**Citizens Advice response to the House of Commons Public Accounts Committee inquiry on progress in implementing Universal Credit**

29 February 2024

## About Citizens Advice

Citizens Advice provides free, confidential and independent advice to help people overcome their problems.

Since the rollout of Universal Credit began, Citizens Advice has helped over 1,600,000 people with Universal Credit issues in England and Wales, including over 390,000 in the last calendar year. In 2022/23, the Help to Claim service, for people claiming Universal Credit for the first time (delivered jointly with Citizens Advice Scotland), supported over 134,000 people.

## Introduction

Throughout 2023, Citizens Advice supported almost 7,500 people with issues around managed migration to Universal Credit. More than two-thirds of these cases were from September onwards as the managed migration rollout was scaled up. We also supported almost 6,000 people with natural or voluntary migration from legacy benefits to Universal Credit over this period.

In this submission, we focus on:

- *The general experience of Universal Credit and managed migration.* The proportion of people failing to claim Universal Credit following a migration notice is alarmingly high, and there are anomalous elements of the migration process that cause unnecessary harm.
- *How managed migration is experienced by different groups*. Some groups face greater risks than others, and many people claiming Universal Credit for the first time have high practical and emotional support needs.
- *The uncertainty around the transitional element*. Uncertainty is a barrier to complete and accurate advice, and risks the accumulation of overpayment debt.
- *The growing deductions problem*. Migration to Universal Credit will:
    - Lead to legacy benefit overpayment debts being identified
    - Require many claimants to accrue advance payment debt

Citizens Advice recommends that the government:

- As quickly as possible, completes their investigation into the higher than expected number of people not claiming Universal Credit by their migration notice deadline, and publish the results of this investigation.
- Introduce stronger safeguards so that those who can least afford to lose benefit income, and/or are most likely to face difficulties making a Universal Credit claim, are able to access high-quality advice, and are supported to migrate successfully to Universal Credit.
- Produces and publishes detailed guidance on how the transitional element is being calculated, and commits to writing off any overpayment debt that arises from erroneous calculations or changes to calculating methods.
- Writes off legacy benefit overpayment debts identified at the point of migration to Universal Credit.
- Develops an alternative to the benefit transfer advance loans that will be required for many claimants to bridge the wait between legacy benefit and Universal Credit payments.

## 1. The general experience of Universal Credit and managed migration

### 1.1 The managed migration policy

Citizens Advice and other stakeholders have engaged extensively with the Department for Work and Pensions (DWP) to support the implementation of Universal Credit via managed migration. But it should be kept in mind that Universal Credit could have been implemented without managed migration. The government could have opted to rely upon natural migration, increasing the Universal Credit caseload through new claims and/or requiring migration when the circumstances of legacy benefit claimants changed substantively. And legacy benefit systems could have been gradually aligned with Universal Credit to minimise the impact of, or negate the need for, migration.

Once it was decided to migrate all claimants to Universal Credit, the government could have considered automating this process, from the claimant's perspective, rather than requiring a new claim in full. For all of these reasons, there is rightly a very high bar for how the success of managed migration will be judged.[1]

[1] It should also be noted that managed migration regulations required DWP to seek further parliamentary approval once 10,000 people had been transferred to Universal Credit via migration notices (see https://www.legislation.gov.uk/uksi/2019/1152/regulation/2/made). But this requirement was revoked in 2022 (see https://www.legislation.gov.uk/uksi/2019/1152/regulation/2).

### 1.2 Our managed migration clients

As noted above, Citizens Advice supported almost 7,500 people with issues around managed migration in 2023. Around 3,500 of these sought advice on migrating from tax credits, and around 1,500 sought advice on transitional protection (TP) or the transitional element (TE). Around 1,400 were making a general enquiry having not yet received a migration notice, and around 1,000 were seeking advice on their entitlement to Universal Credit.

We are concerned that there has been some confusion among legacy benefit claimants about how and when they are expected to claim Universal Credit. Some people seek our support without having received a migration notice, having heard about managed migration in the media or from family and friends. Our research also found that information leaflets delivered to claimants by DWP in advance of a migration notice were not clear that they were not migration notices, were written in a tone suggesting urgent action was required, and did not signpost recipients to Help to Claim. Michael, for example, a single parent with two children, contacted Citizens Advice feeling anxious and concerned, having received a leaflet stating 'your benefits will end' – he initially felt unable to read the leaflet in full.[2]

Our advisers have reported cases whereby claimants have made a Universal Credit claim prematurely, having mistakenly believed they have received a migration notice – this means they were not entitled to TP. Sarah, for example, who lives with her partner and three children, applied for Universal Credit in a panic after receiving a DWP information leaflet. She only contacted Citizens Advice after learning that her Universal Credit entitlement was less than £1 per month; had she claimed as a managed rather than voluntary migrant, she would likely have also received a TE of around £70 per month.[3]

These risks apply in particular to people with literacy difficulties, or with English as a second language. We are conscious that not every claimant affected will seek help from Citizens Advice – this underlines the need for independent advice in a range of formats, strongly signposted by all official communications.

