect in October 2021.

Case Study:



Linda made a claim for Universal Credit following the death of her husband. She took an Advance Loan of £500 to pay for essential items for her five children, not realising that the repayments would be deducted from her ongoing award. As Linda was also subject to the benefit cap the deductions left her reliant on a foodbank. She also fell behind with other essential bills.

Deductions

The fact that local officials feel the need to sidestep the official provisions made by the DWP indicates that there is a significant problem here. In addition, CASH and Frontline feel that, from our experience, the DWP can fail to give sufficient regard to the affordability of deductions or properly maintain internal communications between the various departments managing different types of deduction. This means that some claimants can end up experiencing multiple deductions, each applied without consideration of the others, reducing their UC payments to an unsustainable level in what Frontline call an 'unjust and unhelpful' system⁶.

The March 2020 budget has produced some improvement in this regard, with the maximum deduction for debts being lowered to 25% of a claimant's standard element, down from 30%. However, this change is not due to take effect until October 2021.

⁵ Interviews with SHBC and Accent staff

⁶ Interview with Frontline

As a result of measure put in place during the Coronavirus pandemic, the deductions system has been changed in several respects. The DWP has announced that all deductions for previous benefits overpayments and Social Fund loans are suspended until at least 1st July 2020. Furthermore, deductions for rent arrears, council tax arrears and service charges have been suspended. The changes go some way towards stabilising claimant's incomes and for some claimants increases their payments significantly at a time when they are likely to be vulnerable. The changes to deductions are particularly welcome; however, they are likely to be temporary measures.

Vulnerability of legacy benefit claimants to the five-week wait

It appears that people previously claiming legacy benefits are particularly vulnerable to UC causing them financial hardship. All legacy benefits stop immediately after submitting a UC claim, but UC claimants previously on legacy benefits still have to wait a minimum of five weeks for their first payment. This means that legacy benefit claimants moving to UC currently lose any income from benefits for five weeks (except for a two-week Housing Benefit run-on). This loss of income can be disastrous for people's finances at a time when they could be in a vulnerable situation anyway due to the change of circumstances that prompted them to claim UC in the first place (such as job losses, relationship breakdowns or illness). The upcoming implementation of a two-week run-on for Job Seeker's Allowance, Employment and Support Allowance and Income Support in July 2020 will help significantly in mitigating this, but even with these changes Tax Credit claimants could still be left in a difficult position.

New claimants of UC who did not receive legacy benefits also face the five-week wait, but in CASH's experience these claimants are more likely to be claiming after a job loss and so have received notice and some sort of final payment from their employer before they claim. This helps tide them over until their first payment, whereas claimants reliant on legacy benefits often have their income affected more suddenly.

Issues with eligibility

In the most unfortunate cases, legacy benefit claimants can submit a UC claim, thereby losing their legacy benefits, and then be found ineligible for UC for a number of reasons (such as failing to satisfy the residency requirements). This leaves the individual in question unable to access UC, having already been left waiting for the DWP to decide their eligibility, and unable to make a new claim for legacy benefits either. This produces a particularly dire situation that we know has affected some of the individuals that we support.

Case Study:



Margaret applied for Universal Credit when her husband had an accident that prevented him from working. After 4 weeks their claim was rejected on the basis that they did not satisfy the right to reside requirement, despite Margaret having settled status under the EU Settlement Scheme. Citizens Advice assisted Margaret in requesting a Mandatory Reconsideration. It took two months for this review to finish and resulted in Margaret's Universal Credit claim being accepted. During this time Margaret and her family were forced to survive on Child Disability Living Allowance and Carer's Allowance, and they were also threatened with possession action on their rental property.

Case Study:



Nicola had been on legacy benefits for many years. Having moved into sheltered accommodation she needed to apply for Universal Credit, as her previous Housing Benefit claim was with another borough council. Her initial application was rejected due to an error during the processing of the application, which had flagged that Nicola was getting a disability premium on her ESA which made her ineligible for UC. Citizens Advice spoke to the DWP to correct the error, but Nicola was required to submit a new application and a Mandatory Reconsideration to ensure that she was paid the correct amount of benefit. Whilst Nicola waited on her new UC application she had to rely on a local foodbank and charitable help from the Surrey Crisis Fund.

