



Work and Pensions Committee

14 Tothill Street, London SW1H 9NB

Tel 020 7219 5831 Email workpencom@parliament.uk Website www.parliament.uk/workpencom

30 January 2017

Damian Hinds MP
Minister of State for Employment
Department for Work and Pensions
Caxton House
Tothill Street
London SW1H 9DA

UNIVERSAL CREDIT

As you will be aware, the Committee held an evidence session on Universal Credit on 23 January. It is clear from what we heard that there remains much to be done before Universal Credit is working well for claimants and those organisations working with them. We therefore continue to support the Department's approach of rolling out the full Universal Credit service slowly. Nevertheless, the witnesses highlighted several issues which we would like the Department to comment on.

UNIVERSAL CREDIT CLAIMANTS AND RENT ARREARS

We were concerned to hear that Universal Credit claimants living in rented accommodation are more likely to be in rent arrears than other tenants. Croydon Council told us that:

- Rent collection for council tenants in receipt of Universal Credit has declined from 98 per cent to 72 per cent; and
- Whereas under 10 per cent of tenants are claiming Universal Credit, they account for 38 per cent of Croydon's total rent arrears.¹

Similarly, Halton Housing Trust reported that:

- 920 of its 1,058 tenants claiming Universal Credit were in arrears; and
- While 9 per cent of tenants claimed Universal Credit, they account for 37 per cent of Halton's rent arrears.²

1. Does the Department monitor the impact of Universal Credit on rent arrears, and what changes have you made in response to the findings?

¹ Written evidence from London Borough of Croydon

² Q36; written evidence from Halton Housing Trust

Witnesses told us that these problems could be managed more effectively if the Department communicated with landlords better. They noted, however, that it is more cumbersome for landlords to communicate with the Department regarding claimants under the full Universal Credit service, which makes it difficult for landlords to expedite cases when problems arise. For example:

- Halton Housing Trust told us that some of the positive elements of the live service are not mirrored in the full service, such as the provision of a dedicated landlord line.
- There are also restrictions on what and when information can be exchanged, because the implicit consent process that operates for both live service and other benefits' claimants does not work for full service claimants.

We were told that communications might be improved by bringing forward roll-out of the Landlord Portal.³

- 2. What barriers inhibit the flow of information between the Department and landlords, and would assuming implicit consent for full service claimants help overcome these?**
- 3. Why does the Department not provide a dedicated landlord line for the full Universal Credit service, and does it plan to provide one in the future?**
- 4. What benefits will the Landlord Portal provide, and has the Department considered bringing forward its implementation?**

The default arrangement under Universal Credit is that housing costs are paid to claimants, but we heard that in certain circumstances there is an alternative payment arrangement, Managed Payments, whereby this is paid directly to landlords. When this system works well, it gives landlords confidence that they will receive their rent, and we heard calls that Managed Payments be mandated in a wider range of circumstances.

The effectiveness of Managed Payments is undermined, however, by problems such as:

- Delayed or irregular payments to landlords. For example, Halton Housing Trust told us that average delays of three to four weeks occurred between Managed Payments amounts being deducted from claimants and being received by landlords; and
- Landlords receive a single bulk payment for all tenants, which they have difficulty reconciling with individual accounts.⁴

- 5. Has the Department evaluated how efficiently Managed Payments to landlords are working?**

³ Qq34-35, 60; written evidence from Halton Housing Trust

⁴ Qq57-60; written evidence from Halton Housing Trust

6. Does the Department plan to allow or mandate the use of Managed Payments in a wider range of circumstances?

UNIVERSAL CREDIT AND CLAIMANTS IN EMERGENCY, NIGHTLY PAID, TEMPORARY ACCOMMODATION

Croydon Council told us about the tension between getting people out of emergency, nightly paid, temporary accommodation within six-weeks, and Universal Credit's requirement of minimum six-week tenancy to get housing costs. The ombudsman fines councils for each week someone remains in such accommodation beyond six weeks. But removing people from such accommodation earlier makes them ineligible for housing costs under Universal Credit, meaning that any accrued rent arrears must be written-off or met by the Council from alternative budgets.

- In Croydon, rent collection from Universal Credit claimants in emergency temporary accommodation has fallen from 91 per cent to 59 per cent, which is an annual cost to taxpayers of £2.5 million.
- We were told that two other London Boroughs where full Universal Credit service is operating, Sutton and Southwark, had seen similar patterns.

This issue affects a particularly vulnerable group of claimants, and it can exacerbate problems as households are burdened with a history of rent arrears, and face the risk of family break-up, with the emotional and financial costs this entails.⁵

7. As the Department already provides help outside of Universal Credit towards housing costs for those living in supported 'exempt' accommodation, have you considered extending this arrangement to people in emergency, nightly paid, temporary accommodation?

