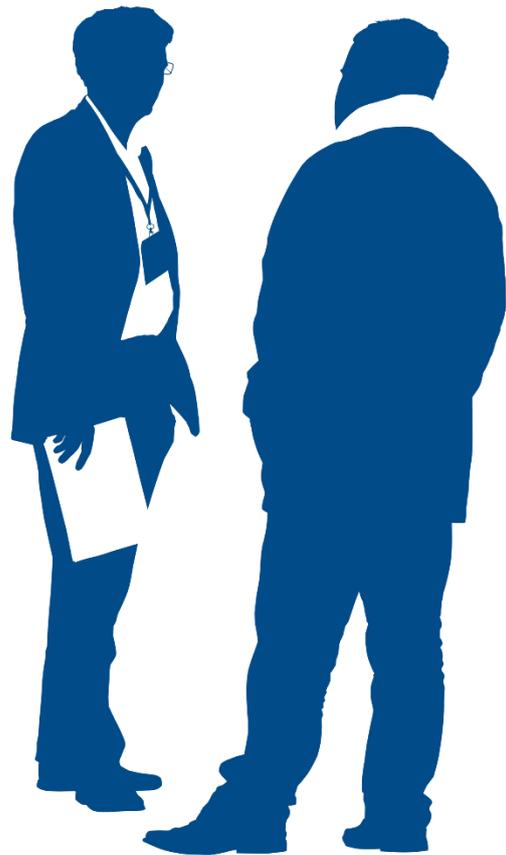


# Impact of claiming Universal Credit.

Examining the barriers in claiming Universal Credit and the effect on Claimants' finances during the 5-week wait for their first Universal Credit payment.



**Neil Duffy, on behalf of the Northumberland**

**Tyne and Wear Research and Campaigns**

**Cluster Group – November 2019**

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## **Acknowledgements**

This research would not have been possible without the efforts of volunteers and advisers across the regions local Citizens Advice Offices.

I would like to thank in particular the staff and volunteers from Northumberland, Newcastle, Gateshead, South Tyneside, County Durham and Sunderland Citizens Advice, with particular thanks to those coordinating the research and campaigns work within their local offices for all the help in ensuring the viability of this project.

## Summary

Universal Credit was introduced in 2013 and is the largest and biggest change to the welfare system undertaken since its inception after World War Two. Its aim is to bring together six different benefits into one single, monthly payment. By the time rollout is finished in 2023, around 7 million families will be in receipt of the new benefit, with over half of these families having at least one member of the household in work. The aim of Universal Credit is hugely ambitious; it sought to simplify a complicated benefit system that involved a complex array of different benefits, claiming processes and criteria.

Universal Credit is designed to be a single household payment, which includes housing costs and is paid monthly in arrears. The first payment of Universal Credit is paid 5-weeks after a claimant completes their application. It uses real time information from HMRC to respond to changes in a claimant's income and reduces the Universal Credit payment as their earnings increase. The benefits that Universal Credit replaces are:

- Income Based Jobseeker's Allowance
- Income Support
- Child Tax Credit
- Working Tax Credit
- Housing Benefit
- Income Base Employment and Support Allowance



Collectively, these are known as 'legacy' benefits. A person can go onto Universal Credit by either migrating from 'legacy' benefits, which occurs through a change in circumstance, such as moving address, a partner moving into the property or a change in job with anybody claiming working-age benefits for the first time claiming Universal Credit as standard.

Citizens Advice support the aims and principles of Universal Credit to simplify the benefits system. However, the claims process and its implementation, along with other welfare reforms have led to a significant impact on a claimant's ability to manage their finances.

Citizens Advice is often the destination for the many people who struggle with Universal Credit. In the North East, the Citizens Advice service advised over 11,000 people with Universal Credit related issues in the last year. These issues included making an initial claim, maladministration, dealing with deductions and providing evidence such as childcare and housing costs, amongst many others.

In April 2019, Citizens Advice, through funding provided by the Department for Work and Pensions launched a new “Help to Claim” service to support people in applying for Universal Credit. Through this service, clients get support from the point they are required to fill out an application until they receive their first payment. The help that the service provides is tailored to the individual and is available face-to-face, over the phone and online through webchat.

Our evidence shows that many people who are on Universal Credit struggle to manage their money or cover essential costs, particularly during the 5-week wait for their first payment. Whether making a new claim for Universal Credit or migrating from ‘legacy’ benefits, the trigger for making a claim is often a disruptive change of circumstances, such as losing a job or breaking up with a partner. Therefore, getting the support and timescales correct between making an application for Universal Credit and the claimant receiving their first payment is crucial to the success of Universal Credit and reducing the financial impact upon claimants.

The research undertaken in this report intends to explore in more detail how claimants who sought advice from ourselves paid for essential living costs during their 5-week wait for their first payment. The evidence for this research was gathered through surveys, case studies and the experiences of advisers from local Citizens Advice offices across the Northumberland, Tyne and Wear Research and Campaigns Cluster Group.

### ***Northumberland, Tyne and Wear Research and Campaigns Cluster Group***

Citizens Advice offices across the North East (Northumberland, Newcastle, North Tyneside, Gateshead, South Tyneside, Sunderland and County Durham) have had a long and successful history of local and national research and campaigns work. Those undertaking this work in local offices meet regularly in a Cluster Group to share the work, best practice and success they have had locally. However, we knew

that by working closer together on a joint piece of work we could amplify our voice and provide a stronger case for change.

