

Shelter Scotland response to the Work and Pensions Committee inquiry on the benefit cap

September 2018

Summary

Shelter Scotland welcomes the opportunity to respond to this Work and Pensions Committee inquiry on the benefit cap.

Shelter Scotland helps over half a million people every year struggling with bad housing or homelessness through our advice, support and legal services. And we campaign to make sure that, one day, no one will have to turn to us for help. In the last year we have supported 21,000 people with advice and help with their housing and issues with affordability was a top issue for renters coming to us for support.

- Between November 2016, when the lower benefit cap was imposed, and May 2018, our research shows more than 80 households approached us for help who have been subject to the benefit cap.
- Our experience is that **the benefit cap is a punitive, gendered, arbitrary cap.**
- It has a disproportionate effect on single parents and affects many families who are in low-paid work and already struggling to make ends meet, as well as those who are unable to work.
- **The benefit cap has caused severe hardship for families, stress and anxiety over the financial strain, and has pushed many into arrears, eviction and homelessness.** For some, it has actually pushed them further away from work than they previously were.
- **We believe the benefit cap does not meet its intended aims and causes undue hardship, and that the public and personal cost of homelessness caused by the benefit cap outweighs any direct monetary gains it may make.** Local authorities are left to cover the cost of supporting people who are made homeless and many who are unable to afford the charges for their temporary accommodation, notwithstanding the cost of discretionary housing payments used to mitigate the worst effects of the cap.
- We need a strong housing safety net to ensure help is in place when people need it. The lower benefit cap does not deliver this safety net and actually leaves a gaping hole in the welfare system, despite affecting people who have already been deemed eligible for support through the social security system.
- **Shelter Scotland strongly recommends removing the benefit cap.**

How have claimants responded to the lower benefit cap?

At Shelter Scotland, our experience is that people have responded in a variety of ways to the introduction of the lower benefit cap – all resulting from the financial hardship this places on them. We are not aware of cases where people have been in a position to change their behaviour by restarting or increasing their hours at work.

Responses we have seen include:

1. Reducing expenditure on essential items

Many families we have worked with have reduced their expenditure on other, often essential, items to cope with a lower income – for example cutting back on food, electricity and heating expense. For many, this has resulted in a need to use foodbanks.

2. Seeking alternative financial support

Shelter Scotland have supported many people to apply for Discretionary Housing Payments and alternative financial support has also been sought including borrowing from family members and looking for hardship funds from other organisations.

Case study:

Laura* is a single mum. She is entitled to Income Support but she didn't claim it, as she knew this would push her over the threshold and she would be affected by the benefit cap, meaning her housing benefit would be cut. Instead, she applied for and received a hardship payment from the university she attends. This has since caused complications as this payment, intended to assist with financial hardship and cover some of Laura's other expenses including food, is now being treated as income.

*Name changed

3. Seeking cheaper accommodation

When a household meets the benefit cap threshold, money is taken from their housing benefit or housing costs element if they are on Universal Credit. Consequently, in an effort to reduce the housing costs which households are now liable for because of the cap, many people look for alternative, more affordable accommodation.

Case study:

A couple with children in Renfrewshire in the private rented sector are struggling to afford their rent after being affected by the benefit cap. They have been advised to seek cheaper accommodation, and are looking for another private rental property that is more affordable, but do not know how they will manage to pay a deposit and other costs associated with moving.

Case study:

The father of a large family was working but he was on a very low wage. They were in receipt of working tax credit, child benefit, child tax credit and housing

benefit. Because of the number of children in the family, they were over the benefit cap threshold and therefore received none of the housing benefit they were entitled to. They were charged £600 a month for their private let, and they struggled to cover this rent: they were always late in payment and really struggled financially. They ended up making a homeless application and moving into a council house, where the rent is £400 a month. Whilst this will be more affordable for them, they are still subject to the benefit cap and will have a shortfall in housing benefit which they will have to pay for out of their other income.

