

Delivering on Universal Credit



Beth Foley

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Summary

Universal Credit (UC) represents the biggest change to the welfare system since its creation. It brings together six different benefits into a single monthly payment and will reach more than one in four working-age households once it is fully implemented. More than half of these households will be in work.¹

Our current welfare system involves a complex array of different benefits, claiming processes and criteria. Navigating it is difficult - Citizens Advice helped more than 600,000 people with benefit and tax credit problems in the last year. UC is intended to address these challenges and its aims are ambitious - simplifying the benefits system, making transitions into work easier, and making every hour of work pay.

Citizens Advice supports the principles of UC. However, we are concerned they are being undermined. We have already called for changes made to the treatment of earnings under UC to be reversed, to ensure people on a low wage get the most from their income.² Yet our evidence suggests that problems with delivery and administration are also crucial. With roll-out due to accelerate significantly from October 2017 (increasing from 5 to 50 Jobcentres moving to the full version of UC each month), identifying and tackling the types of delivery issues new claimants are experiencing now is crucial to avoid problems becoming widespread. Roll-out should be paused while this happens. This will be central to ensuring UC's aims are met.

The sheer scale of UC creates many challenges - and this has been clear in its development so far. The benefit has had a complete overhaul since it was first implemented in 2013, with the new full digital version starting in May 2016. By completion of roll-out in five years' time, around 7 million households are expected to be receiving UC. More than half of all families with children will be receiving the benefit, as will more than half of households with a disabled adult. The IT, administration and policy changes involved place huge demands on the DWP, Jobcentres and claimants themselves.

Across the country Citizens Advice is often the first port of call for anyone needing help with UC. Our data gives some of the clearest insights yet into how the new benefit is working. In the last year, we supported more than 30,000 people with more than 48,000 UC issues.

¹ Citizens Advice analysis, based on Family Resources Survey (FRS) 2014-15

² Citizens Advice, *Just About Managing*, 2016.

We believe that roll-out should be paused while DWP addresses a number of significant issues with Universal Credit. At the moment, our research suggests that nearly a third of the people we help have to make more than 10 calls to the UC helpline to sort out their UC, over a third are waiting more than 6 weeks for their first payment of benefit and half are having to borrow money to cope with the initial wait for payment. The move to UC is causing significant financial challenges - our UC clients are nearly one and a half times as likely to seek advice on debt issues as those on other benefits. Action is needed to reduce the waiting period for first payment, improve support for people receiving UC, and help people achieve financial stability once they are on the benefit. The schedule for roll-out - a more gradual, phased-in approach known as 'test and learn' - presents the opportunity to tackle these problems before they pose risks to the wider system.

In this report, we use our data and evidence to set out the main issues occurring at each stage of a claim and propose workable solutions. We begin by looking at the process of applying for UC, then the challenges associated with the six-week wait for a first payment of the benefit, and finally set out our evidence on how people cope with the ongoing management of a claim.

If improvements in these areas are not made, there are significant financial risks to both UC claimants and government, which will increase rapidly if thousands more households move onto the benefit later this year. These issues need to be fixed and the roll-out paused to avoid this. We also highlight a number of longer term considerations where action will be needed to help secure the aims of UC before roll-out finishes in 2022.

Summary of recommendations

Before roll-out accelerates:

Reduce the six week wait for first payment

- Remove the seven waiting days at the start of a claim, to reduce the waiting period by a week.
- Inform all claimants about the option of an Advance Payment to help them manage during the waiting period; conversations with work coaches and all UC Journals should highlight these and the conditions for paying them back.
- Reduce additional delays for first payment by reviewing evidence requirements for housing and childcare costs and improving communications to claimants relating to this.

Improve the support available for those moving onto UC

- Ensure claimants across the country can access appropriate support. This should include both specific support for budgeting and managing a claim online, as well as more holistic, personalised help for those facing multiple or inter-connected challenges as a result of the transition to UC or the test and learn approach to roll-out. A comprehensive support package or strategy for Universal Credit must be in place before roll-out accelerates.
- The UC helpline should be free of charge, at least during the test and learn phase before roll-out is completed. This will ensure early claimants can easily receive help with the types of problems and glitches associated with the roll-out period.

Help people achieve financial stability on UC

- Deductions (repayments for debts or benefit overpayment which can be taken from someone's UC payment automatically) should not leave people struggling with essential costs or force them into further debt. The possibility of reducing the level of deductions for those facing financial hardship should be communicated in the UC statement in a claimant's journal.
- Alternative Payment Arrangements should be made available to all claimants. These are alternative options for receiving a UC payment, designed to help people adapt to the new system in the short-term.

In the longer term:

Reduce the six week wait for first payment

- Explore aligning assessment periods, including payment dates, to wages and rental or mortgage payments. This would ensure UC meets its aim of responding to real-time changing circumstances and reflecting how people actually work in the modern labour market.
- Develop a centralised system to help claimants evidence their childcare costs. This could form part of the Government's new online childcare service.³

Improve the support available for those moving onto UC

- Introduce an online booking system for any initial Jobcentre appointments to avoid the requirement to call the UC helpline as part of a claim.

³ For more information on new childcare service: <https://childcare-support.tax.service.gov.uk/>

- Build on the progress made in reducing waiting times on the UC helpline by ensuring resources continue to match increasing demand as roll-out continues.
- People's support needs and whether they are met by the support on offer should be subject to ongoing review as new claimants join full service Universal Credit. Resources should be available to provide accessible, multi-channel support to all UC claimants who would benefit.

Help people achieve financial stability on UC

- Regulations on deductions should be clarified to ensure the overall cap of 40% of standard allowance includes all relevant debt recovery, including budgeting loans, overpayments and hardship payments.
- The impact of UC on debt and work incentives should be evaluated by DWP. This should look at issues such as deduction rates and Alternative Payment Arrangements and their impact on wider employment prospects.

Taken together, these recommendations reduce the risks of such a sweeping reform for the millions of families who will be affected. They will also be central in determining whether UC lives up to its initial promise - to provide a benefit that offers people with the security and support they need to move into and progress in work.

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Background

Universal Credit (UC) was introduced in 2013, aiming to simplify the benefits system, make transitions into work easier, and make every hour of work pay. It's there for people on low incomes or not in work to help them meet their living costs. UC affects people both in work and out of work, disabled people and those with a health condition, single people and those with families, people who own their homes and people who rent.

UC replaces six means-tested benefits and tax credits with one benefit. This is paid in arrears, as a single household payment, on a monthly basis. It is designed to use Real Time Information from HMRC to respond to changes in income, gradually reducing the UC payment as earnings increase to ensure work pays. The six benefits it replaces are:

- Income-based Jobseeker's Allowance (JSA)
- Income-based Employment and Support Allowance (ESA)
- Housing benefit (HB)
- Income Support (IS)
- Child Tax Credits (CTC)
- Working Tax Credits (WTC)

These are collectively known as 'legacy' benefits. They are replaced by a single UC payment made up of a standard allowance (the equivalent to Jobseeker's Allowance), which can be combined with additional 'elements' according to claimants' specific needs or circumstances. These include a housing element, a childcare element and a limited capability for work element.

Live service and full service UC

There are currently two versions of UC in operation - 'live' service and 'full' service. 'Full' service has been developed to upgrade and build on the first, 'live' system.

In April 2013, the first phase of UC was introduced. It is only available to certain claimant groups (generally single adults not in work). This is known as the 'live' service. The idea behind this approach was to test Universal Credit on those with simpler claims. In June 2015, some couples and families were also allowed to claim live service UC. Live service Universal Credit is now available to new claimants in every Jobcentre throughout England and Wales.

A newer version of UC has since been developed. It is known as the 'full' service. From May 2016, full service UC began to be introduced across the country, in a

small number of local authorities initially. However, at Jobcentres in these areas, *all* new claimants of the six different benefits being replaced are required to apply for UC.

