

## Universal Credit: the wait for a first payment

### Work and Pensions Select Committee

#### Summary

- Charities are seeing a rise in demand for support (which is being further exacerbated by COVID-19) – both in terms of the numbers of people needing support and the complexity of needs. The rise in demand is often attributed to issues relating to Universal Credit.
- The five-week wait is resulting in many more people presenting to charities in financial crisis. Charities are having to provide support with basic needs such as food and financial support, before they are able to address longer term underlying needs.
- Few Universal Credit claimants have savings to be able to manage without any income during the five-week wait, having to resort to relying on family and friends – but those facing the most complex disadvantage (who need state support the most) do not have these support networks so more frequently fall into rent arrears and debt, turning to high cost credit and food banks to survive.
- Falling into debt during the wait for their initial payment compounds existing debt or financial issues caused by the circumstances which led people to claim Universal Credit in the first place which undermines Government’s efforts in other areas to tackle problem debt.
- Other sources of support, such as Local Welfare Assistance, have been cut back, and so there are fewer options for people to turn to when facing financial crisis.
- Further delays and errors are common, meaning that many people have to wait even longer than the official five weeks before receiving their first payment. Given the unprecedented numbers claiming Universal Credit in recent weeks, there will be even greater pressure on DWP to process claims and make first payments – which could be made simpler for both DWP and claimants by making the initial payment upfront.
- Advance payments may help some claimants to survive the five-week wait, but repayments can leave them unable to cover essential costs over the longer term, meaning claimants are forced to choose between immediate hardship during the waiting period, or hardship further down the line due to repayments.
- The wider impacts of the five-week wait include significant strain on mental health, relationships and even having to resort to ‘survival sex’ in order to cope.
- Those with more complex needs are more acutely affected by the strain of the five-week wait, facing greater vulnerabilities and with fewer resources to fall back on.
- The coronavirus pandemic is likely to increase the level of need and exacerbate the worst effects of the five-week wait, at a time when there are record numbers of people claiming Universal Credit. The changes introduced to better support people during this period should be made permanent.
- To overcome the many challenges by the initial wait, the five-week wait should be ended. Until this is possible, all advance payments should be made non-repayable and paid as an up-front grant. This grant should be available to all claimants. In the shorter term, the priority for implementing this should be ensuring that this is available to those who do not have the means to support themselves or who have more complex needs. It may be that this can be most quickly achieved by making it available to all claimants anyway. To support those who do fall into financial crisis, there should also be long-term, targeted funding for local authorities to fund emergency help through local welfare assistance.

## Introduction

Lloyds Bank Foundation for England and Wales partners with small and local charities to help people overcome complex social issues. Through long-term funding, development support and influencing policy and practice, the Foundation helps those charities make life-changing impact. The Foundation is an independent charitable trust funded by the profits of Lloyds Banking Group as part of their commitment to Helping Britain Prosper.

Lloyds Bank Foundation funds more than 650 charities across England and Wales, supporting people affected by issues ranging from domestic and sexual abuse, homelessness, mental health or leaving care. These charities are embedded in local communities, working with people that other agencies fail to reach and providing holistic, person-centred support. Right across all of the issues and communities in which these charities work, problems and concerns with welfare support and Universal Credit specifically are a consistent issue.

This response focuses on the evidence we hear from these charities about supporting people facing complex social issues to deal with challenges arising from Universal Credit and the five-week wait, including direct quotes taken from the monitoring reports charities submit to the Foundation. It also draws on research by Bright Blue<sup>1</sup>, funded by Lloyds Bank Foundation and Trust for London, which explores the impact of key design features of Universal Credit at different stages of the claimant experience.

We welcome the Select Committee holding an inquiry into the five-week wait, which has long been one of the biggest issues with Universal Credit, raised consistently by charities, researchers and all types of claimants. It is particularly pertinent at a time when, during the coronavirus pandemic, record numbers of people are claiming Universal Credit, and facing hardship which may be worsened by the five-week wait, making it even more vital that this problem is fixed. We welcome the Select Committee's decision to also hold an inquiry into the DWP's response to the coronavirus outbreak and would encourage the committee to look at the other issues with Universal Credit and elsewhere in the benefits system, both in the context of coronavirus and setting out an agenda for reform at the start of this new Parliament.