Issues with the payment schedule

Differences in the payment schedule of UC and legacy benefits can also cause claimants difficulties. As explained above, UC is paid every month by default, and a fortnightly payment can only be arranged in exceptional circumstances (the most common being having rent arrears and/or debt, having an addiction or being disabled) and after a direct payment to the claimant's landlord has been set up (due to the 'hierarchy' of APAs)⁷. The DWP guidance does permit APAs to be established in a different order, but in the experience of Frontline and CASH this flexibility is rarely utilised⁸. Legacy benefits are often paid fortnightly or weekly. This means that many claimants are not used to budgeting over a longer period and the change to monthly payments can seriously disrupt their finances.

Locally, use of fortnightly payments is extremely low. Between November 2018 and February 2020 just 0.64% of individuals claiming UC through Camberley JobCentre had their UC paid fortnightly⁹. By contrast, over the same period around 28% of UC claimants in Scotland had their UC paid fortnightly using the 'Scottish Choices' scheme¹⁰, which allows new and existing UC claimants to choose during the application process or later whether they want their UC paid monthly or fortnightly (unless it is deemed unreasonable to do so). Whilst it is obvious that Scotland and Surrey Heath are very different places, the much greater uptake of fortnightly payments when they are offered by default in Scotland suggests that there is both a local lack of awareness of the option for fortnightly payments and potential for many local claimants to take up the offer of fortnightly payments if offered them more proactively.

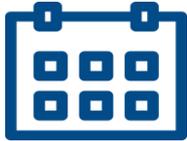
⁷ Department for Work & Pensions (2019). Guidance: Alternative Payment Arrangements. Department for Work & Pensions. Section 1.2

⁸ Interview with Frontline

⁹ Department for Work & Pensions (2020). Stat-Xplore. Department for Work & Pensions. Available at: <https://stat-xplore.dwp.gov.uk/webapi/jsf/dataCatalogueExplorer.xhtml>

¹⁰ Ibid

Case Study:



Tom's Employment and Support Allowance (ESA) stopped when he failed to attend a medical assessment. He appealed and the ESA decision was over-turned, but because he could not afford to live without benefits in the seven months pending his appeal he made a claim for Universal Credit. Having been on legacy benefits for many years Tom was used to a two-week payment cycle. He struggled to budget on Universal Credit's monthly payment cycle and built up council tax arrears, fell behind with his gas and electricity and borrowed money from family and friends to survive. When he came to Citizens Advice we helped him request Alternative Payment Arrangements, which have helped stabilise his financial situation and enabled him to budget more successfully.

Inconsistent work can harm claimants

One of the primary aims of UC is to ensure that 'even small amounts of work pay and [are] seen to pay'¹¹. However, this is not always the case in Surrey Heath and in reality the benefits of working whilst on UC, at least in terms of guaranteeing a stable income, can be dependent on what sort of work the UC claimant is in. The Hope Hub and SHBC both report that whilst UC can work well to supplement the income of workers in regular work with monthly pay, for workers in inconsistent work (such as those on zero-hours contracts) the results can be very different. This is also reflected in the clients seen by CASH. High hours in an assessment period will reduce the claimant's next payment, which can cause financial issues if their hours reduce and their salary falls. Inconsistent work can therefore make claimant's income from UC fluctuate significantly, and this combined with receiving just one week's notice of the size of their next payment can make it very difficult for UC claimants to budget properly¹².

Changes to self-employment rules during the COVID-19 pandemic

The government has introduced some changes to help self-employed people on UC during the Covid-19 crisis. Work Coaches now have the power to remove or reduce any self-

¹¹ Department for Work and Pensions (2013). Universal Credit Evaluation Framework. Department for Work and Pensions. Page 6.

¹² Interviews with the HopeHub and SHBC

employed claimant's minimum income floor until further notice. Claimants with very low earnings from their self-employment stand to benefit from this change at a time when many self-employed people have been having a particularly difficult time, particularly with government support for the self-employed starting later than the Coronavirus Job Retention Scheme introduced to safeguard employees. Again, this is likely to be a temporary measure.

Weekly pay

All of the organisations that contributed to this report also noted the prevalence of weekly pay amongst the UC claimants that they supported. In CASH's experience some of these UC claimants can prove to be vulnerable to the same budgeting issues experienced by some legacy benefit claimants moving to UC.