### 1.3 Understanding why people fail to migrate to Universal Credit

We are concerned therefore about the high proportion of people who do not claim Universal Credit after receiving a migration notice, as reported in DWP statistics. The monthly non-claim rate has been around 25% each month since the onset of managed migration. It was 24% for the July-August 2023 period.[4]

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[2] Names have been changed.
[3] Names have been changed.
[4] See https://www.gov.uk/government/statistics/move-to-universal-credit-statistics-july-2022-to-december-20

There may be some grounds to believe that this proportion will decrease as the rollout of managed migration accelerates; for example, those it relates to are tax credit-only claimants who might be less impacted by losing benefits income than those who receive other legacy benefits, or tax credits in combination with other legacy benefits. Some of those who fail to claim may have savings that they believe will affect their income from Universal Credit (although while TP applies, the maximum impact on their award would be £174 per month; DWP should more clearly communicate that savings, even above £16,000, do not prohibit claiming Universal Credit).

However, it is clear that further investigation is required, as recommended by the National Audit Office (NAO).[5] Furthermore, a Freedom of Information (FoI) request revealed that the average value of the tax credit claim for people who do not go on to claim Universal Credit after receiving a migration notice is £358 per month.[6] This is an extraordinarily large sum, and it is difficult to believe that there are many thousands of tax credit claimants who are able to relinquish this amount of income without a significant impact on their living standards.

We therefore welcome the DWP's commitment to conducting research into tax credit claimants who have failed to claim Universal Credit. It would be good to see this work proceed at pace, and for its results to be made available to stakeholders. Citizens Advice would be happy to support the work. The government should also release information, as a matter of routine, on the value of tax credit income being lost by this group.

1.4 Harmful anomalies within the managed migration process

While a necessary feature of managed creation, requiring legacy benefit claimants to claim Universal Credit by a fixed point in time can create anomalous and detrimental outcomes for claimants, as the interaction of legacy benefit and Universal Credit systems is not frictionless. Two examples are detailed in this submission's annexes.

Annex C details how some tax credit claimants will have an overpayment debt 'created' by the managed migration process. If their payment date is just before their migration day (through no fault of their own), they may be assumed to have received higher tax credit payments than were due. Overpayments (discussed further below) will be recovered from their Universal Credit award, including TE payments. Annex D details how some students will not be awarded a TE, if their migration day falls at a time when they are deemed to have no income (i.e. during a summer break in their studies). They

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23/completing-the-move-to-universal-credit-statistics-related-to-the-move-of-households-claiming-tax-credits-and-dwp-benefits-to-universal-credit-data. The non-claim rate is especially high for couples receiving migration notices: 43%. However, this is based on a small number of cases (510) who received a migration notice in May-June 2023.

[5] See https://www.nao.org.uk/wp-content/uploads/2024/02/progress-in-implementing-universal-credit-report.pdf.

[6] Freedom of Information response from DWP shared by Z2K, dated December 2023. The figure refers to tax credit claimants sent a migration notice between November 2022 and July 2023.

may begin Universal Credit with a *higher* award as a result, but this will be reduced, perhaps to zero, when their income is recognised in subsequent Universal Credit assessment periods.

1.5 Wider problems with Universal Credit

There is also a strong case for reviewing how Universal Credit is performing against its original objectives of simplifying social security and improving support for claimants to find work, separately from how managed migration is progressing. Citizens Advice's position is that the level of Universal Credit payments – encompassing the standard allowance and the various elements – are too low to enable people to meet essential living costs.[7]

There are various other problems which affect the Universal Credit system, including:

- A strict conditionality regime that can lead to people losing income through sanctions, often unfairly.[8]
- Deductions from Universal Credit awards, to pay off debts to third parties or the government (the latter is discussed further below).[9]
- Limited work incentives due to high marginal deduction rates. This particularly affects younger claimants, who have a lower standard allowance and are less likely to have a work allowance applied. The failure of Universal Credit to keep pace with minimum wage rates also disproportionately affects in-work claimants.[10]
    - Related to this, the impact of minimum wage increases on the 'minimum income floor', alongside other recent policy changes, mean that people in self-employment will find it increasingly difficult to access financial support from the Universal Credit system.[11]
- A consistent failure to uprate the Universal Credit housing element (HE) adequately, or at all. The Local Housing Allowance, which is used to calculate HE for private tenants, will be increased in April 2024 for the first time in four years,

[7] Citizens Advice (2024) The national red index: how to turn the tide on falling living standards. Available at: https://www.citizensadvice.org.uk/policy/publications/the-national-red-index-how-to-turn-the-tide-on-falling-living-standards/.

