

Waiting for Credit:

The delivery of Universal Credit as experienced by Citizens Advice clients in England and Wales



**citizens
advice**

This report was produced by sixteen local Citizens Advice offices

Citizens Advice is made up of a national body and over 300 local offices which are each independent charities in their own right.

This report has been produced by 16 local offices:

**Citizens Advice Bath and NE Somerset
Citizens Advice Bedworth, Rugby and Nuneaton
Citizens Advice Bolton
Citizens Advice Bury
Citizens Advice Cheshire East
Citizens Advice Craven & Harrogate districts
Citizens Advice Flintshire
Citizens Advice Nth Liverpool
Citizens Advice Pennine West
Citizens Advice St Helens
Citizens Advice Shropshire
Citizens Advice Sutton
Citizens Advice Tameside
Citizens Advice Warrington
Citizens Advice Wirral
Citizens Advice York**

As such it reflects the research and views of these local Citizens Advice offices.

The sixteen local offices which came together to form this network project and carry out this research cover each stage of the rollout of Universal Credit including the digital service and, up to June 2015 when the fieldwork was completed, had seen one third of all Citizens Advice clients in England and Wales who had been given advice about Universal Credit.

Executive summary

Citizens Advice bureaux gave advice to over six hundred thousand clients about benefits last year. Our advisers recognise the complexity of the benefits system and the need for simplification. From its inception we have supported Universal Credit and its aims. However, our research into the delivery of Universal Credit has uncovered a number of administrative and structural problems that threaten achievement of these aims. **For our research 355 clients were surveyed between March and June 2015– about one in ten of all the Citizen Advice clients in England and Wales who had been given advice about Universal Credit from June 2014 to June 2015.** In addition we analysed the 193 comments and stories left by survey respondents and looked in more detail at 20 indicative cases. Of course people usually come to Citizens Advice only when they have encountered a problem so the survey is not representative of all claimants of Universal Credit: it is representative of the group of people who have had a problem that they were unable to resolve without advice and support. Our analysis suggests that, based on these early trends, the service could see an additional 300,000 clients across the transition. This could be significantly less should problems be addressed or significantly more should problems persist and should clients with more complex needs require additional support.

Difficulties managing until first payment of Universal Credit

The key issue that came out of the research was the difficulty people have managing until receiving their first Universal Credit (UC) payment, and the serious impact this has on their lives. **Two thirds of those who had a formal rent agreement with a private or social landlord reported difficulty paying their rent and also their gas and electricity during the six weeks waiting for their first UC payment.** Respondents described managing without heating or temporarily moving to relatives' homes. Advisers saw greater levels of debt and rent arrears amongst Universal Credit claimants compared to claimants of legacy benefits. **Two thirds of respondents also reported difficulty affording enough food** - a number of respondents specifically recalling their shock at having to rely on food banks to survive. Many respondents also reported how counter productive this was to the overall aim of supporting people into work, as, of necessity, focus, time and energy had to be on negotiating with creditors and on where the next meal was coming from.

Why is this difficulty arising?

Universal Credit is designed to be paid five or six weeks in arrears, the assumption being that people are paid monthly in arrears so they can manage until they receive their first UC payment. However, only half of all low paid workers are paid monthly,¹ and amongst our respondents the proportion was even lower – **only four in ten had previously been paid monthly.** Anyone who is paid weekly will only have one week's money to manage on for five or six weeks.

Worse, **three in ten of our respondents had experienced an extra delay of more than a week beyond the standard five week wait, and one in ten had waited more than nine weeks** for their first payment. In addition many people reported only receiving partial payment when their first payment was paid.

Delays finding out what to claim and making a claim

For some clients, problems with UC had arisen well before the payment stage. There was considerable confusion about who should be claiming Universal Credit. A number of people reported having been directed to UC by JCPlus only to have their claim refused and to be redirected to a legacy benefit or vice versa. In addition, **a third of respondents who would be likely to be eligible for council tax reduction (CTR) had made their claim for CTR late or didn't know they could claim.**

¹ <http://webarchive.nationalarchives.gov.uk/+/http://www.dwp.gov.uk/docs/ucpbn-2-payment.pdf>

Delays also arose where claimants had difficulties using a computer or finding one they could use - **one in five respondents who were 35 or over identified themselves as having difficulty with this** and had problems accessing the support they needed.

A few people experienced more serious delays in making their claim due to IT issues. Some claims are initially accepted by the system but then later **all trace of the claim is deleted** without any notification to the claimant or a note made on the system. Other complications arose if legacy claims hadn't been closed down properly. Hopefully these issues will be resolved with the new digital service² but in the meantime new claimants need to be protected as the delays caused by these problems were often lengthy.

Problems with verifying the claim and drawing up the claimant commitment

Once a claim has been made, the client has to attend the jobcentre to take documents to verify their claim. **More than half of respondents said they had been asked to provide the same evidence more than once.** Frequently a different piece of evidence was required but not asked for in the letter. As well as being frustrating this often led to only partial payment of UC.

At their first interview claimants also have to sign a claimant commitment agreeing to the steps they will undertake to find work. This should be done through a two-way conversation between the jobcoach and the claimant. However over **half of all respondents with caring responsibilities or a long-term health condition or disability reported that their circumstances were not taken into account in their claimant commitment.**

Delays getting claims into payment

One in ten of our respondents had waited more than nine weeks for their first payment and **several had waited more than four months.** Some respondents with pay as you go phones reported having to borrow money to ring the helpline repeatedly to sort out a problem that was not of their making. Our advisers report that when they are advising clients experiencing serious delays they also find it impossible to talk to someone within Universal Credit who has the will or the authority to investigate and break the logjam.

Structural issues

The way UC is calculated means that **claiming one or two days too early could result in claimants having no income for ten weeks** instead of five or six. Unusual payment patterns by employers also created situations where how much UC someone will receive becomes very difficult to predict and therefore budgeting, very difficult. These structural issues risk acting as a serious disincentive to taking on temporary work or work with irregular payments. (There are other structural anomalies – for example **employers who pay wages one or two days early at Christmas could lose some of their employees hundreds of pounds of UC.**)

Problems finding out about, and managing on, advance payments

Advance payments are often cited by DWP as an answer to problems but they have significant drawbacks. **Six in ten of our respondents reported that JCPlus didn't tell them about advance payments,** many only finding out when it was too late to claim. People are in any case only entitled to half their payment in advance – it will only cover either rent or living costs. Repayment extends the difficulty in coping financially as if the money is recovered over three months the claimant is actually having to pay four months' rent and living costs out of three months' money.