Increases in local food bank use

Perhaps the clearest indicator of financial deprivation is food bank use. National research from the Trussell Trust, the UK's largest food bank network, concludes that there is substantial evidence that the introduction of UC has contributed to increased food bank use¹³.

Camberley BESOM is the main provider of Surrey Heath's food bank services and agree with this position. Their statistics show that the number of referrals they made in the six months after Surrey Heath became a full-service area for UC in November 2018 was significantly higher than in the previous six months, from a mean average of 72.5 per month to 87.3 per month¹⁴.

The vast majority of referrals made to BESOM by CASH, and other organisations, are for UC claimants and are prompted by some sort of issue with a client's UC. The five week wait for the first payment stands out as a key problem. A substantial portion of these UC claimants are in work. BESOM report that many claimants have no meaningful financial security and can be pushed in to requiring a referral by any small change of circumstance. Illness - even a short bout - was highlighted as a significant issue in this regard. Claimants migrating from legacy benefits were also identified as being particularly at risk. BESOM were clear that these issues of extreme financial insecurity

¹³ Blenkinsopp, J., Bramley, G., Fitzpatrick, S., Littlewood, M., Sosenko, F., and Wood, J. (2019). State of Hunger: A study of poverty and food insecurity in the UK. The Trussell Trust. Page 12

¹⁴ Statistics from BESOM

were much more pronounced under UC than legacy benefits and that, in their opinion, UC is contributing to an increasing need for food bank referrals in Surrey Heath¹⁵.

That said, it is important to note that research indicates that factors beyond the benefit system, such as a lack of growth in earnings from work over the past few years, are also important in prompting people to seek support from food banks¹⁶.

Section Three: Housing issues

The next key impact of Universal Credit in Surrey Heath has been making it even more difficult for benefits claimants to find housing in the area. Lack of housing, particularly affordable housing, is already recognized by policymakers as a significant issue in both Surrey Heath and Surrey in general¹⁷, and it appears as though UC is not always helping its claimant's housing situation as much as it could do.

Shortfall between benefit rates and local rents

Since 2008 the amount of money that benefits claimants can receive to put towards private housing costs has been governed by the Local Housing Allowance (LHA). Between 2011 and April 2020 this was decoupled from rents. This led to an increasing shortfall between claimant's housing costs and their benefits payments, which regularly caused claimants significant financial issues. UC claimants in Surrey Heath essentially faced the choice of having to significantly top up their rent from their 'normal' benefits each month, be priced out of the vast majority of local private sector housing or fall behind with the rent and risk eviction. To illustrate, between April 2017 and April 2020 the average shortfall between the maximum LHA for a two-bedroom property and the rent for a two-bedroom property at the 30th percentile rent in Surrey Heath was approximately £113 per month¹⁸. Furthermore, if someone was to rely only on the LHA

¹⁵ Interview with BESOM

¹⁶ Blenkinsopp, J., Bramley, G., Fitzpatrick, S., Littlewood, M., Sosenko, F., and Wood, J. (2019). *State of Hunger: A study of poverty and food insecurity in the UK*. The Trussell Trust. Page 57.

¹⁷ Surrey County Council (2017). *Interim Local Strategic Statement for Surrey 2016-2031*. Surrey County Council.

¹⁸ Valuation Office data, 2017-2020. See Bibliography for each individual source. Surrey Heath sits at the intersection of three different Broad Rental Market Areas (BRMAs) for the purposes of the setting of each LHA rate (which differ by area) – Blackwater Valley, Guildford and Thames Valley East. Shortfall figures from these three BRMAs from April 2017 to the present have been used to calculate this mean average.

to afford their rent then they would have been able to afford approximately 3.33% of two-bed properties in the area at the 30th percentile rent¹⁹. In addition, this shortfall interacted with the Managed Payment To Landlord system (which we will discuss later) to produce a situation where claimants could end up unknowingly falling into arrears because they thought that their rent was being taken care of automatically, whereas in reality it did not cover the full amount.

However, things have changed recently. As part of its response to COVID-19 the government recently announced that as of April 2020 it was recoupling the LHA with 30th percentile rents. This is a very welcome development for numerous benefits claimants that CASH supports, who for years have been struggling with inadequate support for their housing costs. However, given how expensive the measure could prove to be its sustainability is unclear.

