

# Checking in: living and working on Universal Credit

*CAP clients' experiences of Universal Credit so far*

*Applying and waiting for Universal Credit*

*Debt and Universal Credit*

***Living and working on Universal Credit***

Once the roll-out is complete, Universal Credit will form the cornerstone of household finances for 8.5 million people.<sup>1</sup> This will include families and individuals with a broad range of circumstances, and more than half will be claiming whilst in work.<sup>2</sup> This will present challenges for more than a quarter of working-age families in the UK as they contend with fluctuating incomes, paying household costs directly to their landlords and other frictions in the system.<sup>3</sup>

This paper is the third in the *Checking in* series and considers the experience of living and working on Universal Credit. Semi-structured interviews with nine early claimants provide an illustration of the challenges faced by claimants across the UK. The findings highlight operational changes that are needed to better support claimants both in and out of work.

The underlying thread in the difficulties encountered with Universal Credit stems from the reality that living on a low income for a prolonged period is difficult. It leaves people with few resources to buffer periods without income, or to cope with paying a rent top-up, repaying an advance or other debts. Conversations with claimants about life on Universal Credit find:

- Claimants continue to struggle financially once their payments start
- Budgeting is a challenge for some, and the help offered needs to better understand their needs
- Where paying rent is a problem, Alternative Payment Arrangements (APAs) take too long to put in place
- Claimants in work need more help to cope with low and fluctuating incomes



'I'd been claiming Tax Credits since my divorce and it had really helped. Universal Credit was then phased into my area and so I made a claim. I had trouble because my Housing Benefit stopped. They factor your housing into the Universal Credit payment but they forgot to process that bit so it took a couple of months to come through.

I work 22 hours a week and I find it very difficult to budget because my Universal Credit payment fluctuates so much. It's never what they say it's going to be. I look at my online account and it shows a figure but you can't rely on it. It can be a big change, like £300.

I took on a second job for a bit but I didn't realise that for every pound you make they take 65p off. So working 24 more hours in one week meant I didn't get much more money at all and I was absolutely exhausted. I was working 12 hours overnight and I made peanuts. It was damaging my health so I couldn't do it.

The months when I receive less Universal Credit I just do my basic shopping and that's it. My sister's very poorly, but she lives 100 miles away so I can't afford to see her. I don't like asking for money and my Dad's a pensioner so I can't ask him. Without Universal Credit I'd be at a minus every month so it does help, but I'm living from day to day.'

*Sally, 48, CAP client*<sup>4</sup>

1 | NAO (2018) *Rolling out Universal Credit*

2 | 54% of households on Universal Credit will be in work, Citizens Advice (2017) *Delivering on Universal Credit*

3 | 28% of working-age families will be in receipt of Universal Credit by 2022, Citizens Advice (2017) *Delivering on Universal Credit*

4 | Names have been changed to protect anonymity

## Better or worse off?

All participants had struggled financially during the wait for their payments to start, and many said they were not particularly better off once their payments started. The amount they received still meant they were unable to afford the things they needed and struggled to pay bills. Several participants said they had had to continue using food banks despite their payments starting. Partly, this was due to having deductions from payments to repay debts and advances as explored in the second paper in this series, as well as how payments fluctuated based on their wages.<sup>5</sup>



'Being on Universal Credit has been constant poverty. It's always right down to the bone, in various ways... even though I've only got very small bills, £9 a month phone, I don't have internet, I don't have Sky, anything like that. Everything is cut down to the bone for me, but I'm still living hand to mouth... I try not to go [to the food bank] when I don't have to, but I've always been using the food bank while I've been on this benefit.'



'There's no financial help when it comes to optics, dentists, things like that... I had dental treatment and I've still got sensitive teeth but I can't afford to go to the dentists to sort that out so I just have to live with that I suppose.'

A couple of participants were also receiving less money than they had been on legacy benefits. This included one single mother who had been receiving Tax Credits and had had to claim Universal Credit because she needed to make a claim for Housing Benefit. Research by the Resolution Foundation estimated 2.5 million families will be worse off on Universal Credit.<sup>6</sup> Transitional protections will be in place when existing claimants are migrated across to Universal Credit to ensure they do not receive less, however this is not available to those who are required to claim Universal Credit due to a change in circumstances and so no current claimants receive this protection.<sup>7</sup>



'More money is going into your bank account, but once you've paid the rent you're left with less money than Jobseekers. I was on about £80 a week on Jobseeker's but now it's about £65.'