With the introduction of the “Help to Claim” service across the Citizens Advice network, it provided a unique opportunity to undertake joint research as it was a service that began at the same time and across all offices in the region. After initial discussions, the Cluster Group agreed that because of the nature of the “Help to Claim” service, researching the impact upon our clients during the 5-week wait for their first Universal Credit payment was an achievable (considering the capacity of each individual office) and salient issue that impacted our clients across the region.

With consideration of resources and capacity, the following Citizens Advice offices agreed to take part in this research, Newcastle, Northumberland, Gateshead, South Tyneside, Sunderland and County Durham with Neil Duffy, the Research and Campaigns Officer at Citizens Advice Newcastle providing support and coordination for the research across the local offices.

### ***Outline of Report***

In this report, we use our evidence and insight from helping thousands of clients claiming Universal Credit in the North-East to set out some of the problems that clients experience in claiming Universal Credit. The report will focus on how clients pay for essential bills during the 5-week wait for their first payment. It will also compare any differences claimants who are migrating from ‘legacy’ benefits face compared to those making a new claim for Universal Credit before making recommendations based on the evidence gathered.

## Research Method

The aim of this research was to understand how clients approaching Citizens Advice through the “Help to Claim” service budgeted during their 5-week wait for their first Universal Credit payment. In order to do this, we used a range of quantitative and qualitative research methods.

Quantitative data was gathered from clients we helped to claim Universal Credit from Citizens Advice offices within the Northumberland, Tyne and Wear Research and Campaigns Cluster Group, these include Northumberland, Newcastle, Gateshead, County Durham, South Tyneside and Sunderland. It looked at:

- Analysing existing client data from our “Help to Claim” recording tool.
- Surveying clients who sought advice through our “Help to Claim” service.

Our “Help to Claim” recording tool collects in depth data on demographics, issues clients sought advice on and household composition. For this report, we analysed data from the 2,427 Universal Credit “Help to Claim” clients we advised face-to-face between April and August 2019.

We completed two surveys with clients who sought advice through the “Help to Claim” service. The first survey was completed whilst they made their initial claim and was completed by 233 clients. It asked what barriers a client had in claiming Universal Credit, how they expected to pay for essential bills during the 5-week wait for their first payment, what would make budgeting easier and if they were migrating from ‘legacy’ benefits or not.

62 clients then completed the second survey after they had received their first Universal Credit payment. It asked if they received the amount they expected, if they had any unexpected deduction from their payment, how they actually paid for essential bills during their 5-week wait for Universal Credit and whether they were migrating from ‘legacy’ benefits or a new benefit claimant.

Qualitative research involved looking at the cases advisers had highlighted throughout the period as illustrative examples of the issues clients had experienced whilst making the initial claim for Universal Credit and receiving their first payment.

## **“Help to Claim” in the North East.**

### ***Why is Universal Credit different from the benefits it replaces?***

As mentioned, Universal Credit represents the biggest and most radical change to the welfare system since its inception after the Second World War. It brings together six benefits that are often referred to as ‘legacy’ benefits, into one single monthly payment. The rollout is planned to be ongoing until 2023 and it is expected that once complete, over 7 million families will receive Universal Credit, representing nearly 3 in 10 working age households.

The main differences between Universal Credit and ‘legacy’ benefits include:

- 5-week wait for first Universal Credit payment, compared to two weeks for ‘legacy’ benefits. Those migrating from ‘legacy’ benefits also receive a 2-week run-on of Housing Benefit after submitting their claim for Universal Credit.
- Universal Credit claims are made and managed online, rather than on paper or over the phone.
- Universal Credit is paid once per month, on the same date each month, compared to fortnightly for most ‘legacy’ benefits.
- Although Universal Credit is made up of different elements, it is paid as one single monthly amount in arrears.
- For the majority of claimants, housing costs are paid to the claimants, compared with ‘legacy’ benefits where it paid directly to the landlord.
- Up to 30% of the Standard Allowance of a Universal Credit claim can be deducted (i.e. £95.34 for a single person over 25 and £75.30 for a single person under 25)<sup>1</sup>, this is compared to 25% for those on ‘legacy’ benefits.
- Advance Payments are available for Universal Credit claimants to help through the 5-week wait for their first payment. The amount represents upto 100% of their expected monthly payment, is a loan and is paid back over 12 months.

From our experience, these differences often make budgeting more difficult, especially for those migrating from ‘legacy’ benefits compared to those making a

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<sup>1</sup> Claimants who are single and under the age of 25 receive £251.77 Standard Allowance of Universal Credit per month, compared to £317.82 for a single person over the age of 25.

new claim for benefit. They often have less income or savings to draw upon and their claim is more likely to be triggered by a costly change in circumstance such as moving house or splitting from a partner, deepening the financial impact.

### ***Regional Context for the research***

As Citizens Advice has already reported<sup>2</sup>, there have been some welcome policy changes and improvements to Universal Credit, but too many people are still struggling to manage their money using means available to them through the benefit itself, such as an Advance Payment. Our evidence has shown that many of the clients who sought advice through our service needed additional support to pay for essential bills. This included, borrowing from friends and family, using a foodbank, borrowing from another lender or simply falling into arrears on both priority and non-priority bills.

Our research therefore focuses on the support claimants draw upon during the 5-week wait for their first payment of Universal Credit. In order to understand this in more detail I have added a brief overview of the regional context of the North-East.

We know that the North-East has specific issues which make it harder for claimants to budget. For example, around **51% of adults in the North East have less than £100 in savings**, compared to 30% in the South East. This means claimants have less financial support to draw upon if their budget become tight<sup>3</sup>. The labour market in the North East also makes it harder for claimants to not only get into better-paid jobs but also into secure jobs with good working conditions<sup>4</sup>.

