Welfare reform and essential bills

Mitigating the impact on people's ability to pay

citizens advice

Contents

Acknowledgements

We would like to thank the New Policy Institute (NPI) for their analysis. We would also like to thank the companies who gave up their time to participate in the roundtable discussions, as well as the Citizens Advice clients who participated in the in-depth interviews, and Citizens Advice staff at Southwark, Hackney, Coventry and Birmingham Citizens Advice offices, without whom this research would not have been possible.

Executive summary

Our new analysis shows that approaching one in ten households fall behind with a payment on an essential household bill over a twelve month period. 870,000 households where someone was working had been in arrears with a fuel or phone payment, and 520,000 of them were households where all adults were in work.

Seven in ten (70%) people who are behind with a bill payment are in receipt of means-tested benefits when they fall into arrears. Since 2010 the welfare system has undergone radical reform. Many of these changes have resulted in a reduced income for working-age adults, including those who are in work. Our analysis found that between 2012/13 and 2013/14 (a period when several reforms were introduced that resulted in a drop in income for people in receipt of benefits), the number of households falling behind on an essential bill remained largely the same. However, **the number falling behind on multiple bills increased**. This suggests that welfare changes introduced at this time such as the under-occupancy penalty and changes to council tax benefit, made it harder for affected families to pay other essential household bills as they struggled to juggle conflicting priorities.

Many companies that engaged in our roundtable discussions for this study had noticed the same pattern among their customers. They have not seen a significant increase in the number of people experiencing debt for the first time, rather, among their customers in arrears they've noticed an increase in the number and complexity of their debts. Some larger firms have made significant progress on their debt collection and debt prevention work. These companies attribute the lack of a rise in numbers of customers in arrears to these changes. Some of the best examples of improved debt prevention and collection work, whilst improving collection rates are:

- **Investing in staff training**: Many firms are training frontline staff to be more aware of welfare reform, and some are giving frontline staff greater autonomy to develop and agree personalised, flexible (re)payment solutions.

- **Improving written communications:** Many have reviewed and softened the tone of their written correspondence templates, have changed the focus of the language to how they can help, and have focused on using plain English.

- **Signposting further help:** Suppliers are signposting customers to further, specialist help such as debt advice via letters which are sent out with bills.

- **Earlier engagement:** Providers are contacting customers earlier before their debt becomes problematic, sometimes at the pre-arrears stage.

- **Partnership working with other agencies:** Most have developed good relationships with other agencies such as free-to-client advice agencies and foodbanks, recognising that inability to pay is likely to be indicative of wider financial issues.

While the firms we spoke to have made significant progress here, our qualitative interviews with people who receive benefits suggest that some of these measures have yet to 'bed in'. They mostly report negative experiences with confusing, sometimes frightening communication. The companies we spoke to recognise that they have more work to do in this area, and particular challenges remain around engaging customers and identifying financially vulnerable customers.

Looking ahead, even the firms who are leading the way with improvements in this area are anxious about the changes yet to come. The continued roll-out of Universal Credit (UC) - the biggest reform since the introduction of the welfare state - is of greatest concern for some. They want to be prepared and their key concern is the 'fear of the unknown', with regard to what the rollout of UC will mean for their customers.

Our recommendations

For the Department for Work and Pensions (DWP)

- Provide regular updates on welfare reform
- Create a digitalised system for fuel direct payments
- Increase data sharing between DWP and suppliers

For all utilities providers and debt collection agencies

- Support the sharing of good practice
- Offer customers flexible (re)payment terms

For energy providers

- Ensure Priority Services Registration moves with customer when switching
- Improve take-up of the Warm Home Discount

For telecoms providers

- Improve communications about basic packages and eligibility
- Incentivise staff to ensure customers are on the most appropriate tariff
- Share guidance from Ofcom on debt collection
- Provide points of contact for free-to-client advice.

Introduction

As a result of welfare changes, many households in receipt of means-tested benefits have seen their income fall in recent years. Our 2014 report, All Change[1] set out to help creditors understand the scale and impact of welfare reforms, and provided some practical advice as to how they could support customers facing financial difficulty through these changes.

The welfare reforms previewed in All Change have now been implemented, further changes (for example, around housing benefit) have also been introduced, and still further changes will take place over the next couple of years. Moving the current tax credits population over to Universal Credit is itself a huge reform, affecting six million households,[2] so the changes to come will affect a large and diverse portion of the population. The scale and significance of these welfare changes raises important questions about how utilities providers are responding and supporting their more vulnerable customers manage their essential household bills.

With the changing welfare landscape, and in the wider context of wages not having kept pace with inflation and the persistence of insecure work[3], it is timely to take stock of the impact of welfare reforms and to examine the progress that utilities providers have made in terms of their debt prevention and collection practices. All households have to manage a series of essential household bills: housing, energy, telecoms, water and council tax. This report places particular focus on the energy and telecoms markets, as there is less evidence to date on the implications of welfare reforms on debt in these areas. However there is scope for firms in other industries to learn from the developments here. By sharing and disseminating examples of best practice, this report seeks to encourage and enable other providers who have been less engaged in these issues so far to develop debt collection and prevention strategies that are flexible and sensitive to the financial pressures that households in financial difficulty are facing.

[1] Citizens Advice, *All Change,* 2013
https://www.citizensadvice.org.uk/Global/Migrated_Documents/corporate/all-change---final.pdf
[2] Institute for Fiscal Studies: http://www.ifs.org.uk/uploads/gb/gb2016/gb2016ch10.pdf
[3] Citizens Advice, *The importance of income security,* 2016.
https://www.citizensadvice.org.uk/Global/CitizensAdvice/welfare%20publications/The%20Importance%20of%20Income%20Security%20(Final).pdf

In order to explore these issues we commissioned the New Policy Institute (NPI) to conduct fresh analysis of large, national datasets such as the Family Resources Survey. Alongside this we conducted qualitative research among utilities providers and consumers in receipt of means-tested benefits.

Methodology

Quantitative approach

Citizens Advice commissioned the New Policy Institute (NPI), to conduct an analysis of essential[4] household bills, debt, and the impact of welfare reform. This analysis explored the links between low income, benefit recipiency, and arrears with household bills.

The data sets used in this report are taken from the Family Resources Survey. (Department of Work and Pensions); and from the Living Costs and Food Survey 2014 (Office for National Statistics). The data sets used in this study are the most up-to-date available.

Qualitative approach

In addition to the quantitative work, in order to understand how companies are responding to the challenges of welfare reform and to share examples of best practice, we undertook roundtable group discussions with:

- Four of the six largest energy suppliers (the 'big six');
- A smaller energy supplier;
- Two representative companies from the financial services sector; and
- A large telecoms provider.

We undertook one group discussion per organisation. These typically involved six members of staff and in most cases including staff working in: operations, regulation, vulnerable customers teams, and call centre staff including those working in customer services and debt collection.

Additionally, in order to understand the views of consumers who are and / or will be affected by welfare reform, we conducted nine qualitative interviews with

[4] Essential household bills are defined as: housing, council tax, water, energy and telecoms

Citizens Advice clients who were claiming at least one means-tested benefit and who have recently experienced, or are currently in, arrears with at least one utility provider.

It should be noted that qualitative research is intended to be *illustrative* rather than statistically representative - it is not, and cannot attempt to be, representative of any given population. With that in mind, we recruited consumers to ensure we achieved a good cross-section of Citizens Advice clients. All participants were recruited at Citizens Advice ‘triage’ sessions, via local Citizens Advice staff working in local Citizens Advice offices in London and the West Midlands.

The clients who participated in this research consisted of:

- Five men and four women;
- A mix of those living in social housing and those living in the private rented sector as well as one living in sheltered housing;
- A mix of those on in-work and out-of-work benefits

They also included a mix of household types including:

- Families, including an extended family;
- Single people, including a single person with health problems; and
- An older person.

All discussion groups and interviews took place between April and June 2016.

Chapter 1 - welfare changes

This chapter discusses the main welfare changes that have taken place over the past few years. It also highlights the key changes that are to come, and the likely impact these will have on vulnerable customers.

As highlighted in our 2013 report All Change[5], when in receipt of benefits, people have had to deal with significant and sustained changes to the welfare system over the past five years. Many have seen their income reduce, the benefits they claim change and new conditions attached to their income - with sanctions if they fail to meet these conditions. While their income has been falling, the cost of living continues to increase; energy costs are rising and having broadband is becoming increasingly essential to access public services and to avoid becoming digitally excluded.

It should be noted that while this report is not intended to be a comprehensive guide to welfare reform, it does set out the key changes and how these will have impacted on / are likely to impact on customers facing financial difficulty.

The aims and principles of welfare reform

Since 2010 the welfare system has undergone radical reform, and many of the impacts have yet to be felt. The overall aims of the welfare reform programme as set out by the Department for Work and Pensions are to:

- Make the benefit system fairer and more affordable;
- Reduce poverty, worklessness and welfare dependency; and
- Reduce levels of fraud and error.[6]

In the first Budget speech of the new Conservative government, Chancellor George Osborne set out his aim of both reducing the UK's spending on welfare and increasing wages. In doing so, the Chancellor outlined plans for a further £12bn worth of welfare savings during the course of this parliament.

---

[5] Citizens Advice, 2013 *'All Change; why welfare reform should matter to creditors and utility companies'* https://www.citizensadvice.org.uk/Global/Migrated_Documents/corporate/all-change---final.pdf

[6] https://www.gov.uk/government/publications/2010-to-2015-government-policy-welfare-reform/2010-to-2015-government-policy-welfare-reform

> *"We have to move Britain from a low wage, high tax, high welfare society to a higher wage, lower tax, lower welfare economy."*
>
> George Osborne, Summer Budget 2015[7]

In the context of the broader aim to reduce overall government spending, and the decision to protect spending on pensions, reductions to welfare spending have fallen in particular on benefits for working-age adults.

However, as the three broad aims indicate, welfare reform includes a large number of changes beyond straight cuts to funding or withdrawal of particular benefits. These include:

- Re-assessments and changes to individuals' eligibility for benefits;
- Changes to the rules governing what actions must be undertaken to receive a benefit, known as conditionality;
- Migration of individuals from old to new benefits;
- Changes to the hours individuals and families need to work to claim particular benefits or components of benefits;
- Caps on the total monetary amount of particular benefits or sets of benefits;
- Changes to the rules by which benefits are uprated on an annual basis;
- Changes to the delivery of benefits including some localisation[8] and outsourcing[9] of employment programmes;
- Introduction of limits for the amount of time particular benefits can be claimed; and
- Changes to the way that debts are recovered through the benefits system.

Taken together, these reforms aim to change behaviour: firstly by incentivising work through making the difference between in-work and out-of-work income levels higher, and secondly by changing the conditions attached to out-of-work benefits. They also aim to reduce housing benefit costs by encouraging low-income families to live in smaller properties and to move away from areas with high-rental prices.