What difficulties are claimants experiencing in adjusting to the cap?

1. Building up rent arrears and facing eviction and homelessness

The first element that is removed if a person is affected by the benefit cap is their help with housing costs, which has massive implications for their housing security. With less money provided for housing costs, the household either has to source money from elsewhere to cover the shortfall, find cheaper accommodation elsewhere, or they will build up arrears. To complicate matters further, our experience is that the affected person is often unaware that this has happened until their landlord ceases to receive payments or rent arrears start to accrue, especially if they are usually in receipt of housing benefit which goes directly to the landlord.

Case study:

A single mum with four children in East Lothian contacted Shelter Scotland after receiving a text from the Local Authority saying she was in rent arrears. This was the first she had heard of any change; she had thought full housing benefit was still being paid.

Falling into arrears consequently puts the household at risk of losing their home through eviction. This is becoming more of an issue in our casework as more time has passed since the lower cap was introduced and families have built up increasingly high rent arrears.

Case study:

A single mother with four children who lives in a private let contacted us in early 2017. Prior to the change in the level of the benefit cap, she had a rental shortfall of £20 per month, which she managed to cover herself. Since the lower in November 2016, her rental shortfall became £462 per month, and after just four months, arrears of around £1,000 accrued. She contacted Shelter Scotland after becoming increasingly stressed, and at the point of contact was considering making a homeless application on grounds of affordability.

Case study:

A single mother with 6 children has lived in her council house for over 15 years. Rent arrears of £2,600 built up as a direct result of the family being subject by the benefit cap, and her council obtained an eviction order due to these arrears.

A lack of affordable housing - particularly in high pressure areas like Edinburgh - means that it can be difficult for affected households to source cheaper accommodation to move to. We have worked with a number of families who have become homeless from the private rented sector as a result.

Case study:

Catherine's* housing benefit was completely removed as a result of the benefit cap taking her over the threshold. She applied for Discretionary Housing Payment to help cover her rent, but it wasn't enough and she accrued massive rent arrears as a result. Her private landlord evicted her because of her arrears and Catherine was forced to apply as homeless.

*Name changed

Case study:

Lucy* is a single mum with four children who is subject to the benefit cap, and as a result only receives £3 in housing benefit per week. She has built up several debts because of this, including payday loans and £5,500 rent arrears. Her private landlord has started eviction action as a result of this and Lucy has made a homeless application.

*Name changed.

Unfortunately, we have worked with at least five families where people forced to apply as homeless because of arrears built up as a result of the benefit cap were assessed as 'intentionally' homeless¹. Shelter Scotland advisers were successful in helping to challenge these decisions.

Aside from the huge cost of homelessness to the local authority and the households involved, we know the adverse impacts that homelessness can have on a family's mental and physical wellbeing, and particularly on children.² The priority and focus of state intervention should be on *preventing* homelessness and ensuring the housing safety net is there to support people to maintain their tenancies and keep their home.

Case study:

Ailidh* was in a private let with the rent set at almost £900 and was subject to the benefit cap. Ailidh is a widowed mum of four children who lost her job in her husband's business when he passed away in his 40s. She was still eligible for some housing benefit and she also was successful in applying for discretionary

¹ An 'intentionality' test is part of the homelessness assessment process and a decision of intentionality means that although the household has been found to be 'homeless' under the legal definition, they are deemed to have been responsible for that homelessness and therefore what help and support they are entitled too is far less than if they are found 'unintentional'.

² Shelter Scotland (2018), Topic briefing: Children who are homeless, https://scotland.shelter.org.uk/_data/assets/pdf_file/0003/1547292/Children_who_are_homeless_final.pdf/_nocache

housing payments, but this was still not enough to cover the full rent. Luckily, she was able to borrow money from a family member to cover the shortfall in the short term. However, Ailidh couldn't afford another private let and could not find a social rented home large enough to meet her family's needs, so she had to make a homeless application. She was finally offered suitable social housing, but unfortunately, this house was outwith the catchment area for the children's school meaning more disruption for her children.