Chart 1: Key differences between live service and full service UC

Live service	Full service
<p>New claims available to a limited claimant group</p> <p>Generally 'simple' claims - those who are single, without children or a health condition. Claimants cannot be earning more than £338 per month (after tax).</p> <p>Limited trials in the North West include some couples and families.</p>	<p>New claims available to all claimants</p> <p>This includes those with health problems, those who are in work and those with children.</p>
<p>Claim made online, but not managed online.</p>	<p>Claim made <u>and</u> managed online through an individual 'Universal Credit account'.</p>
<p>IT system run by external providers, rarely updated</p>	<p>'Test and learn' IT system designed by DWP, still being designed and frequently updated.</p>
<p>Will eventually be replaced by full service UC</p>	<p>Will replace live service UC</p>
<p>Is available in all local authorities in England and Wales</p>	<p>Is available in 13% of local authorities as of May 2017, rolling out at a rate of approximately 5 local authorities per month. This will increase to around 50 each month from October 2017.</p>

Live service roll-out is now complete, but full service roll-out is ongoing and due to accelerate significantly in 2017.⁴ The current phase, which has involved around 5 Jobcentres per month moving to the full service, will end in July 2017. At this point around 30 Jobcentres move to the full digital service. This is followed by a two month break, during which DWP can make changes under the 'test and learn' approach. Accelerated roll-out begins in October 2017, with 50 Jobcentres switching to the full service each month until 2018.

⁴ Gov.uk, [Universal Credit transition to full service](#), 11 February 2016

How big an issue is Universal Credit?

At its current stage of roll-out, there are 467,000 people on UC in England and Wales, with around 48,000 new claims each month.⁵ However, current figures are a small fraction of the total expected caseload. By the time roll-out is fully complete, around 7.2 million families will receive UC.

By end of roll-out in 2022:

7.2 million

families will receive UC –
28% of all working age families

3.9 million

(54%) are working
families

52% of all families with children will receive UC

96%

of single parent families
will receive UC

58%

of families with a disabled adult
will receive UC⁶

At Citizens Advice, our advisers have helped 47,000 people with UC since roll-out began in 2013. Given the early stage of the process, UC numbers are relatively small compared to the volume of clients we help with other benefit issues. Across the Citizens Advice service, clients needing help with UC represented 1 in 20 of our current benefit clients. Yet these numbers are increasing rapidly in the full service UC areas - both in overall numbers and as a proportion of UC claimants.

We see the equivalent of around 11% of all new UC claims. In part, this is due to the fact that some UC claimants are vulnerable and likely to require face-to-face help. But there is also additional demand generated by the support needed to help people adjust to a new benefit and claim process. In full service areas, we have also seen the amount of people who come to us with benefit enquiries increase by at least 5%.⁷ If these figures remain constant, Citizens Advice could

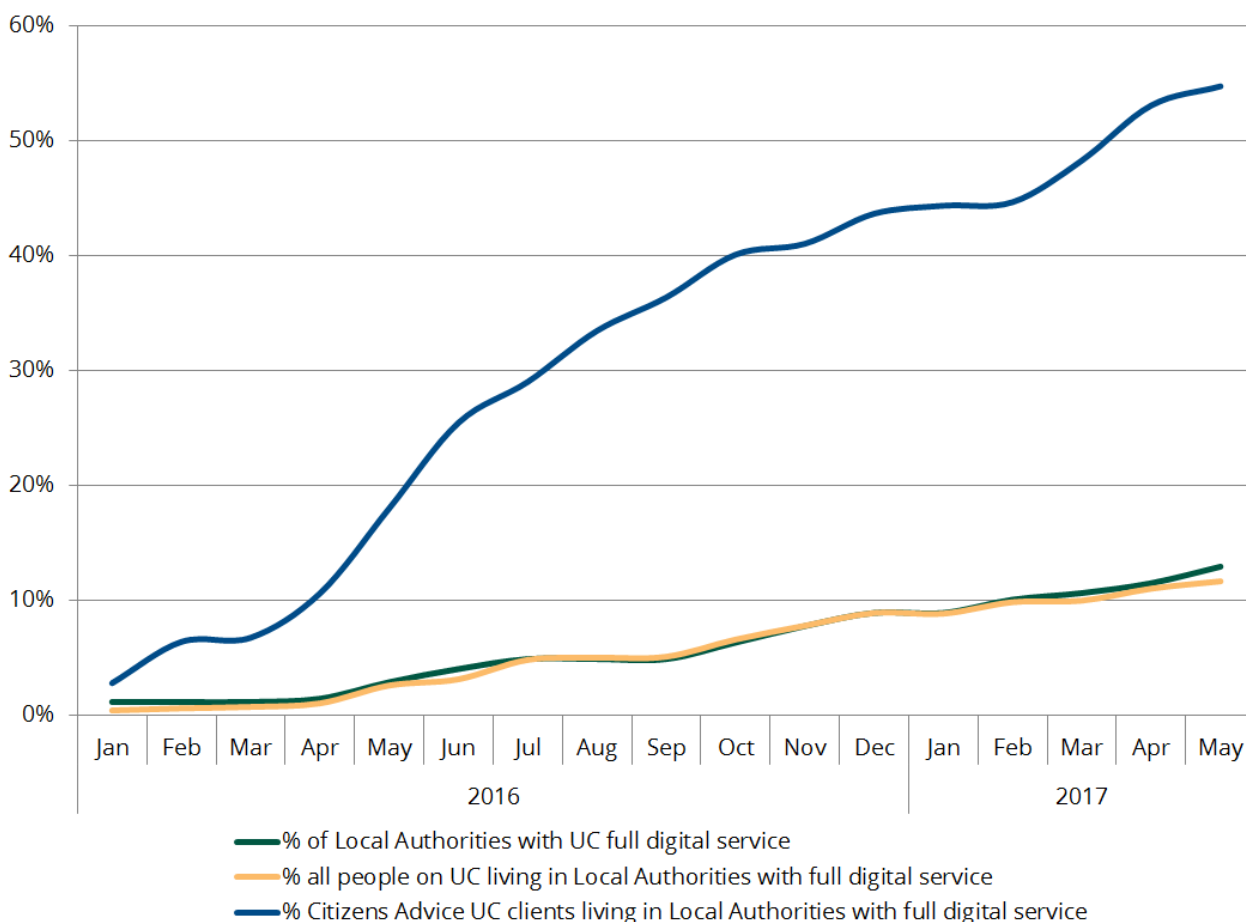
⁵ DWP, Stat-Xplore, April 2017.

⁶ Citizens Advice analysis, based on Family Resources Survey (FRS) 2014-15.

⁷ Based on local authority areas with full service Universal Credit before August 2016, comparing Citizens Advice client numbers helped with benefit issues between August 2015 - January 2016 and August 2016 - January 2017.

expect to be supporting nearly 700,000 people with Universal Credit by the time roll-out finishes. This is around 50,000 more people than we currently see about all benefit and tax credit problems.

Chart 2: Overall proportion of UC claimants in full digital service areas compared with Citizens Advice UC clients in full digital service areas



Source: Citizens Advice data, DWP Stat-Xplore data and DWP Universal Credit transition rollout schedule

People claiming UC are also more likely than those claiming legacy benefits to need help with another issue - 68% of clients helped with UC needed advice on more than one area, compared with 57% of clients helped with legacy benefits.⁸ This includes issues around debt and housing, with our UC clients in full service areas 36% more likely to need help with a debt issue and 38% more likely to need help with a housing issue than those on legacy benefits.

Increasing rates of debt impose large and long-term costs - both directly for the claimant and indirectly for government. They include homelessness, poorer mental health, reduced incentives to move into work and increasing pressure on local services.⁹ These risks undermine many of the fundamental aims of UC -

⁸ Citizens Advice client data, March 2017

⁹ Citizens Advice, "A Debt Effect?", 2016

offering a simpler benefit system that helps claimants feel more secure and offers incentives to move into and progress in work.

However, there are a number of changes that could be made to the delivery of UC which will address these risks. In the short-term, certain issues with the way in which roll-out is being implemented - including more clarity and guidance in some areas and improvements to certain processes - would offer claimants greater financial stability and reduce numbers forced to borrow during the early stages of a claim. In the longer-term, changes to the design of UC could help to mitigate these issues in a more sustainable way. UC's test and learn approach provides the opportunity to implement these changes before problems occur on a national scale. Our recommendations - based on the evidence of thousands of UC claimants - could help make the biggest transition yet made to the benefit system a success.

In this report, we set out the evidence on how UC is working at each stage of the application process. Chapter 1 looks at people's experience of making a claim and where we currently see problems. Chapter 2 addresses how people cope with the six-week wait for their first UC payment. Chapter 3 looks at the adjustments that need to take place as people get used to the new rules and schedules that are part of moving onto UC. In all three areas, we set out what needs to happen to mitigate risks before UC roll-out accelerates, as well as the longer term changes to policy design which could help the benefit meet its aims.

