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20170913

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Dear Dr Wilkins,

Thank you for your letter of 19 September to the Secretary of State about Universal Credit. I am replying as the Minister responsible for this area of the Department's work.

Firstly, we do recognise your concerns about payment delays in Universal Credit, but rest assured that we have focussed heavily on improving performance in this area. Universal Credit requires a broader range of verified information than any other single benefit in order to establish the amount of benefit to which the individual is entitled, and part of our efforts have focussed on ensuring that we support claimants to provide this.

These efforts have proved successful. Our latest internal data suggests approximately 80 per cent of cases were paid in full at the end of the first assessment period. For the 20 per cent of cases who were not paid in full, we estimate that around a third have not agreed their claimant commitment so cannot be paid until they have. The other two thirds have an outstanding verification issue, such as providing bank statements, evidence of childcare costs, or proof of rent. Many of these claimants receive a part-payment where some elements of the claim have been verified. We are continuing to implement further improvements to address these areas, such as the introduction of a landlord portal to help verify rent.

The Universal Credit assessment period and payment structure are fundamental parts of the design. They help reduce welfare dependency by mirroring the world of work, where 75 per cent of claimants are paid

monthly. Minimising the difference between paid employment and being on benefit effectively removes a key barrier to moving back into work by helping claimants to budget on a monthly basis. Many claimants will come to Universal Credit with final earnings to support them until their first payment and claims should be paid within five weeks, or six weeks if waiting days are served. For those who cannot wait until their first payment of Universal Credit, an advance is available which provides up to 50 per cent of a claimant's indicative award. Information about the availability of advance payments is also provided in the new 'Universal Credit & You' guide for claimants on the Government's website, on the Universal Credit helpline and as part of the online Money Manager tool offered by the Money Advice Service launched in February. Advances are recovered over a maximum of six months, although exceptionally this period could be deferred by up to three months.

With regard to the deductions that are applied, we believe the current deduction rate allows claimants to get on top of their arrears more quickly. We make exceptions to the 40 per cent maximum rate if it is in the best interest of the claimant to do so. Deductions are an important way to protect vulnerable claimants from the consequences of getting into debt. We only make deductions when claimants are in arrears and have no other means of clearing the debt or have continually failed to repay the debt. We have prioritised deductions for arrears of mortgage interest, rent, service charges, gas or electricity to prevent vulnerable claimants from being made homeless or having their fuel disconnected. The maximum amount that can be deducted for debt repayments is 40 per cent of their Universal Credit standard allowance. Many claimants get additional payments, for housing, children, et cetera and deductions are not taken from these payments.

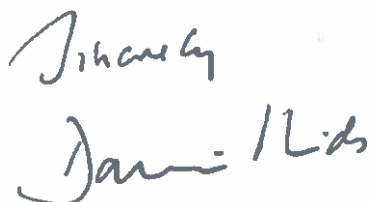
Turning to your concerns about sanctions, these also apply to other benefits and we would expect a difference in sanction rates between a legacy benefit and Universal Credit for a number of reasons. For example, Universal Credit and Jobseeker's Allowance sanctions rates relate to different benefits with different conditionality regimes. In particular, and part of the reason that we would expect the number of people sanctioned in Universal Credit to be higher, is that under Universal Credit, if a claimant fails to attend a work-focused interview without good reason they can be sanctioned. However, in Jobseeker's Allowance, if a claimant fails to attend a work-focused interview then after five days their claim is terminated if they fail to make contact. This termination of a claim does not appear in sanction rates. This means that the number of individuals sanctioned appears higher, when in reality

there are consequences of non-attendance in both Jobseeker's Allowance and Universal Credit.

Finally, with regard to the provision of housing costs for short-term, temporary accommodation, we have listened to concerns from local authorities and other stakeholders around issues with some types of temporary accommodation and how they interact with the payment structures of Universal Credit. That is why this Department is currently looking closely at the issue and considering the options.

We have been working closely with the sector to identify a short-term solution to the issue. Once this is in place, we will be working with the Department of Communities and Local Government and the local authorities to identify a long-term solution.

If I can be of further assistance please do not hesitate to contact me.

Handwritten signature of Damian Hinds in black ink.

Damian Hinds MP
Minister for Employment