Issues for new claimants

Unsurprisingly, it seems as if difficulties are particularly pronounced when people first claim for UC. The housing element of UC can take several weeks to set up even on top of the initial five-week wait, which can leave claimants to shoulder significant rent costs themselves. SHBC say that they find that this causes claimants to miss their first rent payment after applying for UC almost by default²⁰.

Problems with direct payment of rent to landlords

UC claimants can encounter serious issues paying the rent themselves, which under UC is the default arrangement for paying housing costs. Unfortunately, the system for implementing a Managed Payment to Landlord (MPTL) under the APA system, by which a claimant's UC housing element is paid directly to their landlord when they have issues paying the rent themselves, has significant problems too. The local letting agent we spoke to said that it took a significant amount of time to arrange a MPTL when tenants were in difficulties with landlords having to wait 8 weeks to receive their payment.²¹

¹⁹ Calculator from the Bureau of Investigative Journalists; full details of said page are in the **Bibliography**. We input postcodes for the three BRMAs mentioned above, so given the size of these areas the these percentages may not be completely accurate for Surrey Heath itself. They do, however, serve as a useful indicator. Figure accurate on 15th February 2019.

²⁰ Interviews with Frontline and SHBC

²¹ Interviews with Frontline and a local letting agent

National research for the Residential Landlords Association shows that the average time taken for an APA was 8.5 weeks²².

Furthermore, the DWP guidance for establishing an MPTL states that if a claimant wishes to establish one because they have or are worried about rent arrears they can only do so if they already have two months' worth or more arrears or underpayment.

There are other provisions for exceptional circumstances, but no option for one to be requested purely because the claimant thinks it would help them²³. These rules are in place despite the fact that a tenant having two months' worth or more of rent arrears is a mandatory ground for eviction (meaning that if it is proven in court, a judge must evict the tenant) under the Housing Act 1988²⁴. With the 8.5-week average wait time factored in the MPTL system can therefore produce situations where claimants can end up in four months' arrears whilst waiting for the system to kick in and help them.

Case Study:



Single mum Karen claimed Universal Credit after her daughter left education at 16. She had previously been in receipt of Housing Benefit, which had been paid direct to her landlord. She wasn't aware that the housing element of UC would be direct paid to her and therefore did not make any rent payments for three months, putting her tenancy at risk.

Private landlords and UC claimants

Problems with UC meeting claimant's housing costs appear to have had a broader impact on the willingness of private landlords to let to tenants on UC. Here are some statistics to illustrate the problem:

- Nationally, 57% of private landlords are unwilling to let to tenants on UC
- Of these landlords:
 - 61% did not do so due to concerns about the financial risk

²² Kaehne, A., and Simcock, T. (2019). State of the PRS (Q1 2019) A survey of private landlords and the impact of welfare reforms. Edge Hill University Unit for Evaluation & Policy Analysis, commissioned by the Residential Landlords Association. Page 17.

²³ Department for Work & Pensions (2019). Guidance: Alternative Payment Arrangements. Department for Work & Pensions. Section 2.1.

²⁴ Section 8 of the Housing Act 1988

- 58% did not do so because they feared the claimant would enter arrears²⁵

These fears are hardly baseless: nationally, over half of private tenants on UC were in rent arrears between 2018 and 2019²⁶.

The letting agent we spoke to said that the vast majority of landlords they were involved with were of the same opinion. They said that the crucial concern for many landlords was the tenant would not be able to pay the rent. With plenty of other prospective tenants who are not claiming benefits and are more financially secure, the vast majority of applications from UC claimants are often rejected early in the application process because the landlord simply will not consider them. The agent said that financial issues amongst tenants on UC are so commonplace that it has put off local landlords to the extent that they are now averse to letting to claimants of any benefit at all, not just UC, and the few that they do let to are generally long-time tenants that have migrated on to UC or are still claiming legacy benefits.

Claimants themselves seem highly aware of this: the agent said that the first question they are often asked by prospective tenants is whether they take benefits claimants²⁷. This attitude amongst landlords is unsurprising given that most see themselves primarily as investors who are in letting to make money²⁸. The frequent default on claimant's first rent payment after making a claim for UC referenced previously is also very unhelpful for tenant-landlord relations, especially when the tenant has just moved in (which, given that a change of address is a change of circumstances that frequently prompts a UC claim, is a distinct possibility)²⁹.