Research method

Our evidence in this report draws on the data we gather from people coming for face to face advice at Citizens Advice local offices across England and Wales. Alongside this, we collect qualitative insights from the nearly 1,400 cases raised by our expert advisers, who are supporting people directly with the UC process.

In addition, we have been surveying people who come for advice in areas which have full service Universal Credit. This survey has been running since August 2016 in 18 areas and as of May 2017 has a total sample of 792. We have also carried out Universal Credit journey mapping with a regionally-representative group of our advisers.

Finally, we calculated projections for the number and type of families who will be claiming UC when full service rollout has completed, based on benefit claims data for the six legacy benefits from the Family Resources Survey 2014-15. The known issue of underreporting of particular benefits in the FRS was taken into account using the published undercount figures.

Chapter 1: Applying for Universal Credit

While the application for Universal Credit was designed to simplify the complicated process under the existing benefit system, our evidence suggests that claimants experience a number of common difficulties. These include adjusting to making and managing a claim online and challenges with accessing the telephone support they need. If these issues are not addressed, they could jeopardise and delay people's payments and financial stability, and pose wider risks for the aims of UC.

All UC claimants should be able to make a claim quickly and without cost. Appropriate support must be provided to assist those claimants who need help to adapt to the new benefit system. Extra support should be provided to ensure that the test and learn approach to Universal Credit roll-out does not leave early-stage claimants at a disadvantage.

Short term fixes (before accelerated roll-out):

- The UC helpline should be free of charge during the test and learn phase before roll-out is completed. This will ensure early claimants can easily receive help with the types of problems and glitches associated with the roll-out period.
- DWP should consult on a comprehensive support package for Universal Credit, which should be published before roll-out accelerates. This should include both specific support for budgeting and managing a claim online, as well as more holistic, personalised help for those facing multiple or inter-connected challenges as a result of the transition to UC or the test and learn approach to roll-out.

Longer term fixes:

- Introduce an online booking system for any initial Jobcentre appointments to avoid the requirement to call the UC helpline as part of a claim.
- Build on the progress made in reducing waiting times on the UC helpline by ensuring resources continue to match increasing demand as roll-out continues.
- Support needs should be subject to ongoing review as new claimants join and progress within full service Universal Credit. Resources to provide appropriate, multi-channel support with the application should be in place.

The application for Universal Credit was designed around a single online form. It records details of all the claimant's circumstances and determines their UC award. This is based on a standard allowance, depending on whether they are in or out of work, as well as any additional support they receive for housing, childcare or disability.

A single application system was central to the aim of simplifying the process of claiming benefits. Under the previous system, it is possible that an individual has to apply for three or four different benefits at once, across multiple government departments, all via telephone calls or paper forms. For example, a lone parent who works 16 hours per week could complete telephone and paper applications for Housing Benefit, Child Tax Credit and Working Tax Credit. Frequent errors and delays in this complex system leave many claimants in financial difficulty. Insecurity can prevent them from moving forward in their lives or progressing in work.

646,000 Number of people getting face-to-face help from Citizens Advice with benefit and tax credit problems in 2016/17

A single online application covering a combination of benefits should be an easier and more efficient alternative. But our survey of clients in full service UC areas indicates that over half reported the application process was difficult. There are a number of issues with applying for UC that we see frequently, including problems with verifying evidence and difficulties with digital for those not accustomed to online applications. These can lead to errors, delays and leave claimants struggling.

The recent attempts to offer more targeted information - such as the leaflet [Universal Credit and You](#) - are positive steps towards offering answers to common questions. But for many people, claiming UC will not be straightforward and they are likely to struggle without sufficient help.

If UC is to tackle the shortfalls in the current system, these issues need to be addressed. We set out examples of some common problems, and what needs to be changed before roll-out accelerates to ensure they do not become widespread.

Example 1: The UC helpline

The UC helpline: For any claimants who have a problem with with their

application or account management, there is a UC helpline. In all UC areas which have the full service, all claimants must call this number to book their first appointment with a work coach.

What is the problem?

UC is not only a new benefit, but a fundamental change to the previous benefit system. The 'test and learn' period during roll-out is therefore likely to see significant numbers of claimants requiring help through the helpline, both because they are adjusting to a new system and also because the chances of errors and delays are higher as the DWP and their staff adapt. This will affect millions of claimants involved in the roll-out.

"I have had a lot of late payments. Everyone says different things. Nobody actually explained how UC works from the beginning to me. I've had to make mistakes along the way before I'm corrected and told what to do."
Luke, 24, Citizens Advice survey respondent in UC full service area

The most common reasons survey respondents in full service areas gave for needing help from the helpline were:

- A delay to all or part of their payment
- To update on a change in circumstances
- Difficulties with making or managing the claim online
- An error in their payment

However, telephone help is often hard to access. Many claimants still report long waits on the phone line. We asked survey respondents in full service areas the longest wait they had experienced on the helpline; the average was **39 minutes**. Claimants - particularly those who are more vulnerable - often have to make multiple calls. This can be because they have difficulty getting through - perhaps because they run out of credit - or they need help at more than one point in the UC application process.

30% of survey respondents in full service UC areas said they made more than **10 calls** to the helpline

Support from the UC helpline is not free; calls can cost **up to 55p per minute** from a mobile. Long waits and multiple calls can cost considerable sums of money - potentially up to £20 for a single call. For some claimants, this creates additional financial pressures during the wait for first payment, for others, it means errors and problems can go unresolved, further delaying their claim.

Client story: Problems getting through to the UC helpline

Karen and her husband tried to make a joint UC claim when full service rolled out in their area of East Anglia. Karen was given a code to register her husband's details, but it wasn't accepted by the online application system. She tried to get through to the helpline, but after numerous attempts her credit ran out. She had spent £9 on the calls.

Karen came to Citizens Advice and an adviser called the helpline on her behalf. After waiting to get through for around 40 minutes, Karen was told the UC service centre did not have the IT required to deal with her problem and that she needed to go to the Jobcentre. By the time she had visited the Jobcentre to have the problem resolved, the family's application had been delayed by an extra week. Given this is then followed by a six-week wait for a first payment, small implementation issues considerably increased the financial pressures on Karen and her family.

One possible reason for long wait times is that a call to the UC helpline is not just for claimants who get into difficulties. Currently, for each UC claim (in both full and live service areas), claimants must make a call to the helpline to book an initial appointment with a work coach - this is a mandatory part of the claim. DWP data shows there are between 35,000 and 50,000 new claims each month.¹⁰ This will place considerable extra demand on the helpline as roll-out accelerates and large numbers of people switch to UC.

DWP are aware of the challenges with accessing help on the phone. A recent statement suggested waiting times had fallen to an average of 9 minutes due to an increase in resourcing.¹¹ Looking at survey responses in full service areas since this announcement was made, we have seen a slight corresponding fall in waiting times, but the longest wait experienced was still an average of 30 minutes.

What needs to happen before accelerated roll-out?

Given both the need to call the UC helpline to lodge a claim, and the additional support needs of claimants transferring to a new benefit, demand for the UC helpline is likely to be intense and growing throughout the roll-out period. A 'test and learn' approach to the benefit is important, but inevitably means that claimants moving to UC during the roll-out phase are more likely to experience errors, glitches and delays. For these reasons, **the UC helpline should be made**

¹⁰ [DWP- Universal Credit statistics- Feb 2017](#).

¹¹ Hansard, [Universal Credit: Highlands](#), 20 March 2017.

free of charge, at least during the test and learn phase before roll-out is completed.

What should be done in the longer term?

Some progress has already been made on easier access to support via the UC helpline. To ensure that wait times don't increase again as numbers on UC increase more rapidly, DWP should **ensure resources for the helpline - and for wider support services - continue to match growing demand before the benefit reaches steady state in 2022.**

Part of the challenge of rising demand could also be addressed by making the helpline a single-purpose option for dealing with claimants' problems and queries, rather than a mandatory part of all claims. To do this, **an online booking system for any initial Jobcentre appointments should be introduced as soon as possible**, to avoid the requirement for hundreds of thousands of UC applicants to call the helpline simply to progress their claim. Alternative channels should continue to be available to those who need them.

Example 2: Applying online

One of the big changes under Universal Credit was the switch to a 'digital' benefit. For the first time with the full digital service, claimants both apply for and manage their UC claim online.