## The context for charities

In recent years, the small and local charities we fund across England and Wales have been reporting that **demand is rising** – both in numbers of people needing support and in the complexity of needs that people present with. **This rise in demand is often attributed by charities to the shift to Universal Credit**, which can be particularly problematic for those they work with who have more complex needs – such as mental health issues, disabilities or low levels of literacy in English language.

Due to the difficulties in accessing Universal Credit, the digital-by-default design and the lack of tailored support for those with additional needs, charities are having to spend significant time and resources helping the people they work with to navigate the system, advocate for them when there are barriers or errors and ensure they can access the support they're entitled to.

*The roll out of universal credit locally for those newly applying or those reapplying for benefits has also had an impact, women are having to wait long periods before their first payment and younger women are struggling to survive on the low amount they receive. We have liaised with the local DWP to try and mitigate this and have made contact with their complex needs team to provide some wrap around support for the women.*

Charity supporting people affected by trafficking and exploitation (Foundation grantee)

Charities are **increasingly reporting that they are seeing people presenting in crisis** with rising poverty. They are having to provide support with basic needs such as with food and financial needs, before being able to work with people to address longer term issues. This is in a context

---

<sup>1</sup> Bright Blue, Helping Hand <http://brightblue.org.uk/wp-content/uploads/2019/03/Helping-hand.pdf>

in which statutory support for people who fall through the safety net is being stripped back, due to austerity and cuts in local government funding and services.

In particular, charities are reporting **increasing mental health needs among the people they support, often attributed to or exacerbated by financial need**, lack of support and the effects of navigating a complex system with little flexibility.

**The five-week wait is often referenced by charities as being a source of significant financial and mental stress** on the people they work with, underlying these trends. It is exacerbating the challenges that individuals already face, and subsequently increasing demand on services at a time when funding is increasing difficult to access.

## Managing during the five-week wait

*Helping Hand* by Bright Blue found that the five-week wait emerged as the design feature of Universal Credit that the majority of claimants were most concerned about – and was a problem even for those claimants for whom Universal Credit worked quite well otherwise. There were three main issues underlying this concern:

- coping during this five-week period
- issues around use of advance payments
- further delays and errors which meant that people were left waiting longer than five weeks before their initial payment.

**Coping financially during the five-week wait is a major issue reported by the charities we fund:**

*“The main challenges are around Universal Credit. From a client point of view, it is the length of time it is taking to process a new claim. There seems to be a total lack of understanding around how a person is meant to support themselves until the claim is processed.”*

Homelessness charity (Foundation grantee)

Bright Blue’s research found that very few claimants had enough savings to cover their basic living costs during this five-week period. Most were forced to rely on family and friends for financial support. However, this is not possible for everyone, and is **most harshly experienced by those with already difficult living situations or more complex needs**, such as those supported by the charities we fund. These people are much less likely to have a support network they can fall back on – as such, **those facing the highest needs before claiming Universal Credit, also feel the impacts of design faults most severely.**

*“There needs to be more recognition of the challenges that people face when claiming Universal Credit and waiting for a first payment. For someone that has been made redundant or is at the end of their contract and is leaving their employment with a final wage, then the wait for Universal Credit to be processed is much more manageable. For a refugee who has had transitioned from Home Office financial support to Universal Credit, there is no last wage to depend on and quite often, no one to help them financially.”*

Homelessness charity (Foundation grantee)

## Impact on financial resilience

Bright Blue’s research showed that for many people, **the five-week wait causes them to fall into rent arrears, unable to pay utility bills or have to take on commercial debt.** Research by Trussell Trust<sup>2</sup> showed that the five-week wait leads to financial insecurity and reduces longer term resilience through:

- destitution (inability to afford food or heating, going hungry)

---

<sup>2</sup> Trussell Trust, #5WeeksTooLong <https://www.trusselltrust.org/what-we-do/research-advocacy/universal-credit-and-foodbank-use/>

- housing insecurity (rent arrears, risk of eviction and homelessness)
- indebtedness (multiple debts, high-risk loans, suspended utilities).

This resonates with the experience of people supported by the charities we fund.