Conclusion

The rollout is still in the early stages. It is vital that the problems our research has identified are tackled quickly, otherwise Universal Credit will not achieve its aims and the consequences, for very many people in situations that make them vulnerable, will be severe.

² Due to start rolling out nationally in May 2016

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Introduction

Universal Credit aims to create a much simpler and more flexible benefit system. ***“It will cut through the complexity of the existing benefit system to make it easier for people to get the help they need, when they need it.”*** Iain Duncan Smith, Secretary of State for Work and Pensions.³

The Citizens Advice Service gave advice to over six hundred thousand clients about benefits last year. Our advisers understand how complex the benefits system is and the need for simplification. From its inception we have supported Universal Credit and its aims. However, our research on the delivery of Universal Credit, on which this report is based, has uncovered problems with the way that Universal Credit is delivered that threaten achievement of these aims.

The customer journey

Simplification is primarily about ensuring that people: understand what they have to do to claim Universal Credit and are able to do it quickly and easily, understand what they will be paid and when, and are able to rely on receiving payment in a timely fashion. The process also needs to support the journey into work and to more hours of work.

The previous Government’s White paper that introduced Universal Credit points out some of the implications of complexity ⁴ *‘This (complexity) undermines trust in the system and stops people focusing on getting back to work.’* The White Paper also points out that many low-income families don’t have savings to rely on to cope with delays in payment. *‘For the poorest families there simply isn’t any overdraft facility or spare money to cover delays or mistakes.’*

Methodology

The survey asked questions about each stage of the claimant’s journey. We looked at how people identified what and how to claim, how they actually made and verified the claim and the steps they had to take to get it into payment and then maintain it in payment.

For our research 355 clients were surveyed between March and June 2015 – about one in ten of all the Citizen Advice clients in England and Wales who had been given advice about Universal Credit from June 2014 to June 2015 (approx. 4000 clients during this period). Some two thirds of our sample (64%) were male and about 45% of the sample were in the 18 to 34 age range. The greater proportion of young males than the population as a whole reflects the composition of the group of claimants to whom Universal Credit was first rolled out⁵. In addition we analysed the 193 comments and stories left by respondents and looked in more detail at 20 indicative cases.⁶

Of course people usually come to Citizens Advice only when they have encountered a problem so the survey isn’t representative of all claimants of Universal Credit. It is representative of the group of people who have had a problem that they were unable to resolve without advice and support. Our analysis suggests that, based on these early trends, we could see an additional 300 thousand clients across the transition. This could be significantly less should problems be addressed or significantly more should problems persist and should clients with more complex needs require additional support.

³ Introduction to the White Paper https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/48897/universal-credit-full-document.pdf

⁴ op cit

⁵ Survey of single claimants on UC by DWP

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/403415/universal-credit-survey-report-final-ad-hoc-20.pdf

⁶ The names used in the report have been changed to protect our client’s anonymity

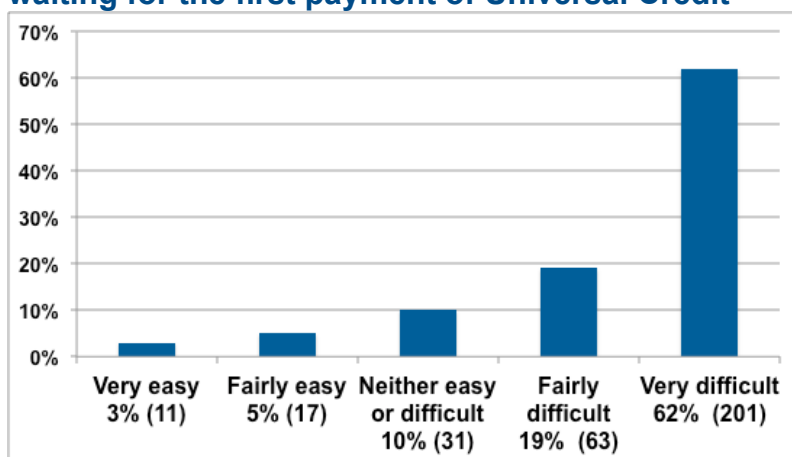
Results

1. Impact of waiting for payment

The key issue that came out of the research was how difficult it is for people to manage until receiving the first payment of Universal Credit and the impact this had on their lives.

Over 80% of respondents reported difficulty managing to pay essential household payments costs such as rent, utility bills and food whilst waiting for their first payment of Universal Credit. Almost two thirds (62%) said it was very difficult.

Chart: Respondents who found it easy or difficult to pay for essential living costs whilst waiting for the first payment of Universal Credit



The impact of this wait for payment

When we looked just at those who were paying rent to a social or private landlord or were paying a mortgage (about 70% of all respondents), almost two thirds (63%) of this group said they had found it difficult to pay their rent or mortgage and just over two thirds (68%) of the same group said they had struggled to pay for gas or electricity. Respondents told us that their levels of debt and rent arrears had risen and that this had also affected their longer-term financial situation. Advisers confirmed that they were seeing greater levels of debt and rent arrears amongst Universal Credit claimants compared to claimants of legacy benefits.

“First payment made on time but now struggling financially as waiting 6 weeks to get first payment has left me in debt and owing money I had to borrow.”

A similar percentage (63%) of all respondents to the survey reported they had had difficulty buying enough food. Many respondents talked about the impact on their health and wellbeing of a poor diet and an increase in stress, anxiety and depression.

“Without the help of my ex-partner who supplied me with food I don’t know how I would have coped. The last four months have been extremely stressful.”

For parents the effect this had on their children was of particular concern and was exacerbated by gaps in passporting of essential benefits such as free school meals for their children.