---

[7] George Osborne, Budget Speech, Summer 2015, https://www.gov.uk/government/speeches/chancellor-george-osbornes-summer-budget-2015-speech

[8] Localisation refers to the localisation of welfare, e.g. council tax benefit and the Social Fund.

[9] Outsourcing refers to outsourcing of the Work Programme and Work Capability Assessment.

Specifically, in recent years those claiming out of work benefits have seen an increase in the conditions associated with their benefits, including:

- A new stricter sanctions regime from late 2012 for those claiming Jobseekers Allowance (JSA) and some claiming Employment Support Allowance (ESA). These new rules mean that if a jobseeker does not fulfil their conditions, for example they fail to attend a work-related interview at the Jobcentre Plus, they can have their JSA stopped for a four week minimum (1 week for ESA), rising to 13 weeks for a second sanction and up to three years following repeated sanctions;
- The introduction of a new Claimant Commitment from late 2013. The individualised commitment outlines what jobseeking or job-related actions a claimant must carry out while receiving JSA or for some who receive ESA. Failure to meet these individualised conditions (e.g. a set number of jobs to apply for in a week) can result in a sanction;
- The Work Programme amalgamated all previous welfare-to-work schemes in one new payment-by-results programme. It provides support, work experience and training for up to 2 years to help people find and stay in work. Joining the Work Programme is mandatory. Failure to fully participate in the Work Programme can result in a sanction; and
- Claimant conditionality has been extended to single parents with children over the age of three, who are expected to take part in work-related activity and seek work during school hours.

Some welfare changes will have resulted in a significant and sudden fall in income for the people affected, for instance the 28,000 workless families affected by the benefit cap (mostly families with high rents or three or more children). Other changes such as the 1% uprating[10] affects people gradually, it holds down the value of certain benefits so they gradually become worth less as prices rise.

Our analysis shows that in more deprived areas where benefit receipt is higher, a higher proportion of people have been affected. This means that large numbers of people in old industrial areas, deprived seaside towns and many London boroughs have been affected.

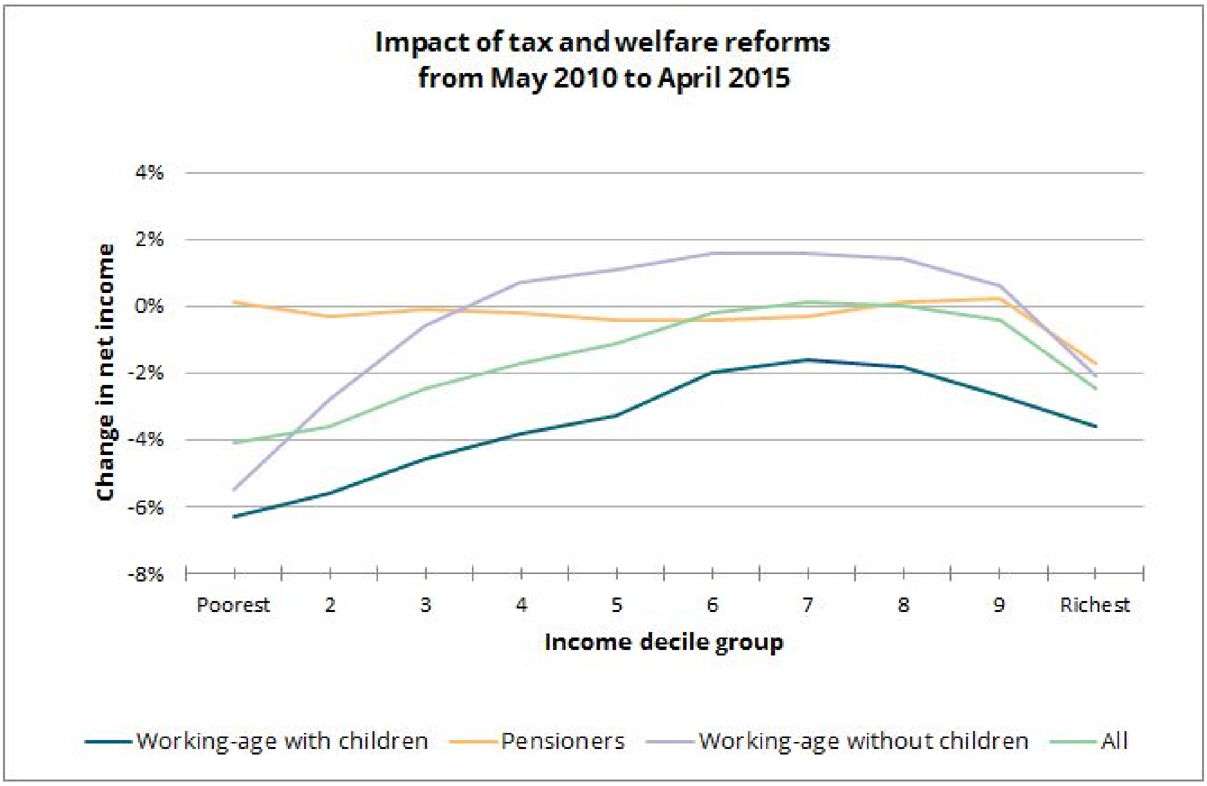
Alongside cuts to welfare spending, the Chancellor has introduced some policies that will increase income for low earners by increasing wages and the amount people can earn before they start paying income tax. These changes have gone some way to mitigating the effect of the welfare cuts on working-age adults.

[10] From 2013 most working-age benefits have been subject to 1% cap.

However, analysis from the Institute for Fiscal Studies (IFS) estimates that the 8.4 million working-age households who are currently eligible for benefits or tax credits, with someone in paid work, will, on average, be compensated for just 26% of their losses from changes to taxes, tax credits and benefits through the new national living wage, leaving them £550 a year worse off on average .[11]

As the following chart from the IFS shows, taken together, the impact of tax and benefit reforms over the past five years has seen working-age families with children hardest hit across all income deciles, with those in the poorest deciles losing proportionately the most.

Figure 1: Impact of tax and benefit reforms 2010-2015 by income and household type



Source: IFS[12]

[11]IFS, Sept. 2015. *An assessment of the potential compensation provided by the new 'National Living Wage' for the personal tax and benefit measures announced for implementation in the current parliament*. http://www.ifs.org.uk/uploads/publications/bns/BN175.pdf
[12]Institute for Fiscal Studies, 2016: 'Are we 'all in this together'?' Chart 3 http://www.ifs.org.uk/publications/8210

The biggest change - Universal Credit

The biggest single change to the welfare system is the introduction of Universal Credit (UC). This is a single welfare payment designed to replace six existing benefits: Working Tax credits, Child Tax Credit , Income-based Jobseeker's Allowance, Income-related Employment Support Allowance, Income Support, and Housing Benefit.

As well as being aimed at simplifying the system and reducing fraud and error, UC is designed to encourage people into work. It aims to help people manage the transition into work, as well as reducing the number of people who are working and living in poverty. The roll-out of Universal Credit started in 2013 and is now being phased in gradually. When it is fully rolled out UC will affect 8 million households.

For most people in receipt of benefits, Universal Credit will be less generous than the previous system meaning many will be managing on a reduced income. However, Transitional Protection is provided for those who are forced to migrate from an existing benefit to UC. This is an extra amount of benefit which tops up their awards so that they are not worse off on UC. Transitional Protection will end when the claimant's circumstances change and is not uprated, so recipients will gradually be worth less over time.

How is Universal Credit different?

As well as being less generous than the previous system, the way that UC operates is different to traditional benefit payments. Some of these changes may pose additional challenges for some people, which may impact on their ability to manage their essential household bills.

- To better reflect paid work, UC is designed to be paid in a similar way to wages - monthly, in one payment and to one member of the household or into a joint account. This means that those who are used to budgeting weekly or fortnightly, and those who pay for utilities on a 'pay-as-you-go' basis' will be **suddenly be budgeting monthly**. Some will never have done this before and may not currently have a bank account They may also lack the financial capability to manage this easily, especially at first. In some cases, this will also **place responsibility for budgeting onto just**

one member of the household. The charity Women's Aid – has raised the prospect that the payment of the whole monthly benefit allowance to one person may create greater scope for financial abuse.[13] Other causes for concern include cases where one member of the household has a substance or gambling addiction;

- As UC is paid in arrears, people will experience a **five-six week delay** when they first transition onto or claim UC, during which time they will have no income through benefits. While they can apply for an advance payment of their UC, the knock-on effect of this will be to effectively reduce the amount of UC they receive for at least the first few months of claiming while they pay the advance back;
- Traditionally, housing benefit for social housing tenants has been paid directly to landlords. However, the housing benefit element of UC will be paid directly to the claimant, and it will be **their responsibility to ensure they pay their rent**. Some tenants may struggle to adapt to the direct payment of housing costs alongside the shift to monthly payments. In addition some of these people will also have a reduction in the amount of housing support they receive due to the under occupancy penalty. This may have a knock-on effect to their ability to pay other bills. Research by Ipsos MORI found that 98% of housing associations are concerned about the capability of their tenants to cope with monthly budgeting;[14]
- UC is **primarily a digital service**, designed to be accessed via smartphones, tablets and computers. While this will be an efficient system for many, this will pose difficulties for digitally excluded people who will require extra support to make and maintain a benefit claim;
- The benefits system will continue to allow for direct payments to creditors for some types of debt. **As with current benefits UC will allow direct deductions of 5% towards utility and water arrears.** However the total rate of deduction for all types of arrears has been increased from 25% to

---

[13] Financial abuse report, Unequal, trapped and controlled: Women's experience of financial abuse and potential implications for Universal Credit, (Womens Aid research for the TUC, March 2015) https://www.womensaid.org.uk/financial-abuse-report/

[14] Ipsos Mori research for the NHF: '*Impact of welfare reforms on housing associations. Effects and responses by landlords' (December 2014) https://www.ipsos-mori.com/Assets/Docs/Publications/sri-housing-nhf-welfare-reforms-among-HAs-dec2014.pdf*

40 % from a household's standard allowance[15] This means that affected households will be managing with an even further reduced income.[16]

These changes are significant and some people will adapt to them more easily than others. Some people may need their creditors to give them breathing space and support to adjust to their altered circumstances, others however, may need longer, more intensive support to help them maintain payment of their bills during this change.

Why this matters to utilities providers

The introduction of UC, along with other welfare changes, means that despite some fiscal changes which have increased wages and reduced - or eliminated - income tax for millions of households, most people receiving benefits are managing on a lower income now than a couple of years ago. In some cases, their income will be subject to further reductions and restrictions as more welfare changes are phased in over the next few years. Additionally, with the continued roll-out of UC many will be faced with new and unfamiliar budgeting responsibilities. This is impacting - and will impact further - on people's ability to manage their essential household bills.

This is important for utilities providers. Our report, All Change, emphasised the importance of understanding the changes to circumstances that some of your customers are facing. This will help ensure companies are equipped help customers to face the challenges these changes pose and to work with them to provide suitable, affordable and flexible payment schedules to help them manage their essential bills through what will, for some, be a challenging transition.

