From the Chair

Rt Hon Esther McVey
Secretary of State
Department for Work and Pensions, Caxton House
Tothill Street, SW1H 9NA

Dear Esther

Universal Support and NAO report on Tackling Problem Debt

Thank you for your response of 23 June to my letter on Universal Support, debt and deductions. Organisations working in this area strongly believe that debt must be part of the Universal Support offer, so I was encouraged to read that you maintain an open mind about what might be included in the service in future.

We have heard substantial and compelling evidence that including specialist debt advice in Universal Support would greatly increase the chances of Universal Credit achieving its objectives of encouraging claimant responsibility and independence.¹ We also heard arguments that there is an obligation on the Department to provide this support given its reliance on Advance Payments (themselves a form of debt) to tide claimants over while they wait for their first payment.² There is a strong argument for the Department to consider whether advanced payment repayments help or hinder a claimant’s debt situation. I very much hope you will bear these two points in mind as you consider the future of Universal Support over the coming weeks.

You will also be aware that the National Audit Office has today published its report on Tackling Problem Debt. The report raises pertinent issues for the Department in relation to debt recovery from Universal Credit. I would be grateful if you would please address the following queries.

1. Has the Department considered other ways of enabling claimants to repay their Advance Payments to ensure they do not exacerbate

¹ See, for example, Citizens Advice (UCR0238), London Councils (UCR0250), Q610 (Iain Duncan Smith), Q642 (Zena Cooke, Emma Revie), London Borough of Tower Hamlets (UCR0243), Local Government Association (UCR0242)
² Citizens Advice (UCR0238), Local Government Association (UCR0242)
Claimant debt: for example, deferring repayment until the end of a claim?

In your response of 23 June you told us that the Department does not currently attempt to monitor debt amongst UC claimants. It also does not hold “robust data” on clawback rates from UC awards. The NAO noted that “Government needs to understand the scale and nature of problem debt to determine a sufficient and targeted response”.

2. In light of the NAO’s recommendation, do you have any plans to begin gathering data on debt amongst claimants and on clawback rates? If so, when might you expect it to be available?

We have heard concerns that the Department is taking an aggressive approach to collecting debt, particularly as it does not include Advance Payments within its repayment caps. The NAO notes that good debt collection practice “both benefits individuals and boosts collection rates”, but that “Government lags behind the retail lending sector in following good debt management practice”.

3. Might you please outline the Department's approach to quality assuring and evaluating its debt collection practices?

4. What work is the Department undertaking to learn from good practice in the retail lending sector for its own approach to debt collection?

I would be grateful if you would please respond by Friday 14 September so that we can progress with our inquiry.

With best wishes and I look forward to hearing from you,

Rt Hon Frank Field MP
Chair