



Homelessness and Universal Credit

Homeless Link is the national membership charity for frontline homelessness agencies and the wider housing with health, care and support sector in England, and has over 750 members. St Mungo's is a homelessness charity and housing association, providing a bed and support to more than 2,700 people a night who are homeless, or at risk of homelessness. Together we work to prevent homelessness, to improve services and campaign for policy change that will help end homelessness by ensuring that everyone has a place to call home and the support they need to keep it.

As leading homelessness organisations, we support the principles behind Universal Credit (UC) to simplify the welfare system, and to help more people move into and progress in work while supporting the most vulnerable. However, our work with service managers, frontline workers and people with lived experience of homelessness has consistently highlighted that UC is not meeting its aims for people with a history of homelessness, leading instead to serious hardship in some cases. Without action, as greater numbers of people move over to the new benefit through natural and managed migration, we expect these instances to significantly increase.

The Government and the Department for Work and Pensions has a history of working together with the homelessness sector to bring about positive change to people's lives. Innovative practice by local JobCentre Plus, such as adopting trauma-informed work environments and resourcing work coaches to undertake their role within daycentres, have helped to upskill staff and improve relations with claimants. However, key issues remain un-addressed. As increasing numbers of vulnerable claimants move on to UC, we are calling on the Government to work with the sector to identify and respond to issues faced by people experiencing homelessness to ensure that UC can deliver its stated principles. We call on the Government to:

Recommendation 1: Reform Universal Credit so that claimants experiencing homelessness can afford food, fuel and housing without accruing debt.

Recommendation 2: Ensure that people experiencing homelessness who are making or managing a Universal Credit claim receive a package of support and payment cycle that is tailored to their individual circumstances.

Experiences of Universal Credit

"In my opinion to be able to budget you need stability and an amount of money that allows for budgeting." **Claimant with lived experience of homelessness**

People experiencing homelessness face specific problems relating to managing money under UC.

I. Waiting 5 weeks for first payment

By default, people can expect to receive their first payment of UC five weeks after they apply. However, our evidence shows that it is extremely unlikely that people with a history of homelessness will have the financial resources required to bridge the gap between applying for UC and receiving their first payment, as few have savings or support from family. Further, our evidence shows that people are generally waiting in excess of five weeks to receive payment due to errors within the operation of UC and the requirements UC places on people throughout the process of making a new claim.

The Government has recognised that the initial five-week wait for a UC payment is unmanageable for some people. Consequently, there has been a revision to the advance payments mechanism, allowing claimants to access 100 per cent of their monthly award immediately after making a claim and pay this loan back over 12 months (until 2021, when this will increase to 16 months), with the potential for repayments to be

delayed for up to three months. Although we welcome the Government's acknowledgement that the initial wait period is unmanageable for some, this system introduces debt into an individual's claim from the outset and requires them to survive on reduced welfare payments for a long period in order to repay the loan.

Debt accrued through the time taken to process Universal Credit payments, taking out an advance payment, and the fact that people are paid a month in arrears, has led people to spend money on their most immediate needs, such as food and fuel, rather than rent. We have many examples of individuals who have suffered increased anxiety, excessive weight loss, heightened occurrence of suicidal thoughts, become reliant on foodbanks, run up huge arrears, or been served with notices of eviction whilst waiting for their first payment.

II. Increased deductions from Universal Credit claim

"One formerly homeless client went without electricity and heating in his accommodation over winter because deductions from his UC payments were so significant that 6 months after his UC payments had started he still did not have enough income to cover essentials each month." **Frontline worker**

Many people with a history of homelessness face deductions from their UC award, such as rent arrears and loan repayments. They often face financial difficulty as a result of these debts and the high repayment rates and treatment of historic debts that UC has introduced compared to those for legacy benefits. Introducing a further deduction through the advance payment mechanism makes managing outgoings impossible.

Case study: *W has been subject to huge deductions from her UC award to pay off arrears. At one point, she faced deductions of £127.00 to pay back a tax credit overpayment, rent arrears, and an historic loan repayment. This left her with just £191 to live on for the month.*

III. Levels of payment

Given the freeze on working age benefits, including the local housing allowance (LHA), the level of income that people receive through Universal Credit means that some do not have enough income to pay for food, fuel and housing, and are at risk of homelessness, or where already homeless are unable to move on from homelessness accommodation services. The problem is compounded with claimants increasingly being required to spend money on using transport, accessing IT and using a phone to make and manage a claim.