## Managing the month: budgeting

A key change under Universal Credit is that claimants are paid on a monthly basis. This is an adjustment for people who are used to receiving benefit income or wages on a weekly or fortnightly basis, and was new for most people interviewed. Some had taken to monthly budgeting well or were getting to grips with it, while others had found this more difficult.

Around half of those interviewed had found it particularly difficult to budget. Common reasons were the amount of payments fluctuating each month for those in work, payments not lasting the month and poor numeracy skills. Even participants who had worked previously had found budgeting monthly payments a change, as they had been paid on a weekly basis when working. This is common for people on low incomes; fewer than half of people earning under £10,000 a year are paid their wages on a monthly basis.<sup>8</sup>

Low income was a strong underlying factor in the claimants' struggles to budget their monthly payments. Most had put systems in place to help them budget but said it was hard because they did not receive enough money to last the month. Several participants were still using credit cards or overdrafts and borrowing from friends and family to get through to the end of the month. Another shared worry about unexpected expenses, such as car repairs, and having no buffer to deal with these.

### Experiences of budgeting



'I find it quite difficult because I'm not good with budgets, but I make sure I get my rent or bills paid the day or the day after I get paid so I'm not worrying about that. Then it's just food and electric. It's a [prepayment meter] and I go onto emergency [credit] towards the end of the month or my boyfriend gives me some money to top it up.'



'It takes a bit of time to get used to [budgeting] monthly, but I'm getting a lot better at it. I have had help from my support worker.'



'[When I was in work] I was paid weekly. It would be better for me [to be paid weekly]. I would be able to work things better because a month is quite a long time.'



'I find it quite easy because when I get my money I pay all my bills first and get my food in, then whatever's left I spread over the rest of the month.'



'It was hard, really hard. It was never enough. It wouldn't last [until the end of the month]... I'd go to the supermarket and be using the credit card.'

5 | See CAP (2019) *Checking in: Universal Credit and debt* at [capuk.org/checkingin2](http://capuk.org/checkingin2)

6 | Finch (2016) *Universal Credit: Making a success of Universal Credit*

7 | See [turn2us.org.uk/Benefit-guides/Universal-Credit-transitional-protection](http://turn2us.org.uk/Benefit-guides/Universal-Credit-transitional-protection) for more information

8 | Work and Pensions Select Committee (2017) *Universal Credit: the six-week wait*

There is support in place intended to help claimants budget well on Universal Credit. In some circumstances, Universal Credit can be paid more frequently than monthly, normally on a fortnightly basis. This provision is more readily available to claimants in Scotland and Northern Ireland, and a couple of participants said they would find this helpful, but neither knew whether or how this was possible. The government has said they will run pilots to test how to improve more frequent payments for new claimants.<sup>9</sup>

Personal Budgeting Support is also available under the Universal Support services but takeup is low.<sup>10</sup> Support with budgeting had only been offered in about half of cases, and only one participant had taken this up. They had seen an adviser in a local library but it had been of limited help because of her low income and because it did not address her debt problems. Others had not taken up this support for a variety of reasons, including not needing it and because they felt support services did not understand their situation.



'[The adviser] was good but she was telling me that I had very little money. She was good at doing the calculations but I had credit cards that had accumulated... I think they were good to a point.'

### *Too little, too late: housing payments*

Whereas under legacy benefits, Housing Benefit is typically paid directly to landlords, Universal Credit claimants receive a payment for their housing costs as part of their monthly Universal Credit payment and are required to pay their landlord themselves. There have been concerns raised that this would put vulnerable people at risk of homelessness and Alternative Payment Arrangements (APA) can be set up to pay a claimant's landlord directly if needed.

However, Citizens Advice research found only about a quarter of claimants are made aware of APAs and often they are only put in place once rent arrears have built up.<sup>11</sup> APAs are also predominately accessed by social tenants, but the government has recently announced new measures to increase direct housing payments to private landlords via an online system.<sup>12</sup>

The hope is that this will address landlords' reservations about renting to Universal Credit claimants.