Jane had just left a violent relationship and claimed Universal Credit. She has four children. She had struggled to manage the five weeks until payment of UC. However when her first payment arrived it didn't include the children's element or the housing element. She didn't have the children's birth certificates so had had problems verifying the children lived with her. She also had problems proving the tenancy. Until the CAB adviser managed to get the children's element into payment Jane also couldn't access free school meals for her children, nor was she entitled to claim travel costs for her children to travel to school.

Many also pointed out their reduced ability to job search when struggling with a financial crisis, fending off creditors and worrying about being made homeless and where the next meal for their family will come from. The impact of stress and the very practical problems such as having no money to make calls to employers further restrict the ability to job search.

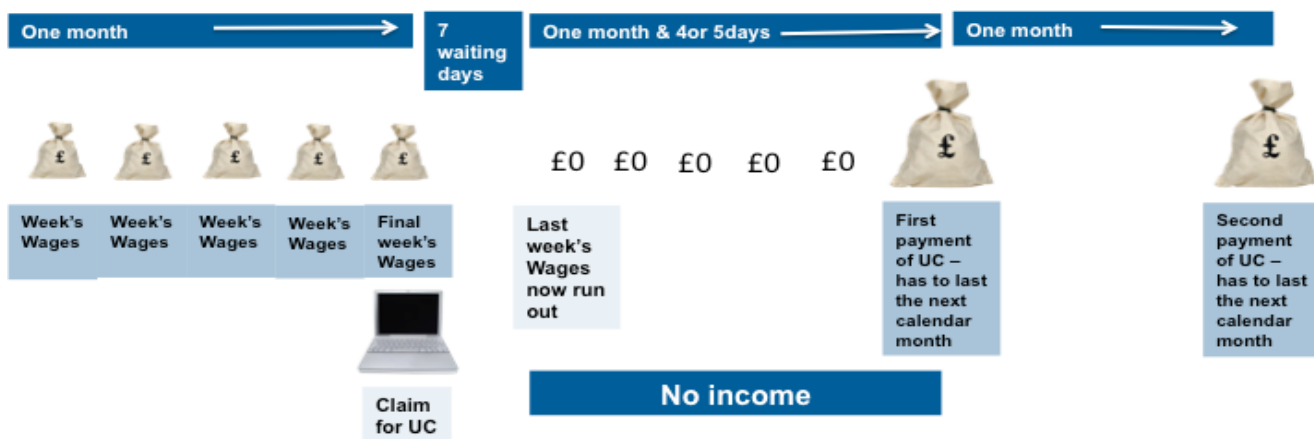
John generally worked as a chef. When his last job ended he expected to again be able to find work fairly quickly. However after a couple of months of looking, his savings had dwindled and his rent was due so he made a claim for Universal Credit. He soon had no money on his mobile, wasn't able to make calls to prospective employers and had to sit in the reception of the CAB each day waiting for the call back from the jobcentre. He had no money for the electricity or gas meters and so was unable to wash properly. He had no money for bus fares. He remarked to the adviser how counterproductive this whole experience was to him finding work – not least -who was going to employ him as a chef if he couldn't wash himself or his clothes properly.

Why was it so difficult to manage until first payment

2. Waiting for 5 or 6 weeks

Everyone has to wait at least five weeks for their first payment of Universal Credit and many will now wait a minimum of six weeks⁷. **Two thirds of respondents had been in employment directly before claiming Universal Credit. Of these 44% had been paid weekly and 14% fortnightly. Only 42% had been paid monthly.** For many of these and also those who have been on a legacy benefit paid fortnightly, a five week wait created serious difficulties only at best, partially alleviated by advance payments.

Many in low paid work get paid weekly not monthly so a week's pay has to last 6 weeks



⁷ The extra 7 'waiting days' were not in force at the time of the survey

This is clearly creating problems. Of those in paid employment who were paid weekly before making a claim the proportion of those finding it **'very difficult'** to manage until the first payment rose from **60% to 70%** and those finding it **'fairly difficult'** or **'very difficult'** from **80% to 90%**.

"I had to live on £17.00 for 4 weeks."

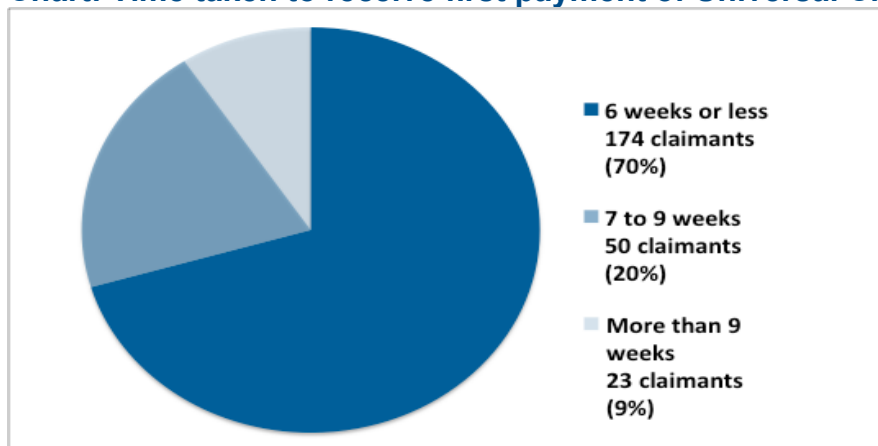
"In the first 5 weeks had to borrow money from friends and family as well as advance payment. Still paying back the AP now. That first 5 weeks is unfair."

Only half of all low paid workers are paid monthly.⁸ So we expect that this is causing problems for many Universal Credit claimants.

3. Why do some people wait longer than 5 or 6 weeks

Many people wait longer. **About 30% of respondents who had received their first payment of Universal Credit had waited more than seven weeks for their first payment and 10% of respondents had waited more than nine weeks** – some had waited many months. **As well as those experiencing a significant delay in first payment, many more had just received partial payment.**

Chart: Time taken to receive first payment of Universal Credit



To examine the drivers for the emerging problems, the delays in payment they created and their impact on claimants, we analysed the 193 comments and stories left by respondents and looked in more detail at 20 indicative cases. Some of the issues and delays were caused by administrative problems delaying the claim or getting the claim into payment. Others stem from how Universal Credit is structured.