With this in mind, the mean Universal Credit payment, per month in May 2019 for the following groups were as follows:

- Single person with no dependents - £460
- Couple with child dependents - £950<sup>5</sup>

This also represents the amount a claimant would likely receive in an Advance Payment to cover all their essential costs (including housing) during the 5-week wait

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<sup>2</sup> Citizens Advice, Managing Money on Universal Credit, 2019

<sup>3</sup> Money Advice Service, Low savings levels put millions at financial risk, 2016

<sup>4</sup> Nomisweb.co.uk

<sup>5</sup> Universal Credit statistics: 29 April 2013 to 11 July 2019, Department for Work and Pensions

for their first Universal Credit payment. Getting the right support during the 5-week wait for Universal Credit is therefore crucial in reducing the financial risk and impact upon claimants in the North-East.

## Findings from surveys

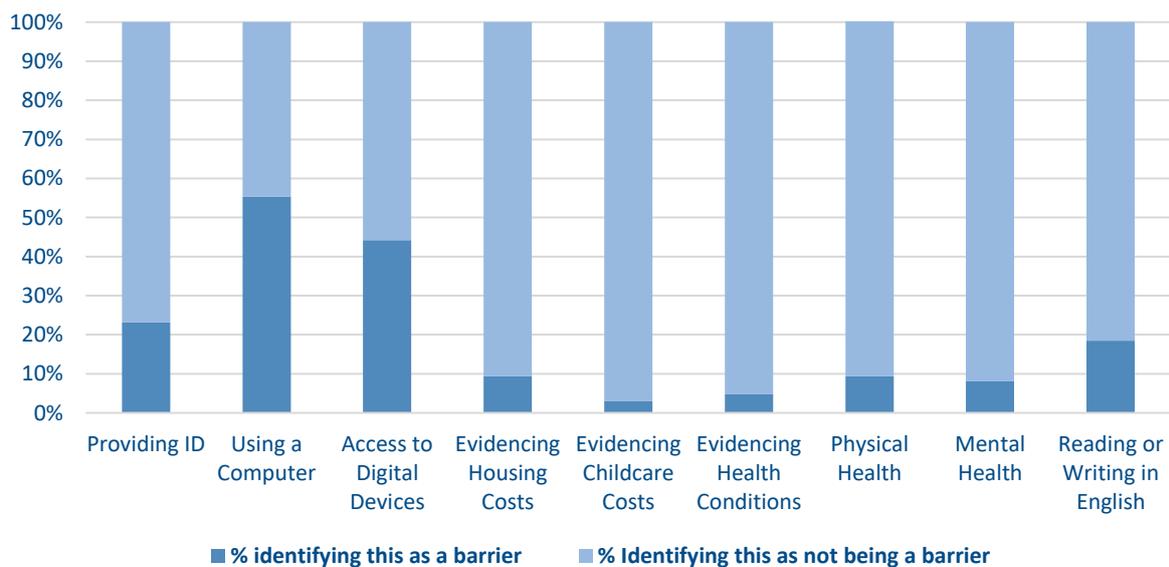
As stated, the Northumberland, Tyne and Wear Research and Campaigns Cluster Group wanted to understand in more detail how clients expected to pay for essential bills during their five-week wait for their first Universal Credit payment, then find out how they actually paid for essential bills once they had received their first Universal Credit payment.

Clients, with the support of their “Help to Claim” adviser completed the first survey during their appointment to make an application for Universal Credit. It asked four key questions that were designed to understand what barriers clients had in claiming Universal Credit, how they expected to pay for essential bills during the 5-week wait for their first payment, what would make budgeting easier and whether they were migrating from ‘legacy’ benefits or making an entirely new claim for benefit. Below is the collated responses from each question in the first survey with accompanying analysis.

### First Survey – completed by clients whilst making a claim for Universal Credit.

1. *What barriers do you have in making a claim for Universal Credit? (Clients could tick multiple barriers).*

**Figure 3: Barriers Identified in Claiming Universal Credit**



It is clear from the evidence we have gathered that the clients who have sought advice through the “Help to Claim” service in the North-East struggle to use a computer and access digital devices. This is not surprising, considering the service was set up to support clients who would struggle to make a claim online. However, this still represents many thousands of claimants across the North-East needing additional support in making a Universal Credit claim. Additional support and funding for upskilling Universal Credit claimants’ digital literacy would not only improve their management of claims, but also their workplace skills.

It is pleasing to see that clients, overall, do not foresee issues in providing evidence to make their claim, such as their housing costs, childcare costs and health conditions. However, it is concerning to see that a significant minority of clients view providing identification as a barrier to making a claim as this is a crucial component in making a claim for Universal Credit. Below is an illustration of the multiple issues in claiming Universal Credit our clients can encounter. Each one of these barriers, if not dealt with promptly can cause delays for the client receiving their first Universal Credit payment.

### Case Study 1



Mr. Thomas contacted a local Citizens Advice in the North-East because he needed help in applying for Universal Credit. He is not confident using computers or the internet and does not have a computer, tablet or smartphone at home.

Our advisers conducted an eligibility check with Mr. Thomas and confirmed he would be able to claim Universal Credit. Mr. Thomas only had a post office card account, which would only be adequate for his first payment. He would need a Bank Account for payments after that.