The intention behind this change is to encourage UC claimants to develop their digital skills. These are vital as digital technologies become an increasingly central part of everyday life. Being online makes it easier for people to find and secure work, access information quickly, or save money by shopping around for the best deals. A digitally-delivered benefit system also has the potential to become more efficient, allowing claimants to better manage their payments and any changes of circumstances.

However, if implemented effectively, a fully digital benefit also requires significant support. Even in a world of growing digital literacy, one in ten adults in the UK has never used the internet, and one in five lack basic digital skills.¹² Around one in seven (14%) do not have internet access at home.¹³ These people

¹² ONS (2016) Internet users in the UK and Go On UK and Ipsos Mori (2015) Basic Digital Skills UK Report 2015.

¹³ Good Things Foundation, [Digital Nation 2016](#)

are disproportionately likely to be disabled or have a long-term health condition, and to be unemployed or on low incomes.¹⁴

These are also the groups most likely to be making a claim for UC. A survey of our UC clients in full service areas found nearly half (45%) had difficulty accessing or using the internet - or both.¹⁵



46%

had a home computer or tablet with internet access



33%

had a mobile phone with internet access



33%

could access a computer for free in a Jobcentre or library

The UC application therefore posed a significant challenge; 52% found the online application 'difficult'. Many felt that the support they needed was not available from the Jobcentre or the UC helpline - and the help required was frequently one-to-one support rather than simply access to a computer. Some had asked family or friends, but this was not always an option and in some cases the struggle with the online application had delayed the claim. Most did not know that there were any other options; 78% reported they had not been told they had an alternative to applying online.

Claimant experience in full service areas: Challenges of applying online

"I need help to manage all of it. I can't use a computer. I have learning difficulties so I had to get help to complete the application from my brother-in-law." *Ian, 59*

"I moved into a council property after being made homeless. I had no internet ... and wasn't made aware that I could go into the Jobcentre. It delayed my application and I have had no money for three months." *Kierra, 32*

"I missed my first appointment - I didn't know I had it as you have to look online. Because I use the computer in the library I hadn't logged on. I had to start from the beginning again and was without money for an extra three weeks." *Dan, 47*

¹⁴ Go On UK and Ipsos Mori. (2015) Basic Digital Skills UK Report 2015 and Good Things Foundation, [Digital Nation 2016](#)

¹⁵ Citizens Advice, Universal Credit full service monitoring survey

"The process is complicated if you aren't very good at using computers. Going to the Jobcentre and using wifi all costs money I could be using for food." Sue, 53

Without accessible facilities and support, there is a risk that the significant minority of claimants who lack digital literacy or internet access will experience additional delays and errors in their initial claim. Given the structure of UC - as will be discussed in the next chapter - increased delays at the application stage of a claim can put people under severe financial pressure, spending months without income in some cases. This can lead to debt, homelessness and reduced work incentives - three things that risk the basic aims of UC. As roll-out accelerates, these issues are likely to affect hundreds of thousands of claims.

What needs to happen before accelerated roll-out?

We support the aim of equipping all UC claimants with basic digital skills. It offers people opportunities in their daily lives and in the labour market that they would otherwise be unable to access. But - to avoid delays and hardship in the short-term - the obstacles faced by those who currently lack these skills need to be addressed. Effective support is therefore vital to achieving the principles of Universal Credit.

DWP should consult on a comprehensive support package or strategy for Universal Credit. Early support frameworks are now out of date and this needs to be addressed before roll-out accelerates. This should draw on evidence from all trials, local support projects and relevant stakeholders. The aim should be a consistent minimum offer which addresses the gaps highlighted by recent evidence. It should also focus on the interconnected nature of many of the problems experienced by those moving onto UC - 68% of clients coming to Citizens Advice for help with UC need help with more than one issue, compared to 57% of clients on legacy benefits. This is particularly important during the test and learn phase.

What should be done in the longer term?

The support available should be subject to ongoing review as new claimants join and progress within full service Universal Credit. The focus should be on ensuring claimants - particularly those who are vulnerable - do not slip through gaps in support. There should be a "no wrong door" policy as far as possible for referrals, with an exploration of how information can be best shared between all organisations who work with claimants. This review should also focus on changing support needs as roll-out continues - for example, the needs of those who will be moved from legacy benefits onto UC automatically.

Chapter 2: The six week wait for first payment

The design of Universal Credit's payment structure - paid monthly in arrears - means that all claimants will have a wait of at least five or six weeks between applying for the benefit and receiving their first payment. Many claimants struggle financially during this time and we are seeing increased problems with debt amongst our clients on Universal Credit, compared to those on legacy benefits. For certain groups - those on non-monthly budgets who cannot stretch their income to cover the waiting period and those whose claim is delayed - the challenges are even greater.

It is critical that all possible actions are taken to reduce the six week wait for first payment of Universal Credit. Benefit systems must not force claimants into debt, further debt or destitution whilst they wait for their first payment.

Short term (before accelerated roll-out):

- Remove the seven waiting days at the start of a claim, to reduce the costs of the six week waiting period.
- All claimants should be informed about the option of an Advance Payment; conversations with work coaches and all UC Journals should highlight these and the conditions for paying them back.
- Improve clarity on evidence requirements to reduce the risk that delays extend the waiting period. This should include accepting a current Housing Benefit claim as offering the necessary evidence for those migrating to UC from legacy benefits. Review requirements for new claims, such as the need for a current tenancy agreement to be dated within previous three months.

Longer term:

- Explore aligning assessment periods, including payment dates, to wages and rental or mortgage payments. This would ensure UC meets its aim of responding to real-time changing circumstances and reflecting how people actually work in the modern labour market.
- Develop a further portal to help claimants evidence their childcare costs. This could form part of the Government's new online childcare service.¹⁶

Once people have submitted their application for UC, they then need to manage

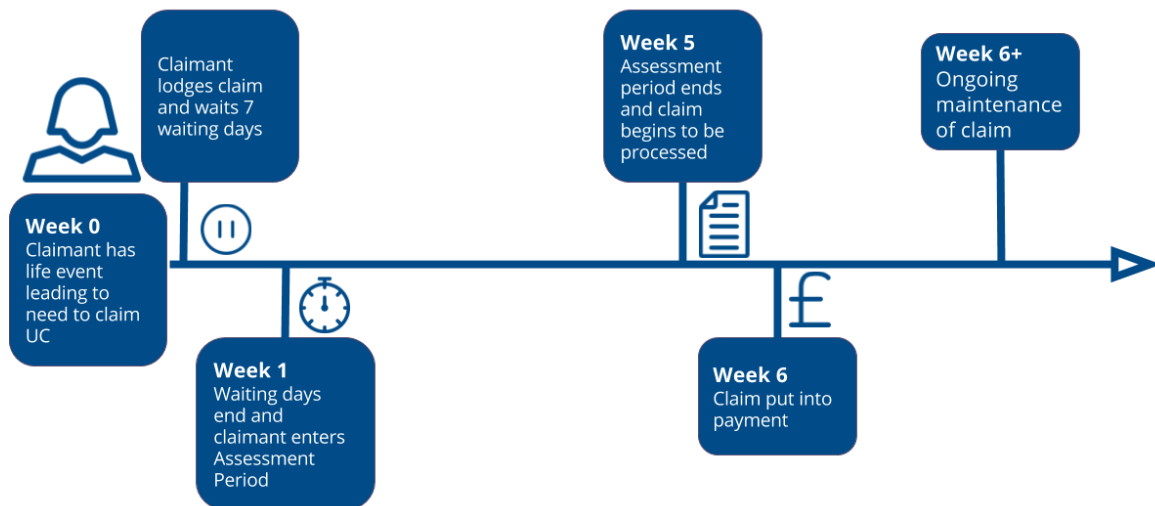
¹⁶ For more information on the new childcare service: <https://childcare-support.tax.service.gov.uk/>

their budget until they receive their first payment. This is a particular challenge under UC. One of the big differences between UC and most legacy benefits is that it is paid monthly and in arrears - rather than fortnightly under the previous system. Because it's paid this way, most claimants will have a six week wait for their initial payment.¹⁷

This initial six week wait consists of a one-week wait without entitlement. These are known as the 7 'waiting days'. Their intention is to ensure UC is not used to cover very brief periods of unemployment or sickness. At the moment, only certain groups of claimants are exempt from them - but our evidence suggests this is not always applied in practice.¹⁸

Waiting days are followed by a one month 'assessment period', during which any income a claimant receives will be used to calculate their UC payment. Monthly assessment periods continue throughout a UC claim, allowing payments to be adjusted to reflect any changing circumstances. Once the first month's assessment period ends, DWP takes an additional week to process the UC payment. Chart 3 illustrates this process:

Chart 3: The process and timescale for making a Universal Credit claim



¹⁷ This will be 5 weeks for those exempt from the 7 waiting days.

