

Homelessness and Universal Credit

As four leading homelessness and housing charities, we support the principles behind Universal Credit. Yet we are concerned that Universal Credit in its current form is not working for people who have experienced, or are at risk of, homelessness. If problems with the new system are not addressed they will lead to significantly increased hardship for this group.

We call on the government to address these concerns and implement the following recommendations:

Recommendation 1: A money management package, including exemption from the seven day waiting period, should be developed for individuals identified as homeless or at risk of homelessness at the beginning of a Universal Credit claim. This should include a realistic financial offer to support people through the assessment period and enable them to manage their finances going forward, without falling into debt. In addition to removing the seven day waiting period from people who are homeless, it should allow better access to reformed advance payments. Advanced payments should become more generous, and their punitive re-payment terms altered to ensure that they can be paid back over at least 12 months in every case.

Recommendation 2: All individuals identified as homeless should be granted Alternative Payment Arrangements (APAs), as standard, from the beginning of their claim. They should automatically be given more frequent payments and, in the case of individuals who receive the housing element of Universal Credit, rent payments direct to their landlord. These APAs should be reviewed regularly and should not be removed without a consultation with the claimant.

Experiences of Universal Credit

Due to the staged roll out of Universal Credit, only a small number of the people we represent have received the new benefit. But each organisation already has experience of individuals who have been adversely affected by attempting to claim Universal Credit.

People who are homeless face specific problems caused by the current design of Universal Credit, and many others are being left at risk of becoming homeless as they transition to the new system. It is very unlikely that the people we represent will have the financial resources required to bridge the gap between applying for Universal Credit and receiving their first payment, as few people who are homeless or at risk of homelessness will have savings or support from family. We have numerous examples of individuals who have become reliant on foodbanks, run up huge arrears, or been served with notices of eviction whilst waiting for their first payment.

Case study: *Shelter assisted a woman in Sheffield, vulnerable because of mental health problems, who was struggling to negotiate the UC system. A catalogue of errors by DWP meant that she had to make four separate claims for UC and wait over 10 weeks for her first payment. This caused her significant hardship. She had to borrow money from friends and, at times, went without meals, was unable to heat her home or use electricity (resorting to the use of candles). Having no income meant that rent arrears quickly built up and her landlord was in the process of trying to evict her.*

Following intervention from Shelter, the warrant was suspended and hearing adjourned pending her claim. She received an advance payment of UC in November, 5 weeks after her she first claimed, but this had to be paid back at £52.40 per month once UC was in payment, which caused further hardship. The delay in processing her UC claim also meant that she was unable to apply for a Discretionary Housing Payment from the local housing authority, since her last one was suspended when her JSA ended. This has added to her rent arrears and put her at further risk of eviction.

Many people who are homeless have difficulty with managing a monthly budget, particularly at a time when a change in circumstances has led to a new Universal Credit claim. Our organisations have many examples of individuals who have identified managing monthly budgets and rent payments as a key concern which could jeopardise their recovery from homelessness, particularly amongst those with substance use problems or a mental health condition. Although many people who are homeless will be able to manage their finances independently with the right support and guidance, budgeting on Universal Credit from the beginning of a claim may be too steep a learning curve for some unless they are given time to develop money management skills.

Although measures such as alternative payment arrangements (APAs) and advance payments have been introduced in an attempt to ease these problems, we have found them to be poorly advertised and difficult to access. There is a common misconception that APAs should only be available once a claimant has two months of arrears. In some cases, attempting to establish changes to a claim have resulted in further delays or mistakes with payments.

Advanced payments are also often too small and are generally paid back over the course of six months through deductions from Universal Credit. These deductions can be so high that people are forced into higher levels of debt in order to buy essentials during the repayment period. As a result, it is often not rational to take out an advance payment and people are advised to use other means to manage their assessment period, including food banks.

Many of these difficulties are compounded by problems with the implementation of the new system. Common issues include waiting significantly longer than the expected six weeks for an initial payment, incorrect payments being made, and poor communications from the DWP to both claimants and their landlords. These have been highlighted in our individual responses to the Work and Pensions Select Committee's inquiry into Universal Credit, as well as by other organisations such as the Citizen's Advice Bureau in their report *Delivering on Universal Credit*.

