

Briefing Paper BP1-2016

Benefit Delivery and Underpayment

Jodi Gardner and Karen Rowlingson

January 2016

Despite recent increases in employment and reductions in inflation, millions of people in Britain are still struggling to make ends meet due to reductions in levels of benefits and tax credits – with more cuts to come. But the low level of benefits and tax credits is only part of the story; another problem people face is the ‘delivery of accurate and timely benefits’, i.e. actually getting paid the small amount of money to which they are entitled (House of Commons Work and Pensions Committee, 2015). Even if people agree that the level of benefits is appropriate, it is difficult to see any argument for delaying the payment of benefits and tax credits. This briefing reviews the number of people who receive benefits and tax credits and then considers the evidence on benefit/tax credit delays and its impact.

According to HMRC, 4.6 million families received tax credits in 2014. Of them, 3.3 million were in work, and 1.3 million were out of work and on child tax credits only (McInnes 2014). The Department for Work and Pensions outlines that in 2014/15 there were: 13 million people receiving the state retirement pension; 4.8 million people receiving Housing Benefit; nearly 5 million on Disability Living Allowance and Attendance Allowance; 2.4 million on Employment Support Allowance; 1.9 million on Pension Credit; 1 million on Personal Independence Payments; and 700,000 on jobseeker’s allowance (DWP 2015). And these are only the most common benefits. Thus a very substantial number of people rely partially or

completely on benefit and tax credit payments. Any delay in receiving their entitlement could have major adverse effects, as we shall see in this briefing paper.

However, it is difficult to determine the exact number of people who are detrimentally impacted by the delay or mismanagement of benefit payments. This information would need to be recorded and publicised by the government, which it fails to do except on rare occasions. For example, a recent court case, *R v Secretary of State for Work and Pensions* [2015] EWHC 1607 (Admin) resulted in the publication of information about the waiting times associated with claims for Personal Independence Payments (PIPs). These were quite concerning; 63% of applicants waited less than 20 weeks, 37% more than 20 weeks, 24% more than 30 weeks, 13% more than 40 weeks and 4% more than 52 weeks. The judge, Mrs Justice Patterson, commented that the situation had previously been worse and that these statistics were taken at a time when the 'median waiting time had dropped significantly' – indicating that waiting times had previously been much longer (at para 43).

The issue also became so significant that in December 2015 the House of Commons Work and Pensions Committee released a report on benefit delivery. This Report found a number of serious failings with the current system. The scale of the problem is quite staggering; in 2014/15 £4.5 billion was incorrectly paid, equating to 2.7% DWP's total benefit spending. Of this amount £1.5 billion was a result of underpayments, meaning that people were not receiving money to which they were legitimately entitled. The government has proactively tackled the problem of overpayments, including implementing strict target levels.

Underpayments have received far less attention, despite evidence that 'benefit underpayments left individuals vulnerable', including becoming reliant on food banks and expensive borrowing and the exacerbation of mental health conditions. Underpayment of benefits also has 'knock-on effects', including increasing demand for health, social care, children's, housing and advice services (House of Commons Work and Pensions Committee, 2015).

In addition to these statistics, there is significant evidence to show that benefit delay and welfare mismanagement is a serious problem impacting a large number of families already struggling to survive. For example, The Trussell Trust, a charity aimed at providing emergency support and food to people in crisis, recorded the reasons why people needed to

access their network of 400 food banks between April and September 2014. The main reason was delays in the payment of benefits (29.54%), followed by benefit changes (15.04%). This means that 45% of the demand for foodbanks arises from issues with the social security system. Considering that the Trussell Trust alone provided assistance to over 492,000 people during that period (a 38% increase on the previous year), delays in welfare resulted in over 145,000 people being unable to afford food in a six month period (The Trussell Trust 2014). The link between poor administration of welfare, especially delays in the payment of benefits, and dependence on food banks has also been discussed in the All Party Parliamentary Inquiry into Hunger and Food Poverty. For example, when looking at ways to decrease reliance on foodbanks, the report *Feeding Britain: A strategy for zero hunger in England, Wales, Scotland and Northern Ireland* included recommendations on associated with benefit delays, benefit sanctions and mandatory reconsiderations as a way of tackling the increasing demand for food bank services (All Party Parliamentary Inquiry into Hunger and Food Poverty 2014; 51-53).

An analysis into the use of local authority welfare schemes has also found that, in Reading, 40 per cent of people applying for assistance stated that their need arose from benefit delays, and 35 per cent of people in Devon reported that it was a 'benefit problem' (Gibbons 2015; 62-63).