⁸ <http://webarchive.nationalarchives.gov.uk/+http://www.dwp.gov.uk/docs/ucpbn-2-payment.pdf>

Administrative issues

4a) Finding out what to claim and making a claim

There was considerable confusion about who should be claiming Universal Credit. A number of people reported having been directed to UC by JCPlus only to have their claim refused and to be redirected to a legacy benefit or vice versa.

Leanne has a child aged two years. Leanne had been signposted to Income Support after her partner left home. She made her application and attended the Work Focused Interview at the Jobcentre but it took a month before DWP contacted her and told her she couldn't claim IS but needed to claim UC instead. Once she had made the claim for UC it was another five weeks before she received payment.

There was also a lot of confusion about council tax reduction (CTR) – approximately a third of the sample of those who would be likely to be eligible for CTR (about 70% of all respondents) had either applied for it late or were unaware that they were likely to be eligible.

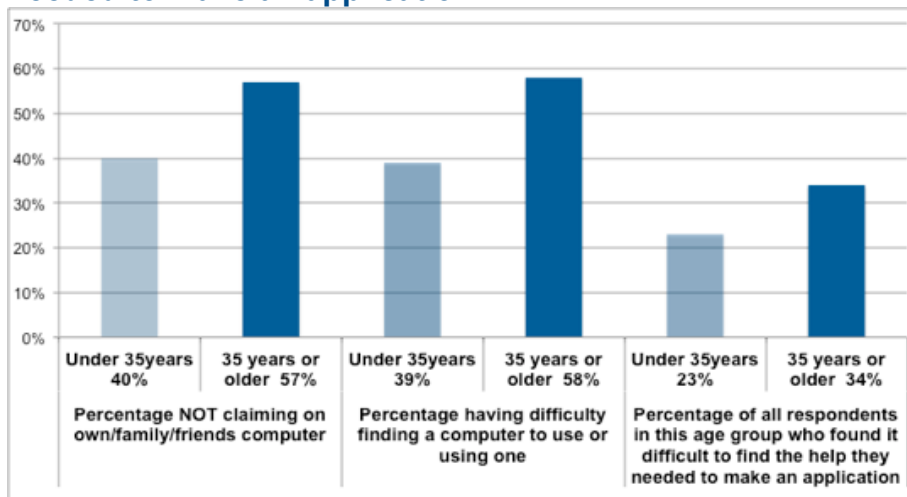
“I got into arrears with council tax as I thought it worked like housing benefit and didn't do anything about it. I applied for it when I got a letter about it.”

Just under half (48%) of respondents identified themselves as having difficulty using a computer or having difficulty finding one they could use. However when this is looked at by age there is a significant difference⁹.

Almost 60% of those aged 35 years old or over identified themselves as having difficulty using a computer or having difficulty finding one they could use. For those under 35 it was about 40%. The percentage not applying online remained the same at about 20% for both age groups and the percentage of those having difficulty applying who were told about an alternative was also around 33% for both groups. This left a larger proportion of the older group having difficulty finding the help they needed

When asked if you needed help to apply for Universal Credit, how easy or difficult was it to find the help you needed:

Percentage of all respondents by age group who found it difficult to find the help they needed to make an application



⁹ Because of the lower numbers there is a confidence level of between +/- 6 to 8 but these results are still significant

This has implications as the rollout continues. As other groups are brought into Universal Credit the average age of claimants will increase and so it is very likely that the proportion of claimants who need help to make their claim will increase.

In a survey of CAB clients¹⁰ who will eventually transfer to Universal Credit two thirds were found to be unable to handle a claim online at initial assessment. It is vital that support to such claimants becomes more effective and consistent.

The patchy identification of these people and the inadequate support offered meant that many of this group had their claim delayed. In some cases the delays were just a few days, but in other cases the delays were for weeks or months. Even a few days delay in making a claim can mean a loss of over a hundred pounds (rent as well as living costs are included in people's benefit), adding to claimants' money problems at a time when they are likely to be struggling financially.

Without professional help most clients struggled to get backdating in situations where it clearly should have been allowed.

Joanne had first tried to make her claim in the jobcentre but the system crashed. She managed to make the claim successfully the next day at the housing association office but despite the fact that she had been in their offices to make the claim the day before and the system had crashed the jobcentre refused to backdate the claim by a day. She lost £20 as a result of a jobcentre problem.

There were a number of problems with the way the current IT system works that caused major delays in making a claim for some of our clients.

✧ Once a problem has occurred with a claim any future online claim appears to be rejected by the system but the claimant is often left not realising they can claim by phone.

Pete made a simple mistake on his original online application for Universal Credit. A JCPlus adviser told him to reapply once his mistake was understood but his online claims kept being rejected because of his previous claim. Eventually he discovered he could apply by telephone but in all it was eight weeks from his original online claim to getting his claim accepted – about £1000 loss of benefit because it included the loss of his rent for that period.

✧ Some claims are accepted by the system and the claimant gets a message saying that their claim has been accepted but then later if a problem occurs all trace of the claim is deleted without any notification to the claimant or a note made on the system

Dave had claimed 12 times online without success. The CAB adviser commented “When he came to our office he **had had no money from Universal Credit for 6 months**. He was only able to manage for this long because he was living at home and had a tax refund from when his last job finished. Every time he applied the system told him that his claim had been accepted and he would be contacted in a few days for an appointment at the jobcentre. Each time he wasn't contacted so he rang them only to be told that there was no trace of his claim on the system and he needed to claim again. He even went into the jobcentre with his computer. It emerged, after he came to a CAB that the date of birth on the JCPlus system was one day wrong. **When the system data matched it didn't correlate so the claim was deleted.** Our client wasn't contacted and there appears to be no record made on the system.”

¹⁰ https://www.citizensadvice.org.uk/Global/Migrated_Documents/corporate/citizens-advice-universal-credit-mmp-final-results---full-report.pdf

- ✧ Complications appear to sometimes arise as to whether a legacy benefit claim or a UC claim is the live claim. This appears to happen particularly when there has been a claim for ESA. There is also an issue about closed claims not being taken off the system.

