The transition from tax credits to Universal Credit: qualitative and quantitative research with claimants

Thank you for your letter of 23 April regarding to the transition from tax credits to Universal Credit research. I hope that you found my previous response on this topic of 30 April helpful in answering some of your queries, and I am happy to answer your subsequent questions below.

Joint Working, natural and managed migration

The Department is aware that some claimants, particularly those that claim tax credits and Housing Benefit only, may not have had contact with the Department for Work and Pensions (DWP) previously. However, we are committed to supporting all existing legacy benefit claimants to move to Universal Credit safely. One main objective of the small scale pilot is that we understand and learn how best to contact and support claimants to ensure they are successfully moved.

Turning now to your specific questions:

1. ** Might you please provide an update on DWP’s work with HMRC and MHCLG to ensure that tax credit and housing benefit-only claimants who migrate "naturally" do so successfully?**
   a. **Did the findings of this report prompt any changes in your approach to joint working? If so, what were those changes, and when were they decided and implemented?**

DWP and HMRC have worked closely, and continue to do so, in the design of Universal Credit. HMRC have been a key partner in the Universal Credit Journey, including the design of the customer interaction between Tax Credits
and Universal Credit. HMRC estimate there are now over 500,000 former claimants of Tax Credits on Universal Credit.

DWP has a longstanding professional working relationship with HMRC, MHCLG and local authorities. For example, DWP has worked continually with local authorities on the provision of Housing Benefit and both have jointly supported the implementation of Universal Credit. This includes supporting the payment of the Transition to Universal Credit Housing Payment which local authorities administer to those claimants previously receiving Housing Benefit transitioning to Universal Credit.

It’s a testament to this excellent working relationship that we have seen the successful implementation of Universal Credit in all 637 jobcentres covering all 371 local authorities across Great Britain.

Specifically, we have engaged local authorities, MHCLG and HMRC through a number of different approaches, such as Steering, Working and higher level engagement groups to seek insight, influence and challenge. These groups include the Local Government Associations of England, Scotland and Wales and a cross section of local authorities covering Great Britain. This has helped inform the design and implementation of the Transition to UC Housing payment and New Burdens payments that DWP provide to all local authorities to help assist them in administrating this support to claimants.

The findings of this HMRC report, ‘The transition from tax credits to Universal Credit: qualitative and quantitative research with claimants’ matched our own user research. We consider all research and learning in the design of Universal Credit and we have held several collaborative workshops with HMRC. This helps us to continually improve as we iterate the Universal Credit Service. Further information on our use of these findings can be found in my letter of 30 April.

2. Might you also please update the Committee on the current state of planning between DWP, HMRC and MHCLG for the “managed” migration pilot

As you will be aware, the ‘Move to Universal Credit’ pilot is due to start in Harrogate from July 2019. It will initially focus on the face-to-face delivery approach with current DWP claimants. Once this has been evaluated, we will move on to the next cohort of claimants, which will be those who are known to our Trusted Partners, including local authorities and MHCLG. We will work closely with our partners to ensure we reach all claimants effectively, and are already discussing plans with them through the different channels I have previously mentioned. This work with claimants known to our Trusted Partners
will then be evaluated before we move onto HMRC claimants not known to us or a Trusted Partner. This approach will allow us to learn and adapt as we progress. The SRO has previously committed to updating the Committee on overall progress and planning for the managed migration pilot at the end of May.

Financial Difficulties

The report suggests that many claimants experienced some form of financial difficulty after moving onto Universal Credit. While it is possible that that a claimant may have pre-existing debts or arrears prior to claiming Universal Credit, we recognise that this is a real issue.

While lower than the figure reported in ‘the transition from tax credits to Universal Credit’, our own Universal Credit Full Service (UCFS) Claimant Survey, published in June 2018, shows that 44 per cent of claimants were struggling keeping up with their financial commitments after three months on Universal Credit.

That is why we have put in place a range of measures to reduce the amount of time it takes for a claimant to receive a payment; removing waiting days and increasing the amount available as an advance payment to 100 per cent of a claimant’s indicative award. However, from October 2021 we will be increasing the maximum repayment period to 16 months. The Department is also reducing the maximum deduction rate for all deductions (excluding last resort deductions) from 40 per cent to 30 per cent of the standard allowance later this year.

Furthermore, should a claimant take out a 100 per cent advance (these were unavailable at the time this research was conducted) then they receive more money in the first six months than they would on the legacy system.

