



Trussell Trust – March 2020 Budget submission

SUMMARY

We can reach a future where no one needs a food bank. We're seeing more and more people being pushed to food banks than ever before, but we know what needs to change.

Nine in 10 of us believe hunger in the UK is a problem (YouGov poll on behalf of the Trussell Trust, 15.10.19).

Universal Credit should be pulling people out of poverty. However, Trussell Trust evidence shows how the move to Universal Credit - specifically the five week wait for the first payment - locks many people into hardship at the beginning of their claim.

With this budget, the government has the opportunity to ensure that the welfare safety net supports those who need it. The most straightforward way of preventing people from being locked into hardship and debt, would be to **end the five week wait** by providing non-repayable grants to new claimants, rather than loans.

If the government won't end the five week wait, then people need to be empowered to take control of their finances.

The government should:

1. Make sure Universal Credit works for the most vulnerable

We all want to live in a society based on justice and compassion, so, in line with the Conservative Party manifesto, the government must ensure Universal Credit supports the most vulnerable. There should be **non-repayable grants for the most vulnerable** (such as those with disabilities and people on the lowest incomes). The run-on payments should include those receiving tax credits; people in low income jobs and with children should have the same support as those moving from other benefits. The run-on payments should cover a three-week period, instead of two weeks, to support people through the wait for their first payment.

2. Allow people who need it the time and space to get their finances under control

Following the footsteps of the government's work to give people space to deal with consumer debt through its Breathing Space scheme, **we think that the government should be held to the same standards as the private sector and act as a responsible lender.** Affordability assessments for Advance Payments should be carried out, with a maximum deduction rate of 10% (including DWP and third-party deductions). Historic benefit overpayments from more than six years ago should be written off.

3. Give people control of their Universal Credit payments

The Universal Credit system can provide tailored payment options (including payments made fortnightly instead of monthly, payments made directly to a landlord, and payments automatically split between a couple in a household). These options can be a lifesaver to someone trying to make ends meet, but in England and Wales not everyone can access them. We want individuals to have control over how their Universal Credit payments are made.

We are also asking that the government uses this budget to ensure that there is local crisis support in place when someone needs it.

We know food banks are seeing increased demand because there is nowhere else to turn locally - people have exhausted formal and informal support. Since the devolution of the Social Fund in 2013 and removal of ring-fenced spending for local welfare provision, council-led support has been a postcode lottery.

In some areas voluntary organisations like food banks are having to step in – but we know volunteers and emergency food can't replace a proper local safety net.

4. The government should invest in local support by ring-fencing and increasing the money our councils have to provide emergency support when people face a crisis like eviction or a job loss.

1. Make sure Universal Credit works for the most vulnerable

1a. Evidence

The Trussell Trust, alongside over 50 other organisations, believe that the government should end the five week wait for the first Universal Credit payment. The government should ensure that the welfare safety net is there for everyone who needs it. To avoid locking people into debt and destitution at the beginning of a Universal Credit claim the government should support them through providing non-repayable grants rather than loans.

The Trussell Trust commissioned Heriot-Watt university to conduct its largest survey to-date on the drivers of need for food banks ('State of Hunger' 2019). Over 1000 people who had been referred to food banks were surveyed, and Heriot-Watt also analysed 8 years' worth of Trussell Trust food banks' data. The study found that the main factors underlying drops in benefit income are due to built-in features of the system: the five-week wait for Universal Credit, benefit sanctions, changed criteria of eligibility for health-related benefits, benefit penalties, and the benefits freeze. Having to wait five weeks for the first Universal Credit payment is currently a more common driver of food bank use than benefit sanctions and other benefit interruptions.

The Trussell Trust published a report in 2019 '5 Weeks Too Long: Why we Need to End the Wait for Universal Credit' on the impact of the five week wait for the first Universal Credit payment, including looking at the impact of the Advance Payment. As part of the research, the Trussell Trust analysed data from over 400 of the food banks in its network and gathered the stories of over 70 people affected by the five week wait for Universal Credit. This research builds on previous research by the Trussell Trust including – 'Left Behind: Is Universal Credit Truly Universal?' (2018), and 'The Next

Stage of Universal Credit: Moving onto the new benefit system and foodbank use' (2018) – which also identified higher demand for food banks in areas of full Universal Credit rollout.

The '5 Weeks Too Long' research found that the minimum five week wait for Universal Credit - either without income or with a Department for Work and Pensions (DWP) Advance Payment - has led to acute and immediate financial hardship, and worsened households' longer-term financial resilience.