"I've seen clients routinely left with about £200 from their standard allowance; their housing has already gone out, they haven't touched that. They're surviving on £50 a week!" **Frontline worker**

IV. Monthly payments and housing costs

UC introduces new requirements around budgeting, with housing payments no longer (by default) going to landlords, and payments being made monthly and in arrears. Although many people who are homeless will be able to manage their finances independently with the right support and guidance, budgeting on UC from the very beginning of a claim is proving extraordinarily difficult for some, and can jeopardise recovery from homelessness, particularly amongst those with substance use problems and/or a mental health condition. Almost 80% of respondents to Homeless Link's recent Young and Homeless research reported direct payment of housing costs to the tenant as impacting on young people's access to housing and 75% highlighted the impact of arrears in monthly payments.

The Alternative Payment Arrangements mechanism within Universal Credit does allow people to have housing costs paid directly to landlords, as well as providing fortnightly payments to those who require it, from the outset of the claim. However, our evidence highlights inconsistent experience of applying for Alternative Payment Arrangements across different Jobcentre Plus offices, and ongoing issues with payments once Alternative Payment Arrangements are in place.

We are also seeing increases in service charge arrears in supported housing. UC no longer allows claimants living in supported housing to request direct payments to their landlord of ineligible service charges, which cover costs such as gas and electricity. Although supported housing providers can request that a direct payment of ineligible service charges be set up, unlike under legacy benefits this can only be done once a claimant has accrued eight weeks of arrears on these charges and direct payments only

continue until these arrears are repaid. Once again, the UC system is encouraging claimants to go into debt in order to access the support they may need to manage their payments

V. Lack of support for claimants

To meet its principle of supporting vulnerable people, UC must recognise the specific needs of individuals who need more time and support to manage their own finances. This requires an effectively operating Alternative Payment Arrangements mechanism, and an individualised, tailored money management support that claimants were due to receive alongside a Universal Credit payment. However, many people with a history of homelessness and complex support needs are not receiving the required support within the current provision. For example, only one St Mungo's client was able to access Universal Support, and this only consisted of a one day budgeting course, organised several months after their claim was first made. We are not aware of any examples of effective debt advice being provided to individuals, either through the DWP or an affiliated organisation.

"It's about working out how you pay the debts back when suddenly you're on benefits and you owe thousands of pounds. It's about how you can reduce it to an affordable amount each month, but it's surprising, I found out, how many people didn't understand that system." **Person with lived experience of homelessness**

Problems with making and managing a claim are exacerbated by additional barriers within UC faced by organisations who are trying to supporting claimants. For example, due to the removal of implicit consent from UC, support organisations in the homelessness sector have found it difficult to provide welfare advice and support to people who are homeless. Although this can be addressed by a claimant making a note on their online journal, the process must be repeated every time someone needs support, increasing the burden placed on claimants and agencies and heightening the risk that problems with claims go unaddressed, particularly for the most vulnerable claimants who struggle to pursue complaints without support. The Information Commissioner's Office recently upheld a complaint about the removal of implicit consent, stating that the DWP was taking an "unduly restrictive view" of data protection in implementing this policy. However, the DWP have yet to satisfactorily respond to this complaint.

Recommendations:

People experiencing homelessness face substantial difficulties with managing a UC claim, which could prevent people from moving on with their lives. However, a number of changes could be made within the existing system to alleviate the pressure on this group, and reduce their risk of increased debt and instability.

Recommendation 1: Reform Universal Credit so that claimants experiencing homelessness can afford food, fuel and housing without accruing debt. This will require:

- Removing the five-week wait for first payment for both new claimants and those migrated onto Universal Credit, so that claimants are not pushed into debt as a result of waiting for their initial payment.
- Reviewing the advance payments system, with a view to offering full run-on of legacy benefits for current claimants to reduce the amount that must be borrowed
- Reduce the total level of all deductions that can be made from an award to 25 per cent rather than the proposed 30 per cent of standard allowance due to be introduced in October.
- Immediately instating direct payments for ineligible service charges for UC claimants living in supported housing, to mirror legacy benefits and support people in their journey to independence.
- Reviewing the level of award of working age-benefits, including the local housing allowance, so that claimants are able to meet the costs of food, fuel and housing.

Recommendation 2: Ensure that people experiencing homelessness who are making or managing a Universal Credit claim receive a package of support and payment cycle that is tailored to their individual circumstances. This will require:

- Claimants moving on to Universal Credit to receive Alternative Payment Arrangements by default, with the opportunity to opt-out, rather than the current mechanism which requires individuals to both understand exemption processes and be able to disclose any vulnerabilities.
- The Department delivering or linking with relevant agencies to provide all relevant claimants with debt advice.
- A clear method for supporting individuals who are identified as vulnerable to manage the transition to UC, including proactive offers of delayed migration for those who need additional support
- Guaranteed access to tailored and ongoing support for claimants who are unable to make and maintain a claim using the internet, either due to poor digital literacy or lack of access
- A revision of the policy of explicit consent, to allow charities and other advice services to better support claimants.

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