Not all of the people claiming benefits that we spoke to for this project had heard of UC. Some highlighted the need for support as this is rolled out. While this will primarily be the responsibility of the DWP, utilities providers have an interest in supporting customers affected by changes to the welfare system. There will be a role for providers to take into account the circumstances of each

[15] The amount of standard allowance is determined by household type, for example, by age, by cohabiting status, or parental status. Additional elements, for example to cover childcare costs, caring for a severely disabled person and housing costs, may be added to the standard allowance as eligible to make up the household's monthly Universal Credit payment. Depending on the type of claim some households will not receive the standard amount, but may still qualify for other elements of Universal Credit such as housing cost.

[16] The percentage that individual utility firms can take is the same but the size of the 'household pot' may be larger and a bigger percentage of the benefit is available for debt collection.

customer to ensure they are getting the right help from their provider, are able to make affordable repayments on flexible terms, and can access independent benefits and debt advice if they would like to.

> *"[The] Jobcentre called me and other people in to tell us about it - they told us we'd get our benefit monthly and said 'life's going to get much harder - you need to get yourselves organised' "*

Male, JSA claimant, London.

This report discusses the impact that welfare reforms have had, and will continue to have, on customers' ability to pay their essential household bills. It also highlights companies' best-practice examples aimed at improving debt collection practices. Looking at the impact that recent welfare reforms have had may help us to understand how future reforms may impact on consumers, and how utilities providers and debt collectors can best respond to these challenges.

Chapter 2 - Arrears and welfare reform

This chapter discusses household spending, identifies the groups of people more likely to be behind on their essential household bills and looks at how people prioritise their bills. It then explores the impact of specific welfare reforms on the number and complexity of bill arrears.

How many people are behind on their bills and who are they?

Our new analysis shows that over a 12 month period, approaching one in ten (9%), or 2.9 million, families fell behind with a bill payment on an essential household bill.[17] Since people in receipt of benefits have a low income, it is not surprising that 70% of those in arrears in the past 12 months were in receipt of at least one means-tested benefit or tax credit.

870,000 households where someone was working fell behind with a phone or energy payment, **including 520,000 households where all adults were working** and 710,000 households with children. Multiple changes to tax credits in recent years and the continued roll-out of UC have reduced the incomes of people in low-paid employment - and this looks set to continue.

Stagnating wages whilst household costs continue to rise compounds the problem. Additionally, the significant rise of insecure work, such as self-employment and zero-hours contracts, means that people on low and fluctuating incomes are having to budget extremely carefully. Even the most financially capable can fall behind on their bills if they are not able to put aside enough to smooth over the times when their income falls. One of the large energy suppliers we spoke to had emphasised how volatility of earnings had impacted on people's ability to pay their bills in recent years.

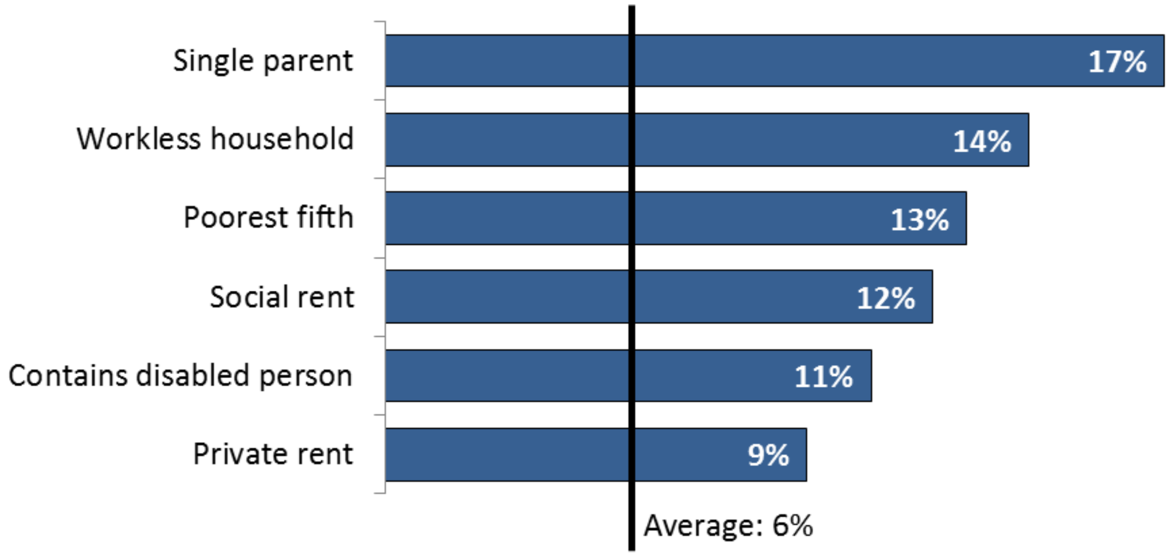
[17] The data is an average for 2012/13 and 2013/14

"The [thing] that jumps out are the zero [hours] contracts.... so these are people that may not be vulnerable in any other definition, they're able-bodied, they're out there working – but the volatility is that [their earnings are unstable]. I think it's fair to say we probably see a lot of impact in that area"

Big six energy supplier

The following chart shows that overall, 6% (1.4 million) working-age families fell behind with an energy and/or phone bill over a 12 month period. However, this more than doubles among households with certain characteristics.

Figure 2: Proportion working-age families with certain characteristics behind with an energy and/or phone bill



Source: NPI analysis of Family Resources Survey, the data is an average for 2012/13 and 2013/14

Single parent families had the highest rate of bill arrears. 17% were behind with an energy and/or phone bill payment in the past 12 months. Furthermore, those who are social tenants and households that contain a disabled person also have around double the average rates of arrears.

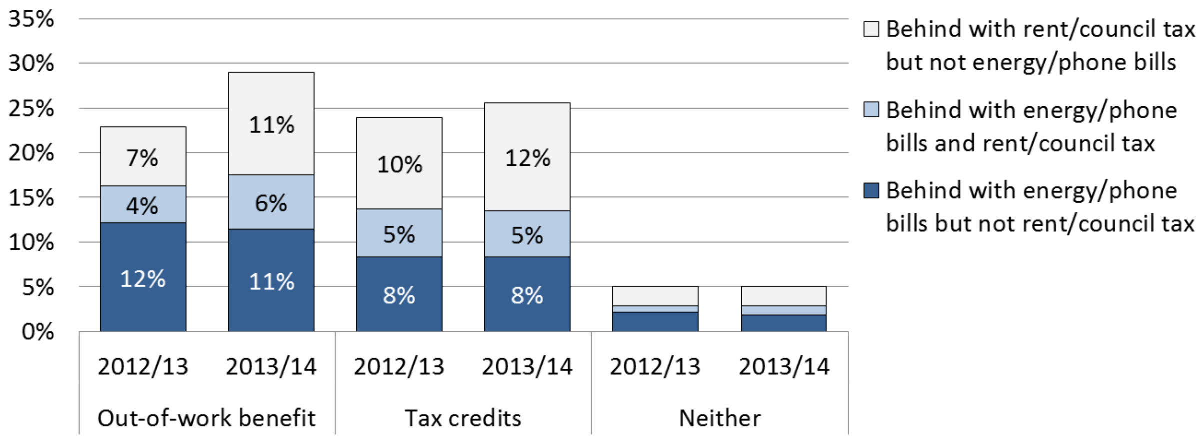
Impact of welfare changes on bill arrears

Seven in ten working-age families behind with essential household bills claim at least one means-tested benefit or tax credit. This means they will have also been impacted by welfare reform. Here we consider the effect that reforms have had on people's ability to pay their essential household bills. While we can't directly attribute the rise in the number of people in arrears solely to welfare changes (as other factors may also have impacted on this), this analysis does give an indication of the ripple effect that such changes may have on people's ability to meet their essential bills.

The following chart looks at arrears among all working-age families in the UK by their entitlement to a general income benefit[18]. It shows that, among out-of-work benefit recipients, the proportion of families behind with a phone/energy bill appears to have slightly increased between 2012/13 and 2013/14 from 16% to 18%. But the rise was much clearer in terms of the proportion behind with a rent or council tax payment, rising 11% to 18%.

As well as a rise in the levels of rent/council tax arrears among people not in work, it also shows a slight increase since 2012/13 in the proportion of working families (in receipt of tax credits)[19] who are in arrears with their rent or council tax. This is reflected in our recent report 'Catching Up[20]' which shows that the number of council tax arrears queries seen by Citizens Advice offices has risen by a third (33%) over the last three years - at a time when other debt queries have been falling. Our survey found that a quarter (25%) of those who had fallen behind with this had done so due to cuts to their benefits or tax credits (25%).

Figure 3: Proportion of working-age families that were in arrears with bills in past 12 months by benefit receipt



[18] A general income benefit is a benefit which helps with general living costs rather than the specific items of rent and council tax.
[19] Although the tax credits bar includes people who receive child or working tax credits, the vast majority of people in this bar will be working
[20] Catching Up: improving council tax arrears collection, Citizens Advice 2016 https://www.citizensadvice.org.uk/Global/CitizensAdvice/Debt%20and%20Money%20Publications/Catching%20up%20improving%20council%20tax%20arrears.pdf

Overall, while the number of working-age families behind with a phone or energy bill remained largely unchanged at 1.4 million, arrears with rent and council tax increased and **the number of households behind with multiple bills has also increased.** The number of families behind with a phone/energy bill that were also behind with council tax or rent rose by a fifth, from 410,000 to 510,000.

This means that by 2013/14 more than a third (36%) of families who were behind with a phone/energy bill payment had also been behind with their rent or council tax payments. This has implications for debt collection. People will be under increasing pressure with debts from multiple creditors, and may require flexible repayment plans or repayment holidays while they manage multiple arrears.

Findings from our roundtable discussions with utilities providers corroborate and help to explain this. The large energy suppliers we spoke to say they have not noticed an increase in the numbers of people getting into debt, which they attribute to their improved approach to working with customers over recent years. Most have, however, **noticed an increase in the complexity of their customers' debts**. They have also noticed that those who may have used discretionary credit in the past (to help top up their prepayment meter) are now relying more heavily on this. This all suggests that those who were struggling to pay their bills are now deeper in debt, and now more likely to be juggling multiple bills.

Impact of the under-occupancy penalty and council tax benefit changes

Our analysis also considers the knock-on effect that changes to specific benefit entitlements may have had on people's ability to manage their wider essential household bills.