[8] Kate Harrison (2023) The sanctions spiral: the unequal impact and hardship caused by sanctions in Universal Credit. Citizens Advice. Available at: https://www.citizensadvice.org.uk/Global/CitizensAdvice/welfare%20publications/Sanctions%20report.pdf.

[9] Elizabeth Miller (2023) The welfare debt trap: adjusting the level and priority of deductions to prevent hardship. Citizens Advice. Available at: https://assets.ctfassets.net/mfz4nbgura3g/1tJul36C0JuJjOkLqCP4XL/5a32c6b9e077022a828dd07dd9002389/The_20welfare_20debt_20trap.pdf.

[10] Craig Berry (2023) 5 reasons a higher minimum wage could be bad news for people claiming benefits. Citizens Advice. Available at: https://wearecitizensadvice.org.uk/5-reasons-a-higher-minimum-wage-could-be-bad-news-for-people-claiming-benefits-60688d3b5223.

[11] Ibid.

but then frozen thereafter.[12] And because the benefit cap will not be uprated alongside housing cost support, many families with children will not see the full value of uprating in 2024.

- Recent proposals to reform the Work Capability Assessment (WCA) will see many future Universal Credit claimants removed from the Limited Capability for Work and Work-Related Activity group, losing hundreds of pounds each month as a result, without any realistic prospect of being able to find stable employment.
- Universal Credit claimants also suffer significant hardship as a result of other policies linked to the roll-out of Universal Credit. For example, the decision to localise Council Tax Support, rather than automating help with council tax bills through Universal Credit, has made entitlements and availability variable across the country.[13]

Millions of people are already being transferred to Universal Credit, or will make new claims to Universal Credit in the years ahead. But what does a successful implementation really look like? The government may succeed in migrating claimants to Universal Credit, but if the problems outlined here remain unaddressed, key aspects of Universal Credit will continue to cause hardship, undermining the system's long-term sustainability.

## 2. How managed migration is experienced by different groups

### 2.1 Demographic characteristics of managed migration clients

Where demographic characteristics have been recorded, the people Citizens Advice supported with issues around managed migration in 2023 had the following characteristics:

- 73% are women (compared to 60% for all seeking advice on Universal Credit).
- 21% are from non-white ethnic groups (the same proportion as for Universal Credit in general).
- 38% have a long-term health condition (compared to 47% for all), and a further 9% are disabled (compared to 6% for all).
- 38% are single parents with dependent children (compared to 23% for all), and a further 22% are in a couple with dependent children (compared to 15%) for all.

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[12] Craig Berry (2023) The impact of freezing Local Housing Allowance. Citizens Advice. Available at: https://www.citizensadvice.org.uk/Global/CitizensAdvice/welfare%20publications/The%20Impact%20of%20Freezing%20Local%20Housing%20Allowance.pdf. Housing element is particularly problematic for claimants under the age of 35, who are only able to access the 'shared accommodation rate' (SAR) if they are single and do not have children - but the SAR is based on a highly distorted view of the market for bedrooms in shared houses, as forthcoming Citizens Advice research will demonstrate.

[13] Maddy Rose (2023) It's time to rethink Council Tax Support. Citizens Advice. Available at: https://wearecitizensadvice.org.uk/its-time-to-rethink-council-tax-support-9786330eff8f. Local variation in schemes, and the publication of scheme details by local authorities, also makes it difficult for current and prospective claimants to obtain adequate advice.

This evidence suggests that, so far, the managed migration process may have been especially problematic for single parents (a group primarily consisting of women).

2.2 Vulnerable groups

Our research shows that people seeking advice from Help to Claim have higher levels of practical and emotional support needs. Many undergoing managed migration are long-term benefit recipients, unfamiliar with Universal Credit. Many have complex needs and circumstances, and may lack digital access and capability. Many are anxious about features of Universal Credit such as sanctions or the possibility they may be asked to repeat WCAs, or about losing their benefits income altogether. People with English as an additional language face barriers to accessing support from DWP and jobcentres. Our research is outlined in more depth in Annex A.