This includes:

- Destitution (inability to afford food or heating, going hungry)
- Housing insecurity (rent arrears, risk of eviction and homelessness)
- Indebtedness (multiple debts, high-risk loans, suspended utilities)

For many, the change of circumstances that triggered a Universal Credit claim - e.g. unexpected illness and job loss - had already led to financial hardship; the five week wait made their situation worse. Financial difficulties also caused or exacerbated mental health issues and strained relationships and support networks.

The five week wait for Universal Credit payments, has a knock on impact on a range of other organisations including food banks and housing providers:

- Trussell Trust food banks saw an average 30% increase in referrals 12 months after Universal Credit is rolled out in their local authority.
- Data from the Social housing provider the Riverside Group shows claimants on Universal Credit have seen a 42% increase in average rent arrears, compared to a 20% fall for Housing Benefit claimants, since rollout began in 2015.

Case study 1:

Jasmin is a single parent with four children. She was not previously claiming any welfare benefits, but after leaving an abusive partner she needed to make a claim for Universal Credit. She has been waiting three weeks so far for her first payment. She is living in council housing, and let them know she was waiting for her payment but she has already received a notification to leave the property in one month's time.

She said that she felt her only option to be able to put a roof over their heads, and pay the bills, would be to go back to her abusive ex-partner.

"It's not only feeding my kids but struggling with no hope. [It's] forcing me to go back and live with my abuser because I don't have choices - at least he can support his kids and pay for rent, clothes, bills, school trips and school uniforms. If Universal Credit paid me earlier I would not face all these problems by myself."

1b. Proposed solution

There are currently some mitigations in place for certain people whilst moving from legacy benefits to Universal Credit; an acknowledgement that people are likely to struggle during the transition. However these mitigations are piecemeal, and do not provide the support required to all.

The DWP should provide non-repayable grants to new claimants, rather than loans. Similar grants have been made available to mitigate welfare reforms, such as Discretionary Housing Payments (DHPs) to mitigate the removal of the spare room subsidy (also known as the 'bedroom tax').

If non-repayable grants are not introduced for all, then to protect the most vulnerable the DWP should:

- Provide those moving from tax credits (which includes those on low incomes and/or those with children) the support that they need through a run-on of their tax credits benefit as they move to Universal Credit.
- Provide a three week, rather than two week, benefit run-on of all legacy benefits, to provide a minimum amount of support that will support the most vulnerable through the transition to Universal Credit. A three week run-on would leave a two-week waiting time, in line with typical waiting times for legacy benefits.

Allow people who need it the time and space to get their finances under control

2a. Evidence

The government has argued that an Advance Payment, a loan that is repaid through automatic deductions, is sufficient to bridge the gap for individuals waiting for their first Universal Credit payment. Our '5 Weeks Too Long' research found that this is not the case. It was found that the money from Advance Payments was insufficient; claimants were still forced into hardship and accrued debt. The Trussell Trust's 'State of Hunger' (2019) research with over 1000 people who had been referred to food banks, also found that receiving a benefit advance did not prevent food bank use. This was because benefit levels were too low to be able to pay off the advance and still afford essentials.

Advance Payments also pushed claimants into hardship well beyond the initial wait, particularly if claimants had to repay other loans. This was exceptionally difficult for those who were asked to repay other government debts, but were only told this after their Universal Credit payments had started. One of the most significant government debts being repaid under Universal Credit are tax credits debts, with 255,000 claims having a deduction applied for a tax credits debt in 2019 (HC Deb 20 May 2019 253637W).

Unlike best practice among private sector lenders, the DWP does not conduct an affordability assessment before lending money or put in place an affordable repayment plan. Instead, claimants are subject to set repayment rates, with nearly a third (29%) subject to a deduction to their Standard Allowance of more than 30% (HC Deb 4 June 2019 257147W). While deductions should be capped at 40% of the Standard Allowance, in February 2019 there were still 13,000 claimants with deduction of more than 40%.

Case study 2:

Sophie is a single, disabled mother. Her husband left her a month ago, leaving the family with no income. She needed to apply for Universal Credit to support her family.

Sophie struggled to pay her rent, to feed her children, and to pay for the medication that she needs. She took an Advance Payment but this did not prevent her family from hardship. She was worried about borrowing too much and not being able to afford the repayments as she didn't know how much she would be eligible for through Universal Credit.

"I'm down to one meal a day so that I can still feed my children and my rent is now late. I can't afford my prescription and don't know if I qualify for free prescriptions because I don't know if my claim has been successful or not. So I'm in pain and exhausted.

"I've taken out a Universal Credit advance of £800 but I don't want to take any more as I don't know if or how much Universal Credit I'll get. Five weeks with no income and no way to tell if or when any money will arrive is impossible."