To explore the impact that welfare changes have on bill arrears we looked at two welfare changes that affected households from April 2013 and that resulted in an absolute cut in benefit income. We examined the effect of these welfare changes on people's ability to pay their household bills by comparing bill arrears among people in receipt of benefits before and after the reforms. The two welfare changes are:

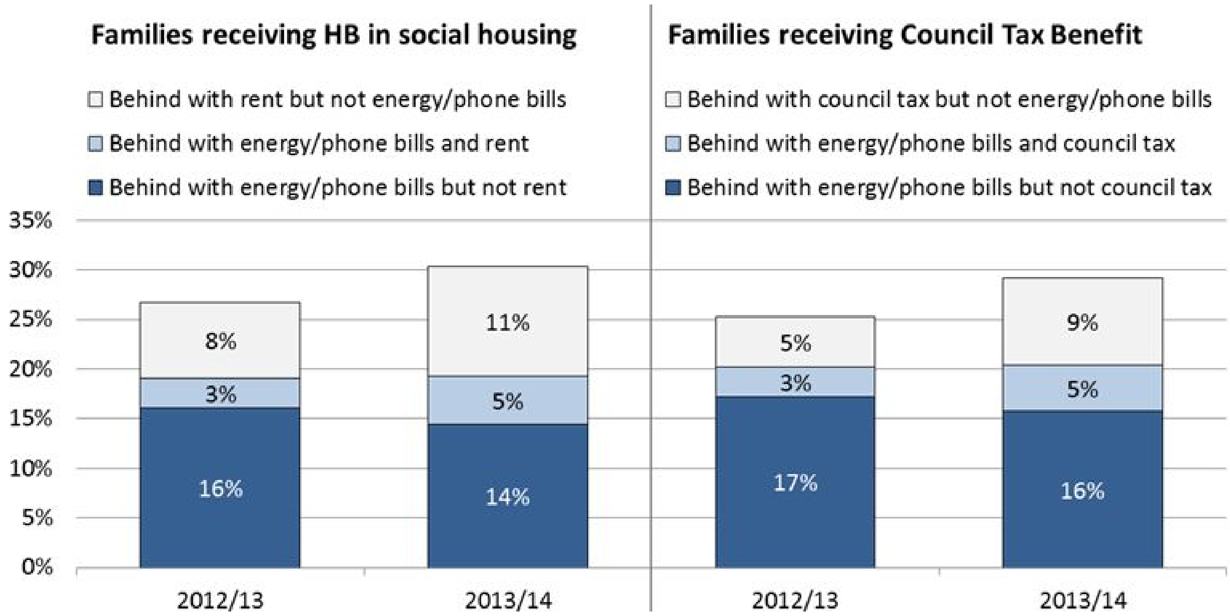
- **the under-occupancy penalty** (otherwise known as the 'bedroom tax'). This reduced the housing benefit entitlement of working-age social tenants deemed to have a spare room.

- **the replacement of council tax benefit** with a localised system of council tax support. This change means that some low income families are now required to contribute towards council tax, from which they were previously exempt.

The following graph shows levels of arrears with rent, phone and energy payments among working-age families receiving housing benefit and living in the social rented sector in the year before, and after, the under-occupation penalty and the localised council tax support was introduced.

It shows that the total proportion of families who fell behind with their rent increased from 11% to 16% during this time. But the total proportion of families behind with a phone or energy bill did not change – in both years it was 19%. However, in the year after the change we can see that a larger share of those behind with phone/energy bills are also behind with rent payments. Similarly, it shows that the proportion of households in arrears with council tax increased from 8% to 13% after the entitlement changes were introduced. Meanwhile the proportion behind with an energy/phone bill remained at 20%.

Figure 4



While other factors may also have impacted, this suggests that - as well as having increased the numbers of people in arrears with their rent - the under-occupancy penalty and changes to council tax benefit may have **had a knock-on effect on people's ability to pay other essential household bills. This has resulted in multiple, complex debts for many**. On average 1.2 million people fell behind on multiple household bills between 2012 and 2014. Research carried out by Coventry Citizens Advice[21] with their clients who were struggling to pay utilities bills shows that those who had said they had had difficulty paying their gas and electricity bills had an average of five different debts.

Furthermore, while the proportion of households in arrears with an energy bill appears to remain static, it is important to note that these figures may be masking the fact that many of these households use energy prepayment meters. This currently stands at 17% and is rising year on year[22]. This means these families may be self-rationing, using emergency credit or even self-disconnecting, as a result of their reduced income. Research by Ipsos MORI found that 46% of those affected by the under-occupation penalty, and who had reduced their spending, had cut back on energy.[23]

Our qualitative interviews with people in receipt of benefits and our previous research with people on low incomes[24] found that managing on a reduced income has made many of them more conscientious about managing their money. For some this has meant cancelling direct debits. This makes them feel more in control of their money, as they can consciously manage what goes out of their account. Nonetheless, our previous research shows that, well over a quarter of the public (28%) find managing their money difficult.[25]

---

[21] Citizens Advice Coventry, 2016 *'Attitudes to debt and customer engagement with energy companies'* *http://bit.ly/29enGft*

[22] Ofgem Social Obligations Annual Report, 2014

[23] Ipsos MORI: *evaluation of the removal of the spare room subsidy for the Department of Work and Pensions,* *https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/329948/rr882-evaluation-of-removal-of-the-spare-room-subsidy.pdf*

[24] Citizens Advice, 2015 *'Who's the Boss?'* https://www.citizensadvice.org.uk/Global/CitizensAdvice/Work%20Publications/Whos%20the%20boss.pdf

[25] Citizens Advice: 2015 '*The four advice gaps*'. https://www.citizensadvice.org.uk/Global/CitizensAdvice/Debt%20and%20Money%20Publications/Fouradvicegaps.pdfhttps://www.citizensadvice.org.uk/Global/CitizensAdvice/Debt%20and%20Money%20Publications/Fouradvicegaps.pdf

"People have to find all this stuff out for themselves - it takes a lot of time. Some just can't do it. People don't know enough about what they can do to help themselves"

Male, JSA claimant, Midlands.

This suggests that some customers would welcome greater support in terms of ensuring they are on an appropriate (re)payment plan, where they know how much they will be paying and when.

Exploring the effect that recent welfare changes have had on people's ability to pay their essential bills is important, as it gives us an indication of the impact that future welfare changes may have. Understanding this will help ensure that utilities providers have the most appropriate strategies in place to support their customers.

Looking ahead, our analysis shows that the main welfare changes yet to be fully rolled out (most notably UC and PIP) look set to have the biggest impact on working families, single parents and disabled people. This will mainly be felt in terms of the level of income reduction.

Impact of welfare reform on household spending

Our previous research suggests that many people on low incomes budget carefully[26]. When their income is reduced they try to cut back on their spending. With energy, people try reduce their usage, sometimes to the point of having a cold home. However, this section suggests that, despite their efforts, many people are still unable to meet these bills.

For the average family, spending on essential household bills (water, energy, communications, council tax and housing costs) amounts to £135 per week. Rent is the most significant expense at £46 a week[27] on average followed by energy at £26, and water at £8. On average these costs amount to a quarter of a household's total expenditure. However, low income households spend 20% less than the average on basic bill items but 60% less than the average overall. This means while low income households spend less, their capacity to cut expenditure on basic costs is much more constrained.

[26] Citizen's Advice, 2015: '*Who's the Boss?*' https://www.citizensadvice.org.uk/Global/CitizensAdvice/Work%20Publications/Whos%20the%20boss.pdf

[27] The figure is the average spent by all households, so it includes those households who do not pay rent.

Despite the lower levels of spending on energy and phone bills among poorer families, it represents a much larger share of their total expenditure. Energy accounts for 9% of total expenditure among low income families whilst phones/internet accounts for 4% of total expenditure. In total spending on basic bill items accounts for more than half of spending among the poorest households.

The lower levels of spending on energy may suggest households are not heating their home adequately: 2.2 million working-age families say they are unable to keep their home warm enough because they can not afford to[28] (in some cases this is because of the energy inefficiency of housing). 400,000 of these families had been behind with an energy bill in the past 12 months, so despite under-consuming fuel they had still fallen behind on bills.

The remaining 1.8 million low income families had not been in arrears with energy bills – they have either under-consumed energy to make forthcoming bill payments more affordable, or are living in homes that are fitted with pre-payment meters (PPMs), which require them to pay for their energy usage in advance. Some of these people may be rationing their energy usage, receiving emergency top-up credit from their supplier, or may even be self-disconnecting.

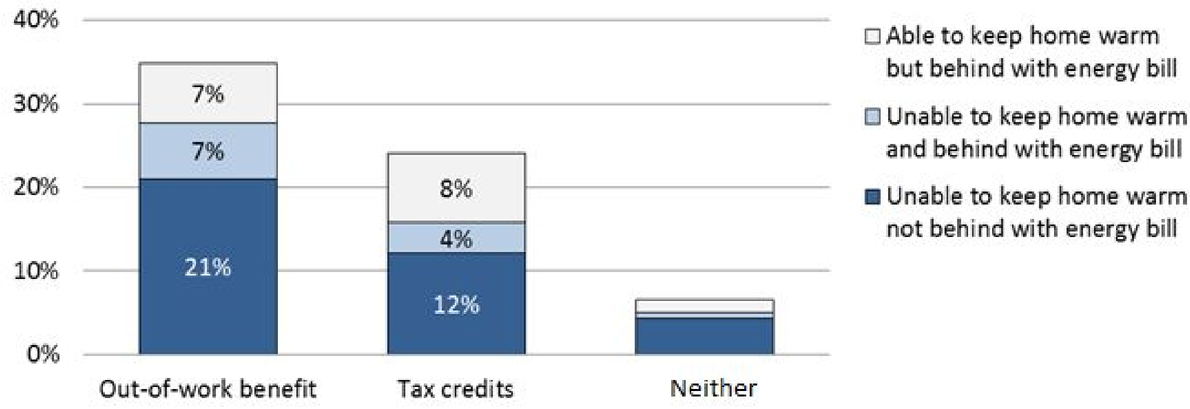
> *"I put the heating on for an hour to warm the place up, then switch it off and put more layers on!"*

Female, ESA claimant, London

The following chart breaks this down by type of benefit receipt. It shows that 28% of those on out-of-work benefits, and 16% of working families receiving tax credits, were unable to keep their homes warm.In addition 7% of those on out-of-work benefits and 8% of those in receipt of tax credits were able to keep their homes warm but were behind with an energy bill.

[28] Family Resources Survey, average for 2012/13 and 2013/14

Figure 5: Proportion of families unable to afford to keep home warm and/or behind with gas and electricity bills by benefit receipt



Source: NPI analysis of Family Resources Survey, the data is an average for 2012/13 and 2013/14

Pre-payment meters

In our report, 'Topping Up or Dropping Out'[29] we estimate that 15% of all Pre-payment meters (PPMs) users self-disconnect from their energy supply at some point. Our recent report 'Staying Connected'[30] also found that 34% of our clients who had self-disconnected had at least one child under 16 in the property. Furthermore, we found that approaching three-quarters (73%) of our clients who self-disconnected during winter 2015-16 were in receipt of welfare benefits, and nearly one in five cited a problem with their benefits leading them to self-disconnect. With the continued roll-out of UC and migration of those claiming DLA to PIP, coupled with the year-on-year increases in the number of PPMs installed, we may **expect this pattern to continue. We would expect households with children and / or disabled people to be particularly vulnerable.**

The consumers we spoke to have mixed views on PPMs. They are welcomed by some on low incomes, as a way of helping them to control their budget in terms of how much they pay and when. Similarly, one of the big six energy suppliers we spoke to has recently noticed a change in perceptions of PPMs, with some people, especially younger people who may be used to a pay-as-you-go mobile, requesting them.