We believe it is essential that the government learns from Help to Claim's insights into potentially vulnerable claimants, and from the experience of those undergoing managed migration during discovery and scaling up phases. Citizens Advice recently helped Martha, for example, to secure an extension to her migration notice deadline – after initially being refused by DWP. Martha received Personal Independence Payment as well as tax credits; she is extremely vulnerable and has difficulties communicating.[14]

We are pleased that DWP is applying learnings from the discovery phase involving income-related Employment and Support Allowance (irESA) claimants, for instance by not terminating their benefits when migration notice deadlines have been missed.[15]

Similar safeguards should be introduced and strengthened for the most vulnerable claimants of all legacy benefits, to minimise income loss.[16] Note that the non-claim rates rise considerably by age: whereas 20% of people in their 30s, and 22% of people in the 40s, have had their legacy benefits closed after failing to claim Universal Credit after receiving a migration notice, this applies to 27% of people in their 50s, and 32% of people aged 60 or over.[17] This needs to be addressed in advance of the impending migration of some Pension Credit claimants to Universal Credit.

[14] Names have been changed.
[15] See https://www.gov.uk/government/publications/completing-the-move-to-universal-credit-learning-from-the-discovery-phase/completing-the-move-to-universal-credit-learning-from-the-discovery-phase#learning-from-discovery-so-far.
[16] We therefore welcome the NAO's recommendation that DWP 'put in place appropriate arrangements, informed by its research and testing, to provide effective support for DWP legacy benefit claimants as potentially more vulnerable claimants move to UC'. See https://www.nao.org.uk/wp-content/uploads/2024/02/progress-in-implementing-universal-credit-report.pdf.
[17] See https://www.gov.uk/government/statistics/move-to-universal-credit-statistics-july-2022-to-december-2023/completing-the-move-to-universal-credit-statistics-related-to-the-move-of-households-claiming-tax-credits-and-dwp-benefits-to-universal-credit-data.

It is clear that some groups may be at greater risk than others of misunderstanding the migration process, and/or failing to claim Universal Credit as required. At the very least, we maintain that independent advice on a face-to-face basis should be made available to all claimants - see Annex B for more details.[18] DWP should also introduce safeguards to ensure that the most vulnerable claimants do not inadvertently miss their migration deadline, which would lead to a significant loss of income for some and/or loss of TP for those who make late claims. This would include, but not be limited to, greater provision for deadline extensions.

As the managed migration rollout continues, it is essential that further consideration is given to the differences between legacy benefits and Universal Credit. Some of these have been widely discussed, such as the stronger conditionality regime – leading ultimately to income loss through sanctions for many claimants, even those already in work – applicable within Universal Credit. Tax credit claimants, in particular, will need support to adapt to benefit conditionality – we would urge the government to proceed with flexibility and caution. Some of the differences relate to the information available to scrutinise the performance of Universal Credit; for example, we know far more about recipients of Housing Benefit than we do about recipients of Universal Credit's housing element, due to the way Universal Credit data is collected and published.

Some of these differences risk devastating consequences for highly vulnerable claimants. For example, the fact that all financial information is freely available online to both partners in a claimant couple means a partner suffering domestic abuse – predominantly women – are less able to conceal savings and other assets from their partner, even if these resources are essential to a planned escape from the abusive relationship, for themselves and potentially their children.[19]

## 2.3 Employment and Support Allowance

At the 2022 Autumn Statement, the government decided to delay the migration of irESA-only claimants, and irESA and Housing Benefit claimants, to Universal Credit until 2028. Given that irESA claimants are people unable to work due to disability or ill-health, there is some merit in delaying their migration until lessons from compulsorily migrating other cohorts can be fully assessed. However, we also know that many (possibly the majority) of irESA claimants would be better off financially on Universal Credit due to an entitlement to disability premiums within Universal Credit, meaning

[18] In addition to the insights from our research summarised in Annex B, it is worth noting here that face-to-face advice is particularly important for identifying that claimants have received a migration notice. The format of migration notices change often to suit user needs, so they are often difficult to identify through telephone or online advice.

[19] A related problem is that people in temporary and supported accommodation – who are quite likely to be victims of domestic abuse, or people with significant care needs – will see their TE erode more quickly if they move into permanent accommodation, which is likely to be more expensive.

that the delay saves the government around £1 billion in unclaimed benefit expenditure.[20]

Given that no other cohort will see their migration delayed beyond 2024/25, it seems likely that fiscal considerations have influenced the decision to delay – although we recognise it also allows managed migration to align with proposed WCA changes. People who claim irESA alongside tax credits will migrate to Universal Credit by the end of 2024. The NAO found in February 2024 that the decision was made by DWP 'in order to make savings'.[21] We support the relaxation of the compulsory migration timetable[22], but at the same time believe irESA claimants should be given more support and encouragement by DWP to migrate voluntarily to Universal Credit, if independent advisers can verify that they will be better off, even in the absence of TP.