We find this situation extremely concerning. Not only does it appear that considerable numbers of benefits claimants are being blocked from accessing housing in the Surrey Heath area, but there have been several civil cases brought against landlords on the basis that the practice is indirectly discriminatory and several tenants awarded

²⁵ Kaehne, A., and Simcock, T. (2019). State of the PRS (Q1 2019) A survey of private landlords and the impact of welfare reforms. Edge Hill University Unit for Evaluation & Policy Analysis, commissioned by the Residential Landlords Association. Pages 5 and 27.

²⁶ Kaehne, A., and Simcock, T. (2019). State of the PRS (Q1 2019) A survey of private landlords and the impact of welfare reforms. Edge Hill University Unit for Evaluation & Policy Analysis, commissioned by the Residential Landlords Association. Page 5.

²⁷ Interview with a local letting agent

²⁸ Ministry of Housing, Communities & Local Government (2019). English Private Landlord Survey 2018: main report. Ministry of Housing, Communities & Local Government. Pages 6, 18 and 19.

²⁹ Interview with SHBC

compensation³⁰. However, these cases have not set a legal precedent. CASH hopes that in future policymakers will look at this issue in more depth and lay down the rules more clearly, which will help all involved.

The local social housing perspective

The situation seems only marginally better for Surrey Heath's social housing sector and its tenants. The provider of more than 90% of Surrey Heath's social housing is Accent Peerless. Whilst Accent are only one housing association, their dominance of the local social housing stock makes their experience a good guide to Surrey Heath's social housing situation.

Surrey Heath-based Accent staff report that they have experienced many of the same issues with UC present in the local private sector, although as a large, national organisation, Accent are perhaps better able to deal with them than private landlords (who often don't have the same resources).

The difficulties faced by legacy benefit claimants moving to UC are a particular cause for concern for them. They say that it is essentially a given that migrating to UC will cause the claimant to fall into substantial arrears (usually four payments' worth, as Accent collect rent weekly), and the financial issues migrants experience essentially force Accent to accept this at the time and arrange gradual repayment later. As discussed previously, local Accent tenants moving to UC are discouraged from taking out an Advance Payment due to the high likelihood of the subsequent deductions causing even more underpayment of rent than accepting four weeks' worth of arrears.

MPTLs are also discouraged for several reasons. The administrative difficulties cited are that they are slow to set up, the monthly payment does not suit Accent's weekly rent collection dates, and four weeks' worth of payment is missed every year, generally in September. Furthermore, tenants who have to top up their rent due to limits on the LHA often mistakenly assume that because the payment is automatic it covers their full rent, and therefore end up routinely underpaying (*however, the recent changes to the LHA discussed previously may help to solve this problem in future*).

In many cases, Accent have tried to devise alternative solutions. Tenants are often encouraged to use direct debits set for the day after their UC is paid as a means of paying the rent as 'automatically' as possible and tenants claiming legacy benefits are often encouraged to build up as much credit on their account as possible in anticipation of having to move to UC in future. The fact that such workarounds are being used in

³⁰ Richardson, H. (2020). Legal victories over 'No DSS' letting agents. BBC News. Available at: <https://www.bbc.co.uk/news/education-51642316>

place of the tools provided by the DWP is quite concerning, although automatic deductions from UC payments are sometimes used as well.

Despite these measures and the below-market rent charged by Accent, their tenants on UC are still struggling to make ends meet. Of the 473 UC claimants Accent let to in the South (the vast majority being Surrey Heath residents), 55% are in arrears³¹. With this in mind, Accent's approach to evictions for rent arrears has become softer in the last few months and staff have become much more proactive in trying to assist tenants moving to UC. When staff engage with tenants struggling to pay the rent it often emerges that they are also having serious difficulties finding enough money for essential goods as well. Indeed, staff told us that eviction proceedings against tenants for arrears are now often simply thrown out, with judges having an increasing understanding of the desperate circumstances of some UC claimants³².

Advantages of legacy benefits

Housing is an area where the organisations we spoke to were much more positive about the legacy benefit system than about UC. Housing Benefit (HB) was paid directly to social housing providers by default and whilst direct payment to private landlords still required the claimant to have difficulties managing their money the guidelines gave local authorities significant scope to make decisions on a case-by-case basis when it was in the claimant's best interests³³. Both Accent and the local letting agent we spoke to said that under HB rent payment was much more consistent. Furthermore, RLA research shows that 62% of landlords letting to HB claimants are worried about their tenant falling behind with the rent if they move to UC and 66% worry that their tenant will struggle financially.