Where a claimant is struggling to manage their finances, the Money and Pension Service (MaPS) can provide Universal Credit claimants with budgeting and money management through its free helpline, printed guides and digital guidance. DWP will continue to work closely with MaPS to ensure that claimants who are most in need of support are signposted and referred to relevant local provision.

Turning now to your questions:

3. In the 18 months since this research was finalised, has the Department conducted any further research on how these claimants are coping financially after the move to UC?
a. If so, might you please share this with the Committee?
b. If not, do you have any plans to do so?

4. Has the Department carried out any research to verify whether this is the case?

The Department have a large rolling programme of research, as I outlined in my previous letter, and we have published a range of research into Universal Credit. The UCFS Claimant Survey, which was published in June 2018, shows that 67 per cent of claimants in both surveys felt confident managing their Universal Credit payments.

We continue to carry out research on claimants’ ability to manage their finances, to understand the impacts with Universal Credit is having.

Research carried out by the National Federation of ALMOs showed that over three quarters of their tenants come onto Universal Credit with pre-existing rent arrears. This suggests that many of those moving on to Universal Credit may also be in financial difficulties, which are not related to their Universal Credit claim. The initial analytical work we have carried out with a single housing provider confirms this and suggests that many tenants are arriving on Universal Credit with pre-existing rent arrears. It shows arrears tend to increase prior to making a claim for Universal Credit, and that Universal Credit actually appears to be helping to clear arrears over time. We are currently extending this analysis to include a number of housing providers and this will be published when completed.

As previously mentioned, the Department has made changes to help get money into claimants’ hands faster, such as removing waiting days and increasing advances.

5. What advice does the Department provide to existing claimants to inform them that they might be worse off on UC than on legacy benefits?

Existing claimants will only move to Universal Credit in one of two ways. First, they can have a change in circumstances, which necessitates a new claim. As there is a change in circumstances, a comparison to their previous entitlement is not relevant. The Department is committed to supporting all claimants as they move to Universal Credit, through our dedicated Work Coaches and Service Centre Agents, who build strong relationship with their claimants, to deliver a tailored and personalised support that is right for them. This is further strengthened through our free Universal Credit helpline that connects established claimants directly to their Service Centre Agent.

The second way a claimant may move onto Universal Credit is through managed migration, where they will receive Transitional Protection if their entitlement would be less than they received on legacy benefits.
6. Does the Department have any plans to conduct further analysis to find out how widespread these experiences are?

The Department regularly publishes payment timeliness data, these show significant improvements over the last 2 years. The latest published data shows that around 86 per cent of new claimants are being paid in full and on time, with around 90 per cent of new claimants receiving at least partial payment on time. The next publication will cover the period from May 2018 to May 2019 and is due to be released on 13 August 2019.

In many cases where full payment is not made on time, it is often due to unresolved issues such as: claimants not accepting their Claimant Commitment or passing identity checks, or outstanding verification issues. In order to support claimants, we have taken steps to improve verification processes, such as making it easier and quicker for people to verify their housing costs through the landlord portal.

7. What support should be offered to such claimants, and how does the Department assure itself that they are being offered and receiving it consistently?

No claimant who is likely to qualify for Universal Credit has to wait five weeks for some money. As previously mentioned, advances are available and the payback period will be extended from October 2021. As well as the two-week transitional payment for those moving from Housing Benefit, we are also introducing a two-week run on for eligible claimants of Income Support, Jobseeker’s Allowance and Employment and Support Allowance from July 2020, meaning that around 1.1 million claimants see a one-off gain of approximately £200 between 2020/21 and 2023/24.

The new Help to Claim support offered by Citizens Advice and Citizens Advice Scotland is also available to help people make a successful Universal Credit claim and ensures they are ready for their first Universal Credit payment. The Department is committed to working with Citizens Advice to review the new support service during 2019/20.

Availability of Financial Support

In response to your specific questions on this point:

8. Have you any evidence that claimant perceptions of Advance Payments have shifted in the intervening 18 months?
   a. How does the Department propose to address concerns about debt and Advance Payments amongst claimants transferring from tax credits?
Yes, the take up of advances has increased from 40 per cent to over 60 per cent of cases.

