

Written Submission from Toynbee Hall

1 Introduction

1.1 Toynbee Hall has worked on the frontline in the struggle against poverty for 130 years. Based in the East End of London, we give some of the UK's most deprived communities a voice, providing access to free advice and support and working together to tackle social injustice. Toynbee Hall's advice services help over 13,000 people a year.

1.2 We are the lead contract agency for Capitalise, the Money Advice Service funded face to face debt advice provision for London. Toynbee Hall also works with MacMillan Cancer Support to provide a free benefits advice service to people affected by cancer living in East London.

1.3 Through our Financial Health Exchange, we manage a cross-sectoral network of over 500 individuals and organisations with the aim of achieving a financially fair and healthy society. Our network includes representatives from the housing, advice and local government sectors from across the whole of the UK.

1.4 Drawing on the input of this extensive network of frontline service providers, this submission will highlight key problems in the rollout of Universal Credit, and outline Toynbee Hall's recommendations. We address the committee's questions on the impact of UC's initial waiting period, on the monthly payment process made in arrears and address how claimants could benefit from greater payment flexibility. We also discuss the implications of the transition to a full digital service.

1.5 However, we believe that the committee's questions do not address some of the most important issues with UC, namely the problems arising from conditionality agreements, and the discretionary nature of conditions and sanctions. Furthermore, as an advice provider we must address Universal Credit's "explicit consent" approach for advisers and representatives, which has ramifications for how effectively we can help vulnerable people in dealing with all other problems associated with Universal Credit.

2 How long are people waiting for their Universal Credit claim to be processed, and what impact is this having on them?

2.1 Many claimants do not have the savings to hold them over for the in-built 6 – 7 week waiting period. The government justifies this waiting period as reflecting the fact that the majority of people leaving jobs will be granted one month's salary. This does not apply to people transitioning onto UC from the previous benefits system, nor does it apply to people moving from a weekly or fortnightly wage. Without a savings "buffer", clients are unable to meet important financial commitments such as rent and bills while waiting for their claim to be awarded. Additionally, many families who previously received tax credits have seen their income significantly reduced under Universal Credit, and often only have their Child Benefit to live on.

2.2 As a result of these circumstances, households often have to borrow money – usually high cost credit - to get by. Financial Health Exchange members report that claimants are forced to rely on foodbanks and borrowing from family and friends. Debt advisers in our Capitalise network also confirm that the waiting period is driving many people to payday lenders and into deep debt.

2.3 The initial waiting period is also pushing a high proportion of claimants into rent arrears. One housing association in the Financial Health Exchange network informed us that 80% of their tenants on Universal Credit have fallen into rent arrears. This reflects patterns recorded elsewhere, such as in the 2016 NFA & ARCH Welfare Reform Survey, which found that across 33 surveyed housing organisations 85% of tenants claiming UC were in arrears compared to 39% overall¹.

2.4 We are concerned by reports that claimants are not being made aware of advance payments available. Some clients do apply for advance payments, but take up of this is much lower than expected due to lack of awareness.

We recommend that advance payments should be offered as a default to new claimants, on an opt-out basis. Great care must be taken to ensure claimants are informed that the payment is a loan and understands that repayments will be taken from subsequent UC payments.

3 How are claimants managing with being paid Universal Credit monthly in arrears?

3.1 The government's insistence that Universal Credit payments should be made on a monthly basis fails to reflect the realities of the world of work in general, and particularly the world our clients and many UC claimants navigate. As reported by the Social Market Foundation in 2012, 42% of those in the lowest two income quintiles are paid weekly and only 51% of those earning under £10,000 a year receive their earnings monthly².

3.2 Our stakeholders report that claimants tend to struggle with the transition to monthly payments if they were previously receiving benefits and if they are moving from a fortnightly or weekly salary. This is compounded by effects of the initial waiting period which mean the majority of claimants are already having to deal with repaying debt as they adjust to managing their new budget.

3.3 Additionally, paying UC in arrears does not reflect the fact that rent is generally paid in advance, which leads to a mismatch between rent payments and UC payment. It can take several months for a claimant to adjust to the new payment system and almost inevitably leads to the build-up of rent arrears in the initial months of moving onto UC.

4 Would certain groups benefit from greater payment process flexibility and, if so, what might the Government do to facilitate it?

4.1 We believe that widespread evidence of detriment to UC claimants indicates that there are large numbers of people who would benefit from greater payment process flexibility. However, we see evidence that current provisions for protecting financially vulnerable claimants are not being employed accurately.