¹⁸ Claimants are only exempt from 7 waiting days if they: have claimed UC previously within the past six months; are splitting up from or moving in with someone who's already claiming UC; are moving on to UC from another benefit; are terminally ill; are vulnerable, for example a victim of domestic violence or are leaving care or prison

How are claimants coping with the six week wait?

Six weeks without income is likely to pose a significant challenge for many households. Yougov polling of the general public conducted for Citizens Advice revealed **60%** of people would feel anxious, worried or stressed if facing six weeks without income.¹⁹ This included people earning between £35,000 and £49,000 per year.

For those claiming UC - who will either be unemployed or on a low income - this waiting period is likely to present even more of a challenge. The policy intention is that people should use any savings or their final wage payment from work to tide them over the six weeks. However, a recent Citizens Advice survey of over 2000 tax credit claimants found that 70% reported they were 'never' able to put money aside as savings.²⁰ One in four of the UC clients we see at Citizens Advice also ask for advice about debt issues, which can quickly spiral during a six week waiting period.

Client story: Six week wait causing financial hardship

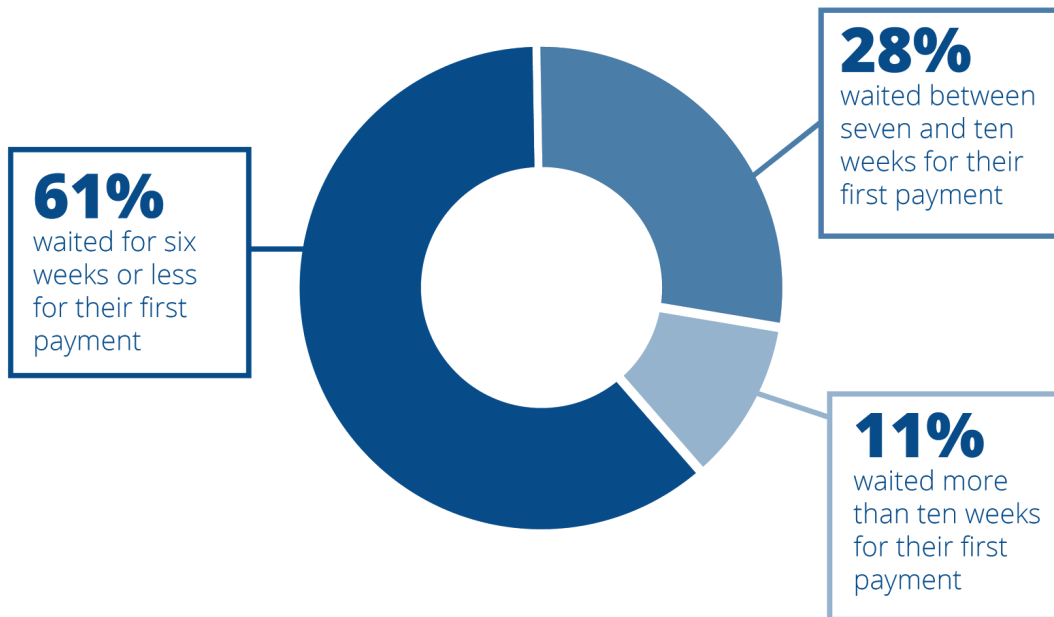
Carly is a lone parent and had recently moved into a housing association property with her 13 year old son. Carly has depression. She had managed to find work as a carer but, after losing her job, she needed to make a claim for UC. When she submitted her claim in late December, she was told that she would not receive her first payment until mid-February.

Carly was already repaying a previous overpayment of tax credits and has no savings. She was unable to pay rent or Council Tax during the six week waiting period and was relying on her family for everyday items. When she came to Citizens Advice for financial advice, she was afraid of losing her home. The situation was causing her mental health to deteriorate.

These issues become significantly worse if there are any delays which extend the waiting period.

¹⁹ Yougov fieldwork conducted with a sample of 2037 adults in Great Britain, between 28th and 29th March 2017.

²⁰ Citizens Advice, [Welfare Reform and Working People](#), 2016.



These delays are often linked to the types of issues that usually come with the roll-out of a new benefit - claimants struggling to adapt to a new application system, errors in processing at DWP and the obstacles of providing evidence and verification. Yet for many households they can mean a rapid spiral into borrowing and sometimes serious debt.

When we surveyed clients living in full service UC areas about how they had coped during their waiting period, debt and borrowing were common. One in four fell behind on household bills, half had borrowed from friends and family, over one in five had fallen behind on rent.

Our client data also reveals the additional burden of debt linked to UC. Clients given advice on UC are nearly one and a half times more likely to need advice on debt issues as compared to those given advice on legacy benefits. 25% of our clients given advice on UC were also advised on debt, compared to 18% of those given advice on legacy benefits.²¹

Amongst our debt clients, those on UC are substantially more likely than those on legacy benefits to have priority debts.²² From our analysis of over 40,000 complex multiple debt cases we found that:

²¹ Citizens Advice analysis of service data April to September 2016. Base: 12,096 UC clients and 196,511 legacy benefits clients

²² Priority debts are those where the ultimate sanction for non-payment is loss of home, essential goods or services and imprisonment. They include rent arrears, council tax and gas and electricity bills. Examples of non-priority debts are credit card debts, loans and overdrafts.

78% of those receiving UC had priority debts

Compared to 65% of those on legacy benefits

51% of those on UC had rent arrears

Compared to 28% of those on legacy benefits²³

If the roll-out of UC pushes up rates of debt and arrears this creates serious risks for its effectiveness. First, this can lead to direct problems in dealing with a claim over the longer-term, given the need to manage it online in all full service areas.

“Because of the problems with debt UC has pushed me into my internet has been cut off. I work 24 hours a week and also have a child - it is very hard for me to find time to go to somewhere that I can access the internet.” Nicola, 40, Survey respondent in UC full service area

*“I need to have permanent credit on my phone or I am likely to miss a journal entry [a communication from a Jobcentre work coach] - if I miss a journal entry my [UC] money stops”
Marzia, 48, Survey respondent in UC full service area*

Second, Citizens Advice analysis on the impact of problem debt finds a range of negative consequences for financial stability, relationships and mental and physical health - all with cost implications for local and national services. Yet significantly, debt and arrears also pose a direct disincentive to move into work or increase working hours.²⁴ Once in debt, any additional earnings from employment can be eaten up by interest repayments. If growing numbers of people are falling into debt before they even receive their first UC payment, this directly undermines UC’s aims of encouraging people to move into work and making increased hours pay.

DWP has recognised the issue and responded with the offer of ‘advance payments’. This is a loan of a maximum 50% of a claimant’s estimated UC monthly award. Most claimants are eligible if they can prove they are facing serious hardship and are able to repay within the timescales. Repayments are automatically deducted from initial UC payments; for many claimants, this takes

²³ This includes clients with debts of £1 or more. The information is drawn from our analysis of over 40,000 complex debt cases recorded in our Money Advice Recording Tool during the period 1 April to 30 September 2016.

²⁴ Citizens Advice, [“A Debt Effect?”](#), 2016

around three months but can take up to a year.

The availability of advance payments is important - and it is welcome that the DWP are considering ways to address the issue of the six week wait. However, our evidence also suggests that advance payments in their current form are not sufficient to tackle the problems. First, awareness of their existence is not widespread; while 27% of those responding to our survey in UC full service areas had taken an advance payment, two in five reported they were not aware of them. Of these, more than half said they would have requested one.

“I wasn't offered an advance payment - because I had done some research I asked for one.”

Laura, 25, Citizens Advice survey respondent in UC full service area

Second, there are particular groups for whom even receiving an advance payment may not be sufficient to allow them to avoid borrowing during the six week wait and who are likely to need extra support. We set out two examples of these groups below.

Example 1: People on fortnightly budget cycles

What is the problem?

