Citizens Advice Scotland
Response to request from Work and Pensions Committee
Universal Credit: managed migration

November 2018

Citizens Advice Scotland (CAS), our 60 member Citizen Advice Bureaux (CAB), the Citizen Advice consumer helpline, and the Extra Help Unit, form Scotland’s largest independent advice network. Advice provided by our service is free, independent, confidential, impartial and available to everyone. Our self-help website provides information on rights and helps people solve their problems.

In 2017-18 the Citizens Advice Service network helped over 295,100 clients and dealt with almost 800,000 advice issues for clients living in Scotland. With support from the network clients had financial gains of almost £142.2 million and our self-help website Advice in Scotland received approximately 3.2 million page views.

Introduction

Citizens Advice Scotland (CAS) welcomes the opportunity to comment on the Universal Credit announcements in the Budget and the managed migration process. As the Committee may be aware, CAS has consistently raised a number of issues relating to the roll out of Universal Credit, based on evidence from citizens advice bureaux (CAB) in Scotland.\(^1\)\(^2\) We have called for the roll out of Universal Credit to be halted so that these issues can be fixed, due to the impact they are having on CAB clients. CAS also raised a number of concerns with the draft regulations for managed migration, which had the potential to cause detriment and hardship to people affected.\(^3\)

Since the Committee wrote to us on 30 October, the Department for Work and Pensions (DWP) has published its advice from the Social Security Advisory Committee (SSAC) on the managed migration regulations and their response to its recommendations.\(^4\) In addition to the questions asked by the Committee, we have also included in this response our initial views of the DWP’s response, which we hope will be of assistance in the Committee’s scrutiny of the proposals.

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1) **To what extent do [the changes announced in the Budget] address any problems or weaknesses you have identified with the Universal Credit system?**

In general, whilst the additional funding proposed in the Budget for Universal Credit is welcome, the changes do not fully address the issues we have identified through CAB evidence. CAS continues to believe that more fundamental reform is needed to Universal Credit to be able to provide support to people who need it without causing detriment and hardship. A non-exhaustive list of the issues can be found at Appendix A.

Specifically, our comments on the announcements in the Budget highlighted in the Committee’s letter are as follows:

**Increasing work allowances for UC claimants;**

CAS welcomes the increase in the Work Allowance, which will go some way to restoring the value of Universal Credit after previous cuts, and towards its original principle of ‘making work pay’. However, as the increase is restricted to households with children and people with disabilities, a significant number of in-work recipients of Universal Credit will not benefit from the policy. CAS would recommend the work allowances are restored to their originally-proposed level for all recipients of Universal Credit.

**Extending the two-week Housing Benefit run-on that claimants migrating to UC can currently receive to income-related JSA, ESA and Income Support;**

CAB evidence has consistently shown the five-week inbuilt wait before a person receives their first Universal Credit payment to be one of the biggest problems for CAB clients making a Universal Credit claim. Whilst the extension of the ‘run on’ is welcome in that it will enable an additional payment for people who will be required to make a Universal Credit claim as part of the managed migration process, this policy will not be implemented until July 2020, and will only affect those people who will be part of managed migration.

It will not apply to people who are making a new claim for Universal Credit, nor those who ‘naturally migrate’ to Universal Credit due to a change of circumstances. Indeed, due to the managed migration process being further delayed, this will be a larger group of people than previously proposed.

For this reason, the announcement will not address the problem of any CAB clients facing hardship caused by a gap in income due to the five-week wait for a first payment, or because of repaying an advance prior to July 2020, and will not address the issue for a significant number after that date.

To fully address the issue, CAS has previously recommended the UK Government give consideration to a single, additional, non-refundable Assessment Payment
being introduced for new Universal Credit claimants to avoid hardship being caused by having no income for at least five weeks.\(^5\)

In addition, CAS would welcome clarification that the run-on will not be deducted from a person’s first Universal Credit payment – that it functions as an additional payment, and not an advance to be paid back.