We have also experienced difficulty when attempting to provide welfare advice and support to people who are homeless, due to the removal of escalation routes and implicit consent in full service Universal Credit areas. Although in theory this can be addressed by a claimant making a note on their online journal, we have again found that this has not been implemented in practice. This means that problems with claims may go unaddressed, particularly for the most vulnerable claimants who are not able to pursue problems themselves. This could be resolved by allowing implicit consent for charities and other welfare advice services, as has already been introduced for MPs' offices, and reintroducing escalation routes in full service Universal Credit areas.

Case Study: *James has been in and out of low paid, insecure work for a number of years which led to him accruing rent arrears. Because of this, James applied for Alternative Payments Arrangements so that his rent would be paid straight to his landlord. However, the process has not run smoothly and he is now at risk of eviction.*

When James completed his initial application for Universal Credit, Centrepoint completed and returned a verification form to confirm that James was living in Centrepoint accommodation. However, this was lost by Universal Credit (even though it was sent via email) and Centrepoint was asked to complete a new one, delaying the claim. Eventually, confirmation was sent to James through his online journal that the housing support element of his payment would be sent directly to Centrepoint. However, this was not received, meaning that James started building up arrears, which eventually amounted to around £3000.

James telephoned Universal Credit and was told that the payment had been sent, but it had definitely not been received by Centrepoint. The Universal Credit team refused to speak both to Centrepoint and other support agencies working with James, making it very difficult to help him address the situation. James became very distressed as he felt in an impossible position. He contacted Universal Credit multiple times until they eventually confirmed that an administrative error meant the payment had not left the Universal Credit bank account. The whole experience had undermined James' trust in the benefit system.

Recommendations

People who are homeless face significant difficulties when accessing Universal Credit, which could lead to significant setbacks in their recovery. However, a number of simple changes could be made within the existing system to alleviate the pressure on this group, and reduce their risk of increased debt and instability.

We strongly recommend that:

1. A money management package, including exemption from the seven day waiting period, should be developed for individuals identified as homeless or at risk of homelessness at the beginning of a Universal Credit claim. At present, people who are homeless or at risk of homelessness are very likely to face financial hardship at the beginning of a Universal Credit claim, falling into a cycle of debt that can be difficult to escape. To tackle this, homelessness should be added to the list of exemptions from the initial seven day waiting time once a claim is submitted, to create parity with other vulnerable groups who are already exempt such as prison leavers and victims of domestic violence. This is in line with the intention of the exemption policy, to prevent financial hardship to vulnerable groups who are unlikely to have savings.¹ Alongside this, all people identified as homeless should immediately qualify for, and be offered, an advance payment which can be paid back over at least a 12 month period. Local authorities, homelessness hostels and other support services such as mental health workers should be able to work together to identify people who are homeless in the initial stages of making a claim in order to allow access to these measures.

2. All individuals identified as homeless or living in supported housing should have alternative payment arrangements established as standard from the beginning of their claim.

Homelessness has already been identified as a tier one vulnerability factor, meaning that APAs are highly likely to be needed by a claimant. However, many people still do not know APAs exist, or find them difficult to access. We therefore propose that all people identified as homeless, or living in supported housing such as a homelessness hostel, should be placed automatically onto an APA for both more frequent payments and direct payment to landlords (where they currently claim the housing element of Universal Credit.) This should operate on an opt-out system, whereby people are able to request their APAs are removed following a conversation with the DWP. APAs should never be removed without a consultation with the claimant, as we have seen happening in the early stages of roll out. Better communications systems should also be established between the DWP and landlords, so they are informed when their tenant is placed on and removed from APAs, and when they can expect payment.

Identification of homelessness

Both of our recommendations will depend on an ability to identify people who are homeless or at risk of homelessness. This has proven to be difficult historically, so we suggest a new list of identification criteria be established. As organisations with relevant expertise, we would welcome the opportunity to support the development of such criteria, but believe it should include:

- People helped into the private rented sector or social housing through homelessness prevention services
- People who access support through duties introduced in the Homelessness Reduction Act.
- People accepted as homeless, including those who have had duties discharged through a private rented sector offer
- People living in long-term (second stage) temporary accommodation
- People living in or moving on from supported housing, including hostels and refuges

¹ Social Security Committee *Explanatory Memorandum on exemptions to waiting days* September 2014

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/356162/universal-credit-waiting-days-explanatory-memorandum.pdf

- People living in private hostels who are not exempt from their housing costs being paid through Universal Credit
- People who are rough sleeping or sofa surfing

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