John had had his initial claim closed because he hadn't attended the interview (he said he hadn't been contacted). He was told to reapply which he did and (as Dave) he was told that his claim had been accepted but no one contacted him. After this **had happened five times** JCPlus realised that his original claim had not been correctly closed. He was refused backdating for the three months Universal Credit he had lost because he had claimed on a public computer so couldn't prove he had made the claims. He survived because he lived with his parents but reported that a couple of months later he is still in debt from that period.

Hopefully these issues will be resolved with the new digital service¹¹ but in the meantime new claimants need to be protected from suffering from these sort of delays.

4 b) The first interview: verifying your claim and signing the claimant commitment

Verifying a claim

Once a claim has been made the client has to attend the jobcentre to take documents to verify their claim and also sign a claimant commitment agreeing to the steps they will undertake to find work. Repeated requests for documents that had already been provided was a major problem creating delays in payment. **More than half (54%) of respondents said they had been asked to provide the same evidence more than once.**

“Received several letters saying I had not provided rental agreement and had to have another appointment with the woman who processed it the first time.”

Poor communication from DWP decision makers as to which documents were required was also a problem.

“.... we took all the details with us and the tenancy agreement, which they scanned in, but they kept sending letters asking for the tenancy agreement - I got 3 letters on the same day saying the same thing one day.” Despite repeated phone calls it was not until the housing element was not included yet again in their third payment of UC (so no help with rent for 3 months) that they were told what was actually needed - the Decision Maker wanted a letter from the landlord saying that the landlord is aware that the tenant's partner has moved in.

Clients were very frustrated that they were not told what was needed in the first place and then when they were told and the evidence was provided very speedily there was a lack of understanding on the part of DWP of the importance for many tenants of not getting into rent arrears – that it put their home at risk. The following client came to a CAB because she had no housing element or child element included in her first payment of Universal Credit.

¹¹ Due to start rolling out nationally in May 2016

Kathy is a single parent. Her CTC and IS stopped when her child reached five years old. A couple of weeks after she made her claim for Universal Credit she applied for and received an advance payment of £200. Even with the advance payment it was difficult to manage financially until her first payment of Universal Credit was due and it didn't enable her to pay anything towards her rent. However when she received the first payment it didn't include anything towards the rent or include support for her child. It was only when she contacted them to ask why she was told that they needed a letter from the housing association landlord. Kathy, who was desperate to get her rent paid, went to her housing association the same day and back to the jobcentre with the letter. However she was told then that she wouldn't be paid the money owing until her next UC payment day in a month's time.

Kathy had never had any rent arrears or council tax arrears. She now faced action being taken against her by the housing association for £500 rent arrears. She also had a final demand letter for council tax owed. (She had been receiving council tax reduction with her Housing Benefit but had not realised that council tax reduction is not included in Universal Credit so had not made a new claim). She had to move temporarily to stay on her mother's sofa, as she couldn't afford to top up the gas and electricity in her own property. She was very distressed at the impact all this was having on her young child.

In some cases the request for information was unreasonable such as the tenant who was asked to provide *'details from the land registry of my landlord's property'*. Or too costly such as the young people living at home with parents who were told that the only acceptable form of ID was a passport or a driving licence.

Verification of housing costs caused most problems. **About 70% of all respondents would be eligible for a housing element. A third of this group had problems providing evidence about their rent (or mortgage).** If verification of housing costs is to remain within DWP then every jobcentre must recruit people with knowledge of the housing stock in the area - the landlords in their area, the multiple occupancy housing in the area etc. Only people with this knowledge can make sensible effective decisions about necessary level of proof without on the one hand risking increasing levels of fraud or on the other asking for a level of proof well beyond what is actually needed. Our evidence indicates that the latter is currently occurring. This however is not without its penalties and not just for the claimants. These demands delay the payment of housing costs and so increase the level of rent arrears with all the repercussions that follow.

Signing the claimant commitment

The claimant commitment that all claimants¹² have to sign agreeing to the steps they will take to find work is meant to be a two way conversation between the jobcoach and the claimant but many claimants told us it didn't feel like that.

Lisa has a six month old baby and a three year old child. She had agreed under pressure to sign a claimant commitment agreeing to look for work 35 hours a week. *Legislation dictates that she should have been under no conditionality to look for work.* The CAB adviser explained this and helped her get her claimant commitment changed but without their intervention Lisa would not have known she could challenge this.

About a third of all respondents identified themselves as having caring responsibilities or a long-term health condition or disability. Of this group over half (57%) reported that their circumstances weren't taken into account when their claimant commitment was drawn up. Many like the client above had felt pushed into signing totally inappropriate claimant

¹² Apart from a very few exceptions

commitments. This could have very serious consequences because if a claimant fails to do what they have agreed in their claimant commitment then they are likely to be sanctioned.

4 c) Getting a claim into payment

Sorting out cases that have gone badly wrong

In the course of this survey we saw some people who had met some very serious administrative problems and as a result had been unable to claim their entitlement for many months. When these clients came to us, our advisers frequently found that there was no effective way of speaking to anyone who could resolve the problem quickly. No one at the local Jobcentre understood what was happening or had any reliable way into the system to find out. The helpline was costly for the claimants to ring and anyway, in these situations, ineffective. In some cases Local Authority staff had also tried but had been unable to reach someone within Universal Credit who had the will or the authority to investigate and break the logjam. This often had devastating results for our clients such as the one described below and was time consuming and expensive for all involved. It is vital that there is a way of addressing this.

Steve was on Universal Credit but then became ill so put in a claim for ESA and was told his Universal Credit claim had closed. He sent his Fit Notes (GP certificate stating unable to work) to ESA as he was told to do so when he put in his application for ESA. Three months later despite repeated efforts by him he had still not received any payments from UC or ESA. He came to a CAB for help because he had been unable to make any progress. It took a further two months of sustained effort on the part of the advisers and repeated visits to the CAB by Steve before the payments were actually made. There were a stream of administrative errors. Of course he got backdating but that does not put right the problems this has created for him. This has all had a devastating effect. The housing association had insisted on going ahead with a Possession Hearing despite knowing that the arrears would be paid back and the judge made a suspended possession order. He is distressed that if he loses his home he will also lose contact with his son because part of the custody battle conditions with his ex- partner stated his son can only stay with Steve at weekends if he has a permanent address. The pressure of the last five months has also led to Steve being diagnosed with depression and prescribed anti-depressants.