### 3. The uncertainty around the transitional element

Citizens Advice supports the government's provision of TP for those compelled to migrate from legacy benefits to Universal Credit. There has, however, been a degree of uncertainty around how its most important component, the TE, is being calculated. For example, there has been a lack of clarity over when information provided via a new claim for Universal Credit can be used to supplement information from legacy benefit systems in the calculation of the TE.

As noted above, we helped around 1,500 people with issues around TP or TE in 2023. But this uncertainty has impacted the advice that Citizens Advice has been able to provide. For this reason, we have been working closely with DWP to develop guidance that clarifies the TE calculation process. We believe that this guidance should be published as soon as possible, to enable people migrating to Universal Credit to access accurate and comprehensive advice from independent providers.

We also believe the government should make a commitment to:

- Not apply any future changes to TE calculation guidance retrospectively, so that claimants whose TE payments were correctly calculated under current processes are protected from overpayment recovery.
- Write off any overpayment debts that arise from the TE calculation process being applied inconsistently by DWP up to the point that detailed guidance is published.

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[20] See https://www.gov.uk/government/publications/autumn-statement-2022-documents.
[21] See https://www.nao.org.uk/wp-content/uploads/2024/02/progress-in-implementing-universal-credit-report.pdf. .
[22] Although note that claimants in receipt of both irESA and tax credits will begin migrating in July 2024.

As discussed below, our position is that the government should never seek to recover benefit overpayments that result from official error. This should apply in particular to TE payments, where uncertainties to date around calculation – reflected in inconsistencies by decision-makers when calculating TE entitlement for many of the claimants we have supported – mean it will have been extraordinarily difficult for claimants, and indeed professional benefits advisers, to identify when they have been overpaid TE.

## 4. The growing deductions problem

### 4.1 The extent of deductions

The prospect of deductions, specifically to repay overpayment debt and/or advance loans, will jeopardise the successful implementation of Universal Credit more generally. Our advisers report that the vast majority of Universal Credit claimants they support are struggling to meet living costs in part due to deductions from their Universal Credit award.

45% of claimants have a deduction from their Universal Credit award, with an average monthly deduction of £61.[23] This amounts to around 2.25 million households – with 2.3 million children within these households.[24] The number who have a deduction for different types of repayments to government are:

- New claim or benefit transfer loan: 732,000
- Budgeting advance loan: 911,000
- Change of circumstance loan: 39,000
- Tax credit overpayment: 643,000
- DWP benefit overpayment: 481,000

690,000 households had deductions for more than one of these types.[25]

The £61 average deduction includes debt repayments to third parties. While deductions via Universal Credit can help claimants to manage their third party debts, such as energy and rent arrears, high levels of deductions for debt repayments to government have little justification. The average monthly deductions for these types of debts are:

- New claim or benefit transfer loan: £31

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[23] PQ 191819. Available at https://questions-statements.parliament.uk/written-questions/detail/2023-06-29/191819. Note that the government does not routinely release information on Universal Credit deductions; we are generally reliant on parliamentary questions for updates. The figures here relate to deductions in February 2023, so will not include the significant increase in tax credit overpayments that has been reported by Citizens Advice advisers on the front line.
[24] PQ 189564. Available at https://questions-statements.parliament.uk/written-questions/detail/2023-06-14/189564.
[25] PQ 191730. Available at: https://questions-statements.parliament.uk/written-questions/detail/2023-06-29/191730.

- Budgeting advance loan: £41
- Change of circumstance loan: £26
- Tax credit overpayment: £43
- DWP benefit overpayment: £41[26]

Usually, in accordance with government policy, claimants cannot have deductions valued at more than 25% of their standard allowance. But a large number of claimants have deductions at or close to this level. One in ten (215,000) have deductions at 25% or higher (deductions above 25% are allowable in exceptional circumstances). More than a quarter (628,000) have deductions of more than 24% but less than 25%, a further 8% (190,000) have deductions betweens of more than 20% but less than 24%.[27]

### 4.2 Legacy benefit overpayments

As people's legacy benefit claims are closed, there are likely to be many instances of overpayment debt identified. This means that many thousands of new Universal Credit claimants will see their income reduced as a result of managed migration, irrespective of the application of TP.[28] Depending on the size of the overpayment debt, deductions can be applied for several years (although longer repayment schedules are preferable to higher deduction levels, other things being equal). Inflicting similar circumstances on those undergoing managed migration should be avoided as far as possible.

Our advisers report that, in many cases, deductions can result from overpayments received as long as a decade ago. Last year, we helped Ruth and her husband George.[29] They have long term health conditions and are unable to work, and their Universal Credit award is being reduced by approximately £100 a month in order to repay a historic overpayment of Income Support. Due to the cost of living crisis, Ruth and George are paying around £50 a week in energy bills, and often rely on food bank vouchers. The overpayment deduction is also pushing them into rent arrears. Ruth approached DWP to ask if they could reduce the deduction, but was unsuccessful.