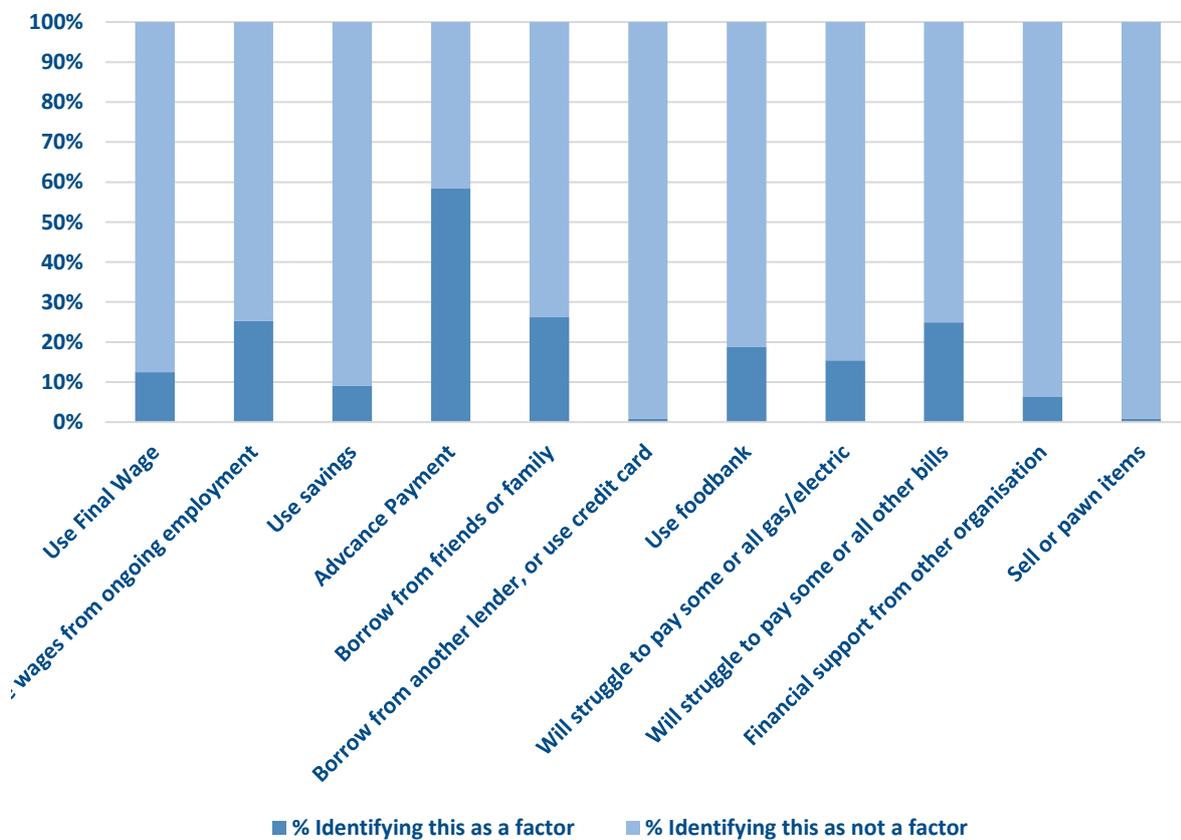
Mr. Thomas could not complete his ID verification process, as he did not have a full Bank Account, passport or driving license.

Our “Help to Claim” adviser helped Mr. Thomas complete his application, book an appointment with Barclays to get a Bank Account and get identification so his claim could proceed. Without this help, Mr. Thomas would not have been able to find a way forward.

The case of Mr. Thomas is typical of the barriers many clients making a claim for Universal Credit face. The evidence from the survey results show that around 75% of clients who sought advice through the “Help to Claim” service stated more than one barrier to claiming Universal Credit.

**2. How do you expect to cover essential living costs (e.g. housing, food, energy bills) between your Universal Credit application and your first Universal Credit payment? (Clients could tick more than one option)**

**Figure 4: Ways Clients Expect to Cover Essential Living Costs**

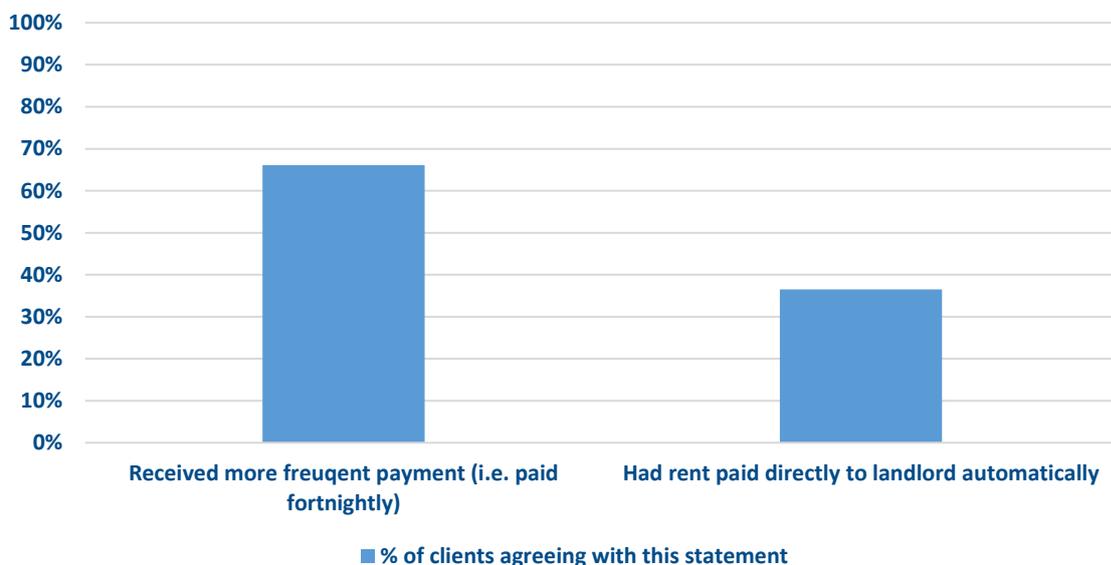


From the responses we had to this question, it is clear that the majority of clients expect to take out an Advance Payment to cover their essential living costs. However, as has been explained, an Advance Payment is a loan and will need paid back within 12 months of a claimant receiving their first payment that will create an ongoing financial impact upon claimants. Worryingly, around 20% of respondents expect to struggle to pay bills and around 25% expect to have to borrow from friends

or family whilst only 10% of respondents have savings to draw upon. For many of our clients responses, it is clear that the safety net for people claiming Universal Credit is simply not there, either through the support the benefit itself provides through an Advance Payment, the 2-week run-on of Housing Benefit for those migrating from ‘legacy’ benefit or their own personal finances. Ensuring clients are provided with adequate financial support, reducing the 5-week wait for their first Universal Credit payment would dramatically reduce hardship and ongoing financial pressure.