Pay as you go phones

Many claimants felt it very unfair that the cost of sorting out DWP errors was falling on them at a time they could least afford it. Whilst 0345 numbers are good for those with a landline or a mobile on a contract, many claimants had 'Pay as you go' phones and they can cost between 10p and 40p a minute for calls to the helpline.¹³ **Some reported having to borrow money to ring the helpline repeatedly to sort out a problem that was not of their making.**

“Very slow in payments, have to ring up regularly to get payments done manually, for example the other day the payment didn't come through and so had to spend the whole day trying to get in touch with them and had to ring every hour to find where the money was.”

“No-one wanted to help sort it - the jobcentre wouldn't do anything - I rang UC and it cost me a fortune and they said I had to ring Inland Revenue - I spent £12 on my mobile but when I eventually spoke to them they couldn't do anything.”

“Can't afford to keep topping up mobile.”

¹³ <http://kenstechtips.com/index.php/special-rate-phone-numbers>,
<http://www.ukcalling.info/whats-happening>,
<http://www.ukcalling.info/cost-calling>

Structural issues that cause delays in payment

The way Universal Credit is calculated gives rise to various issues and anomalies both for those making a new claim and those moving back into work.

A new claim for Universal Credit

Someone who is paid on his or her final day in work and claims Universal Credit the next day will be paid Universal Credit six weeks later. **If they have been paid weekly they will then only have one week's money to get them through the next six weeks. As covered earlier - for the six in ten of our respondents who were previously paid weekly or fortnightly this caused great hardship.**

However, it wasn't only those who were paid weekly who had problems lasting until their first payment. **If the employer delays paying their final wages until after the claim has been made and the Assessment Period has started** (or is late in reporting the payment to HMRC so they record a later date) then this could result in the claimant losing a month's full entitlement - over a thousand pounds for many households. **The claimant will have no income after their final wages are paid for eleven weeks instead of six.**



Jack claimed UC and then got a temporary job. The job came to an end and the employer put this on the system late. This resulted in Jack having an extra month with no income, causing him to get into debt

Claimants who finish work in the middle of a month but don't get paid until the end of the month are likely to have considerable problems.

Claimants who are transferred from other legacy benefits also clearly struggled to manage until they received their first payment.

Sarah had been working on a low income and so had been receiving working tax credit. It was due for payment the day after she made her UC application. She did not realise that her UC application would automatically stop all her tax credits immediately and that she would be better off delaying her UC application by one day. Instead of receiving the tax credits that were due that day – she received no money for a further five weeks. This caused Sarah significant financial problems and stress.

A single parent is transferred to UC when their youngest child reaches five - their Income Support and CTC will be stopped immediately even if a new payment is due. This can leave a single parent with very little money to last the five weeks until the UC is due.

Lisa is a single parent with two children. She contacted the CAB one month after she had claimed Universal Credit. Her last payment of Income Support had been over five weeks ago – she had been told at that point that she would receive no more payments of Income Support because her youngest child had reached his fifth birthday. Her housing benefit and child tax credit had also stopped so her only ongoing income was child benefit of £34 a week. She had just received a letter from her housing association to tell her she was over £300 in arrears with her rent because her housing benefit had stopped. It emerged that having just been coping financially this period had tipped her into a worrying level of other debt because she had been unable to make any payments towards her utility bills, council tax and TV licence. She has no family to support her and she is estranged from the father of her children and unable to get any support from him. She had used her child benefit mainly to top up the gas and electricity and they had managed for food with help from food banks. The school has assisted her with meals for the older child (the younger being automatically entitled).

When she came to us she still had had no letters from Universal Credit telling her when she would be paid but had been told verbally that she would receive her first payment of Universal Credit after a further two weeks. She said she had been given very little information by DWP about what would happen when her youngest child became five. She had been plunged from a position of just coping balancing off payments off a small level of debt to a frightening position when almost all her income stopped, she was worried about how she could feed her children and threatening letters from creditors started to come

Furthermore parents are caught in a gap where they are seen as neither entitled to the legacy benefits or UC. They also **lose entitlement to free school meals just at the point where they face a large gap without benefit**. Parents who had been in work and were struggling to manage for five or six weeks or sometimes much longer also found this gap in entitlement to free school meals extremely difficult. Several parents told us that they had been so worried about their children that despite the acute embarrassment, they, like the parent above, had gone into school to explain the situation and ask if their child could be fed despite them not being able to pay and not being entitled to free school meals.

Moving in and out of work

The problem of late payment by an employer described above affects those who are already on UC and move back into temporary work – if it pushes someone into financial difficulty when the work finishes they won't be entitled to an advance payment.

Other anomalies will mean that some who find work that leads to irregular payments or four weekly payments will find predicting how much they will receive from Universal Credit, and therefore budgeting, very difficult. We saw several people who were paid four weekly – they had been thrown by the sudden loss of UC one month. They hadn't realised or been warned that despite UC payments being at the same time each month and for the same amount there would be one month in the year when it would be different - there would be no (or a very small) UC payment. As there are 13 wage payments in a year there will be one Assessment Period where there are two wage payments - one at the beginning and one four weeks later at the end.

A similar issue will mean that **employers who for one month pay wages slightly early (for example at Christmas) could lose their employees significant amounts of money at a time when they need it most.** If both wages fall in one Assessment Period in December then the amount of UC they receive in early January will be very reduced. The next month they will receive a higher amount of UC than usual but the combination of UC for January and February will be lower than they would normally receive in two months because they are only getting the advantage of one work allowance not two. **A couple with children and a mortgage could lose £397 Universal Credit because they are paid a day or so earlier than usual.** Moreover it is likely to throw carefully worked out budgeting into chaos if the money is not there to pay direct debits in early January.

Carol received her Christmas wages later than usual so her December and January wages were in the same Assessment Period. As a result they got a shock when they received just 1p in February. They lost out on their Work Allowance for December so did actually lose some money. However the key issue for them was the sudden shock of realising that even though her earnings had continued to be paid in a fairly regular way – their Universal Credit was not – they received full UC in early January and then 1p in February.