Many overpayments are the result of official error – our position is that these should be written off. Even where overpayments result from claimant error, they often result from challenging life circumstances, such as family breakdown, or claimants' misunderstanding – exacerbated by claimants' disability or health condition – of

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[26] Ibid.
[27] PQ 194946. Available at: https://questions-statements.parliament.uk/written-questions/detail/2023-07-18/194946.
[28] It is worth noting that some tax credit overpayment debts will come about through quite arbitrary means. For example, claimants in employment will have their current year earnings calculated at the point of making a Universal Credit claim, to determine whether they have received the current amount of tax credit income in the year to date. But those who have very recently been paid by their employer at this point may be deemed to have been overpaid tax credits, and see their Universal Credit award reduced via deductions as a result.
[29] Names have been changed.

instructions on how to report changes of circumstances. The Universal Credit system is designed to be more responsive, but this has not necessarily been the case with the administration of legacy benefits.

There is a case therefore for writing off all overpayment debts related to legacy benefit receipt – especially those due to official error, and those identified as part of the managed migration process. An alternative may be to write off debts related to overpayments received more than, say, 5 years ago, or to apply extremely long repayment schedules (up to, say, state pension age) so that repayments have a negligible impact on income.

### 4.3 Advance payments

The need for migrants to Universal Credit to access advance payments (ie benefit transfer loans) will also jeopardise the successful implementation of Universal Credit. Typically, Universal Credit payments begin five weeks after a successful claim is made. Legacy benefit entitlement ends the day before a Universal Credit award starts.

There is a two-week 'run-on' period for many legacy benefits, but no such mechanism for tax credits; this is despite the fact that, among legacy benefits, it is usually tax credits that provide support for children. To be clear, people who receive income from tax credits and other legacy benefits will only receive run-on payments for the latter. Furthermore, even the two-week run-on period available for some typically leaves three weeks without benefits coverage.

Previous and ongoing Citizens Advice research has established that Universal Credit's five-week wait is a significant source of hardship – it is particularly difficult for people with problems around disability and ill-health, and families with children, who are less able to make adjustments to their living costs.[30]

For many claimants, advance loans fill the gap, but mean that Universal Credit payments are then reduced over a sustained period of time. Last year, we helped Dylan[31], who is unemployed and claiming Universal Credit. He has £80 worth of deductions taken from his benefits every month to repay his advance payment loan, which helped him cope with the initial 5 week wait for payment, as well as a court fine. This left Dylan with £288.74 left a month, leaving him reliant on food banks. He asked the DWP to reduce the amount deducted from his benefit, but was refused.

Our position is that the five-week wait should be eliminated, and even if there is some rationale for its application to new Universal Credit claimants, it should certainly not be

[30] Elizabeth Miller (2023) The welfare debt trap: adjusting the level and priority of deductions to prevent hardship. Citizens Advice. Available at: https://assets.ctfassets.net/mfz4nbgura3g/1tJuI36C0JuJjOkLqCP4XL/5a32c6b9e077022a828dd07dd9002389/The_20welfare_20debt_20trap.pdf.

[31] Names have been changed.

applied to people compelled to migrate to Universal Credit from legacy benefits, since there can be no doubt that this group is already reliant on benefits income.

Even if Universal Credit is not technically payable from the first day of a claim, the impact of the five-week wait could be mitigated through grants for full or partial payments during the waiting period, or stronger protections for claimants around loan repayment levels and scheduling. For people migrating from legacy benefits including tax credits, run-on periods should be introduced and/or extended.

## ANNEX A: Help to Claim research

Our research with Help to Claim clients and advisers reveals that people seeking support from Help to Claim have high practical and emotional needs.

- Many clients have complex needs and circumstances, including:
    - People with health needs or disabilities.
    - People registered as students, because of complex differences between legacy benefit and Universal Credit entitlements.
    - People with issues around immigration conditions for Universal Credit, which again are highly complex.
    - People with English as an additional language, who often cannot access interpreters or face-to-face support from DWP.
    - People lacking knowledge of their prior benefits.
- Many clients are long-term prior benefits claimants who are unfamiliar with Universal Credit processes and requirements.
    - Housing Benefit claimants in particular are anxious about a gap in payments after migrating to Universal leading to rent arrears.[32]
- Many clients lack digital access or capability.
- Many clients are anxious and worried about:
    - Becoming worse off financially.
    - Sanctions and expectations to find work.
    - Having to undergo WCAs.
    - Making mistakes in the Universal Credit application.
- Many clients are often confused and stressed by contact with DWP. They report being provided with incorrect information, and a judgemental and suspicious attitude from some DWP staff.