---

[29] Citizens Advice, 2014, '*Topping up or Dropping out*': https://www.citizensadvice.org.uk/global/migrated_documents/corporate/topping-up-or-dropping-out.pdf
[30] Citizens Advice, 2016, '*Staying Connected*': https://www.citizensadvice.org.uk/Global/CitizensAdvice/Energy/Energy%20Consultation%20responses/Staying%20Connected.pdf

"Having a prepayment meter means you control your usage - surprise bills are not helpful".

Female Tax Credit claimant, London

However, at least one of those we spoke to had decided not to tell his supplier he was claiming benefits in case they insisted he had a prepayment meter installed. He did this to save money - his perception is that a PPM would be a more expensive way to pay: 'they just eat the money'. (Male, JSA Claimant, West Midlands)

How do people prioritise which bills to pay?

Our analysis - along with previous research by DWP[31] and research among Citizens Advice clients by Coventry Citizens Advice[32] - all suggest that people tend to prioritise paying their housing costs over other essential household bills. We found that overall 34% of private renters receiving housing benefit had been behind with another bill but *not* with their rent, compared to 28% of social renters. This may be due to those in the private rented sector having less tenure security - they face a higher risk of their tenancy ending if they miss a rent payment so rent is considered a higher priority bill among these tenants. On the other hand, tenants in social housing who face financial difficulty are more likely to be offered pro-active support from their landlord. The NHF (National Housing Federation) says that Housing Associations have been working hard to support affected tenants through the welfare changes[33].

Beyond this, for most of our research participants energy tends to be one of the most highly prioritised bills. However, people are pragmatic and some will prioritise the bills they feel under most pressure to pay even if it is not a priority debt.

"Whoever is more aggressive. The ones that leave me alone I put on the back burner"

Female, London, ESA claimant

[31] DWP Direct Payment Demonstration Projects: Key findings of the Programme Evaluation https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/388565/rr890-direct-payment-demonstration-projects-key-findings-of-the-programme-evaluation.pdf
[32] Citizens Advice Coventry, 2016 *'Attitudes to debt and customer engagement with energy companies'* *http://bit.ly/29enGft*
[33] National Housing Federation: http://www.housing.org.uk/topics/welfare-reform/

Water and phone/ broadband bills do not tend to be so highly prioritised. Our research for UK Water Industry Research found that people struggling to pay their bills tend not to prioritise water debts. There is no threat of disconnection, a lower probability of enforcement action and lower customer engagement. While at the time we found a lack of a proactive approach by water companies supporting customers in financial difficulty, meaning debts built up, the sector has recently taken steps to address this[34].

Telecoms services, in particular mobile and broadband, have more recently started to be considered as essential household services. Looking ahead, access to digital devices will be vital as those who claim benefits are required to use the internet to access Universal Credit. It is therefore important that consumers are given the same level of protection, and the same stringent standards of debt collection practices, here as with other essential utilities.

However, while research by Ofcom[35] shows that most people consider telecoms essential, opinion did vary considerably by age. Our work with consumers suggests telecoms are sometimes considered to be a lower priority bill - *"[it's] not essential for living"* - which can mean that they are less likely to get paid when finances are stretched. While in 2015 80% of households had fixed and mobile broadband access[36], at least one of the vulnerable customers we interviewed simply went without broadband - despite feeling it would make life easier - because they couldn't afford it.

With the emphasis on digital channels as the government's preferred method for people to make and manage their UC claims, affordable internet access for people on lower incomes will become increasingly important. Telecoms providers will need to understand and respond to this and other welfare changes, in order to offer support and flexible payment options, to help ensure customers in financial difficulty stay connected.

---

[34] See '*Welfare reform and its impact on the collection of water charges*', produced for UK WIR, 2015 available for sale at: http://ukwir.forefront-library.com/category/90279/customer

[35] Ofcom: http://stakeholders.ofcom.org.uk/binaries/research/affordability/affordability_report.pdf

[36] Ofcom http://media.ofcom.org.uk/news/2015/five-years-of-tablets/

Chapter 3 - dealing with debt: best practice

This chapter explores firms' responses to welfare changes, citing best practice examples of collaborative working with customers, debt prevention work and improvements to debt collection practices.

In 2014 our report, All Change, set out practical steps that creditors can take to help support their customers through welfare changes while maintaining high standards of debt collection. Energy suppliers are used to adapting to change. Our discussions with providers suggest that many of the large utility companies have made real progress in adapting to welfare changes.

We spoke to five energy providers, a telecoms provider and a debt collection company about their response to welfare reform. We discussed the changes they had made or were planning to make to their debt prevention and collection processes and the challenges they faced in doing so.

This section brings together and highlights some of the best practice examples of how firms have responded so far to welfare reform. The aim of this is to raise awareness among other providers to encourage them to adopt some of these practices.

Familiarity with welfare reform

We found that the larger energy suppliers and debt collection agency we spoke to were fairly well-informed about welfare reform and its impact on customers facing financial difficulty. They tended to have in place a team dedicated to working with vulnerable customers, and made efforts to keep up to date with welfare reform using internal communications such as staff briefings and written information.

"It's about pertinent information at the right time. Many of the staff take a lot of interest, some bring in news cuttings etc. [We] acknowledge it's hard to manage the flow of information, and it's important that staff remain objective about welfare issues... All offices are sent leaflets and printed updates"

Big six energy supplier

However, they feel that face-to-face discussions about these issues with the DWP are also very important. At least one of the big six energy suppliers had been trying to ensure they are well-informed, and has found it challenging at times. They attend ad-hoc meetings with DWP but say there is no information sharing scheme formally in place and feel that government has only just started to filter information through to them.

The telecoms provider and smaller energy supplier we spoke to tended to be less well informed. While they had an overview of welfare reform, they tended to be less clear on the potential impact on their customers - for instance they had less awareness of the length of sanctions, or the impact of welfare reforms on people in work.

A change of approach to debt collection

We found there has been a change in the culture and working practices of debt collection in recent years. Regulators, consumer groups and firms' own focus on their customers has all contributed to this change. The focus of debt collection had traditionally been on the quantity of calls staff made. Now, however, staff are encouraged to focus primarily on the quality of their calls, to ensure that customers are on an appropriate, achievable (re)payment programme. Both Citizens Advice and Ofgem have closely monitored supplier practices in this area for a number of years. We meet regularly with individual suppliers to discuss their performance and share best practice.

"We needed an active change in thought the process to have [staff make one good quality] call for an hour rather than five or six calls in that time"

Smaller energy supplier

This level of change has been quite an undertaking for the companies we spoke to:

> *“The culture change was like ‘turning a tanker’, but has now been embedded for some time”’*

Debt collection agency

Underpinning this, firms have focused on several areas. Examples of good practice are outlined here:

Investing in staff training

Most of those we spoke to had invested in **extensive training programmes** for their client-facing staff, particularly among those working with vulnerable customers and in frontline debt collection more generally. This is important since many of the firms we spoke to have noticed an increase in the complexity of the debt issues among customers in arrears, as they struggle to juggle and prioritise multiple debts. On the other hand, some of the larger energy suppliers say they have not noticed an increase in the number of arrears cases in recent years which they attribute, in part, to their improved practices and preventative work.

The emphasis has been on **awareness raising and training of staff on welfare reform,** what it means to be in debt, and on ensuring customers are treated as individuals. When setting up new customers, staff are trained to give consideration to whether the plan is affordable. As well as debt collection, some of the big six we spoke to have developed bespoke training and coaching plans to help staff focus on debt prevention in the long-term when they speak to customers, and concentrating on giving new and existing customers the **tools to help them avoid incurring debt.**

The companies we spoke to recognise that it can be difficult for some people to talk about their financial situation. Some customers will be new to claiming benefits, others will never have experienced this sort of debt before. In both cases some people may be unwilling to discuss their financial situation openly and may find it difficult to ask for help.

> *"When you are healthy and have been independent and then you are not and you get into debt, it’s not easy to deal with or ask for help"*

Male, London ESA claimant

With this in mind, providers have responded by focusing staff training on the following areas:

- Perhaps the most significant area of training has focused on **greater autonomy for frontline staff.** The larger energy companies, telecoms provider and debt collection agency we spoke to are all giving frontline staff the training, autonomy and tools to develop and agree personalised, flexible payment solutions with customers. This results in a quicker resolution as the matter is rarely escalated, and means that the customer only has to explain their financial circumstances once and to one person. The telecoms company we spoke to is also keen to have staff work with more autonomy; they are working towards this but have not yet implemented it fully.
- Providers recognise that people in debt can feel stigmatised or judged. As such they have been training staff on **how to sensitively probe customers** to understand more about their circumstances, so that they can tailor a repayment plan that is right for them:

> *"When faced with the statement "I can't pay my bill" advisers do try to establish how this has happened".*

Big six energy supplier

- **Focusing on sustainable, personalised payment arrangements:** Staff are encouraged to focus on debt prevention when they speak to customers, concentrating on ensuring customers are on a payment (or repayment plan) that will help them avoid incurring further long-term debts.
- The telecoms company we spoke to has launched a mandatory e-training programme for all its frontline employees (including those offshore and outsourced), reminding them of their duty to communicate their responsibilities to customers when they enter into a contract:

> *"[Staff to provide] all information at point of sale… every frontline agent in customer facing … will make it more prominent how to do correct cost management. This includes information on contractual arrangements, such as their duty to pay their bill on time, as well as advice on how to manage and stay in control of costs and how to set spending caps and bars to avoid bill shock"*

Telecoms provider

As a result of this training, as well as helping to increase the levels of debt collection, some firms report that staff find their work more enjoyable and that morale is good in the team.

Improving written communications

Most firms had conducted significant reviews of their written correspondence templates over the past few years. As a result, they have softened the tone to ensure the language used is more collaborative and friendly. Many have changed the focus of the language to how they can help, rather than mentioning penalties or disconnection.

They also now place greater emphasis on using **plain English,** and some use Crystal Mark guidelines. Firms say that these changes to the tone and language have had a noticeable impact in terms of the proportion of customers contacting them as a result. However, anecdotal evidence from Citizens Advice advisers suggests that in some cases providers are still not always getting the balance right between offering help and pursuing enforcement measures[37].

> *"Letters and bills identify ways to pay and are more user friendly, with recognisable icons and notifications which are easy to understand. They also list easy energy efficiency information"'*

Big six energy supplier

> *"The message is clearly "If you come to us, we can help"*

Big six energy supplier

To continue testing and improving the wording of written communication, some providers **conduct trials** with letters using different wording and evaluate which achieves the highest response rate. In addition, one of the big six energy suppliers holds focus groups with customers to obtain feedback on letter wording and correspondence formats, as well as the customer service they have received.