The Department has worked to increase awareness of advances. Guidance has been issued to staff to increase access to advances for claimants and communications were issued to operational leaders to highlight the importance of this work. All claimants should be asked about whether they wish to apply for an advance at the new claim stage of their claim. Claimants can now also make an application for an advance payment online via their Universal Credit account. Further communications were issued to staff to ensure that claimants were made aware of this change, especially if they chose not to apply for an advance at their first appointment.

The UCFS Omnibus Survey, which was published in February 2019, showed that awareness of advances has improved, with 75 per cent of claimants being aware that they could request an advanced payment, with 61 per cent applying for an advance during their first assessment period. Amongst tax credit claimants these figures were even higher with 77 per cent of former tax credit claimants being aware they could request and advance and 66 per cent applying for one.

Those claimants who receive an advance payment are able to repay that over the subsequent 12-month period. As mentioned above, this will be extended to 16 months from October 2021.

Where claimants have a recoverable debt arising from overpayments, deductions from on-going benefit remains our main means of recovery. Where a person states they cannot afford the proposed rate of recovery, their financial circumstances can be taken into account and a reduction in their rate of repayment agreed. In these circumstances, the situation will be regularly reviewed. In exceptional circumstances, a temporary suspension may be agreed.

9. “Run on” payments of housing benefit, ESA, JSA and Income Support will be available to claimants of those benefits migrating to Universal Credit. Does this finding suggest that similar “run on” payments should also be made to tax credit claimants, as the Committee has recommended?

As was outlined in our response to the Work and Pensions Select Committee’s Twentieth Report ‘Universal Credit: Managed Migration’, the Department did consider extending run-ons to those claimants receiving Working Tax Credit and/or Child Tax Credit. However, the Department ultimately decided against extending run-ons to these benefits. Excluding tax credits from the run-ons strikes the right balance between providing support to those who need it and
Introducing this additional support as soon as possible. Working Tax Credit claimants are, by definition, in work and will have other income to help support them during their first assessment period that those on income-based benefits might not have access to. Similarly, in-work Child Tax Credit claimants will equally have their own income to support them, while those receiving child tax credits who are not working will benefit from receiving the run on of their other legacy benefits.

**Understanding Universal Credit**

As you say, the transition from tax credits to Universal Credit: qualitative and quantitative research with claimants does illustrate areas of weakness in claimants’ understandings of Universal Credit. This research was conducted on some of the first claimants to move onto Universal Credit – those who transitioned to UCFS between July and November 2016, at the early stage of the roll-out.

In response to your specific questions:

10. **Might you please explain what actions the Department has taken in relation to these findings—in particular, what it has done to ensure that disabled claimants and those who do not speak English as a first language understand the implications of moving to Universal Credit?**

The UCFS Omnibus survey showed that over a period of six months, overall understanding of Universal Credit was high, and improving amongst Full Service claimants who recently made a Universal Credit claim. The survey also showed that former tax credit claimants displayed the most positive change in awareness.

Since this report was published, the Department has successfully raised awareness of Universal Credit. We have produced communications and guidance for claimants and stakeholders to help them to better understand the system. For example, the Department’s Opening Up Work campaign focused on explaining how Universal Credit works and how it helps claimants to progress their careers.

When communicating with an individual who does not speak English as a first language, the Department makes use of interpreters. This can be a customer’s own interpreter, a local community based interpreting service, a telephone interpretation service or a contracted face to face interpretation service. In addition, where there is a need we are also able to translate correspondence into other languages.
We are working with a wide range of stakeholders, including those representing a range of disabled people, to ensure the widest possible range of insights are played into the design of our pilot for the move to Universal Credit. We intend to look at a number of approaches and test a variety of communication methods to understand how we can support claimants with differing characteristics and needs, and this will include supporting those for whom written communication alone is not sufficient to support a successful move onto Universal Credit.

Contact with DWP and HMRC

11. Might you outline the Department’s view on this recommendation? Do you intend to implement it (and if so when), and how would it fit with the “Help to Claim” service delivered by Citizens Advice?

We are aware that some claimants may require additional support during the transition onto Universal Credit and we recognise the importance of ensuring that claimants receive advice and early notification to help them with this transition, ensuring they know who to contact should they need support, whether that is direction to gov.uk, referrals to Help to Claim or another avenue of support that might be highlighted during the ‘Move to UC’ pilot.

The new Help to Claim service can support those moving from Tax Credits to Universal Credit because of a change of circumstances. The service offers tailored, practical support to help people make a Universal Credit claim up to receiving their first full correct payment on time. Through this service, Citizens Advice and Citizens Advice Scotland can also help signpost and connect claimants to other support services – both within Citizens Advice or Citizens Advice Scotland, or through other trusted organisations where the need is identified.