**Reducing the maximum deduction cap for debt repayments from UC awards from 40% to 30% of the standard allowance;**

Citizens Advice Scotland has raised concerns about the high level of deductions from Universal Credit to repay debt. Currently DWP can make deductions to a UC payment if the claimant:

- Has received an overpayment of benefit
- Is in arrears (rent; gas; electric; Council Tax; water and sewerage; some loans and fines, and child support maintenance)

A maximum of 40% of a claimant’s UC monthly standard allowance may be deducted, with no more than three deductions made at a time. Most deductions can be made without the claimant’s consent. Whilst we recognise that deductions may be a suitable way for some claimants to manage their arrears and overpayments, evidence from CAB suggests that the maximum deduction rate is too high and is frequently applied without taking a holistic overview of the claimant’s circumstances. This can leave claimants in significant financial hardship, often either unable to afford or having to choose between essentials such as food and energy, and/or trapping claimants in a cycle of debt.\(^6\)

The reduction to 30% will help CAB clients who are liable for deductions from their Universal Credit award when it is introduced in October 2019. Given the size of some debts being recovered from Universal Credit awards, particularly to cover historic tax credit overpayments, this may still mean some claimants’ award being reduced by almost a third for a considerable period of time.

In addition to recommending the maximum permitted deduction rate be reduced from 40% of the standard allowance, CAS has also recommended the DWP take a holistic overview of the claimant’s circumstances and allow claimants to negotiate the rate of deduction before it is applied, particularly if the proposed level of deduction may cause hardship.

**Extending the period over which Advances may be repaid from 12 to 16 months, and;**

In line with our comments above, this policy is welcome and has the potential to ease the financial pressure on people who receive Universal Credit when it is

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introduced. It is however unclear why this policy is not due to start until October 2021.

CAS has previously recommended that UC advance payments should not require to be repaid.

**Extending the start-up period within which self-employed UC claimants are not subject to the Minimum Income Floor (MIF) from 12 months.**

This change is welcome. However, the Minimum Income Floor will still cause issues, in particular for seasonal and agricultural workers who receive their income in blocks at particular times of the year.

2) *Might you set out for the Committee how, in your view, the Department should assess its readiness for transferring existing benefit claimants to Universal Credit? In particular, are there any specific tests or targets that the Department should set itself before proceeding?*

CAS would agree with the recommendations from the National Audit Office quoted in the Committee’s letter (improving the tracking and transparency of progress towards Universal Credit’s intended benefits; ensuring that operational performance and costs improve sustainably before increasing caseloads through managed migration; working with delivery partners to establish a shared evidence base for how Universal Credit is working in practice; making it easier for third parties to support claimants.)

In addition, there are a number of potential tests that could be considered, as well as issues that CAS recommends addressing prior to managed migration commencing:

- CAB evidence has consistently shown a significant number of administrative delays or errors, which have prolonged this waiting period further, or have resulted in elements missing from clients’ UC payments. CAS recommends the DWP takes all steps to ensure that the processing of Universal Credit claims is not delayed. In particular, it should ensure that additional information required from claimants, particularly in relation to housing costs, is appropriate and is processed in a timely manner. Additionally, it should demonstrate a significant improvement in the number of payments made accurately and on time, before managed migration commences.

- People are given the option of applying for, and managing their Universal Credit claim by phone or in person if they are unable to do so online.

- Jobcentres should provide phones for claimants to use to contact the Universal Credit Helpline if they do not have access to a phone at home.

- Jobcentres must ensure that the support provided to those who lack computer skills is appropriate and that alternatives are provided for those who may never be able to use digital services due to illiteracy, disabilities or other complex needs.
• DWP sets out, in consultation with relevant organisations, how it will identify vulnerable claimants.