Importantly, providers are aligning their improved written communications with the approach taken by customer service staff, so that when they call a customer

[37] Citizens Advice, 2015 *'The State of Debt Collection',* https://www.citizensadvice.org.uk/Global/CitizensAdvice/Debt%20and%20Money%20Publications/Thestateofdebtcollection.pdf

it ensures consistency with the company approach, which they also believe has led to an increase in customer engagement.

The telecoms provider we spoke to usually makes initial contact with customers via text message. They have also significantly improved the tone of these communications so that the wording is *'a lot more friendly'*.

Signposting for further help

As well as improving the tone of written communications, the larger energy suppliers told us that their letters now more clearly signpost where customers can go for further help. They also provide information on how they can reduce their bills by taking energy efficiency measures. As mentioned in chapter 2, we know from previous Citizen Advice research that people on low incomes tend to manage their money very carefully. Therefore, in addition to signposting debt advice, people appreciate being signposted to the best deals for them.

Furthermore, research by Coventry Citizens Advice[38] suggests that most people would welcome information on how to reduce their bills (58%). We found that, in line with their licence requirements, energy suppliers are providing customers with this information in the form of booklets, practical tips and simple steps they can take to reduce their energy consumption.

At least one supplier includes details of free-to-client debt advice and support in the first letter the customer receives regarding an overdue bill. They hope that even if the customer is not engaged enough to read the letter, they might read the leaflet, which may then prompt them to seek debt advice. As well as better signposting in letters, some suppliers have improved this on their website:

> *"We have made information much more prominent on the website. Signposting much more to cost management information, and providing pieces of advice on how customers can stay on top on bills... signposting also to debt advice agencies"*

Telecoms provider

Earlier engagement & taking a preventative approach

Companies are using a range of engagement methods including text, phone, email, and letters to encourage customers to speak to them if they are, or think they may have, difficulty paying.

---

[38]Citizens Advice Coventry, 2016 *'Attitudes to debt and customer engagement with energy companies'* *http://bit.ly/29enGft*

The utilities providers we spoke to recognise the importance of early engagement in terms of helping to prevent arrears. Rather than waiting until customers have problematic debt, they are getting in touch with customers earlier, sometimes when they are in pre-arrears. For instance, the telecoms supplier we spoke to has changed their policy to ensure that their text messages prompting payment are now sent out sooner, to give customers the chance to engage as soon as possible - *'[we do this on] day 3 or 4 now where we send the first prompt message. It used to be 7 days'.* This change, coupled with improving the wording of text message bill reminders, to help the customer understand that they want to help, has had a positive impact on customers engaging with them - *'the first month after change, [we were] getting 50% more calls'.* In addition, they publish advice on managing costs on their website, helping to proactively engage customers.

However, identifying and contacting customers who may be at risk of arrears is not easy. Providers report difficulties identifying customers who are not currently in debt, but appear to be at risk of debt, and furthermore, not all customers welcome this proactive approach. Providers recognise that a fine line exists between early engagement and being perceived as interfering.

Partnership working with other agencies

Most of the companies we spoke to have developed good working relationships with organisations that provide free-to-client debt advice, as well as foodbanks, housing charities and other organisations such as health condition-specific charities.

These suppliers recognise that if a customer is unable to pay their utility bills, it may be indicative of wider debt issues which will have a knock-on effect on other areas of their lives. By working with other agencies, they may be able to help the customer with these wider issues. This partnership working involves liaison with the other organisations to share insight, refer customers and track their referrals, as well as making use of referrals they receive from other agencies:

> *"We've been working closely [with a debt advice agency] for 18 months now – they share insight with us and we track our referrals and our conversion. I think it's fair to say there's been some local tactical things with that, purely in terms of how we signpost our customers to debt charities"*
>
> Big six energy supplier

Addressing digital exclusion will become increasingly important with the use of digital platforms to access government services, including Universal Credit. At least two of the big telecoms providers are collaborating with charities aimed at breaking down the barriers to digital exclusion by providing appropriate facilities and training within local communities.

Looking to the future, some of the firms we spoke to are planning to continue developing these relationships. The debt collection agency we spoke to is looking to attend industry workshops to improve their knowledge of what measures others in the industry are taking. Suppliers are hoping to build on their offering with such advice providers, and at least one of the big six is currently using their relationships to access information on vulnerability issues and to deepen their understanding of vulnerability. In particular, some of those we spoke to feel that sharing data with other service providers will become much more frequent. This will be valuable in the future in terms of spotting evidence of detriment, which can be taken account of by other service providers [39]. At least one of the big six energy suppliers that we spoke to say they will soon have a mechanism for doing this.

Product development

Some of the larger energy suppliers have developed products aimed at helping customers in financial difficulty, such as hardship funds.

Whilst there is no commitment under the social obligations requirements set out by Ofgem for energy suppliers to do this, many companies have taken the initiative to set up hardship funds as part of their corporate social responsibility strategy. These are sometimes delivered in conjunction with a third party who specialises in the design and provision of financial relief programmes. Citizens Advice has continually advocated schemes of this nature and encourages all utilities providers to take steps to establish products and services which support those in financial need.

Utility providers have also been instrumental in setting up schemes to provide welfare or reduce poverty in partnership with other organisations, for instance to make fuel vouchers available to recipients of food vouchers who also have prepayment meters installed. This aims to help address the so called 'heat or eat' dilemma faced by many households in poverty.

---

[39] Citizens Advice, 2016 '*On Supply, in Control*' https://www.citizensadvice.org.uk/Global/CitizensAdvice/Energy/On%20Supply,%20In%20Control%20(1).pdf

Others are using technology to drive innovations which can help support their customers facing financial difficulty. For instance, one supplier spoke about their new **Webchat** service. This has been helping customers get over the embarrassment that some may feel when discussing their circumstances (for instance benefit sanctions, or multiple debts) over the phone.

Challenges implementing these changes

The providers and debt collection agency we spoke to have identified these practices as not just 'right thing to do', but as good business practice, which has led to increased levels of successful debt collection.

> *"There's still improvements for us to make but I think there been a lot of improvements around [helping vulnerable customers], and that's why I think we're struggling to see those individual spikes [in numbers of people in arrears] – in general we've got better"*
>
> Big six energy supplier

However, while they have made substantial progress, it has not all been easy. One of the most significant, and ongoing, challenges for utilities providers has been **getting customers to engage** with them. A lack of trust and / or a previous negative experience means that customers can be unwilling to contact their utility provider if they are having, or think they may have, difficulty paying their bill.

> *"Getting customers to engage is the biggest challenge - getting customers to understand that Debt Collection Agents can help"*
>
> Debt collection agency

> *"A lot of customers aren't telling us about all this stuff... they're not telling us about their income...If the customer's really upfront with us, 'I've got a benefits situation' ... [there are] different things we can do to stop it escalating"*
>
> Telecoms provider

Providers understand that customers in these situations will have different ways of coping - some will naturally want to engage and try to agree a repayment plan. However, others may either be overly optimistic about the future, may be struggling to cope with other problems, or may be in denial about their situation.

"They'll say their meter is faulty rather than actually admitting they have problems with their benefits or are having difficulty budgeting - there is still a lot of stigma and judgement around debt issues"

Smaller energy supplier

Our report for UK WIR found that water customers can be reluctant to engage with creditors, due to a mixture of fear of facing up to their debt problems, and mistrust of the companies. However, this lack of willingness to engage means that they are less likely to know about assistance plans which potentially could help them to level off arrears, or to find out they are on an unsuitable tariff.

While initiatives such as improving the tone of written communications have made considerable progress in addressing this, providers find that it is still a challenge to contact customers who do not want to engage. They recognise that, going forward, further work needs to be done here.

Furthermore, although some companies are pro-actively contacting customers in pre-arrears to try to prevent them slipping into arrears, customers do not always welcome this. Pro-active engagement from utilities providers can be seen as intrusive, energy firms have to tread a fine line between pro-active engagement and trying to ensure that customers do not feel as though they are being hounded:

"Some customers get miffed by cold calling when they are off supply, it appears big brotherish to some, there is an important balance to be struck here. Some feel it is intrusive"

Smaller energy supplier

The other big challenge that providers face is **identifying vulnerable customers**.

"It is still hard to recognise vulnerable customers"

Big six energy supplier

Defining vulnerability can itself be difficult, and some of the companies we spoke to feel this could become harder still with the introduction of Universal Credit. Currently certain benefits can act as a marker for vulnerability but under UC, many benefits will fall under that umbrella, which may make it more difficult to identify their most vulnerable customers. As such they are considering reviewing or widening their definition of vulnerability.

> *"So we need to review our criteria [for eligibility to the hardship fund], potentially either move away from being a hard and fast 'if you get this benefit you are eligible',"*
>
> Big six energy supplier

In order to do more preventative work, some of the suppliers we spoke to are keen to be able to predict when people may have difficulty paying their bill.

> *"Predicting people about to have problems is very difficult... Honestly don't know how to do it"*
>
> Smaller energy supplier

Since seven in ten prepayment customers who self-disconnect[40] are in receipt of at least one means-tested benefit, identifying vulnerability is particularly important for this market. Smart Meters will open up new opportunities for suppliers to identify self-disconnection, but there are challenges around this and industry is in the very early stages of planning[41]. Some of the large energy suppliers we spoke to emphasised the difficulties this poses; sometimes a drop in usage can be be misleading - it can be due to change of appliances, a vacant property, or being away on holiday.

> *"Unless they approach us it's difficult for us to identify them because you get legitimate reasons for self-disconnection, where a property is vacant for instance"*
>
> Big six energy supplier

> *"If you haven't vended for 30 days we'll contact you. But most people in fuel poverty wouldn't go that long [without topping up] – it's people who self-disconnect after 48 hours that you want to get to"*
>
> Big six energy supplier

In terms of the prepayment market, Smart Meters enable earlier proactive engagement, and at least one of the big six we spoke to felt that they will be a 'gamechanger' in this sense. Smart Meters will enable the supplier to know when

---

[40] Citizens Advice, 2014. *'Topping up or Dropping out'* https://www.citizensadvice.org.uk/global/migrated_documents/corporate/topping-up-or-dropping-out.pdf
[41] Ibid

a client runs out of credit immediately, and they will be able to quickly contact them to see if they require help. However, further improvements may be needed to the nature of the help typically provided; our recent report 'Staying Connected' found that while suppliers are generally open to providing discretionary credit, they tend to be much less proactive at offering solutions that could help prevent further financial difficulties.

Our qualitative work with consumers suggests that Smart Meters may be welcomed by some customers, as they will enable more accurate billing[42]:

"I like it because the bill is right. No estimate any more!"

Male, ESA claimant, London

The customer experience

The changes outlined in this section have been implemented over the past few years by many of the larger, and some of the smaller, utilities providers and debt collection agencies. However, we know that it can take time to achieve consistency in this approach and to change public perceptions of an industry. Recent research shows that less than half of consumers (43%) trust energy suppliers[43] suggesting the industry had some way to go in terms of building customers' trust and confidence.