There are significant numbers of people moving onto Universal Credit who have previously been operating on a non-monthly budget. Many of these are **moving onto UC after leaving a job where they were not paid monthly**. Fewer than half (45%) of those we surveyed who were in work immediately before claiming UC reported that they were paid monthly. More than one in three was paid weekly and one in ten fortnightly. This group will not be able to rely on a final month's worth of wages to cover their needs during the assessment period and many will spend several weeks without income even if they receive an advance payment.

The *timing* of final wage payments and assessment periods can intensify these problems. For claimants receiving any final wages for a job they are leaving, it can make sense to wait until these are processed before applying for UC. If not, they can affect the calculations made during the first assessment period. For some people this will mean an extra month's wait for a first UC payment.

“I went to the Jobcentre when I finished work and was told about applying for UC. But they didn't warn me that if my final wages and other income my employer owed me hadn't yet been paid I should wait until that was

paid in. Because I made the claim straight away and my wages were paid in after my Assessment Period started I got no money after six weeks of waiting and have to wait for a further month to get any UC."

Nazir, 48, Citizens Advice survey respondent in UC full service area

These challenges are exacerbated by delivery issues. As discussed, significant numbers of claimants who feel they need an advance payment are not getting one - despite it being a vital source of support during the waiting period. Of those responding to our survey who had moved from employment to UC and were not paid monthly, only 57% said they had been told about advance payments. 25% said they had not been told about them, but felt they needed one. This indicates problems with the targeting of information about advance payments to those who most need them.

Any additional delays in the claim - either because of problems with submitting the application form discussed above, or because of additional evidence requirements, discussed below - will also greatly increase the financial risks for the claimant. As the examples above set out, managing a wait of five or six weeks, even with an advance payment or previous wages, can be extremely challenging for those on non-monthly incomes. If this becomes longer - one in ten of current claimants in full service areas reported waiting more than ten weeks for first payment - those previously on non-monthly budgets could find themselves forced into serious debt. For some people, UC will be their only source of income.

Our advisers are already reporting growing numbers of clients in arrears with rent and household bills; 78% of our debt clients receiving UC had priority debt, compared to 65% amongst those on legacy benefits. If this issue becomes widespread, it could risk many of UC's central aims, including helping those on benefits achieve greater financial stability and providing clear incentives to move into work and increase hours. Ongoing debt problems work directly against these aims.

What needs to happen before accelerated roll-out?

Benefit systems must not force claimants into debt, further debt or destitution, so it is critical that all possible actions are taken to reduce the six week wait. This will help all claimants achieve greater financial stability but is particularly important for those on non-monthly budgets.

In the short-term, **all claimants should be informed about the option of an Advance Payment. This means conversations with work coaches and all UC Journals should highlight these, but also make clear the conditions for**

paying them back. This will help people budget over the waiting period and after.

At the moment, claimants migrating from legacy benefits are exempt from the seven waiting days. **We should now remove the seven waiting days for all UC claimants, to reduce the waiting period by a week.** This will particularly help the significant numbers of those moving from work to UC who were not paid monthly.

What should be done in the longer term?

DWP should look again at how rigid the system of assessment periods is - and explore ways of making it more flexible. The timing of a claim can be vital to ensuring someone can manage financially during the waiting period. To reduce these risks, **DWP should investigate aligning assessment periods, including payment dates, to wages and rental or mortgage payments.** This should include looking at how final earnings are treated. A move like this would ensure UC meets its aim of responding to real-time changing circumstances and reflecting how people actually work in the modern labour market.

Example 2: People struggling with evidence requirements

Given it combines various different benefits into a single payment, those applying for UC need to provide evidence to prove their circumstances. This includes proof of identity, as well as any housing and childcare costs. Proof of identity can be provided with a passport, driving license, or a P60 form or payslips from employment. For housing, a tenancy agreement or a rent statement will be required. For childcare, claimants are asked to pay upfront and use receipts to claim costs back. These are important checks to reduce the risk of fraud. Yet the way these requirements are currently being administered is creating challenges, which for many claimants are effectively extending the wait for a full UC payment.

What is the problem?

Verifying identity and proving housing and childcare costs can be difficult for people in certain circumstances. This can delay initial UC payments, or mean that claimants get a reduced payment.

To apply for UC, claimants must first create a Verify account online which proves their identity. While this account is useful for accessing a range of government services, it can create challenges for some of those claiming UC. In certain cases

this will be difficulty accessing or providing items such as a passport, driving license or payslip at short notice; for others it will be the need to submit evidence on an online platform. 57% of survey respondents in full service areas reported finding the Verify process difficult.

“I don't have a passport or driving license. I can't afford to go on holiday or drive! I'm not good at using the internet so my son has helped me.”

Anne, 52, Citizens Advice survey respondent

On housing costs, DWP normally require a tenancy agreement dated within the previous three months. For those who have been living in the same property for a number of years, this can be difficult to acquire in time to process a claim. For childcare costs, DWP often ask for receipts on headed paper, yet smaller childcare providers may not offer this. Our survey of clients claiming UC in full service areas found more than one in three had found it difficult to provide evidence to prove housing or other costs.

Additionally our advisers tell us that, in a number of cases, information given to claimants about what is required can be inconsistent. This means that claimants can ask for a piece of evidence on the advice of a work coach, only to find out later that it is not acceptable. We also see additional challenges for those moving across from Housing Benefit where evidence is not transferred.

Client case study: Evidence problems when transferring from Housing Benefit

Alan came to Citizens Advice in North Wales for help after moving onto UC. He lives alone in a two-bedroom property. However, he had been exempted from any under-occupancy deductions as his son is in the Army and spends his leave at home, using the second bedroom.

Alan had been receiving Housing Benefit for several years, but had initially had difficulties in explaining and providing all the evidence for his son's arrangements to the Local Authority. When he had transferred to UC, his previous arrangements were not linked. This resulted in an initial Housing Benefit overpayment of £600, followed by a reapplication of under-occupancy deductions under UC. This had left Alan facing overpayment deductions, a reduced UC housing payment and the stress of once again trying to gather the evidence needed to exempt him from under-occupancy penalties.

Since there is a limited period of time to provide this evidence, problems, confusion or delays can make a huge difference to claimants' financial stability

over the initial months of a UC claim. They can result in either an extension of the six week wait for payment, or a first payment that does not include all the money they are entitled to. If a claimant cannot access their tenancy documents, for example, they won't be included in the first UC payment. Since claimants will wait at least five or six weeks before a first payment and another month for their second, it is likely that some could be facing 10-12 weeks' worth of rent arrears. In the private rented sector, some landlords will move to evict at this stage. This has caused huge problems for claimants, and has had knock on effects for other local services and the wider economy.

Client case study: Difficulty proving housing costs

Phil is living in a local authority that has had full service UC for six months. He recently moved out of his family home into private rented accommodation and was told he needed to claim UC.

To receive housing support, Phil needed a copy of his tenancy agreement. He was struggling to contact his landlord, and when he finally reached him, the landlord was not willing to provide a tenancy agreement until all Phil's rent was settled. Phil needed the tenancy agreement to get his housing costs paid, but he couldn't get the tenancy agreement without paying his rent.

A Citizens Advice adviser spoke to Phil's landlord and convinced him that the tenancy agreement would ensure he could start paying back his rent arrears. However, by this point, Phil had already received his first UC payment without housing costs. This meant he was going to accrue at least ten weeks of rent arrears by the time he received his a UC payment with housing costs included.

There are similar issues for those trying to prove childcare costs. Where evidence requirements are unclear, or it is hard to access or not accepted, claimants can end up owing large amounts of money to childcare providers. This can have a huge impact on work incentives - and even the ability to work at all.

Client case study: Administrative issues around childcare costs and their effect on work incentives and retention

Katie first claimed Universal Credit in November 2016. She has two children and is working. She included her childcare contract and costs with her initial claim. In January 2017, Jobcentre staff told Katie that her childcare costs would be included in her next UC payment. At the end of the month, however, she was notified that she would need to pay for her childcare and then claim the costs back, evidencing this with receipts. This was over two months after she

had made her initial claim.

By this point, Katie owed her childminder nearly £2,000. Citizens Advice helped Katie get an advance to cover some of the costs and DWP agreed that Katie had been misinformed. However, as childcare receipts had not been provided within her assessment period, they told Katie she would not be able to get the payments she needed backdated.