The Department is committed to ensuring that those claimants who are moved onto Universal Credit without a change of circumstance, are also supported throughout the process. In the initial pilot stage, all individuals involved will be tracked throughout the process, and safeguards will be in place to protect them throughout the journey. We believe that these measures will ensure that claimants can access the advice they need to move from legacy benefits onto Universal Credit safely and successfully.

Therefore, the Department has no plans to implement the recommendation of a single, integrated advice service at this time. In this context, the Committee should note the HMRC estimate that over 500,000 former tax credit claimants have successfully moved across to Universal Credit.
Overpayments and Deductions

You are correct that when a claimant of tax credits with an overpayment transfers to Universal Credit their debt transfers with them and is then deducted from their Universal Credit award. Universal Credit reduces the amount of overpayments which occur by design in Tax Credits, and ensures that the errors in the previous legacy system do not occur again.

It is right that we recover this debt, but we recognise the importance of doing this in a considered way, taking into account the circumstances of the claimant. That is why if a claimant is vulnerable or struggling financially they can request for their deductions to be reduced.

12. Why, in the Department’s view, are just one in four claimants who have been overpaid tax credits aware of that fact when they move to Universal Credit?

HMRC – like DWP – will always recover debts by deductions from ongoing benefits, where that is possible. When HMRC adjust a customer’s payment of tax credits, the customer is given an award notice detailing the changes and providing the customer an opportunity to challenge the decision.

When a Tax Credit claim comes to an end and the claimant makes a new UC claim, the opportunity to recover from ongoing tax credits is lost, so as part of the arrangements for moving to UC, DWP agreed to recover this debt. HMRC tells the customer of the amount of debt being transferred to DWP for recovery and a copy of that letter is enclosed. Only debt that isn’t the subject of ongoing disputes or appeals is transferred to DWP for recovery and HMRC remain responsible for resolving any disputes over the debt before it comes to DWP. HMRC may also contact a customer following a move to UC, if there has been an overpayment of tax credits as a result of payments already made that now overlap the new Universal Credit award period.

13. Might you please provide a breakdown of awareness of overpayments by claimant characteristics: specifically gender, inclusion of children in the claim, and by health status?

Unfortunately, the Department is unable to provide this level of data, as it is not centrally collated.

14. What actions has the Department taken since this research was completed to improve claimant awareness of overpayments and deductions before they begin a Universal Credit claim?
HMRC and DWP continue to work closely to improve the customer journey and this includes having a Joint Enquiry Team to handle any issues tax credit customers might experience during their move to Universal Credit.

Claiming Universal Credit Online

15. *Does the proportion of claimants requiring help from JCP with their online application reflect with the Department’s expectations?*

The percentage of claimants who managed to claim Universal Credit online in this report is notably lower than that reported in more recent research. The UCFS Claimant Survey, published in June 2018, found that 98 per cent of claimants successfully made their claim online. This research confirmed the findings of the tax credit report, highlighting that over four in ten claimants needed assistance with this.

Since these reports were published, the Department has awarded funding to Citizens Advice and Citizens Advice Scotland to launch the Help to Claim service, to ensure that claimants across the country receive the assistance they need to make and manage their claim online.

16. *What improvements has the Department made to the UC online application process since this report was released to make it easier for claimants to claim online?*

The Department is constantly improving the Universal Credit online service. There have been over 120 releases to the UCFS to date and many of these have made improvements to improve the customer experience of the online application process. For example, we improved the process for couples, to help claimants to avoid duplicate claims. We have also improved the process for claimants who need to make a claim by telephone, to support claimants who cannot access the digital channel.

17. *What work has the Department taken since this research was carried out to assure itself that sufficient IT facilities are available in Jobcentres?*

All Jobcentre Plus offices across the country have Wi-Fi and the Department has around 8000 devices available for claimants to use, to allow them to access the internet and to make and maintain their Universal Credit claim, although this number may fluctuate depending on customer demand and maintenance requirements.

The Department is also rolling out new customer devices, which are faster and more reliable in order to provide a better customer experience.
I do hope you find this additional information useful.

Best wishes,

The Rt Hon Amber Rudd MP
SECRETARY OF STATE FOR WORK AND PENSIONS