[32] We are also concerned that, without clear advice, some claimants may assume their new housing element payments will continue to be paid directly to their landlord.

## ANNEX B: The importance of face-to-face advice

The Help to Claim service is no longer funded to provide face-to-face advice. However, our research reveals the importance of independent face-to-face advice.

- Our advisers tell us that face-to-face advice is particularly crucial for:
  - People who are digitally excluded
  - Older people
  - Disabled people (especially people with sensory impairments)
  - People with mental health problems
  - People with English as an additional language
  - People with limited literacy skills or other difficulties understanding complex information
- Face-to-face support may be particularly important for clients moving from ESA to Universal Credit. They tend to be long-term benefit claimants who may have had little contact with DWP. They are also likely to be older, and have mental health problems, which make engaging with Universal Credit processes more challenging.
- Face-to-face support is vital for building trust with and providing reassurance to clients. It is important for sharing information, establishing whether clients have additional needs, and helping with paperwork (especially for clients who are less digitally literate).
- Clients needing face-to-face support must now rely on DWP provision, but our research suggests that it is not working well:
  - Help to Claim managers report that Jobcentres typically do not have the time or resources to provide effective face-to-face advice. The support available varies across the country.
  - Help to Claim managers report that Jobcentres often wrongly tell clients that face-to-face support is not available through Jobcentres – or they wrongly refer clients to Citizens Advice or Help to Claim.

## ANNEX C: Explanation and example of tax credit overpayments and underpayments caused by arbitrary migration day timing

### C.1 Explanation

When a tax credit claimant moves to Universal Credit (including under managed migration), this terminates their tax credit award with effect from the day before the first day of the Universal Credit award. When this happens, their tax credit award needs to be finalised for the part of the year up until the point the award terminates.

However, the process for working out their income for that tax year is different in this situation to how income is usually worked out for tax credits. Firstly, HM Revenue and Customs (HMRC) needs to calculate a 'notional current year's income'. This consists of any income that the claimant has received in the current financial year up to the date the tax credit award terminates; this is then divided by the number of days in this period; this figure is then multiplied by the total number of days in the tax year (i.e. 365 days in 2024/25) and rounded down to the nearest penny. The resulting 'notional current year's income is then subject to any disregard as normal. This is the income figure that's then used to calculate the claimant's entitlement for the part-year period of their tax credit award.

This process can have a distorting effect, especially if the Universal Credit claim is made early in the tax year. If the client has only received one or two sets of earnings so far, the amount of pay dates in comparison to days in the tax year before the Universal Credit claim can have a big impact on their tax credit entitlement; depending on when migration to Universal Credit happens, it can lead to overpayments and underpayments being identified.

<u>C.2 Hypothetical example</u>

Maya's maximum tax credit entitlement  is £21,045.90 in 2024/25. Maya earned £28,000 in 2023/24, and expects to earn the same in 2024/25. This means that her actual tax credit award that she would be paid in 2024/25 would be £12,827.45 per year or £246.01 per week. Maya is paid wages of £2,333.33 on 25th April 2024, and £2,333.33 on **25th** May 2024. Her next pay is due on 25th June.

If Maya claims Universal Credit on **24th** May (one day before payday), the income she has earned so far in the part-year will be £2,333.33. This is divided over 48 days (the number of days in the tax year so far) and then multiplied by 365 to give a notional current year's income of £17,743.03. This would be subject to the disregard as it is lower than her 2023/24 income, so HMRC would use an income figure of £20,243.03.

This is more than £7,700 *less* than she actually expects to earn in 2024/25. This means that the tax credit amount that Maya is considered to be entitled to is £16,008.90 per year or £307.87 per week – even though in practice she was actually paid £246.01 per week.

By 24th May, Maya has had 7 weekly payments of tax credits at this rate, which totals £1722.07. However, for the purposes of considering whether she has been overpaid or underpaid tax credits, she is considered to have been entitled to £2105.15 in this period. **Maya is therefore considered to have been underpaid by £378.04**. This is paid to her by HMRC, to make up for the purported underpayment.

If Maya claims Universal on **26th** May (one day after payday), the income she has earned so far in the part-year will be £4,666.66. This is divided over 50 days (the number of days in the tax year so far) and then multiplied by 365 to give a notional current year's income of £34,066.61.
This would be subject to the disregard as it's higher than 2023/24 income, meaning that HMRC would use a figure of £31,566.61.

This is over £3,000 *higher* than what she actually expects to earn in 2024/25. This would mean that the tax credit amount that Maya is considered to be entitled is £9,679.80 per year or £186.15 per week – even though in practice she was actually paid £246.01 per week.