These structural issues need addressing or they risk acting as a serious disincentive to taking on temporary work or work with irregular payments.

Advance payments

Advance payments are often cited by DWP as an answer to some of these problems but they have significant drawbacks. **When asked about advance payments, 58% of respondents to our survey said they were not told about them by JCPlus.** Many people had learned about them too late because there is a policy decision that advance payments should not be awarded if it is more than 21 days since the date the claim was made. **Those who were struggling because they didn't get a full payment of UC after five weeks had no way of applying in time.** Just under half of respondents to our survey had received an advance payment but it frequently didn't significantly improve their situation as it only covers half of entitlement. Often it doesn't even cover the rent due or, if it is used to live off, means that rent arrears build.

Helen lives with her daughter in privately rented accommodation. She had been self employed but her income had shrunk and she had lived off her savings for several months until she could no longer manage – she claimed UC and asked for an advance payment – it didn't even cover the rent for the month so she had to borrow to pay the rest of the rent as she was very anxious not to lose the tenancy – she and her daughter were left with nothing to eat. She commented “I was told about an advance payment and told I could have up to £300..... This didn't really help me day to day as it all went in rent.”

Moreover it has to be paid back over the next few months – if someone has six months to pay it back that means they are having to make six months support for living costs and rent last for seven months. In that situation paying off debts and arrears that have built up becomes very difficult.

The potential scale of the problems

Across the Citizens Advice network we help over 600,000 clients with benefit and tax credit problems each year. It is early days in the Universal Credit rollout, focused on more simple cases, new to benefit, predominantly in the North West. The experience of our advisers is that when Universal Credit is first rolling out in an area there are few problems. However in those areas where there are large numbers of claimants on UC the numbers seeking help from Citizens Advice with problems with the delivery of Universal Credit rise substantially. Our analysis suggests that, based on these early trends, we could see an additional 300,000 clients across the transition. This could be significantly less should problems be resolved or significantly more should problems persist and should clients with more complex needs require additional support. This obviously has serious implications for many claimants. Problems on such a scale would also have implications for Citizens Advice and other advice agencies.

The delays in payments caused by these problems are already leading to a higher level of rent arrears accruing, causing problems for Local Authorities and housing associations. According to a National Housing Federation survey of 25 housing associations in May 2015¹⁴ about one third of universal credit claimants were on an 'alternative payment arrangement' – an arrangement to pay rent direct to the landlord if the tenant is in arrears. Advisers are also reporting that UC clients whether with a social or private landlord are more likely to be facing court hearings for arrears than clients in the legacy system.

Lack of a smooth system for passing on claims for council tax reduction from Universal Credit to the Local Authority will lead to levels of council tax arrears climbing steeply. About a third of respondents who were responsible for paying council tax either hadn't realised that they were entitled to claim council tax reduction (CTR) or had claimed it later than their UC application. Several people commented that their claim wasn't made until they got a letter from the council telling them they had arrears of council tax. Under the current system a claim for HB and CTR is automatically passed on when a claim for JSA is made. If this lack of understanding of the need to claim council tax reduction separately when unemployed is mirrored throughout all claimants in the UC system then this could lead to additional council tax arrears running into many millions of pounds¹⁵ owed to Local Authorities once Universal Credit is fully rolled out.

The issues in this report also have resource implications for DWP in increased calls to the helpline and other administrative costs. Just to take a small example; the vast majority of those who seek help from Citizens Advice will have first made several calls to the DWP helpline to try and resolve their problem – some will have made dozens. Once fully rolled out, if these issues aren't tackled, that would be a wasted cost to DWP of more than a million unnecessary calls to the helpline just by those who subsequently have to seek advice from Citizens Advice to resolve the problem.

Perhaps most telling, these problems detract from what DWP would like the claimant to focus on during the first couple of months of their claim and frustrate the aims of Universal Credit because claimants are forced into focussing on getting their benefit income into payment, finding food for their families and negotiating late payments of bills with their landlords and others instead of looking for work.

¹⁴ <http://www.insidehousing.co.uk/policy/welfare-reform/universal-credit/landlord-payments-for-one-in-three-claimants/7010930.article#comments>

¹⁵ If one million new claimants not in fulltime work are unaware for an average of two months that they are entitled to CTR averaging £10 a week this would lead to arrears of £100 million pounds

Tackling the issues

Many of the administrative issues highlighted in this report are about inconsistency of approach from jobcentre staff. Most of these and some of the structural anomalies could be tackled through targeted training of staff and communications with the claimant. However **if a policy solution can be found that should be pursued to limit as much as possible the impact of human error.**

For example, some of the structural anomalies, such as the one referred to above about people making a claim before their last wage has been paid, could be partially addressed by communications to claimants and training for jobcoaches; however for new claims, a fairer, more equitable and much simpler solution for claimant and jobcoach would be to treat all final payments of wages as having been made on the last day of employment. Some of the structural anomalies however, such as the problems of early payment of wages at Christmas can only be tackled by small policy changes. These changes would not affect the overall policy framework of Assessment Periods within UC.

Our recommendations are based on what we understand to be the policy intent of Universal Credit - a system where people understand what they have to do to claim Universal Credit and are able to do it quickly and easily, understand what they will be paid and when, and are able to rely on receiving payment in a timely fashion.

Conclusion

Universal Credit has the potential to simplify the benefits system. However our research has identified some problems with the early roll-out. The key issue was how difficult people find it to manage the five, six, or more weeks wait until receiving their first Universal Credit payment. But we identified important problems at other stages of the claimant journey too. These ranged from delays in finding out what to claim and making one, to delays caused by problems with the process of verifying evidence. Sorting out these problems proved also to be a problem in its own right, for claimants and for advisers, as there often seemed to be no effective route or contact for dealing with them. There are also some anomalies with the way Universal Credit is structured that, for some, can lead to further delays in payment and sudden unpredictable changes in income.

These issues are having a major impact on some claimants' lives, creating hardship and stress, pushing some people into debt and acting counter to the aim of supporting people's journey into work. They are also adding to the workload of Citizens Advice, Local Authorities and DWP. If problems on the scale we have uncovered are not addressed the consequences for claimants, many of whom are in situations that make them vulnerable, will be severe, the administrative burden will be high, and Universal Credit will not achieve its aims.