• Improve operational performance, particularly in reducing the length of telephone hold times to contact the Universal Credit Service Centre, as well as the length of time taken to respond to online journal entries.

• The DWP increase resources for the Universal Credit Helpline and Service Centre to cope with enquiries, changes of circumstances and new claims when people are unable to apply online.

• DWP makes an assessment of the volumes of home visits and telephony support required for managed migration, and demonstrates it has the capacity to handle increased demand in these areas. There are currently pressures in these areas, and CAS anticipates that a significant number of vulnerable people will require these services to migrate to Universal Credit.

• Resolve the issues between the Department for Work and Pensions (DWP) and landlords in terms of the calendar monthly/4 weekly accounting process and use of the third party deduction payment system for bulk payments.7

• Re-introduce implicit consent in Universal Credit, in the same way as is currently possible for MPs, to CAB advisers, other similar services that support claimants, and for Members of the Scottish Parliament (MSPs).

• Improve the accuracy of Universal Credit assessments and awards. This could be judged through a reduction in the number of cases proceeding to Mandatory Reconsideration and appeal.

• The Scottish and UK Governments, in conjunction with social landlords should continue to raise awareness of the availability of Universal Credit Scottish Choices, for people who would find having their housing costs paid directly to their landlord helpful in managing their finances.

• As detailed above, the DWP take a holistic overview of the claimant’s circumstances and allow claimants to negotiate the level of deduction before it is applied, particularly if the proposed level of deduction may cause hardship. This should include advance notice of the deduction before it is applied.

• Full training in the current eligibility criteria for ‘New Style’ JSA and ESA is provided to DWP telephony advisers and Jobcentre staff.

Additionally, CAS would recommend the following design issues are addressed prior to the commencement of managed migration:

7 Page 19, Rent Arrears: Causes and Consequences – Citizens Advice Scotland, October 2018
• As detailed above, a reduction in the five week inbuilt gap until the first payment.

• Conduct a fundamental review of the purpose and efficacy of the sanctions regime and the impact it has on individuals, families and other services. There should be a moratorium on sanctions until the review is completed, so that people do not need to suffer the adverse impacts of sanctions unnecessarily.

• Universal Credit claimants who leave zero hours contracts due to the lack of work available, or who decline offers of zero hours work for the same reason should not be sanctioned.

• The DWP keep the rules for self-employed people receiving Universal Credit under review to ensure that people do not lose out because of a fluctuating business income. This might include abolishing the Minimum Income Floor.

CAS also has a number of specific comments following the publication of the Government’s revised intentions for managed migration following the SSAC’s consultation. These can be found below.

Specific comments on the DWP’s response to the SSAC’s recommendations on the managed migration draft regulations

Whilst in some areas improvements have been made to the draft regulations in areas of concern following SSAC’s recommendations, there are other areas which remain outstanding concerns for CAS. In some of these areas, while the DWP has accepted the recommendation of SSAC, their detailed response simply re-states existing policy and practice, in some cases where this is already inadequate, and in others where we would have concerns about current processes’ ability to operate at scale.

Although we acknowledge that it was outside SSAC’s remit, and that the rollout of managed migration has been delayed from the original proposals, CAS continues to believe the rollout of Universal Credit should be halted to allow the issues set out above to be addressed. Additionally, we believe that ‘natural migration’ to Universal Credit should cease until Transitional Protection (TP) can be awarded. Not doing so will mean a large number of people are worse off because of going on to UC via a change of circumstances ahead of managed migration.

As outlined above, as it stands there remains a lack of detail on who would be classed as vulnerable by the DWP, enabling additional support to be provided. For instance, CAS has suggested that legacy benefits should not be stopped if the claim has third party deductions, DWP should treat all such claimants as vulnerable.