**3. Would you find it easier to budget if you ... (please tick all that apply)**

**Figure 5: What would make budgeting easier?**



As mentioned in the summary of the differences between Universal Credit and ‘legacy’ benefits, Universal Credit is paid monthly, rather than fortnightly. This represents a significant change in the frequency of payments for those migrating from ‘legacy’ benefits. The government states that this is to mirror the world of work, however, many people in work get paid weekly, fortnightly or four-weekly<sup>6</sup>. The inflexibility in how frequently people are paid does increase pressure on finances, especially as people adjust.

<sup>6</sup> [Annual Survey of Hours and Earnings \(2017\)](#)

As the Scottish Government and Northern Ireland Assembly has shown, Universal Credit can work as a fortnightly payment.<sup>7</sup> The date and frequency that claimants receive their payment should reflect their circumstances and personal preferences. As research from Citizens Advice has shown, for those in work and paid weekly, fortnightly or four-weekly, being paid Universal Credit monthly results in large variations in amounts they receive through Universal Credit each month.<sup>8</sup> This can lead to budgeting issues as earnings for the purposes of calculating Universal Credit fluctuate even though their weekly, fortnightly or 4-weekly payments may be stable.<sup>9</sup>

Within the 'legacy' benefit system, Housing Benefit was often paid directly to the landlord. With Universal Credit, the Housing Element is paid to the claimant as part of their monthly payment; it is then the claimants' responsibility to pay their landlord from this amount each month. There is a mechanism in Universal Credit, called an Alternative Payment Arrangement whereby the Housing Element can be paid to a landlord directly. However, this only occurs once the claimant is in rent arrears. From the survey responses, it is clear that from the start of a claim, around a third of claimants would prefer that their rent be paid directly to their landlord. It would therefore be reasonable, considering the Alternative Payment Arrangement already exists for claimants, to have a choice of whether their Housing Element is paid directly to their landlord from the start of their claim, before they get into arrears. This would significantly reduce the financial impact upon claimants and secure their tenancy.

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<sup>7</sup> In Scotland, claimants have a choice of whether they are paid monthly or fortnightly and in Northern Ireland it is paid fortnightly by default.

<sup>8</sup> Citizens Advice, Universal Credit and Modern Employment, 2018

<sup>9</sup> A client on Universal Credit and paid the same amount each month will receive the same Universal Credit payment each month. A client paid weekly will have some months when they are paid 4 times and some months when they are paid 5 times, resulting in different Universal Credit payment amounts each month to reflect earnings.

#### 4. Are you migrating from legacy benefits?<sup>10</sup>

**50.2% of clients were migrating from legacy benefits**



**49.8% of clients were new benefit claimants.**

#### **Comparing results for clients who are migrating from 'legacy' benefits to those making a new claim for benefit through Universal Credit.**

- **79%** of those migrating from 'legacy' benefits stated that they would find it easier to budget if they were paid more frequently, this compares to only **57%** of clients who were making a new claim for benefit (Universal Credit).
- **48%** of those migrating from 'legacy' benefits stated that they would find it easier to budget if they had their rent paid directly to their landlord, this compares to only **27%** of clients who were making a new claim for benefit (Universal Credit).

This evidence clearly demonstrates that in terms of budgeting, those who are migrating from 'legacy' benefits feel that they will find it harder to budget on Universal Credit given that is paid monthly and rent is not paid directly to their landlord

This budgeting issue for those migrating from 'legacy' benefits becomes even more prominent when we examine how they expect to pay for their essential living costs during the 5-week wait for Universal Credit.

- **78%** of those migrating from 'legacy' benefits stated they intended to take out an Advance Payment, this compares to only **41%** of clients who were making a new claim for benefit (Universal Credit).

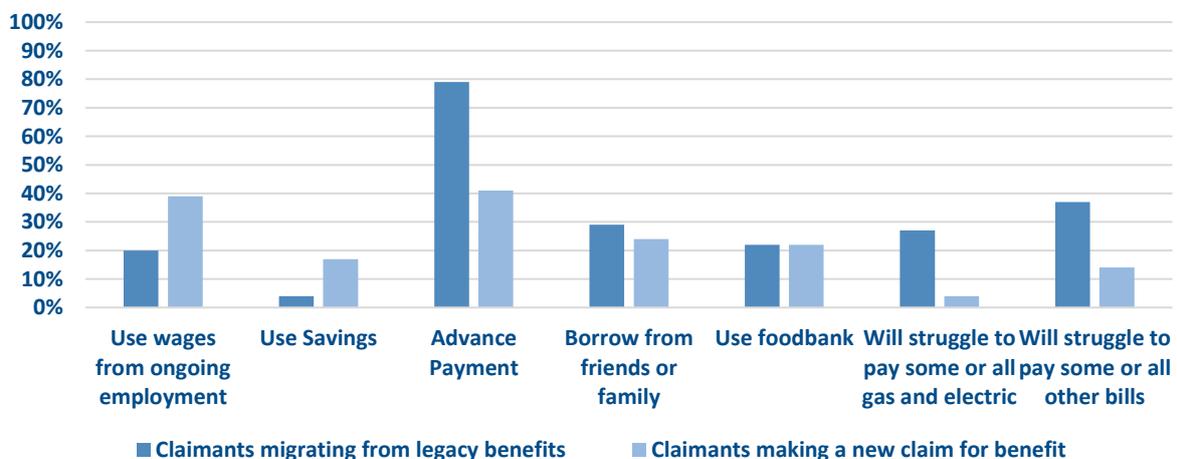
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<sup>10</sup> 6 clients out of 226 did not complete this section which explains why the percentages do not equal exactly 100%