Lack of reliable statistics on this issue means that we do not know the exact extent of the problem though the data we do have suggests it is significant. The consequences of benefit delay and underpayment on individuals can be catastrophic and two particular stories highlight the huge impact that the welfare system can have on people's livelihood. The first was a gardener who committed suicide after a change in his benefits left him owing over £800 to his local council. The council did not process this change and continued to pay him a higher rate of housing benefit over an extended period of time. It then claimed in excess of £800, despite the fact that the recipient had no assets or savings, resulting in him feeling 'depressed, stressed and suicidal' and eventually taking his own life (Morris 2015). The second was a diabetic ex-soldier who had his benefits cut for missing a Job Centre meeting. As a result he

had his £71.70 weekly allowance stopped [...] meaning that he couldn't afford food or electricity. He [died] penniless, starving and alone. His electricity card was out of credit, meaning the fridge where he should have kept his diabetes insulin chilled was not working. Three weeks after his benefits were stopped he died from diabetic-ketoacidosis – caused by not taking his insulin ... When he died he had just £3.44 to his name, six tea bags, a tin of soup and an out-of-date can of sardines. A coroner also found he had no food in his stomach.¹

These tragic stories are further supported by evidence that the government had conducted over 60 internal reviews following welfare recipient deaths, but has refused to release the findings (McVeigh 2015).

The current state of the benefits system is in such disarray that it is causing major financial stress for people (Packman 2014), many of whom are already struggling to cope with the low levels of income on benefits and tax credits. We therefore make three key recommendations to reduce the problems currently being experienced with benefit delivery and underpayment. Firstly, the government should provide regular statistics on the length of time between making a claim for different benefits/tax credits and receiving them, so this issue can be monitored and hopefully improved. Secondly, similar to the approach taken with overpayments, a target should be set by the government to reduce the instances of benefits underpayment. Thirdly, guidelines should be implemented regarding how long it should take to assess and pay benefits. If these guidelines are not met, claimants should be entitled to back-dated payments at a 'penalty rate', so as to compensate them for any costs they may incur coping with the delayed payment.

These are three small steps to address a significant, and seemingly increasing, problem. The amount of financial support to which individuals are entitled is currently being cut – sometimes quite dramatically. During this process, many are going to financially struggle. The least that we can do during this difficult transition is to ensure that we give all people and families their entitled payments, in full and on time. Anything less is an unjustified attack on the dignity and rights of the most vulnerable in our society.

¹ This death was the impetus of Gill Thompson's Change Petition; available at <https://www.change.org/p/david-cameron-hold-an-inquiry-into-benefit-sanctions-that-killed-my-brother>. The deceased was Gill's brother.

References

All Party Parliamentary Inquiry into Hunger and Food Poverty, *Feeding Britain: A strategy for zero hunger in England, Wales, Scotland and Northern Ireland*, 2014.

BBC News, 'Universal Credit: Watchdog warns of cost of further delays', *BBC News*, 26 November 2014.

Department of Work and Pensions, 2014, 'DWP Quarterly Statistical Summary', *First Release*, 13 August 2014.

Department of Work and Pensions, 2015, 'Benefit expenditure and caseload tables 2015', 23 March 2015.

Gibbons, D, *Where now for local welfare schemes?*, 2015, Centre for Responsible Lending.

House of Commons Work and Pensions Committee, 2015, *Benefit delivery: Fourth Report of Session 2015–16*.

McInnes, R, 2014, *Statistics on migrants and benefits*, House of Commons Library Standard Note.

McVeigh, K, 'DWP urged to publish inquiries on benefit claimant suicides', *The Guardian*, 14 December 2014.

Misiri, T, 'One in five Brits still paying back last year's Christmas debt', *Retail Gazette*, 19 August 2015.

Morris, S, 'Retired gardener takes his own life after change in benefits system, inquest hears', *The Guardian*, 3 February 2015.

Packman, C, *Universal Credit: the problem of delay in benefit payments*, 2014, TUC Economic Report Series.

Ryan, F, 'Death has become a part of Britain's benefits system', *The Guardian*, 27 August 2015.

Rowlingson, K and McKay, S, *Financial Inclusion Annual Monitoring Report 2015*, 2015, University of Birmingham.

The Poverty Site, 'In receipt of tax credits', 2014, <http://www.poverty.org.uk/15/index.shtml>

The Trussell Trust, 'Low income and welfare problems see foodbank numbers rise in 38% despite economic recovery', *Media Release*, 23 November 2014.

Youlden, M, 'Two million cash strapped Brits cancel Christmas due to financial worries', *Exeter Daily*, 17 December 2015.

Jodi Gardner is a Lecturer in Law and D.Phil Candidate at Corpus Christi College, University of Oxford. She has previously been a Research Fellow and is now an external associate member at CHASM.

Karen Rowlingson is Professor of Social Policy and Director of Research and Knowledge Transfer for the College of Social Sciences at the University of Birmingham

The views expressed in this briefing are the views of the authors and do not necessarily represent the views of CHASM as an organisation or the individual views of other CHASM members.