About CIH

Chartered Institute of Housing (CIH) is the independent voice for housing and the home of professional standards. Our goal is simple – to provide housing professionals and their organisations with the advice, support and knowledge they need to be brilliant. CIH is a registered charity and not-for-profit organisation. This means that the money we make is put back into the organisation and funds the activities we carry out to support the housing sector. We have a diverse membership of people who work in both the public and private sectors, in 20 countries on five continents across the world.

Further information is available at: www.cih.org

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Summary of our views about universal credit

CIH broadly supports the principle of universal credit. We agree with the central aims of the policy; to simplify the benefits system and to improve work incentives by creating a simpler, more generous system of ‘tapering’ benefits as claimants’ other earnings increase.

However we are concerned that a number of problems with the way in which universal credit is operating in practice are causing increased rent arrears for landlords and hardship for tenants. These problems are undermining the ability of universal credit to achieve its original aims.

They are a mixture of:

- policy design flaws – some elements of universal credit’s design are causing significant difficulties, most notably the six week wait before a claimant receives their first payment. These are deliberate policy decisions which, in light of a growing body of evidence linking them to increased rent arrears, should now be reconsidered

- administrative problems – anecdotal feedback from landlords suggests that many of the administrative processes which support universal credit are still not working as well as intended and that there are substantial differences between the operation of the live service and the digital/full service. These inconsistencies cover, for example, areas such as the accurate and timely processing of claims and making of payments, the administration of alternative payment arrangements (APAs) and the level of communication between DWP and landlords who are dealing with universal credit cases. They are not only contributing to increased arrears, but are also creating considerable inefficiencies as landlords are having to devote significant resources to trying to resolve problems with individual claims.

Answers to the committee’s specific questions

We have not answered all of the committee’s questions but have instead focused on the areas where our members’ experience means that we are able to make a particular contribution:

How long are people waiting for their universal credit claim to be processed, and what impact is this having on them?

We are concerned that claimants’ long wait to receive their first payment is a major cause of rent arrears and hardship. The design of universal credit (ie: it is subject to a seven day waiting period and paid monthly in arrears) means that new claimants face at least a six week wait for their first payment, and we are aware that in practice some experience even longer waits.

It is expected that claimants who are leaving employment will be able to bridge this gap by living off of their final paycheque. However feedback from landlords suggests that in practice most claimants are simply unable to do this. Most have previously been living ‘hand to mouth’ and do not have any savings to fall back on.

Even those who were previously paid monthly in arrears face an initial shortfall, however this is much greater for those who had previously been paid weekly. Weekly payment is particularly
associated with lower paid and less secure jobs, and so this is disproportionately common among those moving on to universal credit. It is also worth noting that not all universal credit claimants are leaving employment at all. Many were previously receiving employment support allowance, which is paid fortnightly, and these claimants also face substantial difficulties transitioning to a monthly benefit.

We believe that the decision to design in a minimum waiting period of six weeks before the first payment is received is setting people up to fail. Feedback from landlords suggests that this wait is causing claimants to fall into rent arrears (or for any existing arrears to escalate quickly) leading to increased anxiety, reliance on payday lenders and foodbanks and ultimately a risk of eviction and homelessness.

While it is possible for claimants who are at risk of hardship to apply to receive part of their first payment in advance, there are some limitations to this. These ‘short term advances’ are only available to those who can show that there would otherwise be a serious risk to their health and safety, or to that of a family member, and the need to repay this advance via deductions in future universal credit payments can itself cause problems. Furthermore, we are concerned that most universal credit claimants do not realise that short term advances are available and feedback from landlords suggests that DWP staff do not routinely make them aware of this option.

How are claimants managing with being paid universal credit monthly in arrears?

Evidence suggests that after an initial transitional period many claimants can manage their money effectively. For others, the APA system provides at least a partial ‘backstop’. We anticipate that if implemented effectively, the rollout of trusted partner status could greatly improve this by giving landlords the freedom to actively manage the use of APAs and to act more quickly to stop tenants who are unlikely to cope from running up large levels of arrears.

Some tenants do face on-going difficulties coping with monthly payment in arrears. In particular those who have a highly variable income from their employment (eg: those on zero hours contracts) often face significant difficulties, and feedback from landlords suggests that this group often require on-going support over the longer term.

Has universal credit improved the accuracy of payments?

We are aware that it is still a relatively common occurrence that the housing element of universal credit is calculated incorrectly, or omitted altogether.

Universal credit rolls together a number of different benefits. This is positive in the sense that it has removed an element of complexity and some duplication of effort from the benefits system, however it has also led to a loss of housing expertise among those who administer benefits. DWP staff are working across a much broader area than the local authority housing benefit departments that they are replacing. Feedback from landlords suggests that currently, they simply do not have the same understanding of housing issues, and that this is leading to administrative errors.

What impact is universal credit having on rent arrears, what effect is this having on landlords and claimants, and how could the situation be improved?
Impact on arrears

There is a growing body of evidence linking universal credit to increased rent arrears, for example:

- a survey of 33 councils and arms-length management organisations (ALMOs) carried out in September 2016 found that 85 per cent of universal credit claimants were in arrears, compared to 39 per cent of tenants overall. These tenants also owed significantly larger amounts, with average arrears of £704 compared to £308 for all tenants.