Section Four: Issues for claimants with complex needs

The final key impact of the introduction of UC in Surrey Heath has been to increase pressure on individuals that have chronic issues with being able to handle their own affairs. Throughout this report it has been very difficult to separate out the different issues that UC claimants experience. From Citizens Advice's own statistics we can see

³¹ Figures correct as of 14th February 2020

³² Interview with Accent

³³ Department for Work and Pensions (2014). Local Housing Allowance: Guidance Manual. Department for Work and Pensions. Pages 42-68.

that the clients who come to us about UC issues are often experiencing other problems too. Of our clients with a UC-related issue:

- 58% had at least one other issue related to benefits and tax credits
- 17% had at least one other issue relating to debt
- 18% had at least one other issue relating to employment³⁴

Issues with money management

Beyond this initial difficulty in breaking down the different aspects of claimant's financial difficulties, many individuals receiving UC have deep-seated issues with being able to organize and manage their affairs effectively. UC's aim to push claimants to manage their own money is laudable. However, CASH, the Hope Hub, SHBC and Accent – all organisations that offer ongoing support to UC claimants – report that many need significantly more ongoing support to develop their capacity to do so.

Medical assessments

As a result of Covid-19 lockdown, changes have also been made to the medical assessments regime for UC. New UC claimants with health issues and existing claimants who have already been allocated an assessment date will still have their medical assessments, but all other claimants due to be allocated a medical assessment slot will only have this assessment on 19th June earliest. The DWP has said that the assessments it is carrying out in the meantime will be done so remotely, using evidence on the claimant's application form, medical evidence and ideally a phone call.

This is concerning because in CASH's experience many claimants do not fill in their benefits application forms in the way that gives them the best chance of a higher award, with many accidentally understating their conditions because they are not familiar with the best terminology to use. This could result in many claimants unfairly awarded lower awards than they would have been had face-to-face assessments continued. To compound the problem, the consequences of this could be even more severe than in more normal times because individuals with pre-existing health conditions have the most stringent self-isolation guidance. In theory, this could mean that they and their families may have been more likely to have had to give up work and rely on benefits for the duration of this crisis. We will have to wait for further research to see whether there is any evidence to support this theory.

³⁴ Citizens Advice Surrey Heath statistics

Support with legacy benefits

It is important to note that the level of support for these individuals was lacking under the legacy benefit system too, but that the more frequent payment of many benefits and direct payment of HB being commonplace did mean that they did not have to wait as long for money if they ran out and that their housing situation tended to be more secure.

Section Five: Accessibility

It is essential for benefits to be accessible for everyone that might need them whilst keeping their administration as smooth as possible. Right from the start UC has been a primarily online system; claims by phone are allowed but are reserved for claimants that effectively cannot claim online. This contrasts with the legacy benefits system, which relied more on claims by phone and paper application forms. It is therefore important to assess whether claimants have had issues getting online and whether the system works effectively.

General levels of digital skills

Without digital skills and internet access the ability to apply to UC would be severely compromised. According to Ipsos MORI, levels of both internet access and digital skills are relatively strong in the South East, which is perhaps unsurprising given that the latter is correlated with both the former and with higher personal income (with the area being an affluent part of the UK)³⁵. However, it is important to note that across the country digital skills in 'Creating', which includes filling in online forms, are weaker than those in other areas³⁶.

UC claimant's digital skills

Nationally, UC claimants appear to have less access to the internet than average. As of 2018:

- 58% could regularly access the internet through a PC at home
- 31% had no PC but had regular internet access through their phone

³⁵ Ipsos MORI (2015). Basic Digital Skills: UK Report 2015. Ipsos MORI, for Go ON UK. Pages 19 and 39

³⁶ Ipsos MORI (2015). Basic Digital Skills: UK Report 2015. Ipsos MORI, for Go ON UK. Pages 5, 9 and 10

- 7% had no regular internet access at home but had regular access elsewhere (such as at the JobCentre, local library etc.)
- Only 4% of UC claimants did not have regular internet access of some kind – 2% had irregular access outside of their home and 2% had no access at all³⁷

Experiences with the online UC system

Overall, claimant's experiences with the online UC system seem to be mixed. According to independent research done for the DWP:

- 98% of UC claims are online
- 54% of claimants were able to submit a claim unassisted³⁸

However, there are issues:

- 25% of individuals attempting to apply for UC were unable to submit a claim online
 - This was generally due to issues with accessing and using computers and the internet
- 30% of those who did claim online found the process difficult
 - The online ID verification tool was a particular problem³⁹
- 21% of those who claimed online needed help to complete their application⁴⁰

It is also important to note that different levels of support were desired for different 'dimensions' of claims:

- 43% of claimants said they needed more support with initially completing their claims
- 30% said they needed more support with the ongoing management of claims⁴¹

³⁷ Adams, L., Foster, R., O'Driscoll, C., Svanaes, S., and Thomson, D. (2018). Universal Credit Full Service Survey. IFF Research Ltd., on behalf of the Department for Work & Pensions. Pages 28-29

³⁸ Ibid. Page 3

³⁹ Ibid. Page 36

⁴⁰ Ibid. Page 3

⁴¹ Ibid. Page 37-38

Groups with less access to the online UC system

Certain groups of claimants find claiming UC online to be more of an issue. Unsurprisingly, those without regular internet access report significant problems with both making and managing their claim⁴².

The position of older people and claimants with a long-term health condition is also a cause for concern. Both groups have below-average levels of access to the internet and use the internet less often than the average person⁴³. In addition, levels of the digital 'Creating' skills required in the initial application stage appear to drop off considerably amongst those aged 45 plus⁴⁴.

Difficulties experienced by claimants with long-term health conditions are particularly important given that around 41% of UC claimants are in this category⁴⁵. Approximately 35% of CASH clients have a long-term health condition or disability, so this is an important issue for us. Furthermore, housing association tenants are less likely to have 'basic digital skills' than the average person⁴⁶, and so may have more difficulty in making and managing their UC claim online. Nationally, 25% of UC claimants rent from their local council or a housing association, so it is important to address any issues holding these individuals back too.

As a result of the COVID-19 lockdown, JobCentres and public libraries have been closed to the public for the past few months. As we have seen, a sizeable minority of UC claimants rely on public access computers for internet access. Given that JobCentres and libraries are two of the primary locations providing these computers their closure could therefore have a severe impact on the ability of some claimants to access the UC system. It is important that all reasonable efforts are made to address this when possible.

⁴² Adams, L., Foster, R., O'Driscoll, C., Svanaes, S., and Thomson, D. (2018). Universal Credit Full Service Survey. IFF Research Ltd., on behalf of the Department for Work & Pensions. Page 17

⁴³ Office for National Statistics (2019). Statistical bulletin: Internet Users, UK: 2019. Office for National Statistics. Pages 7-8

⁴⁴ Ipsos MORI (2015). Basic Digital Skills: UK Report 2015. Ipsos MORI, for Go ON UK. Pages 12-13

⁴⁵ Adams, L., Foster, R., O'Driscoll, C., Svanaes, S., and Thomson, D. (2018). Universal Credit Full Service Survey. IFF Research Ltd., on behalf of the Department for Work & Pensions. Page 28

⁴⁶ Ipsos MORI (2015). Basic Digital Skills: UK Report 2015. Ipsos MORI, for Go ON UK. Page 27

Our experience

The problems with making an online application and the evidence from Citizens Advice across the country prompted the DWP to work with Citizens Advice to deliver a service to help people make their initial claim to UC, through to receiving the first payment. This is called the **'Help to Claim'** service. Advisers at CASH regularly assist clients with submitting UC applications online, with a lack of digital skill being a commonly cited reason for seeking CASH's help. However, in addition to needing support with making a claim a large proportion of client enquiries are around managing existing claims and resolving issues.

Case Study:



Shobal and his wife made a claim for Universal Credit following a change in their work situation. English was not their first language and they were not confident using IT. Because they did not understand that they needed to check and update their online journals on a regular basis, their Universal Credit claims continually lapsed. They were refused the option of a telephone claim as they had access to their child's laptop. Over a four-month period the couple visited Citizens Advice on 10 occasions for support managing their UC claim.

Conclusion

It is important to note that all of the organisations CASH spoke to for this report were supportive of the basic principle of UC. All agreed that the simplification of the legacy benefits system, encouraging claimants to work and promoting greater financial responsibility are laudable goals. Furthermore, the legacy benefits system was far from perfect.