- **29%** of those migrating from ‘legacy’ benefits stated that they intended to borrow from friends and family, this compares to **24%** of those who were making a new claim for benefit (Universal Credit).
- **19%** of those migrating from ‘legacy’ benefits expected to use a foodbank; this was the same percentage for those making a new claim for benefit (Universal Credit).
- **27%** of those migrating from ‘legacy’ benefits expected to struggle to pay for their gas or electric, this compared to **only 4%** of those making a new claim for benefit (Universal Credit).
- **37%** of those migrating from ‘legacy’ benefits expected to struggle to pay for some or all of their other essential bills, this compared to **14%** of those making a new claim for benefit (Universal Credit).

The evidence from this survey clearly demonstrates that those migrating from ‘legacy’ benefits foresee the need for additional support that is not provided through Universal Credit with many stating that they would borrow from friends and family, use a foodbank, or fall into arrears on their essential bills.

**Figure 6: How clients expect to pay for essential bills during 5-week wait for their first payment.**



There is a number of reasons that help to explain this, as our survey results show, only **3.5%** of clients migrating from 'legacy' benefits had savings to draw upon, compared to **15%** of those making a new claim. Similarly, for those migrating from 'legacy' benefits, only **33%** had wages from ongoing employment to draw upon, compared to **66%** of who were making a new claim for benefit. Below is an illustration of this information.

The evidence from the first survey, carried out with clients whilst they were making a claim for Universal Credit highlights some key issues that need addressed. Solutions to these issues are outlined in detail within the recommendations at the end of this report.

## **Second Survey – completed after clients had received their first payment of Universal Credit.**

After clients had received their first Universal Credit payment, we followed up with as many of those who had completed the first survey as possible to find out whether their expectations met with the reality. The aim of this was to understand how many clients received the amount they expected, had received any unexpected deductions, how they actually paid for their essential bills during the 5-week wait for their payment and if they fell into arrears, which essential bill did they fall into arrears with?

### **1. Did you receive the amount you expected in your first Universal Credit payment?**

Around **82%** of the clients who had received their first Universal Credit payment and responded to the survey had been paid the amount they expected. Of those who had not received what they expected, this was largely due to a deduction. Although the amount that is deducted from a claimants Universal Credit Standard Allowance each month to pay back an Advance Payment is communicated, this does not always occur for other deductions such as historic benefit overpayments, third party deductions, Universal Credit overpayment and recoverable hardship payments.<sup>11</sup> Communicating at the beginning of a claim would reduce financial hardship by allowing a claimant to find alternative payment arrangements or negotiate a lower deduction from their first payment.

The reasons clients stated for unexpected deductions included being assessed wrongly as self-employed, TV license arrears, water arrears and benefit overpayments. Of those clients who had stated how much they had deducted from their benefit, the average was **£94** deducted each month. For those on already low level of benefit payment (considering the freeze in working age benefits since 2015) this represents a large proportion of their monthly payment.<sup>12</sup> The level of deductions has been reduced recently. The government announced that from October 2019 the maximum amount that could be deducted from claimants Standard

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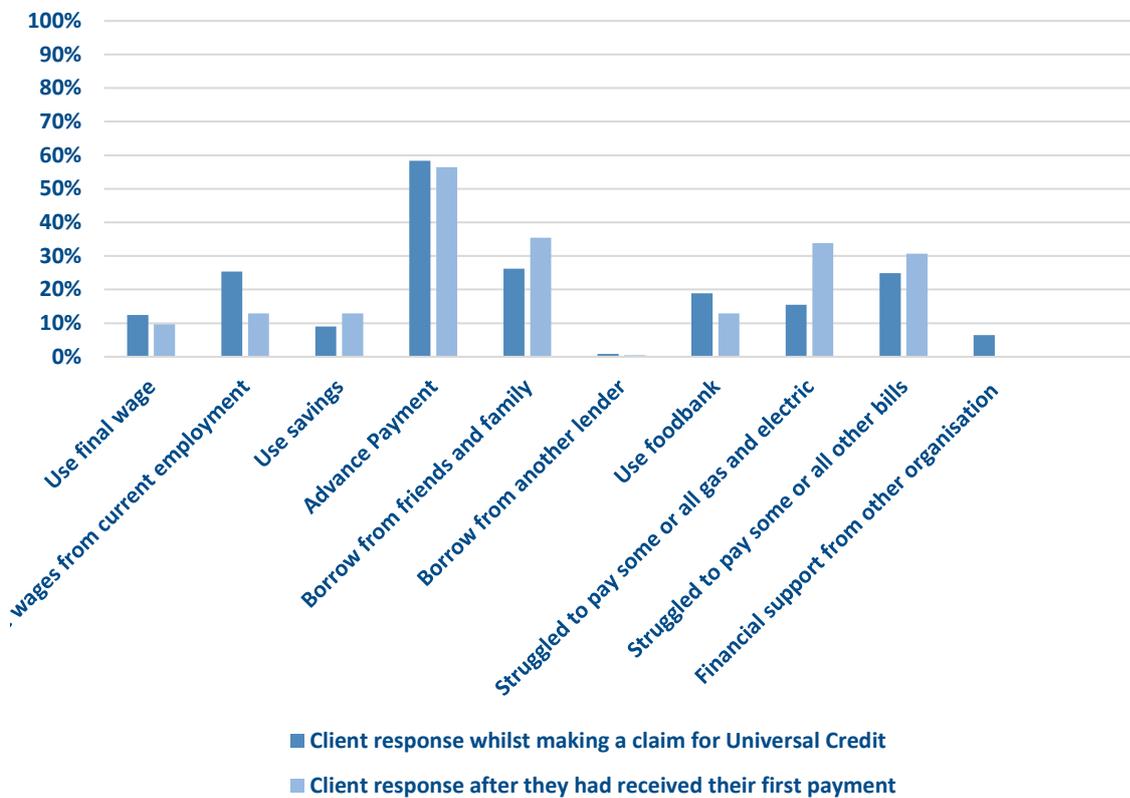
<sup>11</sup> <https://www.gov.uk/guidance/universal-credit-debt-and-deductions-that-can-be-taken-from-payments>