- a Northern Housing Consortium survey carried out in November 2016 shows that across 49 social landlords based in the North of England, average arrears per universal credit claimant stood at £410. This compares to £120 for those in receipt of legacy benefits.

- a December 2016 Housemark report shows that across 32 social landlords average arrears for universal credit claimants were £618, compared to £131 for those not receiving universal credit.

These reports are further supported by a number of individual examples provided by specific organisations, for example:

- in giving oral evidence to this committee in January, Nick Atkin, chief executive of Halton Housing Trust, revealed that across four social landlords operating in the Halton area 920 out of 1,058 households (87 per cent) who are in receiving universal credit are in arrears. Average arrears are £602.

- as of November 2016 East Lothian Council had 710 tenants claiming universal credit. Of these 612 (86 per cent) were in arrears, each owing an average of £900. By comparison the average arrears for a non-universal credit claimant is £590.

- a Cardiff Metropolitan University study published earlier this month shows that average arrears among Cardiff Community Housing’s 933 universal credit cases stand at £450 per household.

- in a February 2017 Inside Housing article Family Mosaic’s director of collections and credit control revealed that 240 households receiving universal credit accounted for a total of £193,000 of rent arrears. This equates to average arrears of around £800 per household.

Effect on landlords and claimants

Falling into arrears is likely to have a substantial effect on tenants. Early experiences of universal credit show that arrears can escalate very quickly at the beginning of a claim, meaning that tenants can rapidly reach the stage where landlords may routinely consider legal options. This is likely to cause significant anxiety. Whilst social landlords will generally only evict as a last resort, there is a risk that these increased arrears will ultimately lead to more evictions.

Even in the best case scenario, where the tenant subsequently begins to manage their money effectively, gradually paying down their arrears over a period of time will mean a reduction in the
income that they have available to cover other bills and living costs, which may still have an impact on their wellbeing.

At present most landlords only house small numbers of households in receipt of universal credit. Therefore while the high levels of arrears are a concern, they are not yet having a major impact on their overall financial situation. This is likely to change in the future however, if current trends continue as the rollout of universal credit increases.

Based on the current timetable for the rollout, we understand that the number of areas covered by the full/digital universal credit service is due to increase significantly from late 2017 onwards. It is at this point that the risk to landlords’ rental income will become much more significant. Ultimately, landlords depend on this income to fund core services for tenants, to maintain and invest in their properties and to fund the development of new homes. A major reduction in their rental income would impact on their ability to deliver these activities.

Additionally, landlords are already incurring greater costs in collecting rent. As more tenants become responsible for managing their own money and for making rent payments, landlords incur additional costs as the number of transactions that they process increases accordingly. Many are also redesigning their approach to rent collection and increasing the provision of budgeting and other financial advice to try to minimise arrears, and are incurring increased staff costs as a result.

While not entirely attributable to universal credit, HouseMark estimate that social landlords across the UK spent over £720m collecting rent in 2015/2016, a real terms rise of over £100m from 2011/2012. Landlords are already therefore spending more, to collect less. This contrasts with the wider picture of increased efficiencies, for example HouseMark estimate that over the same period spending on other core services like responsive repairs and tackling anti-social behaviour has not kept pace with inflation.

Suggestions for improvement

In order to reduce levels of rent arrears, we would suggest that government:

- address the long wait for a first payment - we believe that the decision to design in a minimum waiting period of six weeks before the first payment is received is setting people up to fail. Feedback from landlords suggests that in practice most claimants simply do not have savings to fall back on to get them through this period. This wait could easily be shortened by removing the seven day waiting period, which is an unnecessary delay

- routinely make claimants aware that they can ask for a short term advance - it is already possible for claimants who are at risk of hardship to apply to receive part of their first payment in advance, however feedback from landlords suggests that DWP do not routinely make claimants aware of this option. The short term advance system is only a partial solution and does not negate the need for DWP to address the more fundamental problem of the long wait for a first payment. Even so, we believe that some hardship could be avoided if processes are reviewed to ensure that all new claimants are at least made aware of this option
• improve training for DWP contact centre staff – landlords are already spending a large amount of time contacting DWP about universal credit queries. Feedback from landlords suggests that the quality of these interactions is extremely variable. For example it is still not uncommon for DWP officers to refuse to discuss individual cases with landlords, despite them having implied consent. Where officers do engage, landlords report inconsistencies in the information that they receive. This contrasts strongly with many landlords’ previous experiences of working with local authority housing benefit departments, with whom many have good relationships. Improved training is needed to ensure that DWP staff are able to resolve queries quickly and correctly in the future.

• prioritise the development of the landlord portal and trusted partner status – a number of the administrative processes which support universal credit are still not working as well as intended. For example landlords continue to report long delays (beyond the expected six weeks) in the processing of new claims. Similarly, requests for APAs are not always processed in a timely manner and, once they have been processed, payments are sometimes made erratically and in a manner which makes it difficult for landlords to identify which of their tenants they relate to. Landlords’ experiences also vary significantly depending on whether they are operating under the live or full/digital service. Over the longer term, we envisage that the successful development of the landlord portal and the rollout of trusted partner status could help to resolve many of these problems, and would encourage DWP to prioritise these areas for future development work.