Significant changes have already been made that have improved UC, with the DWP clearly taking on board input from Citizens Advice⁴⁷ and others. Furthermore, we hope that several of the recent changes made to UC during the COVID-19 lockdown stay in place once it is lifted, notably a more lenient stance on deductions and the minimum

⁴⁷ Hobson, F., Kearton, L., and Spoor, E. (2019). Managing Money on Universal Credit: How design and delivery of Universal credit affects how people manage their money. Citizens Advice. Pages 9-13

income floor, the higher standard allowance, and re-coupling of the LHA to 30th percentile rents.

However, UC clearly still has significant issues and has had a broadly negative impact on benefits claimants in Surrey Heath. This impact is particularly pronounced with regards to increased financial deprivation, particularly for workers that it is supposed to benefit. Furthermore, and perhaps most fundamentally, UC simply does not seem to be adequately designed for a clear sub-section of its claimants and as a result can risk them struggling more than under the legacy benefits system.

There are a number of core improvements that could be made to UC, but the three that we consider most vital are:

1. For those moving from legacy benefits to UC, we welcome the upcoming introduction of a two-week run-on for Job Seeker's Allowance, Employment and Support Allowance and Income Support in July 2020 as a major step in the right direction. However, we feel that a similar run-on for those on Tax Credits would cover the last major gap in legacy benefit provision over the UC waiting period. This would help claimants to avoid the 'debt trap' and subsequent financial issues caused by having to take out an Advance Payment, and allow them to budget as normal before their UC begins.
2. A more flexible approach should be taken towards claimants being able to establish different payment schedules and assessment periods in order to better reflect their work experience and make it easier for them to budget, and greater efforts should be made to increase awareness of existing options to modify payment schedules. The Scottish Choices scheme could offer a good guide to how this could work in practice, and suggests that this approach could be popular.
3. Claimants should be offered much more ongoing support with money management than they are currently receiving. UC's aim of encouraging financial responsibility is laudable but adapting to its payment schedule can be a challenge for claimants. The current situation is costly for both the individuals concerned and the state, and helping claimants to help themselves should result in increased financial resilience.

Even with our very local perspective we are confident that these changes could make a significant improvement to UC and the lives of individuals that claim it.

Appendix 1: Recent changes to UC as a result of COVID-19

As the main body of this report was being written the virus COVID-19 rapidly spread around the globe and swiftly forced countries everywhere to take unprecedented measures to combat it. This has included making various direct and indirect changes to the operation of UC to manage the huge increase in applications. These have been noted throughout the report in *italics*.

These changes affect claimant's payments, the conditions attached to their claims and the administration of claims. Some of these changes have been particularly positive for clients such as putting the onus on the DWP to contact clients about their initial claim rather than clients having to hold for sometimes over 90 minutes to speak to the right people. The rules on identity verification have also been relaxed due to the inability to meet with clients face to face. However, whilst this latter change has benefited clients there have been indications that these relaxed rules have resulted in increased fraudulent claims. It is unclear at this stage whether these changes will be temporary or whether they will continue once lockdown is lifted.

Appendix 2: Research Methodology

The research from this report is largely qualitative due to limits on the amount of data we have available. The majority of the material comes from interviews conducted with representatives from various local organisations and individuals with an interest in UC. Citizens Advice Surrey Heath has substantial experience in dealing with UC issues but is still fundamentally a generalist advice service, and the input from these interviewees has been invaluable in filling in the gaps in our knowledge. The organisations and individuals interviewed are as follows:

- Staff from the Housing and Revenue & Benefits teams within Surrey Heath Borough Council
- Frontline, a local charity offering in-depth support with people's finances, debts and benefits
- The HopeHub, a local charity offering ongoing casework focused on supporting the homeless and supporting people to find accommodation and live independent lives

- BESOM, the local food bank, which is supported by the majority of our local churches
- Staff from Accent, the provider of the majority of Surrey Heath's social housing
- A local letting agent, who wishes to remain anonymous

Various reports on dimensions of UC at the national level have also fed into this report. Finally, this report also contains analysis of Citizens Advice Surrey Heath's own figures on the clients we see experiencing UC issues and data from the national housing charity Shelter on the levels of financial support for renting on benefits.

Whilst hardly scientific, we hope that this report can bring together various perspectives on UC and though this provide a clearer picture of its impact on claimants in Surrey Heath.

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