While the DWP’s agreement to explore options for automatic migration is somewhat encouraging, CAS would echo SSAC’s recommendation for as many claimants to be transferred to Universal Credit without the need to make a separate claim, and where a claim is unavoidable to pre-populate the digital claim form with as much data as the Department already holds.
CAS is pleased to see the acknowledgment that a significant number of claimants will be unable to make a claim online, and alternative routes offered, although as detailed above, the capacity should be scaled up. For instance, there is no mention of any additional capacity for home visits, beyond what already exists.

The commitment that claimants who are unable to use digital services for whatever reason are able to make a new claim to UC by telephone is very encouraging, and appears to be a recent change of approach from the previous policy of telephone claims only being allowed in ‘exceptional circumstances’.

The omission of the rule that making a defective claim prevents transitional protection in a subsequent successful claim for Universal Credit, is an improvement on the draft regulations. This was an issue that CAS had particularly highlighted in our consultation response.

However, the example provided by the DWP of a ‘failed claim’ not being entitled for Transitional Protection is one of the scenarios we had envisaged as being cause for concern, and it is disappointing that people in this situation face being worse off in UC than they would have received in legacy benefits.

CAS is also disappointed that the DWP have not taken the opportunity to remove the rule that couples who separate will have their transitional protection withdrawn, or to extend the three month rule on earnings and ending of transitional protection. This rule particularly impacts certain groups of seasonal workers.

CAS would also like to see clarity provided on how the order of managed migration is organised. We recommend this should be done either progressively by Jobcentre Plus area, or on a benefit-by-benefit basis.
Appendix A – Non-exhaustive list of Universal Credit issues identified by CAS, and our recommendations for addressing them

These are issues that Citizens Advice Scotland has included in published consultation responses, reports and briefings during 2018. Additionally, a number of other issues we raised in Learning from Testing Times have not been fixed. This is not an exhaustive list, as issues emerge from CAB evidence on an ongoing basis.

<table>
<thead>
<tr>
<th>Issue</th>
<th>CAS Recommendations</th>
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<tr>
<td>An in-built five week delay before people receive their first UC payment</td>
<td>The UK Government reduce how long people have to wait for their first Universal Credit payment. In particular, consideration should be given to a single, additional, non-refundable Assessment Payment being introduced for new Universal Credit claimants to avoid hardship being caused by having no income for at least five weeks.</td>
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<td>Administrative delays which have prolonged this waiting period further, or have resulted in elements missing from clients’ UC payments</td>
<td>The DWP takes all steps to ensure that the processing of Universal Credit claims is not delayed. In particular, it should ensure that additional information required from claimants, particularly in relation to housing costs, is appropriate and is processed in a timely manner.</td>
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| Clients struggling to make and manage a claim entirely online         | • People should be given the option of applying for Universal Credit by phone other than in ‘exceptional circumstances’.  
• Jobcentres should provide phones for claimants to use to contact the Universal Credit Helpline if they do not have access to a phone at home.  
• Jobcentres must ensure that the support provided to those who lack computer skills is appropriate and that alternatives are provided for those who may never be able to use digital services due to illiteracy, disabilities or other complex needs. |
| Increased rent arrears amongst tenants receiving Universal Credit     | [In addition to various recommendations listed above and below]                                                                                                                                               |
- The Scottish and UK Governments, in conjunction with social landlords should continue to raise awareness of the availability of Universal Credit Scottish Choices, for people who would find having their housing costs paid directly to their landlord helpful in managing their finances.

- The UK Government works with organisations representing social landlords to harmonise the frequency of payments of UC Scottish Choices and Alternative Payment Arrangements with Universal Credit payments and cycles of rent payments.