For many, this is compounding the existing circumstances that may have led them to claim Universal Credit in the first place – such as an unexpected job loss or illness. Bright Blue found that many people were already in debt before claiming Universal Credit – through, for example, payday loans, overdrafts, bank loans or credit card debt – and so **only came to claim Universal Credit when they were in acute financial need already, only to then have to wait further weeks before a payment, worsening their already difficult situation, with nowhere left to turn.** This is often where charities and food banks often have to step in to fill the gap.

*“As the new welfare reforms including Universal Credit are being phased into the district our charity works in, we are starting to see the impact this has on individuals and families. We are now seeing a high demand for advocacy and support, not only by young parents but by many of our services users of all ages, in areas connected to benefits. We are seeing the most disadvantaged people struggling to meet basic needs and often getting into debt, taking out loans with high interest lenders.”*

Charity supporting young parents (Foundation grantee)

This compounding effect also means that **when the first payment is received after the five-week wait, it goes very quickly on debt repayments, and so people may still be left with nothing to cover their basic living costs.**

*“One disabled interviewee explained that her initial UC payment “was gone in day”, owing to the repayment of external debts accrued during the initial waiting period.”*

Participant in Bright Blue’s Helping Hand

As a result of the extreme financial pressures people are under, **charities are having to provide basic support for survival** before being able to help people with longer term or underlying issues which may help them to move forward in their life and potentially overcome their need for welfare support.

*“The impact of Universal Credit: This has created additional service pressures, increasing the poverty and distress of vulnerable young people. Whilst avoiding the creation of dependent relationships, this has required additional staff time to support young people with appeals, access food parcels, and to deal with the emotional problems associated with this.”*

Homelessness charity (Foundation grantee)

As a result, the five-week wait can set people back to a point that **makes it difficult to ever rebuild their resilience and recover financially in the longer term.** Ultimately, increasing need in this way **drives up the long-term cost on the public purse,** as people need more support for longer.

Other sources of support which may have otherwise been available to help those in financial crisis have now also been reduced – for example, many local authorities have either reduced or cut altogether their Local Welfare Assistance schemes due to cuts to their budgets. While more funding is needed to support better crisis provision to help those who fall through the net, quicker Universal Credit payments is a more effective way to solve this problem, reducing the number of people falling into financial crisis.

Pushing people into debt through the five-week wait is also counterproductive given the Government is working in other areas to reduce problem debt. Even Government’s work to increase access to alternatives to high cost credit shouldn’t be seen as a solution to the five-week wait, because those on Universal Credit will not have much disposable income anyway.

## Delays and errors

Even after waiting for the official period of five weeks, **there are still many claimants who do not receive their initial payment on time.** The National Audit Office estimates that between 270,00 and 338,000<sup>3</sup> claimants received their first payment later than five weeks, with an average of 4 weeks' additional wait.

From those interviewed by Bright Blue, the reasons cited for delays included problems with their online account, which can be difficult for anyone with poor digital literacy or who needs additional support due to disability, as well as miscommunication by Job Centre staff, and problems with uploading ID documents, which can be a significant barrier for those who are homeless, people fleeing domestic abuse or refugees.

These delays add additional pressure at a time when they are already likely to be struggling to cover basic costs, accruing debt and even at risk of losing their home.

*“We have found during the last 4 - 5 years that the women and children we exist to support are much more likely to suffer poverty and are often unable to afford food and other essentials. We see this is caused by a number of changes in welfare benefits which often mean women will have to wait for up to 2 months for the payments they are entitled to. Women are more frequently in debt. As a result of this growing need, we have developed our 'Pantry' which is actually a food, clothes and toiletries bank. We felt that vulnerable women were less likely to access a more generic food bank without risk, and so providing this service helps us to reduce the likelihood of women and children not having enough food and other essentials.”*

Domestic abuse charity (Foundation grantee)

## Advance payments

Often seen as a solution to coping during the five-week wait, Bright Blue's research found that there was a high awareness of the availability of advance payments, and most interviewees chose to take them up. The most common reason given for refusing an advance payment was nervousness of debt, rather than lack of need. However, **repayments of an advance can exacerbate financial difficulties and existing debt**, leaving people forced to turn to food banks just to get by. Research by Trussell Trust<sup>4</sup> shows that people have needed to rely on food banks because an advance payment meant their following Universal Credit payments were too small to cover the costs of essentials.

Claimants are essentially faced with a choice to either take a lower advance payment, and have to borrow from other sources to simply survive the five week wait, or take a full advance payment, and be pushed into further financial difficulty over the long term as repayments reduce the little money they have to cover living costs.

