Thank you for your letter dated the 6th September within which you raised some questions in response to the NAO report on personal indebtedness. Please see below the responses to your questions.

Q1. Has the Department considered others ways of enabling claimants to repay their advance payments to ensure they do not exacerbate debt: for example, deferring repayment until the end of the claim?

Advance payments enable claimants in certain circumstances to bring forward payment of likely benefit entitlement and to repay the amount, interest free, in instalments from their future Universal Credit (UC) payments. Advances do not reduce the overall amount of UC a claimant receives, rather they change the point at which a claimant receives their first UC payment. A claimant can request an advance payment of their UC at the start of the claim, after they have made a claim to UC and before their first payment. They can also apply for an advance where they already have an award but have declared a change of circumstances which is likely to mean a substantial increase in their payment.

When the criteria for an advance is met, before paying the advance the claimant is notified in writing of the amount to be repaid and the period of repayment. These terms need to be agreed before the payment of the advance is made. The maximum repayment period for new claims is 12 assessment periods (12 months) and for change of circumstances, 6 assessment periods (6 months).

If, after the advance is made, the claimant unexpectedly finds themselves in financial hardship, they can apply to defer the repayment by up to 3 assessment periods.

This approach is designed to strike a balance between providing financial support to claimants, whilst limiting the period they have to manage on a reduced level of benefit. The government has an obligation to tax payers to recover advances of benefit without undue delay. If the repayment of an advance of benefit is delayed until the end of a UC claim this would fail to meet this obligation and as UC is both an in and out of work
benefit the delay in recovery of the advance could be for a significant period of time. If a UC claim ends any advance of UC still outstanding will become a recoverable debt.

Q2. In light of the NAO's recommendation, do you have any plans to begin gathering data on debts amongst claimants and claw back rates? If so, when might you expect this to be available?

The DWP Debt Management team has a detailed understanding of the debts that a claimant owes to the department. This includes legacy benefit overpayments, Social Fund loans, UC overpayments, UC advances, Housing Benefit debt that we are recovering on behalf of Local Authorities, and Tax Credit debt associated with UC claimants. We can already report rates of repayment at a claimant/debtor level and by debt type.

Work is also underway within the Department to produce improved deduction data that will cover all deductions including those made on behalf of 3rd parties. We anticipate being able to provide updated figures on this in Autumn 2018.

In addition, Debt Management also have access to industry-standard credit information. This information combined with the data held by the Department and additional information provided by the claimant/debtor is used in discussions regarding rates of repayment. Debt Management always aim to agree repayment levels that are affordable and sustainable.

Q3. Might you please outline the Department's approach to quality assuring and evaluating its debt collection practices?

The DWP Internal Audit team carry out an annual programme of work to review elements of our debt recovery processes and policies. Reports covering findings and recommendations are produced and acted upon as required.

DWP Customer Service performance on debt is also subject to review as part of the Customer Service Excellence (CSE) standard. This provides independent validation of the processes and customer service practices that DWP deploys through its Debt Management function. Debt Management has achieved CSE accreditation each year since 2010.

Levels and types of complaints are also monitored and action taken if any issues are identified. It is also important to note that the practices deployed by Debt Management are fully aligned to the Financial Conduct Authority and the Fairness Principles developed by Cabinet Office and agreed by Government Departments as part of the work on the cross government debt strategy.
Q4. What work is the Department undertaking to learn from good practice in the retail lending sector for its own approach to debt collection?

DWP is a strong contributor and participator in the cross government groups established to drive forward the Cross Government Debt Strategy aims and objectives. This work includes activity to consider and ensure fairness in debt recovery which incorporates learning from good practice in the private sector. We are also working closely with officials from HMT on the development of the Breathing Space policy proposal.

Kind regards

[Signature]

The Rt Hon Esther McVey MP
SECRETARY OF STATE FOR WORK AND PENSIONS