¹ 2016 NFA & ARCH Welfare Reform Survey Findings, January 2017

² Sink or Swim? The impact of the Universal Credit, September 2012

<http://www.smf.co.uk/publications/sink-or-swim-the-impact-of-the-universal-credit/>

4.2 The guidance for Personal Budgeting Support and Alternative Payment Arrangements states that APAs can be considered for claimants who cannot manage the single monthly payment, and where as a result there is a risk of financial harm to the claimant and/or their family³. The decision should also take into account whether the claimant thinks they will be able to manage a monthly budget.

4.3 While we welcome the fact that there are provisions for claimants with different financial needs that take into account the views of the claimant, the guidelines are clearly not being properly carried out in practice. The mounting evidence of UC claimants in severe debt demonstrates that significant numbers of people who are not able to manage a monthly budget and who are at risk of financial harm are not being adequately considered for APAs.

4.4 Our evidence suggests that work coaches have not had adequate training to enable them to adequately raise awareness of this option and accurately identify those who might be at risk of financial harm. We question whether pressure around targets is also making it more difficult to provide this support. Furthermore, the guidance on Alternative Payment Arrangements is vague enough to leave room for misinterpretation or misapplication.

We recommend more comprehensive training and clearer guidance for work coaches on how to identify claimants at risk of financial harm. Work coaches should raise awareness of the option for APAs and empower claimants to take up the option when it would benefit them.

5 Has Universal Credit improved the accuracy of payments?

5.1 Financial Health Exchange members have explained that it has been difficult to determine whether payments are accurate due to the opacity of UC payments. Letters to claimants show a single consolidated amount (known as the UC award) rather than detailing the different elements and individual amounts awarded. Therefore, it can be difficult to assess whether or not the claimant has received the correct payment they are entitled to.

5.2 Our members have also reported increasing problems with payments when claimants are in work. It sometimes occurs that the date on which an employer reports a claimant's wage to HMRC falls on the UC assessment date. This can cause the system to report double income one month and none for the next month. Due to the way UC is calculated, this results in a significant amount of lost income across the two months. This also creates the impression that the claimant has not met the conditions of their entitlement, which can result in sanctions. For similar reasons we have seen that UC is not reactive to circumstances where claimants receive advances in their pay.

6 What impact has the introduction of full Universal Credit service had in areas where it has replaced the live service?

³ Personal Budgeting Support and Alternative Payment Arrangements: Guidance, April 2016
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/541512/pbs-and-apa-guidance.pdf

6.1 The requirement of the full UC service that claims must be managed through an online “personal journal” is having a severe impact those who cannot easily access the internet. As the claims process is managed entirely online, those who do not have regular access to the internet can miss important communications which causes delays to the process or stops the claim altogether. The full UC service disadvantages disabled and vulnerable claimants in particular, who often see their claims delayed or denied because they cannot manage the online service.

6.2 Furthermore, UC guidance which states that claimants can access their local Job Centre for help is not being applied effectively in practice. We have evidence of claimants who have difficulty using the internet to manage their account enquiring for help at the Jobcentre and being turned away and told to follow up online. Members in our network report a lack of support for claimants transitioning to the online system in general.

Case Study 1

Bob is 62 and lives alone. He suffers from a chronic spinal injury and finds it difficult to travel. He has been assessed as having a limited capacity for work related activity and previously received ESA and DLA.*

In July 2016, Bob attended a Work Capability Assessment; he was deemed fit for work and his ESA was stopped. He was told to apply for UC online. He has never used a computer before and has no computer access at home.

Bob sought help from an adviser who created an email account and applied for UC on his behalf. As Bob has never accessed the internet he was unaware he needed to book an appointment online with the Job Centre and his claim was closed. With the help of an adviser he then had to re-apply and arrange the appointment in August, asking UC to backdate his application to July when his ESA was stopped - this was refused.

After a mandatory reconsideration in December, UC agreed to backdate Bob’s claim to the end of July but stated he would not receive a lump sum payment. UC incorrectly claimed that moving Bob’s payment date forward without adjusting the amount would pay for the backdated work capability element of his UC. UC made a further mistake enacting this and actually delayed Bob’s payment by two weeks. During this period Bob had no income for 6 weeks.

After numerous phone calls to UC, which Bob was required to be present for, in January UC corrected their decision and awarded Bob a one-off payment to cover the backdated claim. However, this payment was not made until mid-March 2017.

Bob had to contact advisers in order to log into his account and continuously travel long distances to be present when advisers had to call UC as UC did not recognise implicit consent. Advisers repeatedly made UC aware of the difficulty this caused Bob due to his spinal injury, but were told he must be physically present to give consent. Advisers were not informed that explicit consent could be given by a three-way telephone conversation. He has received no support from the DWP on how to use a computer and how to get online.