Bright Blue also highlighted that there was a lack of understanding and guidance about what level of advance payment to request, with few feeling that they had made an informed choice, and having to resort to other forms of credit, as highlighted above, to cover their costs.

*“We have noticed young people struggling to budget, specifically where they have received advance payments or other loans against their future Universal Credit payment.”*

Homelessness charity (Foundation grantee)

This accumulation of debt and hardship could be mitigated by **providing advance payments as a non-repayable up-front grant.**

The announcements in the March 2020 Budget are welcome – only allowing deductions of 25% to claim back advances and extending the repayment time from 12 months to 24 months.

---

<sup>3</sup> 3. National Audit Office, “Rolling out universal credit”, <https://www.nao.org.uk/wp-content/uploads/2018/06/Rolling-out-Universal-Credit.pdf>

<sup>4</sup> Trussell Trust <https://www.trusselltrust.org/what-we-do/research-advocacy/universal-credit-faqs/#1549385103352-645992f6-f8e9>

However, this won't be in place until October 2021. Given the current circumstances and the impact on the economy and jobs, **these changes should be brought forward so that people don't see as much reduction in their Universal Credit claim at a time when they are more likely to fall into hardship.**

## Wider impacts

The **impact of the five-week wait on mental health** is a significant theme amongst reports from charities and also in the research by Bright Blue, with interviewees describing the stress of not having any source of income for a number of weeks during the waiting period. Facing difficult financial choices, alongside uncertainty about when a payment would arrive and how much it will be, takes an understandable toll on mental health and stress and anxiety levels. The charities we fund commonly report the effects of financial stress and benefit delays and uncertainties on the people they work with, who are often already in a vulnerable position.

*“Universal Credit and austerity measures are impacting upon people’s physical and mental health, this in turn is seeing more people needing emotional support as they wait for benefit and financial decisions to be made. We are seeing a very different type of service user as people now find themselves in financial distress leading to a negative impact upon their mental wellbeing.”*

Mental health charity (Foundation grantee)

This financial stress can also take a significant strain on relationships with family and friends, particularly where an individual is forced to rely on their support to cover the waiting period, with no certainty around being able to pay this back.

*“Many people are feeling the strain of moving to Universal Credit and the delays in payment and individual sanctions are putting families under huge pressure.”*

Domestic abuse charity (Foundation grantee)

As demonstrated in the inquiry undertaken by the Work and Pensions Select Committee in 2019<sup>5</sup>, the impacts of severe financial strain during the five week-wait can often be the cause of people turning to ‘survival sex’.

*“As we have seen from the recent work and pensions committee inquiry and evidence from organisations such as English Collective of Prostitutes the rollout of Universal Credit has had a huge impact on women and been linked to an increase in ‘survival sex’ on a national level. We as a service are struggling to support women who are dealing with strict conditions, sanctions and payment delays. Our service continues to work in partnership to try and minimise the risk for our clients.”*

Charity supporting people affected by sexual exploitation (Foundation grantee)

**Waiting periods can particularly affect women**, who often act as ‘shock absorbers’ of poverty to protect their children from the consequences of hardship<sup>6</sup>. This could **potentially bring increased risk around domestic abuse** too – without any income at all for five weeks, the ability for victims/survivors to escape a situation of abuse may be limited by their financial dependence.

## People with multiple and complex needs

Overwhelmingly, those who are facing complex social issues or have additional needs are most acutely affected by the five-week wait.

---

<sup>5</sup> Work and Pensions Select Committee, Universal Credit and Survival Sex <https://www.parliament.uk/business/committees/committees-a-z/commons-select/work-and-pensions-committee/inquiries/parliament-2017/universal-credit-survival-sex-inquiry-17-19/>

<sup>6</sup> Women’s Budget Group, Universal Credit and Financial Abuse: <https://wbg.org.uk/wp-content/uploads/2018/09/FINAL-full-report-financial-abuse-and-uc.pdf>

*“Nevertheless, there is a significant minority of claimants that are struggling, either initially or long-term. There were claimants with socio-demographic characteristics that especially seemed to struggle with key design elements: claimants that were older, long-term unemployed, and with mental or physical health problems. Without doubt, the biggest challenges for them are the initial waiting period of at least five weeks (although, admittedly, this issue did apply to most claimants) and monthly payment in arrears.”*

