



In-depth Briefing

Universal Credit

Community Housing Cymru is a membership group representing over 70 not-for-profit housing associations and community mutual across Wales.

Our members provide more than 158,000 affordable homes and house approximately 10% of the population of Wales. Housing Associations offer specialist, supported housing for the elderly, disabled and those with additional needs as well as traditional accommodation.

They provide a wide range of other support services for tenants and residents in their communities – and play a major role in the Welsh economy.

What is Universal Credit?

Universal Credit is a new benefit payment, combining six previously means-tested benefits into one direct monthly payment instead of multiple, weekly or fortnightly payments. The six benefits it replaces are:

- Housing benefit
- Income support
- Income-based jobseekers allowance
- Income-related employment and support allowance
- Child tax credit
- Working tax credit

Any other benefits not listed above, for example Disability Living Allowance/Personal Independence Payments, Child Benefits and Carers Allowance are not being replaced with Universal Credit.

The purpose of Universal Credit is to simplify the benefits system in order to mimic the world of work, giving claimants more responsibility for managing their income throughout the month. This means that money for rent (which was previously paid directly to landlords in the form of Housing Benefit) will be paid to claimants instead, giving them the responsibility of managing their rent payments. This effort to mimic work also means that payments are made in arrears, so there is a delay of at least six weeks between claim and first payment. In approximately 20% of cases, recipients have had to wait longer than 6 weeks to receive any payment. This can cause significant hardship and debts meaning claimants sometimes rely on high-interest loans just to get by.

Recipients of Universal Credit can be either in or out of work and there is not a limit on the number of hours recipients can work in a week. Universal Credit is designed to combat the issues that many recipients of other social security benefits had reported, namely that even low



income earners would lose all of their benefits if they worked over 16 hours in a week. Some claimed that this incentivised being out of work. Universal Credit is designed to gradually and consistently reduce as income increases; the suggested rate of this reduction is by 63p for every additional pound earned after tax.

Universal Credit has to be applied for online and the application form has to be completed in one go. Claimants cannot save changes or come back to the form at a later date.

The Situation So Far

Universal Credit has been introduced in stages across the United Kingdom since 2013 and is currently fully in place ('Full Service') in 6 areas in Wales. It is currently expected that it will be at Full Service across all of Wales by July 2018. In 'Full Service' areas (such as Flint), most new claimants will be eligible for Universal Credit whereas in 'Live Service' areas some new claimants, such as single, unemployed, childless people will be placed on Universal Credit. As of March 2016, all Welsh job centres were operating at least a Live Service.

As of October 2017, only 24,517 households across Wales were claiming Universal Credit, meaning that the rollout is only 6% complete in Wales. The areas where the roll out has been implemented already are Flint, Mold, Shotton, Cwmbran, Pontypool, Neath Port Talbot and Wrexham. The next areas scheduled for the roll out are Newport, Swansea, Morriston and Gorseinon before the end of the year. After this the roll out will cover the rest of Wales between February and July 2018 following the schedule below:

February: Cardiff

March: Maesteg.

April: Rhyl

June: Ammanford, Carmarthen, Llanelli, Colwyn Bay, Llandudno, Merthyr Tydfil, Abergavenny, Caldicot, Chepstow, Brigend, Porthcawl, Amlwch, Holyhead, Llangefni

July: Abertillery, Ebbw Vale, Bangor, Dolgellau, Porthmadog, Pwllheli

September: Bargoed, Blackwood, Caerphilly, Aberystwyth, Cardigan, Haverfordwest, Milford Haven, Pembroke Dock

October: Brecon, Llandrindod Wells, Machynlleth, Newtown, Welshpool, Ystradgynlais, Barry, Penarth

November: Caernarfon, Aberdare, Porth, Pontypridd, Llantrisant, Tonypany, Treorchy

When the roll out is complete, the Department of Work and Pensions will begin to move all remaining existing benefit claimants onto the Universal Credit full service, starting in 2019.



The roll out of Universal Credit is expected to have a significant impact on people across Wales, which has a higher dependence on working age, social security benefits than other UK nations. The Citizen's Advice Bureau estimate that 400,000 households in Wales will be on Universal Credit by 2022. This equates to approximately 31% of all households across Wales.

After pressure from MPs and third-sector organisations, David Gauke, the Work and Pensions Secretary told MPs that the telephone helpline for Universal Credit would become a Freephone number. This phone line was charged at local rates of up to 55 pence per minute.

On the 18th of October a debate was held in the House of Commons after concerns were raised regarding the delay between claim and payment, difficulty accessing emergency support funds and a the limitations of a digital-by-default application process.

Issues Facing Tenants and Landlords

Community Housing Cymru conducted research in collaboration with Cardiff Metropolitan University which found that design flaws in the Universal Credit service were causing a number of issues for tenants and landlords, as outlined below.