Katie's children have now been removed from the childminder's care due to non-payment. As a result, Katie had to take unpaid parental leave to look after them. Her employer was threatening to dismiss her unless she could resolve the situation within a month.

What needs to happen before accelerated roll-out?

DWP has acknowledged the challenges around evidence requirements and there have been a number of recent improvements in housing evidence processes, especially for those who are in the social rented sector. For example, DWP plan to have a housing portal in place - designed to speed up the proof of housing costs by quickly settling disputes between tenants and landlords over things like rent amounts. There is also greater clarity in the application about how to access support for housing costs.²⁵

This progress must be continued before roll-out is accelerated. Those migrating to UC who previously received Housing Benefit face particular challenges and there must be greater links between HB claims and UC housing payments. This should involve **accepting a current Housing Benefit claim as offering the necessary evidence for those migrating to UC from legacy benefits. Requirements for new claims should also be reviewed, such as the need for a current tenancy agreement to be dated within previous three months.**

Another simple means of improving the process for all claimants is a focus on **ensuring work coaches and official communication from DWP gives claimants correct and consistent information about the evidence they require.** This includes reducing delays by making clear that claimants **also have the option of verifying evidence with a work coach**, as an alternative to the online Verify service.

²⁵ The question on the application form asked if claimants paid their housing costs. Many claimants who were previously in receipt of HB said that they didn't (because HB went directly to their landlords) and as a result, did not get housing costs in their first UC payment. DWP have now amended the question to avoid further confusion.

What should be done in the longer term?

If evidence portals for proving housing costs are successful, there should be a similar portal developed to help claimants evidence their childcare costs. This could form part of the Government's new online childcare service.²⁶

DWP should also review their evidence requirements on an ongoing basis. This should include areas where greater flexibility may be required - such as the need for a tenancy agreement to be dated within the previous three months - recognising that some people will have problems providing this evidence within specific timescales. Given the obvious risks - of rent arrears, eviction, reduced work incentives and employment opportunities - the UC system should be better able to accommodate these kinds of situations without significant proportions of a UC payment being affected.

²⁶ For more information on the new childcare service: <https://childcare-support.tax.service.gov.uk/>

Chapter 3: Achieving financial stability on Universal Credit

Moving to UC entails big adjustments to many people's financial planning and processes. Sufficient support and flexibility need to be in place to help make their transitions successful, provide financial stability and offer genuine incentives to progress. No UC claimant should be forced to struggle with essential costs or get into further debt because of debt recovery from their UC award.

Short term (before accelerated roll-out):

- Options for reducing the level of deductions within UC for those facing particular financial hardship should be communicated within the UC statement in a claimant's journal.
- Budgeting support must be a central aspect of a support package for UC. This should be published before roll-out accelerates.
- Alternative Payment Arrangements (APAs) should be made available to all claimants. At the very least, there should be a proactive offer to anyone with severe or multiple debts and anyone in rent arrears for an amount equal to or more than two months of their rent. It should include an automatic referral for budgeting support.

Longer term:

- Regulations on deductions should be clarified to ensure the overall cap of 40% of standard allowance includes all relevant debt recovery, including budgeting loans, overpayments and hardship payments.
- The impact of UC on debt and work incentives should be evaluated by DWP. This should look at issues such as deduction rates and Alternative Payment Arrangements and their impact on wider employment prospects.

Once the first month of the assessment period has ended, claimants wait an additional seven days for DWP to process their first payment before they receive it. During this time, they should receive a statement indicating how much they will get. This will vary depending on a claimant's circumstances - it will include a personal allowance, any additional elements for housing, childcare or disability, and any deductions to the payment for repayments.

Claimants then need to use this monthly statement to manage their claim. They will need to work out a budget until their next payment, ensuring that any

housing costs are paid directly to their landlord. For many claimants, particularly those moving from legacy benefits, these changes will involve big adjustments.

Most claimants will also be subject to a set of conditions - set out in a signed 'commitment' - about what they will do to prepare and look for work, or to increase their earnings in work if their income remains low. If they don't meet these conditions, the personal allowance component of their UC payment can be cut - the equivalent of a sanction in the legacy benefit system.

As claimants move into work or their working hours change, the UC payment has been designed to adjust automatically to reflect this using a Real Time Information system from HMRC. So if someone increases or reduces their hours, their UC payment the following month will be reduced or increased to reflect the change in income.

These features are part of UC's underlying aim to encourage people to move into work and increase their hours, avoiding some of the blunter rules around working hours that exist under tax credits. The intention is that it is straightforward for people to see they are better off financially if they take on more hours. However, work incentives in the real world are not only based on financial calculations. They also come from someone's day-to-day experience of UC - how secure they feel financially, whether they understand the benefit they receive and how it might change in different circumstances, and the extent to which they can budget and take control of their income and outgoings.

In this section, we highlight areas that our evidence suggests undermine these 'real world' work incentives. If UC is to support people to manage a claim in a way that meets its basic aims, there are changes that should be made in these areas - both before roll-out accelerates and in the longer-term.

Example 1: Deductions

Deductions: When people have fallen into arrears for rent or household bills, if they received a previous benefit overpayment, or if they have received an advance payment, **repayments for these can be automatically deducted from their monthly UC payment.** A similar system existed under legacy benefits, but **new rules in UC mean deductions can now make up a significantly higher proportion of a payment.**

What is the problem?

High deduction rates under UC rules can leave claimants with very little money to live on from their monthly payment. Under legacy benefits, housing arrears could be deducted at no more than 5% of a claimant's payment. Under UC, the default proportion for those with housing arrears is 20% of the personal allowance. The maximum deduction rate is 40% of the personal allowance, compared to just 25% under legacy benefits. In practice though, total deductions can be even higher; this cap does not include previous overpayments (from either UC or tax credits) and can be breached for mortgage payments, rent arrears and fuel costs.

Deductions interact with other aspects of UC in ways that create particular problems for claimants. As discussed, long waiting periods before an initial payment mean that many claimants require an advance payment and fall into arrears on rent and bills during the six week wait. For the significant numbers (our survey suggests around two in five) who are waiting for longer than six weeks, these debts can become substantial. Once UC payments start, multiple deductions then kick in - leaving some claimants with very little.

Adviser perspective: The impact of deductions on UC

"Quite often, we see clients who have struggled to manage during the six week wait, getting increasingly nervous about the amount of arrears that are building up. Then when they get the first UC payment, it's a lot less than they thought.

"This winter a client came to ask for help because she had £30.24 left for the month after paying her rent and bills. When we called the UC helpline, we found out that there were deductions for rent arrears, water bills, an advance payment, a DWP overpayment and Council Tax. It looked like this:

Standard Allowance.....	£317.82
Housing Allowance	£395
Deductions.....	£157.58
Total UC award.....	£555.24

After she had paid her rent (£400), she was left with **£155.24**. After bills (electricity, gas, TV licence and broadband) she was left with **£30.24** for the rest of the month. She was extremely anxious, particularly when we explained that the next few statements were likely to be similar amounts."

This creates serious challenges for budgeting and can lead to claimants feeling like they are losing control of their finances. Those moving to UC from legacy benefits may not be aware of the significant differences in rules on deductions and how these will affect the budgets they already have.

Client case study: Problems with reducing deductions

Trevor came to Citizens Advice in the West Midlands for help with UC. He works 20 hours a week and has a long-term health condition. He had moved onto UC from tax credits and had an overpayment from a previous year, which he was in the process of paying off.

Trevor's deductions under UC had increased to £79.46 per month and he was struggling financially. His adviser at Citizens Advice phoned the UC helpline to ask for the level of deductions to be reduced as they were causing hardship. However staff told her that, because the deductions were for a previous tax credit overpayment, she would need to speak to HMRC. When she contacted them, she was told responsibility for overpayments should have been passed to DWP. Contradictory information and a lack of flexibility in the rules meant that, despite spending over an hour and a half with Trevor, the adviser was unable to arrange a more manageable deductions plan.

There are options for reducing deduction rates for claimants experiencing serious hardship - for example, deductions for housing arrears can be reduced to 10%. However, our evidence suggests it is rare for work coaches either to inform people about this option or to reduce deduction rates - and there continues to be confusion in applying the rules. Yet reviewing deductions and taking a realistic approach to what is affordable would help people take control of their finances, support them out of cycles of debt and borrowing and allow them to keep more of what they earn if they move into work.

What needs to happen before accelerated roll-out?