Helping Hand, Bright Blue

The charities we fund are working with people who are already facing complex social issues, such as mental illness, domestic abuse or homelessness. As a result, these people have fewer resources and options to fall back on during a period in which they are receiving no income. Small and local charities are expert at building trusting relationships with people and supporting them to navigate the system but the strain on charities of providing extra support to people as a result of the five-week wait inevitably takes a significant toll on their time and resources, and means that they are having to shift away from preventative work in order to meet immediate crisis needs. This is mirrored by local government spend that has seen significant shifts in funding from preventive to crisis work<sup>7</sup>. In effect, this pushes the problem down the road resulting in higher needs and associated costs in the long term. This is not sustainable in the longer term, with rising costs economically and emotionally.

## Five-week wait in the context of the coronavirus pandemic

The five-week wait means that people who are already low in financial resilience have additional strain placed on them, which is very difficult to recover from in the longer term. The strain placed on people during the coronavirus pandemic will exacerbate this further, with high numbers of people claiming Universal Credit for the first time, at a time when all of their income has disappeared suddenly.

With record numbers of people claiming Universal Credit, more people will be in need of support, and there is potential that this strain on the system could worsen delays, waiting longer than five weeks. At the same time, essential costs are likely to increase as other sources of support are no longer available. For example, a combination of closed services, social distancing and problems with food supply and insecurity would all make it much more difficult for those without any income for five weeks to get any food.

The measures that the government has introduced so far to improve Universal Credit and respond to the pandemic are welcome – increasing the repayment period for advance payments to 24 months and reducing the maximum deductions for repaying advances. Similarly, allowing advance payments to be accessed without having to physically attend a Job Centre is a welcome step which is important not just for those who are ill or physically vulnerable during the pandemic, but also in the longer term would be very beneficial for those with complex needs, for whom attending the Job Centre can be a significant barrier. **Changes announced in the Budget need to be implemented now, while changes introduced in response to the pandemic should remain in place not just during the current crisis, but in the longer term.**

## Recommendations

The Government has acknowledged some of the issues with Universal Credit, and have taken some helpful steps, such as ending the benefits freeze. However, much more action is needed, and it is widely acknowledged that the five-week wait is the biggest problem.

It is vital that action is taken to ensure the system works for all claimants, but most importantly for those who are already vulnerable and facing complex social issues:

- **End the five-week wait for initial payments**
- **Until this is possible, all advance payments should be made non-repayable and paid as an up-front grant.**

---

<sup>7</sup>New Policy Institute, A Quiet Crisis: [https://www.npi.org.uk/files/7715/3669/7306/A\\_quiet\\_crisis\\_final.pdf](https://www.npi.org.uk/files/7715/3669/7306/A_quiet_crisis_final.pdf)

- This grant should be available to all claimants. In the shorter term, the priority for implementing this should be ensuring that this is available to those who do not have the means to support themselves or who have more complex needs. It may be that this can be most quickly achieved by making it available to all claimants anyway.
- Changes introduced in the Budget to increase the repayment timeframe and to reduce repayment amounts should be brought forward and introduced as soon as possible.
- Changes introduced during the coronavirus pandemic, such as not requiring a claimant to physically attend the Job Centre to receive an Advance Payment, should be made permanent, recognising the benefits in particular for those with more complex needs.
- To ensure there is more support for those who do still face financial crisis, local authorities should be provided with long-term, targeted funding for the provision of emergency help through local welfare assistance schemes.

For further information, please contact:

Rachel Cain

Public Affairs and National Programmes Officer, Lloyds Bank Foundation for England & Wales

[rcain@lloydsbankfoundation.org.uk](mailto:rcain@lloydsbankfoundation.org.uk)

Lloyds Bank Foundation for England and Wales partners with small and local charities who help people overcome complex social issues. Through long-term funding, developmental support and influencing policy and practice, the Foundation helps those charities make life-changing impact. The Foundation is an independent charitable trust funded by the profits of Lloyds Banking Group as part of their commitment to Helping Britain Prosper.

Company Limited by Guarantee. Registered Number 1971242. Registered Charity Number 327114.

Registered Office Pentagon House, 52-54 Southwark Street, London SE1 1UN.