We recommend that support for managing the Universal Credit claims online needs to be mandatory if a claimant asks for help in person, or efforts must be made to refer them to local agencies for online support. Alternative ways of managing the claim need to be investigated for disabled claimants, in order to prevent vulnerable claimants from suffering extreme financial harm.

6.3 Financial Health Exchange members have also raised concerns that the online application process requires the claimant to enter bank account details in order to submit the claim. However, some claimants do not have a bank account at the point of submitting a claim because they require proof of their UC income to provide the bank with sufficient ID and address verification documentation in order to be able to open an account. This causes a circular barrier to either submitting a UC claim or opening a bank account.

We recommend that the requirement to provide bank account details in order to submit a Universal Credit claim should be amended to enable claimants to present their account details at a later stage.

7 Conditionality and discretion

7.1 Our advisers identify problems with the conditionality agreements claimants must agree to in order to receive UC and to avoid sanctions. The discretionary nature of decision-making in relation to these conditions is resulting in inconsistent decisions and sometimes causing significant detriment. Because claimants cannot appeal these conditions, they may be required to agree to work conditions that they cannot meet in order to start receiving payments.

7.2 In particular, the discretionary nature of conditionality agreements creates the potential for significant harm to claimants waiting for Work Capability Assessments. Under regulations for ESA claimants, a person presenting a medical certificate was provisionally recognised as being unfit for work until the results of their assessment could be confirmed. Under UC, the decision to release a claimant from the conditions of their entitlement is at the discretion of the work coach, who may not be adequately qualified to assess such matters. Without regulatory protection, vulnerable people with limited capacity for work or work-related activities can be held to commitments they do not have the capability to meet in order to receive their payments. The following case study illustrates the problem with such discretionary policies and their guidelines:

Case Study 2

Jane is married with daughters aged 7, 9 and 23. They all live together in a 3 bed flat. She has limited English and suffers from several spinal diseases, depression and anxiety and receives PIP.*

The eldest child is currently at university full-time and recently found part-time employment working weekends. She informed housing benefit of her new employment and this stopped all household benefits.

Jane immediately applied for UC and has been told to seek work whilst waiting for her Work Capability Assessment which could be up to 7 months. As a result, her anxiety has increased and she is very distressed as her health condition means she may not be able to attend the Job Centre as often as her UC conditions require.

We recommend that there should be regulatory protections in place which allow people with limited capacity for work or work-related activities to be exempt from the requirements to seek work and attend work-related activity while waiting for the results of their Work Capability Assessment.

8 Explicit consent

8.1 The “explicit consent” approach employed in Universal Credit has created barriers to advisers helping vulnerable, disabled, and terminally ill clients dealing with the new system. This system is impractical for disabled claimants who cannot attend advice clinics, and intensifies the problems associated with the UC full digital service, as it hinders advisers’ ability to assist clients with poor digital skills. Requiring advisers to arrange and conduct three-way telephone conversations will also hinder their ability to help these clients, particularly given that these appointments themselves require explicit consent to arrange.

8.2 Additionally, our advisers have reported that DWP staff appear unaware of the new rules around explicit consent. In the first case study listed above, our adviser repeatedly told DWP staff that it was not reasonable to require a disabled client to travel to meetings every time the adviser needed to work on the claim. Staff did not inform our adviser that a three-way telephone conversation could be arranged and repeatedly insisted claimants must be physically present with their representatives to give consent.

8.3 A particular example of the problems that can be caused by explicit consent regards cases where the client has been diagnosed with a terminal illness. Under a system of implicit consent, MacMillan advisers are invested to help people with cancer access all the benefits they are entitled to, without being required to update the client on all their specific actions. This is crucial where clients have specifically requested not to be informed of their prognosis. For example, a support and advice worker may need to process a DS1500 form on behalf of a client. A DS1500 is a form completed by a consultant if a patient’s death can “reasonably be expected” in the next six months, and enables the patient to claim additional benefits. Under a system of explicit consent an adviser will be compelled to go against the wishes of their client and reveal their terminal prognosis in order to process the claim.

8.4 The Secretary of State for Work and Pensions delivered a written statement on the 13 March in which he announced that the implicit consent approach employed in all other DWP benefits would be extended to MPs representing the interests of their constituents regarding Universal Credit⁴. The Minister recognised the clear need for MPs to have constant access to the Universal

⁴ Universal Credit: Written statement - HCWS528, 13 March 2017
<http://www.parliament.uk/business/publications/written-questions-answers-statements/written-statement/Commons/2017-03-13/HCWS528/>

Credit system in order to help their constituents. We believe it is equally clear that advisers need the same access to be able to properly represent the interests of their clients.

We recommend that Universal Credit should follow the model of other DWP benefits and use a system of implied consent for advisers and representatives.