<sup>12</sup> <https://www.jrf.org.uk/report/end-benefit-freeze-stop-people-being-swept-poverty>

Allowance would reduce from 40% to 30%.<sup>13</sup> However, this remains a huge proportion of already squeezed incomes.

**2. How did you cover essential living costs (e.g. housing, food and energy bills) between your Universal Credit application and your first Universal Credit payment?**

**Figure 7: Comparison with how clients responded before and after they received their first payment**



The graph shows that for many claimants, they largely used the resources they had expected to cover their costs such as using their final wage, using savings or using a foodbank. It is worth highlighting however that significantly more clients struggled to

<sup>13</sup> <https://inews.co.uk/news/uk/universal-credit-advance-payment-rate-change-october-2019-benefits-637317>

pay for their gas and electric than they had expected and more clients relied on friends and family for support.

This finding is supported by research undertaken by Citizens Advice nationally in 2017<sup>14</sup> and in 2018<sup>15</sup> that showed that the 5-week wait for a first payment was a significant factor in people experiencing financial problems and hardship. This data clearly adds to the national picture that the financial support available through Universal Credit does provide the resources needed for claimants during the 5-week wait for their first payment. If a claimant has taken out an Advance Payment, borrowed from friends or family, borrowed from a lender, used their savings or fallen into arrears (91.93% of clients who responded to the second survey ticked one of these options) then they will be financially worse-off in monetary terms well beyond their first payment due to repayments.

Mr. Kennedy's case illustrates how difficult it is to manage finances during the 5-week wait for Universal Credit and how it will continue to impact claimants finances months after receiving their first payment.

Mr. Kennedy lives with his partner and three dependent children in a privately rented house. He recently became unemployed. This triggered a move to Universal Credit from 'legacy' benefits due to the change in circumstance.

He sought advice in claiming Universal Credit from a "Help to Claim" adviser in the North East in order to make a joint claim with his partner. Mr. Kennedy expected to use his final wage to pay for essential bills, but stated that he may struggle.

Once he had received his first payment, he stated that he had fallen into arrears on his rent and had to take out a Provident loan to cover other costs due to the 5-week wait for payment. He is receiving support for this from his local Citizens Advice Office.

### Case Study 2.



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<sup>14</sup> Citizens Advice, Universal Credit and Debt, September 2017

<sup>15</sup> Citizens Advice, Making a Universal Credit Claim, July 2018

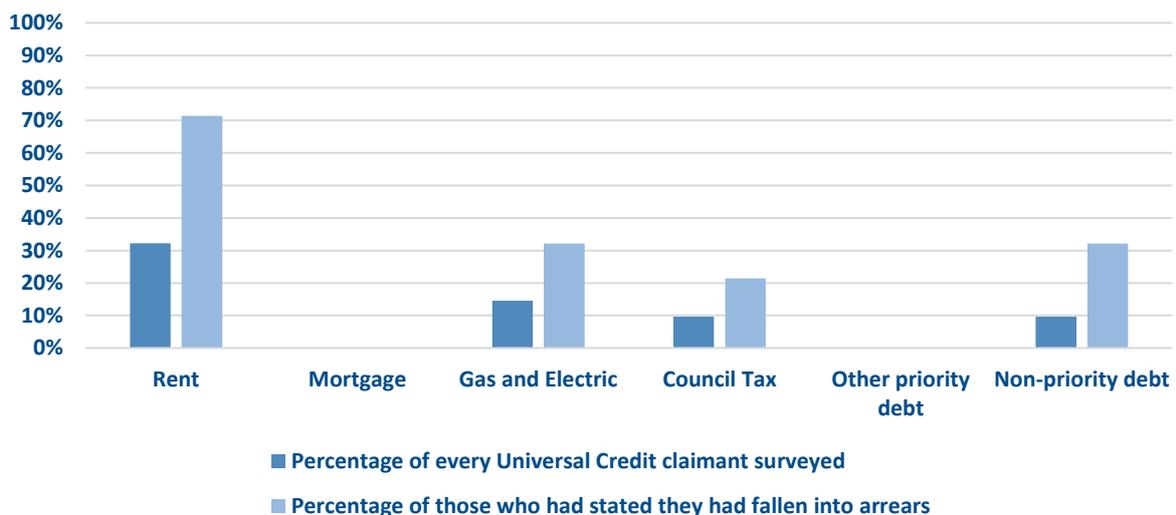
### 3. Did you go into, or further into arrears for essential bills?

