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 (UC). 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 UC is operating in practice are causing increased rent arrears for landlords and hardship for tenants. These problems are undermining the ability of UC to achieve its original aims.

They are a mixture of:

- policy design flaws – some elements of UC’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 UC 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 UC 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 expressed concern in our initial response that claimants’ long wait to receive their first payment is a major cause of rent arrears and hardship. These concerns remain. The design of UC (i.e. it is subject to a seven day waiting period, there is a gap between the claim date and payment date, and it is 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 – in some cases, up to 12 weeks.

Members report that common reasons for delays include: tenants not having photo ID for verification, and so needing to visit the Jobcentre in person; tenants being misinformed about needing to contact the Jobcentre to arrange an initial meeting after submitting online claims; and difficulties in verifying housing costs.
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 (up to 80 per cent) 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 UC. It is also worth noting that not all UC claimants are leaving employment at all. Many were previously receiving employment support allowance (ESA), 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. We suggest that the option is given to landlords to have the first UC payment made direct to them, with subsequent payments made to claimants; this will decrease the uncertainty around rent payments, and ultimately reduce the risk of evictions.

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 UC payments can itself cause problems. Furthermore, we are concerned that most UC 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.

When claimants can access advance payments, landlords are finding that the repayment schedule, which under regulations is 6-12 months, is too short to allow for sustainable repayment; anecdotally, in some cases this is driving claimants towards other sources of finance to manage the wait, including payday lenders. Moreover, landlords are also reporting that repayments are sometimes being scheduled over a period of 2-3 months, contrary to regulations. For one CIH member, this was so consistently the case that they were unaware that tenants could repay advance payments over a longer period. This is a crucial training issue.

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

Evidence suggests that after an initial transitional period of around three months, many claimants can manage their money effectively. 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 (e.g. those on zero hour contracts) often face significant difficulties, and feedback from landlords suggests that this group often require on-going support over the longer term.

For some claimants, the APA system provides at least a partial ‘backstop’. However, the APA system functions significantly less well under the full service compared to live service. Common problems include: a four-weekly payment cycle compared to a monthly UC payment; a lack of advance
notification of when APA payments will be made; and unreliability of payment amounts. As a result, landlords report that they are making a conscious decision to apply for fewer APAs. With some, dropping their use by over half.

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.

Problems are also compounded by the fact that the level of deductions allowed by third parties to repay rent arrears has gone up four-fold with the rollout of live service, and now stands at 20 per cent. This is again is too high to allow for sustainable repayment, and is discouraging landlords from using third-party deductions.

Has universal credit improved the accuracy of payments?

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

UC 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.

There are also issues with backdates and overpayments. The DWP’s decisions about whether or not to backdate UC following a problem with a tenant’s claim are inconsistent. Members report that decisions not to backdate claims are rarely accompanied with explanations. Moreover, some claimants are being informed that their claim will be delayed further while the DWP investigate the case for a potential backdate. CIH members have indicated that this can be construed as pressuring claimants to drop claims for payments.

CIH members also report a common issue where existing ESA claimants move into a full service area and are advised to claim UC. Often, the DWP will continue to erroneously pay ESA as well as UC, leading to an overpayment. There are then “clawed back” at a rate of 40 per cent of UC awards, which again undermines claimants’ ability to budget effectively.

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 UC to increased rent arrears, for example:

- a survey of 42 councils and arms-length management organisations (ALMOs) carried out in May 2017 found that 73 per cent of UC claimants were in arrears, compared to 31 per cent of tenants overall. Forty per cent of these claimants were not in arrears prior to claiming UC. This is a slight
improvement on the results of the 2016 survey, which found that 85 per cent of UC claimants were in arrears. However, the average arrears levels were higher in 2017 - tenants on UC now have average arrears of £772 compared to £414 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 UC claimant stood at £410. This compares to £120 for those in receipt of legacy benefits, and represents an increase of 11 per cent on March 2016. Correspondingly, there has been a 7.7 per cent increase in the number of responding organisations which had seen evictions since August 2016.

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

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

- in an updated submission to this committee in August 2017, Nick Atkin, chief executive of Halton Housing Trust, revealed that the average arrears for customers in receipt of UC are £411, an increase of 52 per cent on their arrears prior to claiming. Of those customers who now receive UC, prior to their claim 369 had a zero balance or credit on their rent account. Of these, 59 per cent are now in arrears, with an average debt of £408

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

- a Cardiff Metropolitan University study published in March 2017 shows that average arrears among Cardiff Community Housing’s 933 UC 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 UC 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 UC 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 – this has been corroborated by the results of the Northern Housing Consortium survey. This survey also showed a rise in tenancy surrenders, indicating that statistics focusing on evictions alone are unlikely to capture the full impact on UC-induced arrears on tenancy sustainability.

