

# An introduction to Universal Credit



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## Overview of Universal Credit:

### Universal Credit is replacing these six legacy benefits:

- Housing Benefit
- Income-related Employment and Support Allowance (ESA)
- Income-based Jobseeker's Allowance (JSA)
- Child Tax Credit
- Working Tax Credit
- Income Support

### The biggest changes from the old system are:

- You can get Universal Credit if you're unemployed but also if you're working
- You'll usually get a single payment each month, rather than weekly or fortnightly
- Instead of getting a separate housing benefit, your rent will usually be paid directly to you as part of your monthly Universal Credit payment (even if you live in social housing)

### The payment is made up of a basic 'standard allowance' and extra payments that might apply to you depending on your circumstances. You:

- Look after one or more children
- Work and pay for childcare
- Need help with housing costs
- Are disabled or have a health condition
- Are a carer for a disabled person or you have a disabled child

### To get onto Universal Credit, you can either apply, or be moved across from legacy benefits as a result of natural or managed migration.

- Natural migration is ongoing and means a change of circumstance (these are extensive but can include: moving to a different local authority, moving in or out of employment, becoming responsible for a child for the first time) triggers a transfer onto UC.
- Managed migration is where someone is moved onto UC despite no change of circumstance. There was a managed migration pilot taking place in Harrogate, which was paused due to the pandemic. Managed migration is expected to resume in Spring 2022 and be completed by the end of 2024.

## **Key changes on Universal Credit compared to legacy benefits, that have an impact on low-income households:**

### **People subject to the Benefit Cap lose out even more on UC than on legacy benefits.**

- Previously, a household could only have their Housing Benefit capped. However, on Universal Credit the cap can be applied not just to a household's housing costs but to its whole Universal Credit award, leaving some of our clients with next to nothing to live on. While the Government upholds Discretionary Housing Payments (DHP) as a means of ensuring no one is left destitute as a result of the Benefit Cap, as I'll discuss later, these can be very difficult to get.

### **DWP is insistent that the default position is that people on Universal Credit manage their own rent payments.**

- While it has recently introduced a scheme permitting landlords to request Managed Payments To Landlords (MPTL) for their tenants more easily, there is limited flexibility concerning requests from individuals to set up MPTLs. Because people who struggle to manage their limited Universal Credit allowance aren't just able to set up an MPTL, this is leading to tenants falling into significant arrears and facing the prospect of possession action and even eviction. Our clients would benefit from having more control over setting up, and stopping, an MPTL.

### **DWP maladministration concerning MPTLs can have equally severe consequences.**

- As well as taking months to arrange, we have seen Universal Credit housing element payments being made to clients despite them having successfully requested a MPTL on the basis of their vulnerability, or MPTL underpayments resulting in tenants getting into arrears through no fault of their own.

### **Peoples' rent accounts are frequently in arrears because of how UC housing costs are paid.**

- While some progress has been made in improving the rent payment system, in particular the move to pay social landlords direct rent payments on the same day that tenants are paid their Universal Credit, many issues still remain because assessment periods for Universal Credit start and finish in line with

when an initial claim is made, which creates the potential for a significant lag between when someone receives income from work or has to pay their rent, and when they receive their Universal Credit. This increases their risk of financial hardship, debt, and arrears. Being able to choose when you were paid would mean that people could have more control over when her rent is paid.

### **Joint UC claims are paid into a single account.**

- Because deductions for rent arrears in a sole tenancy are taken at a percentage of the joint standard allowance, an individual who has no liability for the rent can still be in debt if their partner does not pay it.

## **What can tenants groups do to support their members - either in terms of distributing info or supporting any campaigning that might still be taking place:**

### **Discretionary Housing Payments**

- These can provide extra money when your council decides that you need extra help to meet your housing costs, especially if there's a gap between what you get for your Universal Credit housing costs and your rent. However, they are notoriously hard to get, and just a temporary stopgap against the wider issue. One thing to flag, is that DHPs can be awarded where a person gets full housing costs paid by Universal Credit but is left with practically nothing to live on due to the Benefit Cap. Councils will often try to refuse this on the basis that housing costs are being paid in full, but this can be challenged.

### **You can apply for alternative payment arrangements.**

- If you are in debt or rent arrears, are homeless or at risk of losing your home, are in temporary or supported accommodation etc. you might be able to get an alternative payment arrange. This could include getting your housing costs paid straight to your landlord instead of being part of your Universal Credit payment, asking for your Universal Credit payment to be paid twice a month instead of once a month, and asking to be paid separately from your partner.

### **If you're behind with your rent -**

- by 2 months or more, your landlord can ask for some of your Universal Credit

to be paid directly to them to help you pay off the debt, while you continue to make your usual rent payments as well. But if these cuts in your payment mean you can't afford day-to-day items like food or bills, call the Universal Credit helpline, because they might be able to give your landlord less money for rent arrears. But get advice first, and be aware that your landlord might try to take further action to evict you if the payment they receive isn't what they expect - this depends on your circumstances and the type of tenancy agreement you have.

**Universal Credit can help you pay for service charges:**

- including: using shared facilities, such as rubbish collection or communal lifts, using essential items in your home, such as domestic appliances, and window cleaning of upper floors. To do this, your landlord will be sent a housing costs verification (HCV) form. Once they've completed it and sent it back, it will be checked against your claim and uploaded to your online account.

**And more widely, push back on the inadequacy of Social Security income in covering the cost of rent, and the 1.8 million on legacy benefits who are set to be treated as collateral damage in the push to UC.**

- With the removal of the £20 a week uplift, and the DWP said in December 2021 that the Government would increase most benefits and pensions by 3.1%, in line with inflation – but this won't apply to LHA. Instead, these will be maintained at the elevated cash rates agreed for 2020/21 (at the start of the Coronavirus pandemic, the Government raised LHA back to the 30th percentile). The more evidence demonstrating the impact of this, and the inadequacy of UC, the better.