Our 2015 report, The State of Debt Collection found that energy firms had made progress in their debt collection practices for customers, but our client comments suggest that there is more to do. In our best practice league table as rated by advisers, energy firms came in at 59%, compared to mobile phone providers at 37% and water companies which came out top at 78%.

Our qualitative interviews among consumers who are claiming benefits suggest it is taking a little time for some of these best practice examples to filter through to changing perceptions. While no one reported customer service as being impolite, some found that rather than staff acting flexibly and with autonomy,

[42] Citizens Advice, 2016 '*Early Consumer Experiences of Smart Meters'*
https://www.citizensadvice.org.uk/Global/CitizensAdvice/Energy/Energy%20Consultation%20responses/Accent%20full%20report%20-%20Early%20consumer%20experiences%20of%20smart%20meters.pdf
[43] Edelman Trust Barometer, 2016
http://www.edelman.co.uk/magazine/posts/trust-barometer-2016-building-trust-in-the-energy-market/

the experience felt ‘robotic’ - this extends too to other services such as TV licensing. Negative experiences tend to stick in people’s minds, so the experiences customers described may have been some time ago. Nonetheless, they are still top of mind. Some of the customers that we spoke to who are in receipt of benefits report confusing, sometimes frightening communication, and they feel they are not always not being told about help or advice they would have benefitted from.

> *“They’re very quick to threaten [you with] debt collectors. I find it quite frightening - I think it would be very frightening for older or vulnerable people"*
>
> Female, ESA claimant London

> *“They don't have a clue how to help you - they don't even understand your problem. Just there to take a payment. They don't appear to understand what it’s like to be on benefit”*
>
> Male ESA claimant, London

> *“When you get those letters all about kilowatts of usage… I mean, I don't know what that means. I don't have time to work it all out"*
>
> Female, Tax credit claimant, London

Despite these negative experiences one or two of the customers we spoke to reported being given flexibility and grace periods by their provider.

> *"If I call and say something's happened, they'll say I can pay so much this month and then the rest with next month's payment… They've been OK to deal with. Quite helpful”*
>
> Female Tax Credit Claimant, London.

Our report in 2015 for UK Water Industry Research also suggested that water customers were getting similarly mixed levels of customer service. It found that some call handlers were more sympathetic than others, and that this was linked to the circumstances of the individual customer notably to what extent, if at all, they had arrears.

Case-study:

Steven[44] who is claiming Job Seekers Allowance, had a negative experience with his previous energy supplier.

He'd fallen behind with his energy payments - both his gas and electricity payments were a month overdue. He did not proactively contact his supplier, but received a letter from them to which he says he responded. However despite this, shortly afterwards, while he was out, the supplier visited his house. They left a note demanding payment and explaining that due to non-payment of his gas and electricity bills a supplementary charge of £49 had been added to each bill.

He quickly borrowed some money from a family member and phoned his supplier to discuss his debt, disputing the supplementary charge but offering to pay off his debt in full, immediately. The supplier would not waive the supplementary charge, although they did offer him a payment plan. He was keen to pay off the debt and switch supplier, so felt he had no choice but to borrow more money in order to pay off his debt and the extra charge immediately. He has since switched and is happy with his new supplier.

After switching he reports what he describes as 'excellent' customer service from his new supplier, due to their pro-active but not overbearing approach to communication with him, and most importantly, flexibility regarding when his payments are taken.

"They keep in regular touch via email and do not put extra charges on if I can't make the direct debit occasionally, they just take it a few weeks later".

While the solutions to some of these issues require thoughtful intervention and the solutions may take time to bed in, some are quick wins, such as communicating customer support information clearly.

"They don't make it clear whether the numbers are freefone or not - when you ring the help or support, it's not the 0800 number"

Female, Tax Credit claimant, London

[44] This case-study is based on the actual experiences of a customer. We have changed his name.

Preparing for further roll-out of Universal Credit (UC)

As this report has shown, utilities providers are not complacent about welfare reform. Most of those we spoke to have already made substantial progress in their understanding of welfare reform and in improving their debt collection practices. They recognise that welfare reform is not happening in isolation, and that customers will be further impacted by the wider financial context - such as an anticipated rise in interest rates and wages not keeping pace with inflation.

> *"[The] price of everything else is going up but they will have less money. Even if there is no inflation for the next few years there will still be more people calling us if they have less money"'*
>
> Smaller energy supplier

However, the scale and scope of these welfare changes are unprecedented and many of the utilities providers we spoke to expressed fear of the unknown when looking to the future. Looking forward, they appreciate they may need to do more.

Of most concern to providers is the impact of the continued roll-out of UC. For some companies the effects of UC are only just beginning to be felt. As discussed in the previous chapter, they recognise the importance of understanding how their customers will be impacted by welfare reform and are keen to engage in strategies for supporting them. As such they emphasised the importance of receiving further information and clarity from DWP on how and when UC will impact on their customers.

> *"[We're] trying to guess what different impacts may be, trying to guess what customer behaviour may be - known unknowns etc... Clarity from DWP would enable us to move the situation forward – the need for that certainly - just understanding the roll-out"*
>
> Big six energy supplier

> *"The new welfare changes are untested – we really don't know where the impact will fall and what people will do. So it will take time"*
>
> Big six energy supplier

Some of the **specific concerns regarding the continued roll-out of UC** include:

The monthly payment and risks associated with the total benefit payment potentially going to one member of the household where partners do not hold a joint account:

> *"I didn't know all of it* [information on welfare reform briefing note*]... There is some provision for financial abuse... and if you bring it back to us – what's our responsibility in that situation as a supplier of a commodity? How do you support someone where it's very difficult to evidence?"*

Big six energy supplier

Coping with monthly rather budgeting for those who are used to receiving their income more frequently:

> *"When I was working I was paid monthly and although it will be harder budgeting on less money now, I think I'll cope... but it will be a struggle"*

Female ESA claimant, West Midlands

The **initial delay of up to six weeks that people will experience when they first claim UC**, has led to at least one of the big six energy firms emphasising the importance of carefully considering their strategy for coping with this. In response to these challenges suppliers are preparing to do more to give customers realistic goals and grace periods.

> *"If [transition to UC] happens in the middle of winter, how much [discretionary credit] do we give you?... We need an approach in the business, what we do at the time it impacts could actually help them recover, or take them down a vicious circle... we need to think long and hard about how do we help these people through"*

Big six energy supplier

As UC rolls out, suppliers are expecting more customers to need to talk to them. While UC is intended to be primarily an online service, utilities providers recognise that this will not be appropriate for all of their customers. As such, some of those we spoke to are **anticipating an increase in the number of calls to their helplines**. They also emphasise the importance of customers disclosing all relevant information about their situation and any changes to their benefits status. benefit change.

> *"A lot of customers who are not necessarily online, these people will pick up the phone, [which] means increase in [our] costs"*

Smaller energy supplier

On the other hand, they recognise that not all customers will respond to the change in their circumstances by getting in touch. Some will not want to face up to the changes in their circumstances, and they emphasise the difficult situation this can place both the customer and supplier in:

> *"Some of these customers may not interact - which is a bad thing, [the] outcome of that could therefore be potential action that is unsuitable for the customer. But if they don't interact with us we just follow our debt collection path"*

Big six energy supplier

The introduction of UC should, in time, simplify the welfare system. One of the energy suppliers we spoke to did feel that rolling six benefits into one would result in UC having a potentially positive impact for them in terms of simplifying some administrative processes:

> *"If everything is simpler that could mean were taking less time going through someone's warm home discount because it's one benefit – it becomes more binary"*

Big six energy supplier

Recommendations

This report has highlighted many aspects of good practice that some firms are already undertaking to improve their debt prevention and collection procedures. However, to ensure that all customers are treated consistently, it is key that all companies and the DWP take action. Our recommendations, set out below, are based on specific action points that emerged from this research.

DWP

DWP to provide regular updates on welfare reform

Utilities providers repeatedly told us that they need more communication from the DWP on welfare reform and how it impacts their customers. While currently they do receive information from DWP at meetings, some of the providers we spoke to expressed confusion about elements of welfare reform and would welcome more regular, succinct, and structured updates.

Create a digitalised system for fuel direct payments

In some cases repaying a debt directly from benefits can be the best option for a consumer, but currently it can be difficult for suppliers to set up fuel direct payments. This is a paper-based system, and setting up payments can be a lengthy process. Energy suppliers told us that a digitalised system would streamline the system, making it quicker and easier to use. The digitalised system should allow the companies to set more affordable deduction rates.

Increase data sharing between DWP and suppliers

Suppliers are currently able to check certain information about their clients with DWP if they believe them to be in receipt of benefits. This includes certain personal details and whether they are on benefits that qualify for Fuel Direct which can help suppliers avoid enforcement action and also check eligibility for other support. This report (and other Citizens Advice research[45]) has raised the potential for further information sharing. Sharing data between a supplier and the DWP (within the parameters of data protection and privacy laws) such as when a customer is moving onto

[45] NatCen Social Research and the Centre for Sustainable Energy (2014) Data sharing to target fuel poverty: report for Consumer Futures, (a Citizens Advice predecessor organisation) https://www.citizensadvice.org.uk/Global/CitizensAdvice/Energy/DataForFuelPovertyTargetingReport.pdf

Universal Credit or is behind with their bills could better equip both suppliers and Jobcentres to support people through the UC transition.

All utilities providers and debt collection agencies

Support the sharing of good practice

We recommend that utilities providers make space within their regular industry-specific meetings to share good practice and tips on overcoming these challenges.

This report has shared many examples of best practice. With the continued roll-out of welfare reforms, it will be important that utilities providers and debt collection agencies continue to discuss and learn lessons from one another on effective debt collection and preventative work. We know that energy providers are already doing this via Energy UK debt group meetings, the Citizens Advice Extra Help Unit and Supplier Liaison Meetings.

Together with Ofgem, Citizens Advice will consider how to better involve new entrants to the energy market who may be less engaged on these issues. In the telecoms industry, Ofcom may be able to facilitate something similar. In terms of cross-sector forums, the Citizens Advice financial capability forum is attended by cross-sector representatives which may be a useful mechanism for this.

Offer customers flexible (re)payment terms

We recommend that utilities providers and debt collectors work closely with their customers to offer flexible repayment terms, and that these are reviewed regularly to ensure they remain appropriate.

People experiencing a reduction in income - such as the five to six week delay in receiving benefit payments when transitioning to UC, or a difficult period such as a relationship breakdown - may find that they are temporarily unable to meet their (re)payment obligations. Similarly, with the rise of insecure working patterns such as self-employment and zero-hours contracts, some people are finding that their ability to meet their repayments fluctuates.

On energy, we know that gas PPM customers are more likely to not top-up during the summer months and start the autumn with a build up debt of standing charges and/or unrecovered debt repayments. Therefore, we suggest suppliers encourage those repaying a debt on a gas prepayment meter to repay more during the summer months, to help even out the cost of their energy over the year.