Paying housing costs themselves received a mixed reaction from participants. A couple of participants noted that this had been a change but they had adjusted to it quickly and it had not caused them problems. However, these participants did note that the function of paying rent themselves was fine as long as they had sufficient money to do so. For others this change had been unexpected and had taken more significant adjustment.



'Previously on Jobseeker's Allowance it was paid automatically for you, but with Universal Credit you have to sort everything yourself. I didn't realise [that], not to start with.'



'That's usually ok, as long as I know I've got the money for the rent.'

Around half of participants had an APA set up to pay their rent directly to their landlord; this was mainly claimants living in social housing. This was appreciated as a way of reducing worry and to remove the risk of homelessness; however, it had taken a long time to set up the APAs, ranging from three to eight months, and participants had incurred substantial rent arrears in the meantime. Added to this, there could be confusion about whether rent payments had been received by housing associations, and claimants can be viewed as constantly one month behind because Universal Credit is paid in arrears but rent is generally charged upfront.



'They take [the rent] out immediately because I don't think they want me to be homeless again.'



'I don't worry now I know my rent is being paid automatically... Like I said, to get everything sorted properly and get my payments on time, it took eight months.'



## *Case study one*

Having previously been homeless, one CAP client had made every effort to avoid rent arrears once he was housed in a housing association flat. He had lived there for seven years without problems. When he moved onto Universal Credit, he did not know that he needed to pay the rent himself once his payments started. Two months later an APA was set up because he was in rent arrears. Despite the APA being set up at the beginning of July, the housing association started eviction proceedings because they did not receive their first rent payment until August. It took five phone calls to the DWP and housing association for the client's CAP Debt Coach to clarify the situation. In the end the client attended court and a payment plan was set up - this was highly stressful, and to exacerbate the problem the court costs then fell on the client to pay.

9 | Announced in a speech by the Rt Hon Amber Rudd, Secretary of State for Work and Pensions on 11 January 2019

10 | NAO (2018) *Rolling out Universal Credit*

11 | Citizens Advice (2017) *Universal Credit and Debt*

12 | Announced in a speech by the Rt Hon Amber Rudd, Secretary of State for Work and Pensions on 11 January 2019

## **Problems for working claimants**

Key to the Universal Credit's aim of simplifying the benefit system is bringing together in and out of work benefits. Claimants moving into work continue to receive Universal Credit until their earnings exceed a certain level. It is predicted that by the end of the roll-out, more than half of households on Universal Credit will be in work.<sup>13</sup> Several of the participants were working while claiming Universal Credit, or had previously, and all had experienced issues with their claim. Problems related to:

### **Fluctuating payments**

Under Universal Credit, PAYE data shared with HMRC is used to automatically adjust a claimant's Universal Credit payment in accordance with the previous month's earnings. This reduces the risk of overpayments which under Tax Credits could be several thousands of pounds, but also means Universal Credit payments can fluctuate on a monthly basis and make it difficult to budget.<sup>14</sup> For one participant, these fluctuations had been more than £350 in recent months, and she found the online journal did not give a reliable estimate to use as a basis for budgeting.



'I don't know what I'm due because it fluctuates, which is another thing I don't like about Universal Credit. I can't budget... [Universal Credit online journal] shows you a figure, then that can change so I don't rely on it at all.'

Claimants also experience ongoing problems if their wages are not paid on a monthly basis and are paid either weekly, fortnightly or four-weekly. Some months these claimants receive less or no Universal Credit because the income in one assessment period is artificially higher. Where a claimant has received no Universal Credit one month due to their wage cycle, they then need to proactively inform the DWP that their claim needs to continue to receive a payment the next month. This has also been a problem for people paid on a monthly basis whose pay day falls too close to the beginning of their Universal Credit assessment period, although a recent High Court ruling has ordered the DWP to address this specific issue.<sup>15</sup>

### **The taper rate**

After claimants earn more than the Work Allowance, their Universal Credit payments are reduced by 63p for every additional £1 they earn. This is designed to ensure work pays, however a couple of participants had not found this to be the case when taking into account the extra travel and costs associated with taking on more hours. One participant also felt that the taper rate had not been clearly explained to them when they first claimed Universal Credit and felt clearer information was needed on how payments changed based on the amount earned.