2b. Proposed solution

Following the footsteps of the government's work to give people space to deal with consumer debt through its Breathing Space scheme, the government should be held to the same standards as the private sector and act as a responsible lender.

The government should ensure that it both lends money as a responsible lender and collects it as a responsible creditor. To do this the DWP should ensure that it carries out affordability assessments for Advance Payments.

The DWP can currently reclaim debts at up to 40% of people's standard allowance on Universal Credit. Asking people on low incomes to repay loans and other government debts at very high levels pushes them into hardship. The DWP should set a reasonable deduction rate - at a maximum of 10% (including DWP and third-party deductions).

The Trussell Trust also saw the impact of people repaying debts including tax credits debts, which could date back up to 15 years and relate to debt incurred with a previous partner. The DWP should be held to the same standards as the private sector, with a limit of six years to let someone know about a debt, after this point the debt should be written off.

2. Give people control of their Universal Credit payments

3a. Evidence

The Trussell Trust's and other's research into the five-week wait ('State of Hunger', 2019; '5 Weeks Too Long', 2019), found that the key issue with the move to Universal Credit was the debt and hardship that this led to, not just during the wait, but for many months afterwards.

Whilst this is the key issue, one other way in which claimants could be better supported, would be if they are given more control over their Universal Credit payments. By choosing how and when payments are made they would be able to take decisions that allow them to manage their budget better.

The Universal Credit system can provide tailored payment options (including payments made fortnightly instead of monthly, payments made directly to a landlord, and payments automatically split between a couple in a household). These three flexibilities are known as Alternative Payment

Arrangements (APAs). However, in England and Wales, these are not available to anyone who would like them, and instead are only available to those meeting strict criteria.

This difficulty in access is reflected in the low take up of APAs, with only 45 (of a total 1,557,806) Universal Credit claimants taking up split payments between a couple as of February 2019, and only 19,146 taking up more frequent payments (StatXplore, accessed 31 July 2019).

3b. Proposed solution

In itself, flexible payment options will not do enough to provide support needed to help the most vulnerable. However more frequent payments could be a way to prevent the long wait for the first payment, if it was implemented immediately, and could help people manage their claim.

Therefore, anyone who feels that they can benefit from these options should be allowed them, as is the case in other areas of the UK (like Northern Ireland and Scotland). This would be a low cost solution, already possible within the current system, that would give people control over how their payments are made, and give them greater ability to manage their finances.

4. Invest in local support by ring-fencing and increasing the money our councils have to provide emergency support when people face a crisis like eviction or a job loss.

4a. Evidence

We know food banks are seeing increased demand because there is nowhere else to turn locally - people have exhausted formal and informal support. This was highlighted as a key driver of need in our largest survey to-date of the drivers of need for food banks ('State of Hunger' 2019).

Since the devolution of the Social Fund in 2013, emergency financial support through the Crisis Loans and Community Care grants became the responsibility of local authorities in England and devolved administrations. However, there were no statutory obligations placed on councils and the budget was not ring-fenced.

Research by a number of different organisations including the Centre for Responsible Credit ('The Decline of Crisis and Community Care Support in England, 2017), the New Policy Institute ('A Quiet Crisis', 2018) and Greater Manchester Poverty Action ('The Decline of Crisis Support in England, 2018) have highlighted this erosion of support.

In 2010/2011 the Social Fund's budget was £330 million, falling to less than £47 million spent through equivalent schemes in 2017/2018. Local welfare assistance schemes are now a postcode lottery in terms of the level and quality of support offered to people in crisis.

The Trussell Trust has conducted a survey and qualitative research with food banks across its network, as well as speaking to stakeholders at a number of Local Authorities (research awaiting publication, expected March 2020). The research has found that food banks are often having to step in and provide this crisis support, that used to be part of the social security safety net. In a number of Local Authorities across England if someone tries to access emergency support, the only support that they are offered through their local authority is a food bank voucher.

Short term crisis support is not only a lifeline for the individuals but makes economic sense; it can prevent councils from having to pay much higher costs later down the line. A short- term crisis payment could help an individual sustain a tenancy rather than see them evicted and the council picking up the bill for this. Whilst Local Authorities see the sense in this, often their hands are tied by the statutory obligations that they must meet, often on challenging budgets.

4b. Proposed solution

The Trussell Trust think that there needs to be a new budget allocation for local welfare assistance schemes. This should be a ring-fenced budget, for local authorities to provide emergency support when people face a crisis like eviction or a job loss. To prevent local welfare schemes from being implemented inconsistently there should be guidance on what should be provided in each local authority.