Options for reducing the level of deductions for those facing particular financial hardship should be clearly set out within the UC statement in a claimant's journal. Benefit systems must not force claimants into debt or destitution and UC rules need to reflect what claimants can reasonably afford.

What should be done in the longer term?

Regulations should be clarified to ensure the overall cap of 40% of standard allowance for deductions includes all relevant debt recovery. This should encompass budgeting loans, overpayments (including UC and legacy benefits) and hardship payments.

Given the 40% cap under UC represents a significant increase in the maximum deduction level from legacy benefits, **DWP should evaluate the impact of this change carefully, using RCTs to test reduced caps and their impact on debt and work incentives.**

Example 2: Alternative Payment Arrangements

Even after claimants have navigated the five or six week waiting period, moving onto UC will mean new budgeting challenges for many. Those coming from legacy benefits who were not in work will have become used to budgeting over a two-week period (benefits like JSA are paid fortnightly in arrears). Yet even amongst those moving to UC from work, fewer than half (45%) of those we surveyed were paid monthly.

Of survey respondents in work before claiming UC:

37%

paid
weekly

10%

paid
fortnightly

8%

paid every
four weeks

45%

paid
monthly

Starting on a monthly payment schedule under UC will mean significant adjustments for these groups of claimants. They are likely to need advice on planning a budget, particularly if the timing of their individual assessment period and payment date does not align with their wage or rental payments.

Some of the biggest budgeting changes will be for those who received Housing Benefit before moving onto UC. Many recipients of Housing Benefit will not be paid the benefit directly - it will usually be transferred from their local authority straight to their landlord. However, this changes under UC. Claimants will now be paid their housing entitlements as part of their monthly payment. They will then need to pay rent to their landlord themselves. Many UC claimants are already struggling with this change and are getting into rent arrears.

These problems have been recognised by the DWP and certain support measures are available. Funding has been allocated to local authorities to allow them to offer support - including budgeting help - to residents moving onto UC. For those likely to struggle even with advice, the Department is also able to put

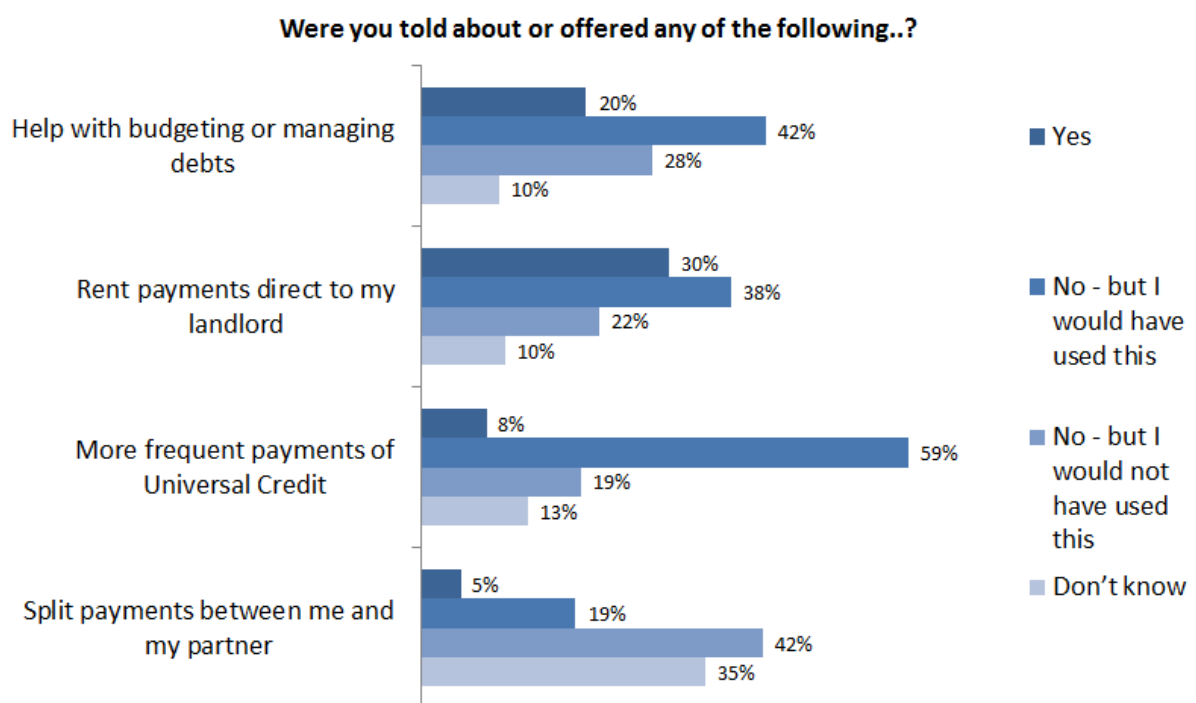
in place Alternative Payment Arrangements (APAs). These allow the monthly payment cycle to be adjusted in certain cases, to help claimants achieve greater financial stability.

There are currently three types of APAs:

- Arranging to pay a claimant’s housing costs directly to their landlord;
- Offering fortnightly (or potentially even weekly) payments; and
- Splitting payments between different partners in a claim made by a couple.

DWP suggests that APAs should normally be considered for certain groups of claimants, including those with drug or alcohol problems, learning difficulties, mental health conditions or in cases of domestic abuse. They are intended to be a temporary measure until the claimant is able to manage monthly payments, however, so they are subject to review.

APAs have the potential to offer vital transitional support for many claimants, helping them achieve financial stability on a new benefit and putting them in a position where they feel able to move into or progress in work. However, our recent evidence suggests that awareness of this help is very low. Of the UC claimants we surveyed in full service UC areas, just 8% were aware that more frequent payment schedules were possible under UC, with nearly 60% believing they would have benefited from this had it been offered. Similarly, less than one in three were aware that housing costs could be paid direct to a landlord under UC, and just one in five had been offered budgeting support.



Source: Citizens Advice survey in full service UC areas, N= 781

We also continue to see evidence of claimants who would clearly benefit from an APA struggling to secure one, even if they fall into an 'at risk' group. While this continues, thousands of people are at risk of being pushed further into rent arrears and possible eviction.

Client case study: Lack of access to Alternative Payment Arrangements

Keith was formerly receiving ESA. He was exempted from job search due to a serious head trauma that had left him with a lasting brain injury. He lives alone in private rented accommodation. Following a change in circumstances, he was told he needed to claim UC.

Keith came to Citizens Advice in the South West after he got into rent arrears. He had asked his work coach for his rent to be paid direct to his landlord, as his condition means he has difficulties with memory and concentration. He had also seen a drop in his monthly payments until he underwent a new work capability assessment under UC.

His UC Journal showed that his work coach had requested evidence of rent arrears to justify an APA, despite the vulnerability evident from his previous ESA award. Keith had struggled to get this evidence from his landlord. The delayed decision meant he had fallen even further behind on his rent.

What needs to happen before accelerated roll-out?

Given the structure of UC and the challenges of monthly budgeting for large numbers of claimants, budgeting support must be a central aspect of a support package for UC. As discussed previously, this should be published before roll-out accelerates and aim for a consistent minimum offer which addresses the gaps highlighted by recent evidence.

APAs should be made available to all claimants. At the very least, there should be a proactive offer to anyone with severe or multiple debts and anyone in rent arrears for an amount equal to or more than two months of their rent. It should include an automatic referral for budgeting support.

What should be done in the longer term?

The impact of UC on debt and work incentives should be evaluated on an ongoing basis by DWP. This should look at issues such as deduction rates and Alternative Payment Arrangements and their impact on wider employment prospects.

Conclusion

The sheer scale of UC presents many challenges - and this has been evident in its development so far. The IT, administration and policy changes involved place huge demands on the DWP, Jobcentres and claimants.

A test and learn approach to roll-out offers the best opportunity to reduce some of the risks. Yet if it is to do this effectively, there must be two areas of focus. The first should be on addressing the problems emerging from the evidence - *before* roll-out accelerates and they become widespread. The second should be on the support available to the thousands of households involved in the roll-out phase. As well as having to adjust to the new benefit themselves, they are more likely to experience errors and delays as the system is tested. A comprehensive support package needs to be in place for these people, offering face-to-face help with all aspects of making and managing a claim for UC.

Our evidence and recommendations offer a number of ways forward in both areas. Steps such as those recommended should help UC to achieve its aims of a simpler, more responsive benefit system, offering security and supporting progression.