Energy

Ensure Priority Services Registration moves with customer when switching

We endorse the approach of the Next Day Switching programme and other related industry initiatives, which are working to ensure that PSR registration moves with the customer when they switch supplier. This approach will minimise the risk that vulnerable customers are left off their new supplier's register. Currently, a customer's registration with a supplier's Priority Services Register does not move with them when they switch. Instead, it relies on the individual customer being proactive enough to re-register themselves.

Improve take-up of the Warm Home Discount (WHD)

The aim of the WHD scheme is to help vulnerable people meet the costs of energy over the winter. To ensure it reaches those who need it, suppliers must work together to raise awareness of the scheme. More widely, we are supportive of DECC's proposals to improve and extend data matching. We also recommend that future schemes include all domestic energy suppliers.

In our qualitative interviews with consumers, we heard from some who had successfully applied for the WHD. However, we also heard from some who may have been eligible but who were unaware of the scheme until it was too late to apply. Furthermore, some of those who have received the WHD said they only heard about it through friends or advice agencies.

Telecoms

Improve communications about basic packages and eligibility

We recommend that BT and, in Hull only, Kingston Communications (KCOM) improve communication of their basic packages for benefit claimants.

BT and KCOM have a lower-cost tariff offering low monthly line rental, with a low call allowance, for customers in receipt of certain means-tested benefits who may find it difficult to afford regular telephone services. Customers have the option of adding on BT Basic Broadband which is a lower cost broadband tariff, with a low download limit.

However, research by Ofcom shows that most (73%) consumers on income support were unaware of BT Basic or KCOM's social access package. Better awareness could be achieved by including a leaflet on these along with bills, as well as promoting this when talking to customers, especially those who are in arrears.

Incentivise staff to ensure customers are on the most appropriate tariff

We recommend that sales staff are trained to ask the right questions to establish an appropriate tariff recommendation. This needs to include training on asking questions about the volume of minutes, texts and data the customer typically uses each month.

In conjunction, staff should be incentivised to recommend contracts which best meet the customer's needs, and not to push customers towards more expensive tariffs with inclusive allowances which significantly exceed their usage.

Energy suppliers are obliged to tell customers the cheapest tariff for them. Often this information is on their bill. Currently telecoms providers do not have to give any similar information to their customers. BillMonitor's 2012 research which found that more than three quarters (76 per cent) of mobile phone users in the UK are on a more expensive mobile phone tariff than they need.

Guidance from Ofcom on debt collection

We recommend that Ofcom issues detailed guidance to telecoms providers specifically on debt collection. In addition, they should extend General Condition 13 to require mobile phone providers to publish the steps they will take to recover unpaid debts and take action to ensure that all debt collection activity is proportionate.

It is important that the good progress made in debt collection by some utilities providers is taken up by all providers. To help support this process with telecoms providers, as per our recent report, Falling Behind, we suggest that Ofcom issue detailed guidance to companies on debt collection.

Providing points of contact for free-to-client advice

Many of the larger energy suppliers provide their customers with information on free-to-client debt advice. We recommend that mobile phone networks do the same and provide dedicated points of contact for advice agencies. Furthermore, we recommend better co-operation with debt advisers, and establishing protocols that enable them to access information about consumers' debt and negotiate on their behalf when working on debt solutions such as Debt Relief Orders.

Appendix

Glossary of welfare terms

This is not intended to be a comprehensive guide to benefits system and the changes that have taken place in recent years. It is a short guide aimed at clearly defining some of the key benefits, outlining the nature of the benefit, who is entitled to it and any recent changes.

Tax Credits

Tax credits are designed to top-up the income of low earners. There are two elements, Working Tax Credit (WTC) and Child Tax Credit (CTC), which are explained below. Since 2011 numerous changes have been made to the way that tax credits are calculated, which have reduced the income of around 4,300,000 households. Tax credits are being replaced by Universal Credit, a change that will affect six million households.

Working Tax Credit (WTC)
This is a means-tested benefit payable to those on low incomes who are in work. Disabled claimants must work at least 16 hours a week. Single people over the age of 25 must be working at least 30 hours per week to claim, and single parents of a child or young person in education or approved training who are working at least 16 hours a week are eligible. Couples are expected to work 24 hours per week in total with one partner working at least 16 hours. Working Tax Credit is being replaced by Universal Credit.

Child Tax Credit (CTC)
This is payable to families who are in or out-of-work and who are responsible for child under the age of 16 or a young person in full time education or approved training aged up to 20. People claiming CTC do not need to be working or to have made National Insurance (NI) contributions. Currently a claim can be made for as many children as the person has in their family. From 2017 new claims will be restricted to just the first two children in any household. Child Tax Credit is being replaced by Universal Credit.

Housing Benefit

Housing Benefit is a contribution towards rent in both the private and social housing sectors. It is means-tested and is paid by the claimant's local authority. For tenants of local authority housing, this benefit is paid directly to the landlord and is based on the agreed rent. Tenants in the private rented sector receive Housing Benefit based on the Local Housing Allowance, which is calculated and published by the local authority. Recent changes to this include; single people under age 35 are now restricted to claiming for shared accommodation only, and from April 2017 single people under 21 will only be entitled to housing benefit in some circumstances. Housing Benefit will be replaced by Universal Credit and will no longer be directly payable to landlords.

Housing Benefit: Spare Room Subsidy (aka the 'bedroom tax')

This is a reduction in Housing Benefit entitlement to social housing tenants who are deemed to be living in a property which has one or more spare bedrooms. The definition of 'spare bedroom' is based on DWP guidelines, which take account of the size and composition of the household. Those with one spare bedroom will lose 14% of their housing benefit entitlement and those with two or more spare bedrooms will lose 25%.

Council Tax Reduction (previously Council Tax Benefit)

Until 2013 this was known as Council Tax Benefit and was centrally administered. It is now administered by local authorities, and the level of reduction now varies by local authority area. It is means-tested and in some areas calculated as a percentage reduction of the bill, in other areas it is paid as a set amount

Disability Living Allowance

This is a non means-tested, income-replacement benefit for people with long-term health conditions or disabilities. It consists of a care component and a mobility component . There are three levels of care and two levels of mobility payable, dependent on the nature and degree of the illness or disability. This benefit is currently being replaced by Personal Independence Payment (PIP - see below). People claiming for the first time will claim PIP and those already receiving DLA will be invited to claim PIP when their condition changes or when DWP decide to invite them.

Personal Independence Payment

This is in the process of being phased in to replace Disability Living Allowance (see above), and is a non means-tested income-replacement benefit. As with DLA, eligibility relates to long-term health conditions or disabilities which restrict independent living, and/or results in mobility problems. As with DLA there are two elements of PIP, a daily living component and a mobility component. However, with PIP, two levels benefit are payable for each element, (as opposed to three for care under DLA). PIP awards are subject to a health and capability assessment, and the assessment criteria for PIP differ to DLA (DWP figures from Autumn 2015 suggest that the proportion of people claiming DLA with non-terminal conditions being reassessed, 74% are awarded PIP).

Job Seekers Allowance (JSA) - income based

JSA is means-tested and is payable to those who are of working age, available for work and not of limited capability but not currently in full-time paid employment, and have made no NI contributions.

Since 2014, JSA has not been payable for the first seven days following a claim - known as 'waiting days'. People with savings in excess of £16,000 are not eligible for Income-based JSA. Those claiming JSA are required to enter a job seekers agreement or claimant commitment with their local Jobcentre Plus, which outlines the steps they are required to take to find work as well as the training and support they will be provided each week to help them to do so. Failure to fulfil the terms of the claimant commitment usually results in a financial penalty (sanction), where benefits can be withheld for a period of between four and 13 weeks, and up to three years for particularly serious cases.

Job Seekers Allowance (JSA) - contributory

This benefit is similar to income based JSA but is not means-tested. It is payable for those who have worked and made sufficient or relevant NI contributions in the previous two tax years, and is subject to the same claimant commitment.

Employment & Support Allowance (ESA) - income based

Income based ESA (unlike its contributory counterpart below) is means-tested and therefore is only available to people with income of less than the 'applicable amount' with savings or capital of less than £16,000, and who do not have a partner working full-time.

ESA is for those who have a health condition which restricts or precludes them from working. It replaced incapacity benefit in 2012. Eligibility is assessed at a work capability assessment - a new feature of out-of-work benefits. Those found to have some capability for work are placed on the Work Related Activity Group

(WRAG) and are supported to find suitable work, they may have to enter a claimant commitment as with JSA and may be sanctioned if they do not meet the obligations. Those considered to have conditions which would make it dangerous or impossible to work are placed in the Support Group. The amounts payable are based on JSA (£72.10) plus an additional component (£29.15 for people claiming WRAG and £36.20 for those in the Support Group). However, there are plans to cease payments of the WRAG component for new claims in April 2017. ESA is being replaced by Universal Credit.

Employment & Support Allowance (ESA) - contributory

Contributory ESA is available for those who are no longer eligible for statutory sick pay and made sufficient relevant National Insurance contributions. It is not means-tested and in all other respects it is the same as income based ESA. However a single claim is usually paid for no more than 365 days. Those who need to continue to claim are migrated to the income based entitlement.

Income Support (IS)

A means-tested benefit for those who are sick or disabled, looking after young children or have with other responsibilities and not in full time paid work. People must have no more than £16,000 in savings and little or no entitlement to other benefits which means their welfare income is less than the ‘applicable amount’ which includes a personal allowance, premiums for specific needs and housing costs. Income Support is being replaced by Universal Credit.

Benefit cap

In 2013 a cap was introduced on the total amount that people can claim from certain means-tested benefits. The aim of this was to ensure that no household in receipt of benefits receives more than the median household income for work. The benefit cap was originally set in 2013 at a flat rate of £26,000 p.a. In Autumn 2016 this will reduce to £23,000 p.a. in London and £20,000 p.a. outside London per family. For single people the cap will be set at £15,410 in London and £13,400 in other parts of the UK.

Universal Credit (UC)

From 2013 Universal Credit is gradually being rolled out. It combines six existing benefits - Job Seekers Allowance, Employment & Support Allowance, Housing Benefit, Working Tax Credit, Child Tax Credit, Income Support - into one, single payment. Designed to simplify the system, UC will be paid monthly, and as one payment to a nominated account for each eligible household.

Support for Mortgage Interest

From 2018 Support for Mortgage Interest will be paid in the form of a loan which must be paid back. In addition, successful claims will now be payable from 39 weeks after application rather than 13 weeks.

Child Benefit

This is not means-tested and is currently payable to all households with children aged under 16 (or in some circumstances under 20). There are two rates, one for the eldest child and another for each of the other children in the household. Where one of two parents in a household earns £50,000 p.a. or more this benefit is reclaimed via the tax system.

Free, confidential advice.
Whoever you are.

We help people overcome their problems and campaign on big issues when their voices need to be heard.

We value diversity, champion equality, and challenge discrimination and harassment.

We're here for everyone.

citizensadvice.org.uk

Published July 2016

Citizens Advice is an operating name of The National Association of Citizens Advice Bureaux.

Registered charity number 279057.