*Name changed.

Case study:

Amanda* is a single mum based in Edinburgh who became homeless due to rent arrears that accrued as a result of the benefit cap. She and her children have been in a Premier Inn for 2 weeks. There are no cooking facilities available in her current accommodation meaning she is having to pay for a lot of expensive takeaways, putting her under even more financial strain.

*Name changed

Many of those we have supported have been staying in temporary accommodation as part of their homeless application. Charges for temporary accommodation are often much higher than other rents, and those staying in temporary accommodation by their nature have extremely restricted housing choices and little or no control over their housing costs. Despite this, for many staying in expensive temporary accommodation their housing benefit payment is increased to cover it, pushing many people over the benefit cap threshold through no fault of their own. Often it is the local authority who have to cover the shortfall either via a DHP payment or through arrears.

Case study:

As a result of the benefit cap, a couple in temporary accommodation in Glasgow are receiving just 50p per week in housing benefit. Though they are receiving DHPs, they are still left with a rental shortfall of £175 per week and have accrued large arrears as a result.

Case study:

A family affected by the benefit cap are being evicted from their private let after having accrued £2,500 worth of rent arrears. The family made a homeless application but they are concerned about the cost: their rent in temporary accommodation will be £199.98 per week, double the £425 per month for their previous accommodation.

Case study:

A large family in temporary accommodation have been left with just 50p housing benefit per week because of the benefit cap. They are receiving Discretionary Housing Payments but are still left with a rental shortfall of £132 per week. £5,000 rent arrears have accrued.

2. Struggling to afford basic essentials

The benefit cap is not linked to the minimum income standard or any calculation of the average cost of living: in fact the minimum income standard for a single adult with two school age children is calculated at around £34,000³ which is £14,000 more than the capped allowance of £20,000 for families. As such, the arbitrary cap pushes many families into real financial difficulties where they struggle to make ends meet and afford essential items such as food.

Case study:

Diane* had to resort to using foodbanks because of the financial hardship caused by the benefit cap before she managed to get Discretionary Housing Payments in place. Diane had managed to continue paying her rent when her housing benefit had been cut, but this had put pressure on the rest of the family's finances and they had struggled to pay for other essential items, including food. The council had originally refused her DHP application, but they are now paying her shortfall in rent in full through DHP.

*Name changed

3. Increased stress and anxiety

We have supported many people for whom existing mental health issues – in both adults and children – have been exacerbated by financial issues brought on by the cap and subsequent pressures on the household.

Case study:

Ailidh*, mentioned in a case study above, really struggled to find another house at a lower rent. She had been on Jobseekers Allowance but her mental health deteriorated so much because of the financial strain she was under because of the cap that she was moved to Employment Support Allowance instead.

*Name changed

Case study:

Emma* is a single mum with five children who is currently in temporary accommodation. She receives only 50p housing benefit per week because of the benefit cap. She has built up over £1,000 in arrears as a result and is really worried about being evicted because of this, and this has exacerbated her existing depression. Her council homeless officer has suggested that she should give two of her children to her former partner or her mother so that the benefit cap can be lifted.

*Name changed

³ <https://www.minimumincome.org.uk/results/>

What is the effect on claimants who are not subject to job search conditionality in the benefits they claim?

No answer provided.

What are the cap's knock-on effects on other public spending, such as local authority expenditure?

There are knock-on effects from the benefit cap on other public spending in a number of ways.

1. Covering the cost of homeless services

As detailed already, many of the people we have supported have ended up having to make a homeless application because they have been evicted as a result of building up arrears or because they are unable to source suitable accommodation by another means. We know that the costs associated with a household making a homeless application are extremely expensive and that prevention of homelessness is much more cost-effective.