Recommendations

The recommendations set out below are ordered by the different stages in the claimant journey.

Identifying entitlement

1. A chart setting out criteria for entitlement to claim UC should be readily available and visible in every JCPlus office, Benefits Delivery Centre and Local Authority office and on DWP and Local Authority websites as a point of reference for claimants and staff. It is important that it is adapted to the circumstances of the area and kept updated.

Council tax reduction

2. The Universal Credit claim should include a question asking if the person also wants to claim council tax reduction (CTR) – if they do then the date of the claim for UC should be taken as the date of the claim for CTR and their details automatically passed on to the Local Authority so there is no need for a separate application or verification

Delays in making a claim

3. a) Decision makers guidance makes clear that if someone contacts a jobcentre to make a claim but is unable to make an online claim unaided and have to be referred for an appointment with a JCPlus adviser at a later date to assist with the claim then the date of claim should be the date they first made contact with JCPlus to apply for Universal Credit. This would apply as long as the gap between first contact and making the claim is not reasonably avoidable. Guidance should make clear that those who are referred to another agency such as Citizens Advice for assistance or to access a computer should be treated in the same way.

b) Training is necessary to ensure that those who will have difficulty making their claim are reliably identified.

Notification of claims that fail

4. a) When a claim to Universal Credit is initially accepted as successful but then further checks mean it will be refused, the system must be programmed to inform the claimant (by letter or email) that their application has not been successful and why.

b) If an online claim is rejected the final page should give the helpline number and say that if they don't understand why they have been refused they can ring the helpline and if they are eligible a claim can be taken by phone

Decision making and verification of evidence

5. a) DWP needs urgently to improve their HB law expertise and training.

b) Every jobcentre needs to recruit people with extensive knowledge of the housing stock in the area so sensible decisions can be made at a local level about the necessary level of proof necessary to verify an individual's housing costs. Any decision about requiring any proof of costs above the standard rent agreement must be made by or in conjunction with this person. Whenever possible this decision should be made at the time of the first meeting with the claimant.

c) DWP should publish clear standards for verification of claims, and these standards should not be higher than in legacy benefits. They should make clear that photo ID is not essential.

d) Training for jobcoaches should emphasise that no one should be left with the impression that photo ID is essential.

e) A receipt with a reference number should be given to a claimant stating which documents have been scanned into the system. Repeated requests for the same documents should lead to compensation for the claimant. Guidance and training needs to make very clear where on the system documents should be stored.

The claimant commitment

6. Claimant commitments should explicitly state whether the claimant when asked, declared that they were disabled or had a long-term health condition or had caring responsibilities. If they answer 'yes' to any of the above then there needs to be an account within the claimant commitment of any necessary 'reasonable adjustments' or how caring responsibilities have been taken into account. If the adviser disagrees with the claimant about what adjustments are required then the claimant must be given the opportunity to seek evidence.

Treatment of earnings

7. In order to prevent some of the structural anomalies that mean some people are unfairly financially penalised:
- a) For new claims - any money paid by an employer after the person ceases to be employed should be treated as having been paid on the last day of employment.
 - b) Any wages paid by an employer earlier than the 'usual payday' (eg paid early for Christmas) should be treated as having been paid on the 'usual payday'
 - c) Averaging of income should be allowed for those for those whose wages are paid every four weeks and for those receiving irregular payments in work or self-employment.
 - d) If averaging of income isn't possible then jobcoaches need to be trained to explain to claimants the implications for UC payments of four weekly payments of earnings and other irregular patterns of earnings
 - e) In the longer term the Government needs to work with employers to explain the problems that different payment structures such as four weekly payment of wages creates for those on UC but in the meantime claimants should not be penalised

Moving from a legacy benefit

8. a) When someone transitions from a legacy benefit to Universal Credit they should not be transferred until a day after the next payment of the legacy benefit is due.
- b) Consideration should be given to creating a run-on to cover the gap in entitlement. (Four week run-ons occur in legacy benefits when someone enters work – this is no longer necessary as UC is paid five weeks in arrears but the need for this has been transferred to the client in the five week gap in payment during the transfer to Universal Credit).
- c) Regardless of whether legacy benefits are run on, where someone is entitled to 'passport benefits' such as free school meals on a legacy benefit and will also be entitled on Universal Credit there must be a run on of the 'passport benefits' so there is no gap in entitlement during the transfer to Universal Credit.

Accessing passported benefits whilst waiting for the first payment

9. Once a claim has been accepted and evidence provided to verify their claim a letter should be issued saying that a claim for Universal Credit has been accepted. Proactive communications with those who provide passported benefits will be necessary to ensure they understand how to recognise entitlement on UC.

Advance payments

10. The amount available should be need-based and not linked to when the claim was made. Repayments should be set at affordable levels that do not compromise ability to meet essential living costs. There should be a proactive discussion with the claimant about whether they have sufficient funds to meet housing costs and basic living costs before their first payment. If not, then an application for an advance payment should be discussed. Many of our other recommendations will reduce the need for an advance payment.

Resolving cases that have gone badly wrong

11. There needs to be a Universal Credit claimants' champion team within Universal Credit. Members of this team would have the authority to look at difficult cases as a whole and take responsibility for sorting them.

Each Benefits Delivery Centre (BDC) and each JCPlus office should have at least one person who has been trained in Universal Credit and has the authority to contact the UC claimants' champion team when there is a serious problem.

Qualified advisers should be given the contact details of the UC expert within the BDC and JCPlus local office. If a case is referred to the Universal Credit claimants' champion team then contact details of the member of the team who is dealing with their case should be given to the adviser who has referred the case.

When claimants approach staff in jobcentres or on the helpline describing serious problems, JCPlus advisers whether in a jobcentre or on the helpline must ensure the claimant is passed on to someone who can take ownership of the problem. Backdating, or compensation when out of time for backdating, should be automatic in these situations.

Contacting the helpline

12. The helpline should be a 0800 number. Call back should be offered. There should be telephones with direct link to the UC helpline in every jobcentre.

For further information on this report please contact Sue Royston
researchandcampaigns@cravenandharrogatecab.cabnet.org.uk