Tenants are experiencing hardship due to delayed payments:

1 in 5 claimants are not receiving their full entitlement within the scheduled 6 weeks of making a claim, with some facing a further delay of 4-8 weeks. Many recipients budget carefully, and a participant in a study by CHC and Cardiff Metropolitan University stated that they "live week to week" and have very little, or no, savings. This means that a delay to their payments will put them in "dire straits" and cause them to struggle to buy food and other necessities. After long periods without any income, any payment that is received will be used to pay for food, heating and other necessities to survive, which after six weeks with no money coming in at all, are likely to be prioritised over rent. Claimants experiencing these sorts of hardships were likely to need to rely on foodbanks for food.

Tenants are not provided with sufficient information:

Although there has been some effort to provide information to claimants and the study with Cardiff Metropolitan University found that 94% of claimants had received information about Universal Credit, largely through Job Centre Staff and their own research many felt they did not fully understand why, or what, Universal Credit meant for them. Despite the fact that one of Universal Credit's main aims was to simplify the benefits system, many recipients feel that the opposite is the case and they struggle to understand the nuances of Universal Credit. Claimants stated that they "were confused about the purpose of the introduction of UC and asked why it had been introduced". One participant in the CMU study stated "they plastered that [your benefits are changing] on buses and everything but it turns out most people got the information from their neighbours, family..." which may not be accurate, unbiased or appropriately detailed. This is causing significant anxiety as claimants and the CMU study revealed that people were concerned about when and how much they would get paid.



Increasing rent arrears:

In Wales, the average value of rent arrears under Universal Credit is £450, more than 3x the UK average. There are a number of factors that are likely to be contributing to this, most significantly due to Universal Credit being paid directly to claimants as oppose to landlords. This means that when there are delays in payments, rent is likely to be a lower priority for claimants suffering hardship when compared to buying food. Another factor that is likely to be increasing the rent arrears is that those who may not be capable of independently paying their rent, for example those who live in supported housing due to having learning disabilities, mental health problems or other difficulties, still will receive the money in their universal credit lump sum as oppose to it going directly to landlords in the way that they will be used to. This could significantly impact on housing associations that provide supported accommodation as if they do not receive rent payments they will be unable to reinvest the money into building and regenerations projects.

Increasing poverty:

Universal Credit is designed to mimic the world of work, therefore payments are made in arrears, meaning there is a six week wait in between claim and first payment. This, on top of significant delays that many claimants are experiencing, has pushed a number of claimants into poverty, forcing them to rely on food banks.

Community Housing Cymru's Requests

We are calling on the UK Government to pause the rollout of Universal Credit to give time to resolve design flaws and make improvements to the following aspects of it:

Shorten the six week waiting time:

The current six week waiting time causes significant hardship and pushes many Universal Credit recipients into poverty. It is rare for claimants to have savings or the means of covering living expenses during this prolonged period without payment, meaning they have not got the money to live on. CHC are calling for the UK Government to scrap the current compulsory seven day waiting period at the start of a UC claim. We believe this would reduce the overall waiting time and therefore limit the time that claimants have no income for. It has been suggested that those who cannot cope without any income for this period will have access to advance payments, however CHC believe that this is not an appropriate solution as these payments only cover part of the Universal Credit claim thus are unlikely to cover housing and living costs.

These advance payments must be repaid through deductions from future payments which will prolong the period that claimants have not got enough money to cover living costs.

CHC believes that by compressing the payment processing days claimants will be able to receive their full entitlement in under four weeks which would be a more manageable time period for many people. CHC also believe that it would be important to provide an option for tenants to receive payments more frequently than monthly after the initial payment.



Faster payment of housing support and the option to pay directly to the landlord

CHC believes that it would be appropriate to pay housing support as soon as it is verified, thus reducing the risk of claimants falling into rent arrears. CHC also believe that there is a need for tenants or landlords to be able to choose for their housing support to be paid directly to their landlords rather than for them to be expected to pay it out of a lump sum received. This would reduce the risk of arrears and ensure landlords receive full payment of rent.

Improve communications between the Department of Work and Pensions, tenants and landlords

CHC believe that some of the issues surrounding Universal Credit could be targeted by improving communications between DWP, tenants and landlords. The development and introduction of a landlord portal, combined with trusted partner status, assists housing associations when verifying tenant's rent and when appropriate requesting rent to be paid directly to them. This speeds up the process of verifying claimant's details, ensuring that they receive their first payment on time and helps to prevent future rent arrears. CHC hugely welcomes both of these features but are concerned that some Housing Associations will not have access to them for many months. CHC are concerned that this will create a 'postcode lottery' for tenants as those whose landlords have no access to the landlord portal will have to wait longer to receive their first payment of Universal Credit.

This idea was supported by a research by Cardiff Metropolitan University into Universal Credit which recommended the accelerated rollout of the landlord portal to relieve tenant's anxiety over waiting for rent verification processes to be completed. CHC believe this portal could be rolled out to all social landlords quickly and easily, which would have a significant positive impact for tenants and landlords in ensuring Universal Credit is received as efficiently as possible, meaning that rent can be paid.