'Every pound you make they take off 65p, so working [an extra] 24 hours in one week I don't end up with much extra money at all. I thought "is it worth it?". It was damaging my health, I was falling asleep at work. I just couldn't do it.'



'I was still in poverty all the time I was working [and receiving Universal Credit]. I've had three full time jobs, but they're all McJobs these days. The most I was ever paid was £8.20, and I was still in poverty. And occasionally, it wasn't a weekly occurrence, but occasionally [I was] using the food bank.'

### **Claims closed after six months**

Where claimants earn sufficient wages to not receive a Universal Credit payment for six consecutive months, their claim will automatically close. If their income subsequently drops, a new claim for Universal Credit needs to be made and the claimant has to wait five weeks again for their first payment. If this happens within the six month period, they can simply restart their payments by logging onto their Universal Credit account.<sup>16</sup> One participant had a temporary contract for six months and had incurred debt while restarting his claim. Due to the high incidence of temporary and zero hour contracts, he strongly felt that six months was insufficient and that PAYE information should be monitored for a longer period of time.



'They took me off Universal Credit because they said I was earning enough money, but the next month my hours dropped so I wasn't earning any money... That's one of the reasons I'm in debt because they took me off Universal Credit and I had to find a new job and it's been in and out, in and out.'

### **Paying childcare costs upfront**

Universal Credit will cover 85% of a claimant's childcare costs up to a maximum limit, however these costs must be paid by the claimant and the receipts submitted as proof before a Childcare Element payment will begin. This is problematic for most single parents on low incomes who cannot afford to pay these costs upfront.<sup>17</sup> In one case a CAP client lost their childcare place while waiting for their first Universal Credit payment, which then led to them then losing their job.

13 | Citizens Advice (2017) *Universal Credit and Debt*

14 | CAP (2018) *Powerless people: indebted and afraid*, available at [capuk.org/powerlesspeople18](http://capuk.org/powerlesspeople18)

15 | See [cpag.org.uk/content/high-court-finds-dwp-unlawful-universal-credit-assessments-0](http://cpag.org.uk/content/high-court-finds-dwp-unlawful-universal-credit-assessments-0)

16 | For more information see [citizensadvice.org.uk/benefits/universal-credit/claiming/reapply-for-universal-credit/](http://citizensadvice.org.uk/benefits/universal-credit/claiming/reapply-for-universal-credit/)

17 | Gingerbread (2018) *Where next on Universal Credit?*



## Case study two

One single mother in her twenties who had a three year old son started claiming Universal Credit when she moved into a live service area to be nearer her family. She had a job lined up but was required to pay her childcare costs upfront and submit the receipts before she could receive a payment as part of her Universal Credit. She could not afford to do this and lost her job as a result. She had not been able to find a new job for several years and found it difficult to get by on her Universal Credit payments, which had a deduction for a Tax Credit overpayment. She regularly missed household bill payments to be able to buy food and even so, could only afford to spend £14 a week on food for her and her son.



### Key challenges for claimants living and working on Universal Credit:

- **Claimants continue to struggle financially once their payments start**  
There are a variety of reasons for this, including deductions for debt and advance repayments, rent top-ups and missing out on transitional protections. In some cases, claimants continue to miss bill payments, rely on high-cost credit and use food banks once their payments start. The key underlying thread is the low income of claimants.
- **Budgeting is a challenge for some, and the help offered needs to better understand their needs**  
While some prefer monthly payments, many claimants find budgeting difficult and the available Personal Budgeting Support has had a limited impact. Claimants would benefit from the flexibility to choose their payment frequency and more tailored budgeting support.
- **Where paying rent is a problem Alternative Payment Arrangements (APAs) take too long to put in place**  
Paying rent themselves is not a problem for most claimants, but some do not know that they need to do this. Those that need APAs then struggle to get this support in place quickly. There needs to be clearer messaging about housing costs, and APAs should be available as standard from the beginning of a claim.
- **Claimants in work need more help to cope with low and fluctuating incomes**  
More support is needed to help claimants budget with fluctuating Universal Credit payments and pay upfront childcare costs. Assessment periods need to take into account the claimant's pay frequency. The prevalence of temporary contracts and zero hour contracts means claims need to remain open for longer than six months.

This paper is the third in the *Checking in* series.  
The full series will be available at [capuk.org/checkingin](https://capuk.org/checkingin).

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