2. Bearing the costs of temporary accommodation

The benefit cap is still applicable to people who are homeless, but temporary accommodation charges are often significantly higher than other rented accommodation. Research conducted on behalf of Shelter Scotland showed temporary accommodation charges can be 282% higher than the local housing allowance rate.⁴ Households therefore have a higher housing benefit entitlement, which often pushes them above the benefit cap threshold. Whilst individuals subject to the cap therefore struggle to pay this shortfall because their housing benefit has been cut, local authorities still have a duty to provide temporary accommodation and therefore the local authority is often forced to pick up the tab.

3. Increased awards for Discretionary Housing Payments

The Scottish Government has committed to partially mitigating the effects of the benefit cap and, as detailed in other sections of this response, many people apply for and are awarded DHPs to cover reductions in housing benefit paid caused by crossing the benefit cap threshold.

What are the consequences for Discretionary Housing Payments (DHPs) and what impact does the use of DHPs have on behavioural change?

In practice, there are varying local approaches to awarding DHPs to households affected by the benefit cap – some local authorities give indefinite awards, some give awards of up to 13 weeks and some do not give DHPs for the benefit cap. Generally, the latter is true where the local authority fund is under too much pressure from mitigating other issues, such as the bedroom tax, which the Scottish Government has pledged to fully mitigate meaning local authorities prioritise this from their limited funds.

⁴ Shelter Scotland (2016), Funding homelessness services in Scotland: policy response, https://scotland.shelter.org.uk/data/assets/pdf_file/0007/1274758/Funding_Homelessness_Services_in_Scotland_Policy_response.pdf/nocache

The increased use of DHPs to help make up shortfalls caused by the benefit cap means there is less money available to then award DHPs to cover their other intended purposes – to help with first month's rent or a deposit, or moving costs, for example. People are therefore missing out on this essential aspect of the housing safety net because of the pressure on DHP funds from supporting people with the benefit cap. DHPs are meant for one-off or short-term payments at the discretion of the local authority, and therefore the use of them for the benefit cap is not a sustainable solution to the problem.

DHPs are rightly used by local authorities when there is little other option to support households in financial difficulty as a result of the benefit cap. Whilst their usage might be counter-intuitive to the DWP's intended aim to limit the amount of money from the state that a household receives, with a lack of alternative affordable housing, and for many limitations to any other changes they can make to their circumstances, households have no other choices but apply for DHPs. If local authorities do not provide support via DHPs then our experience is they have to pick up the pieces at crisis point instead, after a household is evicted for arrears and makes a homeless application.

Further, our experience is that families will not only have explored all other options before applying as homeless, but will have gone through a huge amount of stress and hardship trying to avoid this. **Not only is homelessness itself very damaging to a families' health and wellbeing but it is also extremely costly to the public purse and prevention should always be prioritised.**

To what extent is the benefit cap achieving its aims and what steps could be taken to improve this?

The benefit cap is intended to incentivise behavioural change amongst claimants and secure savings for the Exchequer. However, the set threshold is not linked to any affordability assessment or minimum income standard and pushes many families into financial hardship.

Our experience is that the benefit cap is a punitive, gendered, arbitrary cap. It has a disproportionate effect on single parents and affects many families who are in low-paid work and already struggling to make ends meet, as well as those who are unable to work. We believe therefore that the benefit cap does not meet its intended aims and causes undue hardship, and that the public and personal cost of homelessness caused by the benefit cap outweighs any direct monetary gains it may make.

Instead of encouraging and enabling work, it punishes families and forces them to rely on other means of financial support – putting pressure on already stretched local authority budgets, and pushing people to make difficult choices over how to make ends meet for their families. For many, their housing choice is limited particularly given the disproportionate level of large families affected and low number of available larger family homes, and many end up applying as homeless, thereby placing additional pressure on local authorities to pick up the bill.

Shelter Scotland strongly recommends removing the benefit cap, or at the very least increasing the threshold or extending exemptions to limit the damage this policy causes.

Aside from taking direct action in amending the cap, a review of temporary accommodation charges may assist in reducing the number of people in temporary accommodation who are hit by high housing costs and thereby pushed over the threshold.

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