8. What plans has the Government got to resolve the incompatibility between Universal Credit rules and council obligations to rehouse people out of emergency accommodation within six weeks?

SLOW AND INACCURATE PAYMENTS

We heard that people who claim Universal Credit can struggle to cover the five to six week wait between their application and them receiving their first payment.

- Some claimants have transferred from other benefits, such as ESA, where payment cycles are less than monthly.
- Others, who have lost their jobs, had been paid weekly, so are expected to make a week's wages cover up to six weeks' expenditure.

While the Department does offer advance payments, these are poorly flagged to claimants, yet their award is dependent on claimants requesting them.⁶ Any advance is then repaid through deductions to the claimant's regular Universal Credit payments, meaning that for several months they have less than their full award to

⁵ Qq20-26; written evidence from London Borough of Croydon

⁶ Qq8-10

live on.

9. How many Universal Credit applicants have no money while waiting for their first payment?

10. How many advance payments has the Department awarded to Universal Credit applicants, and what is their total value?

11. In how many cases has the Department used its discretion to pay claimants more frequently than monthly, and in what circumstances has this happened?

We were concerned to hear that some claimants wait longer than they should before the Department has correctly processed their claim, resulting in stress and hardship. We were told that:

- In Croydon “on average it is about 12 weeks before any form of payment is awarded”.
- The housing element of a claim is sometimes not included at first.
- Both Croydon Council and Halton Housing Trust had encountered problems of inconsistent and inaccurate payments.
- Decision makers are overly reliant on information from RTI when assessing claims, even when there is compelling evidence that these data are incorrect.

These factors can cause rent arrears and, potentially, landlords initiating recovery action.⁷

12. What is the average wait for Universal Credit claimants before they receive their first payment?

13. What percentage of claimants have waited more than 42 days for their first payment? What is the longest someone has had to wait? Please provide a breakdown by week of the numbers of claimants who have waited more than 42 days for their first payment.

14. How many Universal Credit awards have been corrected because the initial calculation wrongly omitted elements?

15. How many Universal Credit awards have been corrected because RTI information was inaccurate?

We recognise that mistakes will sometimes occur, but heard that the Department could do more both to prevent this, and to rectify errors in an equitable way. Witnesses told us that:

- Overpayments have arisen because of poor communications within the Department when people had transferred to Universal Credit from legacy benefits.

⁷ Qq8, 18, 68, 70

- But when such official errors occur, they thought the Department's priority seemed to be recovering the overpayment as quickly as possible by applying the maximum 40 per cent recovery rate, rather than using its discretion to set a more affordable rate.⁸

16. How many Universal Credit claimants have been under- or overpaid because of official errors? What is the total and average value of these official errors?

17. When overpayments have occurred, in how many cases has this been recovered at the maximum 40 per cent recovery rate, and in how many has the Department used discretion to set a lower recovery rate?

THE EFFECTIVENESS OF UNIVERSAL CREDIT FOR CLAIMANTS WITH MORE COMPLICATED CIRCUMSTANCES

We are concerned about the lack of evidence regarding how effectively Universal Credit is performing at getting claimants who have more complicated circumstances, including couples, families and disabled people, into work. We accept that alongside making sure work pays, conditionality and sanctions are an important part of the Universal Credit regime. But both the carrot and the stick must be pitched appropriately if Universal Credit is to achieve the Department's intended outcomes.

- The Resolution Foundation told us that Universal Credit has weak cash-incentives for encouraging lone parents and second earners into employment.⁹
- The Child Poverty Action Group told us about inappropriate in-work conditionality requirements, and Halton about a cancer patient who was receiving chemotherapy being expected to spend 35 hours a week looking for work.¹⁰
- We heard that delays in work capability assessments of up to ten months had resulted in claimants not receiving payments they are entitled to and the Department imposing inappropriate conditionality requirements on them in the meantime.¹¹
- We also note that the National Audit Office recently reported that how people respond to sanctions is uncertain, and that the Department has not used its data to evaluate the impact of sanctions.

18. What assessment has the Department undertaken of Universal Credit's effectiveness in getting people with more complicated circumstances into work, and when will this be published?

19. What monitoring does the Department undertake to ensure that timely and appropriate conditionality requirements are being applied which reflect each Universal Credit claimant's circumstances?

⁸ Qq31-32, 68

⁹ Qq13-14

¹⁰ Qq48, 53

¹¹ Qq70-71

20. In the light of the recent NAO report on benefit sanctions, what evaluation is the Department planning on the effectiveness of Universal Credit sanctions?

We look forward to receiving your responses.

With thanks and best wishes,

**Rt Hon Frank Field MP
Chair**