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<th>Source</th>
<th>Recommendation</th>
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<tr>
<td>Direct deductions to repay advances, overpayments or historic debts being taken at levels that leave people in hardship (recent briefing <a href="#">here</a>, motion in Scottish Parliament about it <a href="#">here</a>)</td>
<td>The reduction to the level of the maximum permitted deduction rate from UC to repay debts should take place earlier than October 2019. The DWP take a holistic overview of the claimant’s circumstances and allow claimants to negotiate the level of deduction before it is applied, particularly if the proposed level of deduction may cause hardship.</td>
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<td>Difficulties making an initial appointment at the Jobcentre as part of the claim process (in particular, for clients who are working during the jobcentre’s usual business hours)</td>
<td>No public recommendation made.</td>
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<td>Problems claiming ‘new style’ JSA and ESA</td>
<td>Full training in the current eligibility criteria for Universal Credit, JSA and ESA is provided to DWP telephony advisers and Jobcentre staff.</td>
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<td>Difficulties caused for people whose employers do not pay them monthly</td>
<td>No public recommendation made.</td>
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<td>Issues for people whose income is fluctuating and unpredictable</td>
<td>CAS recommendations have been mainly aimed at tackling the misuse of zero hours contracts, rather than UC</td>
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<tr>
<td>Problems for people who are self-employed, related to the Minimum Income Floor</td>
<td>Universal Credit claimants who leave zero hours contracts due to the lack of work available, or who decline offers of zero hours work for the same reason should not be sanctioned.</td>
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<td>Problems for people who are self-employed, related to the Minimum Income Floor</td>
<td>The DWP keep the rules for self-employed people receiving Universal Credit under review to ensure that people do not lose out because of a fluctuating business income.</td>
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<td>A range of potential issues arising from managed migration</td>
<td>See response to SSAC consultation - <a href="https://www.cas.org.uk/publications/cas-response-universal-credit-migration-consultation">https://www.cas.org.uk/publications/cas-response-universal-credit-migration-consultation</a></td>
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<tr>
<td>Challenges caused by a single monthly payment</td>
<td>Partly addressed by Universal Credit Scottish Choices</td>
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<td>The effect of Universal Credit sanctions</td>
<td>N.B. Many of the below are long-standing recommendations related to sanctions and conditionality generally for all benefits.</td>
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| The effect of Universal Credit sanctions | • There needs to be a fundamental review of the purpose and efficacy of the sanctions regime and the impact it has on individuals, families and other services. There should be a moratorium on sanctions until the review is completed, so that people do not need to suffer the adverse impacts of sanctions unnecessarily.  

• To prevent claimants being left with no income at all, sanctions should cut benefit to a proportion (for example to hardship payment levels of 60%) rather than the entire amount of benefit to ensure people can meet essential living costs.  

• Hardship Payments should be available from day one of a sanction period in all cases. The process should be instigated by the DWP and payments made |
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<th>Automatically: it should not be left to claimants to apply for them</th>
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<td>• Hardship Payments should not require to be repaid by the claimant.</td>
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<td>• The DWP should ensure that in every case consideration is given to whether a claimant had good reason for any failure to comply with their benefit conditions.</td>
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<td>• The use of non-financial sanctions, particularly written warnings, should be piloted and implemented as an alternative.</td>
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<td>• More effort must be put into communicating to claimants why jobsearch requirements are meaningful, or jobsearch requirements should be revised to ensure they genuinely support people to find work. This should include reducing the 35 hour requirement if it is found to be unreasonable or affects the client’s mental health.</td>
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<td>• Universal Credit claimants who leave zero hours contracts due to the lack of work available, or who decline offers of zero hours work for the same reason should not be sanctioned.</td>
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<td>• It would not be appropriate to sanction Universal Credit claimants who are in work, until a fundamental review of the purpose and efficacy of the current JSA, ESA and UC sanctions regime and the impact it has on individuals, families and other services has been conducted. This review should also address whether applying sanctions has a clear and demonstrable positive impact on helping in-work</td>
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<td>Issue</td>
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<td>----------------------------------------------------------------------</td>
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<tr>
<td>Very lengthy hold times on calls where our advisors need to talk to</td>
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<tr>
<td>DWP staff</td>
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<td>claimants find appropriate, better paying work.</td>
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