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 UC. Across the [NFA/ARCH survey](#) respondent group, only 2.6 per cent of households are currently claiming UC. Therefore while the high levels of arrears are a concern, they are not yet having a major impact on landlords’ overall financial situation. This is likely to change in the future however, if current trends continue as the rollout of UC increases.

Based on the current timetable for the rollout, we understand that the number of areas covered by the full/digital UC service is due to increase significantly from late 2017 onwards. We understand from DWP figures that nationally, the number of new cases will increase at seven times the current rate. This is illustrated by the graph below, which shows the increase in the number of Jobcentres in full service areas in coming months:

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.

This is compounded by the fact that universal support, which might help to mitigate some of these issues, is currently not being offered in most local areas. We welcome the introduction of measures to ensure that budgeting support is offered during a claimant’s first meeting with their Jobcentre Plus work coach. However, the support available should be more comprehensive than advice around budgeting, which has limited use to claimants still waiting for their first payment, and claimants with variable incomes and subsequently variable UC awards.

Landlords are devoting considerable resource to meeting the support needs of their tenants; some CIH members report that up to 40 per cent of their UC-claiming tenants require intensive support purely to address issues such as incorrect payments, incorrect calculation of awards, incorrect administration of advance payments, inappropriate work commitments and loss of disability premiums.

While not entirely attributable to UC, 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 been below inflation.

**Suggestions for improvement**

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

- slow down the rollout of UC so that the “test and learn” approach can continue to be applied.
  This will ensure that operational issues can be resolved and procedures can be developed ahead of the rollout of UC to a far greater number of claimants

- 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 DWP should also ensure that repayments are scheduled as per regulations, so that claimants are not erroneously made to repay advance payments over an excessively short time period. 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, and that they are allowed to repay their loan over a suitable time period.

- reconsider the amount that can be deducted from a claimant’s award by third parties; 20 per cent deductions for rent arrears (and 40 per cent for overpayments) is too high, and runs the risk of tenants being pushed into hardship as a result of repaying their debts. The current level of deductions discourages landlords from using this system, and there is no option available for them to choose a smaller rate.

- provide a sector update on the status of Universal Support Delivered Locally, to allow landlords to plan for the provision of claimant support.

- improve training for DWP contact centre staff – landlords are already spending a large amount of time contacting DWP about UC 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; moreover, the introduction of explicit consent under full service has made communication much more difficult.

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, and consistency of service, timescales, information and advice for claimants should be underpinned by legislation. We also suggest that local authorities be allowed to log into claimants’ online accounts to help verify their rents, as they have the necessary housing-related expertise to ensure that this is done accurately.

- reconsider the need for explicit consent; implicit consent has functioned well for the administration of other benefits, including live service, and indeed is still allowed for MPs seeking to support their constituents’ UC claims. Security should be achieved through more secure IT systems, rather than having the burden fall on landlords. At the very least, training for DWP staff should be improved, to ensure that the interpretation of explicit consent is consistent and not overly narrow.

- prioritise the development of the landlord portal and trusted partner status – a number of the administrative processes which support UC 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.
What impact has the introduction of full service had in areas where it has replaced live service?

Full service represents a step change in the rollout of UC. Firstly, the caseloads for landlords are increasing exponentially with its introduction. Secondly, several of the systems and processes used to administer full service are fundamentally different to those used under live service. We are concerned that some of the lessons learned in the rollout of live service have not been transferred to full service, which has resulted in landlords re-encountering similar problems.

Some specific concerns include:

- **rent verification** - we welcome the opportunity that landlords now have to verify rent details submitted by the claimant. However, the administration of this via email is unsustainable, and, at this early stage of rollout, already takes landlords a significant amount of time. Moreover, it has also caused delays where there are discrepancies in the information provided by landlords and claimants. We welcome the shift in the verification process to the landlords’ portal, and ask that the rollout of the portal be expedited to widen its availability.

- **explicit consent** - the requirement that landlords obtain a claimant’s consent for each enquiry regarding their claim places unsustainable requirements on both landlords and claimants. This is compounded by training issues, which mean that some landlords find that entries by claimants on their online journals are not accepted as consent by DWP staff.

- **errors and complaints** - landlords report that, under full service, there is no longer a clear, separate route for landlords to raise queries or complaints. An email address has been provided for complaints from both claimants and landlords, but it is reportedly often unable to meet its four day response target.

- **alternative payment arrangements** - as explained earlier in this submission, alternative payment arrangements are now difficult to manage, to the extent that their use by landlords has dropped by up to half. This is largely due to a four-weekly payment cycle, incorrect or delayed payments, and inaccessibility of payment schedules. We welcome the landlord portal and trusted partner status, which should alleviate some of these issues, and ask for more transparency around the progress of these projects, including wider publication of the outcomes of the DWP’s strategic landlords meetings.