By 26th May, Maya has had 7 weekly payments of tax credit at this rate, which totals £1722.07. It is considered that she should have been entitled to £1556.88 in this period, so in the in-year finalisation process, **Maya is therefore considered to have been overpaid £165.19**. This will be recoverable in full from her Universal Credit payments.

## ANNEX D: Explanation and example of TE loss for students caused by arbitrary migration day timing

D.1 Explanation

Tax credits are awarded annually, but Universal Credit is awarded on a monthly basis. Students with maintenance loans deemed eligible for Universal Credit – including those migrating from tax credits, who are covered by TP and potentially entitled to a TE – are considered to have income only during the period their course is running. In the Universal Credit system, they are considered to have no income during the summer break.

As a result, some student claimants will not be awarded a TE, if their migration day falls at a time when they are deemed to have no income. The lack of income means their monthly Universal Credit award is likely to be much higher than the tax credit equivalent, meaning they have no entitlement to a TE. They may begin Universal Credit with a *higher* award as a result. But this award will be reduced, perhaps to zero, when their course resumes and their income is recognised in subsequent Universal Credit assessment periods.

As such, the difference between a migration notice being sent even one day later can determine whether a student is protected when migrating to Universal Credit. One solution would be to automatically allow all students issued migration notices to extend their deadline day until the day after their course begins after the summer break.

D.2 Hypothetical example

Mayuri is 26 and undertaking a full-time 3-year undergraduate degree course. She receives a maintenance loan of £9,250 per year. Mayuri lives with her partner Ani. Ani is also a full-time student, receiving a maintenance loan of £9,250 per year. They have a 9 year-old child and receive Child Tax Credit. The couple do not receive any other means-tested benefits, and they own their own home.

Mayuri and Ani have student TP, and have been told they can claim Universal Credit under managed migration. As such, the amount they are receiving in tax credits should be protected – but only if the calculation of their TE includes their student income. This is not guaranteed to be the case.

Mayuri's course starts on the 18th September 2023, and the last day before her summer break 15th May 2024. Her course resumes on 19th September 2024. Her student income will therefore only be taken into account in any assessment period that includes 18th September onwards, ending in the assessment period before the assessment period that includes 15th May. This means there will be either 3 or 4 assessment periods in which student income is *not* taken into account in her Universal Credit payments.

Mayuri and Ani receive a migration notice on 15th April. Their deadline day is 16th July. The table below illustrates how, on any day they could claim Universal Credit under their migration window, student income will not be taken into account in calculating their TE.

| Date of Universal Credit claim | Migration day | Notional first assessment period based on migration day | Is student income taken into account in the first assessment period? |
|---|---|---|---|
| 15 Apr (first day of migration window) | 14 Apr | 14 Apr - 15 May | No |
| 16 July (last day of migration window) | 15 July | 15 July - 14 August | No |
| 15 August (final deadline including grace period) | 15 July | 15 July - 14 August | No |
| 16 August (last day of new migration window if a deadline extension is granted) | 15 August | 15 Aug - 14 Sept | No |

As a result of migrating to Universal Credit when student income is not being taken into account:

- Their total legacy amount (TLA) is £333.67.
- Their maximum indicative Universal Credit (IUC) is £950.93
- Their IUC income deduction is £0, so their final IUC is £950.93.
- Their TE is £0 because their IUC is higher than their TLA.
- Their **actual Universal Credit payment in their first assessment period is £950.53**.

However, when Mayuri's course resumes in a following assessment period (either the 2nd, 3rd or 4th month):

- Their maximum UNiversal Credit award will remain at £950.93, but their income deduction is now £1,630.
- Their TE will remain at £0 – since no TE was awarded in the first assessment period.
- Their **actual Universal Credit payments are reduced to £0**. This zero award will remain the case for the duration of Mauri's course, unless other financial circumstances change.

Alternatively, if Mayuri and Ani were issued a migration notice that had a deadline day of 20th August or later (as illustrated in the table below), they would be able to have student income taken into account in their TE calculation.

| Date of Universal Credit claim | Migration day | Notional first assessment period based on migration day | Is student income taken into account in the first assessment period? |
|---|---|---|---|
| 20 August | 19 August | 19 Aug - 18 Sept | Yes |

As a result of migrating to Universal Credit when student income is not being taken into account:

- Their TLA is £333.67.
- Their maximum IUC is £950.93.
- Their IUC income deduction is £1,630, so their final IUC is £0.
- Their transitional element is £1,012.74.[33]

[33] The maximum IUC minus the IUC income deduction equals £-679.07; the TE is the difference between this figure and the TLA, that is, £1,012.74.

- Their maximum Universal Credit award is £1,963.67 (i.e. IUC plus TE), but after an income deduction of £1,630, their **actual Universal Credit award is £333.67 per month**. This is true for the first and subsequent assessment period.