Of those who answered this question, **45%** stated that they had fallen into or further into arrears for at least one of their essential bills. For those who stated that they had not fallen into arrears they told our researchers that they had managed to keep their head above water by borrowing from friends and family, using Local Authority welfare assistance schemes, scraping through on their Personal Independence Payments or Carer's Allowance, using final maternity pay and food that their church provided. One client stated that they used their child's Disability Living Allowance.

Clearly, this response shows that the additional support from Government, such as the Advance Payment and run-on of Housing Benefit does not provide enough money for clients with little to no savings, other benefits to draw upon, ongoing employment or friends and family to pay for their essential bills during the 5-week wait for their first payment. This situation needs to be resolved, by bringing forward the 5-week wait for Universal Credit to no later than 2-weeks after a claim is made, we believe this could alleviate many instances of financial hardship.

### 4. If you answered yes to Q.3. Which bills did you fall into arrears with?

**Figure 8: Which bills did clients fall into arrears with?**



From the responses to the second survey, it shows that rent arrears are by far the most common debt for claimants and far more likely to be incurred than non-priority debt. It only further highlights the need for additional support between claimants

making a claim for Universal Credit and for a reduction in the 5-week wait for a claimant's first payment. Mr. Young's case is typical of the issues claimants faced during their 5-week wait for payment.

### Case Study 3.



Mr. Young is a 45 year old single male with no dependents living in a Housing Association property. He recently became unemployed after working for 8 years, has asthma and is type 2 diabetic.

He sought advice from a local Citizens Advice office in the North-East to make a Universal Credit claim as he could not use a computer, access digital devices or provide identification.

A "Help to Claim" adviser helped Mr. Young create an email address and apply for Universal Credit. He stated that he would pay for essential bills by using his Personal Independence Payments and Carer's Allowance as he had no savings.

However, once he had received his first Universal Credit payment it was clear he was struggling to pay for essential bills far more than expected. Mr. Young stated that to pay for essential bills during the 5-week wait for Universal Credit, he used an Advance Payment, borrowed from friends and family, used a foodbank and struggled to pay his gas and electric (a priority as his diabetic medication needed refrigeration). He also fell into arrears on his rent.

The evidence gathered for this report clearly highlights several issues with the claiming process and the financial impact of the 5-week wait for Universal Credit. The recommendations provided in the conclusion would solve many of the issues identified in this report if implemented. Helping many thousands of claimants across the country find a way forward.

## Conclusion

Universal Credit offers a vital source of income for people to pay for their essential living costs during their time of need. However, the 5-week for the first Universal Credit payment risks undermining its key aims by putting people's finances at risk. Our research has shown that there is still significant barriers for people claiming Universal Credit, largely due to a lack of digital skills and access to digital devices to maintain their claim. Significant numbers of clients are reliant on support without that provided through Universal Credit itself, such as the Advance Payment, instead relying on charitable support, friends and family or falling into arrears with their essential bills.

The research has also drawn attention to the difficulty those migrating from 'legacy' benefits in particular face. They were more likely to require additional support and fall behind on their essential bills than those making a new claim for benefit. Based on this evidence, we recommend a number of additional changes, support and greater flexibility to the Universal Credit system to help solve the issues highlighted in this report. They will also decrease the financial risk for claimants going through the 5-week wait for their first payment and beyond.

## Recommendations:

### 1. Additional Support in Making a Claim

Through the evidence gathered for this report, and the "Help to Claim" service as a whole, it is clear claimants require additional support in making and managing a claim for Universal Credit, we therefore recommend:

- **Reform the 'digital only' approach.** For vulnerable claimants, digital access can be expensive, unreliable and digital literacy is by no means universal. Their Work Coach should check digital literacy, along with availability and regularity of access. If this falls below an agreed standard, paper and telephone options should be available for claimants until this changes.
- **Reducing delays.** Claimants should not receive a delay in their first payment through difficulty in providing evidence, such as identification, healthcare or

childcare costs. Claims should proceed as normal (5-week point) as long as a Work Coach is working with the claimant to solve any evidencing issues.

- **Increase digital literacy and support digital skills associated with Universal Credit usage.** Packages of support provided for claimants to increase their digital skills in order to empower people with the digital literacy needed to manage a Universal Credit claim; this could also develop into skills for the workplace.

## 2. Ensuring greater flexibility and money within Universal Credit

Our evidence further highlights the hardship caused by the 5-week wait for claimants to receive their first Universal Credit payment, particularly for those migrating from 'legacy' benefits. In order to alleviate this, we recommend:

- **Reducing the 5-week wait.** By bringing forward the first non-repayable payment to no later than two weeks into a Universal Credit claim. This would be achieved by using estimates, which is already the case for calculating Advance Payments, making this achievable.
- **Overpayment tolerance.** Built into this should be a tolerance for any overpayments incurred through using estimates up to a set ceiling to minimise the financial impact on claimants.
- **Flexibility in Payment Periods.** Claimants, based on their circumstances should be offered either fortnightly or monthly payments, similar to those options introduced by the Scottish Government to provide the flexibility many claimants need to reflect their circumstances.
- **Offer Alternative Payment Arrangement as Standard.** Claimants should have the choice, when making a claim for Universal Credit to have their rent paid directly to their landlord from their first payment date.
- **Clearly communicate deductions.** When a deduction of benefit is in place, claimants should be shown clearly what is to be deducted, how much the total is to be deducted and the total timeframe for repayment. Work Coaches should work out clear, and affordable repayment plans with claimants once this information has been communicated.

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