

Destitution or debt? Universal Credit and young people



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Depaul UK works with almost 4,000 young people who experience or are at risk of homelessness each year. We support these young people to put homelessness behind them and pursue their goals, which usually include finding settled housing and getting in to employment or education.

Universal Credit (UC) should be making it easier for young people who we work with to get back on their feet, but instead it is trapping them in debt or leaving them with no money at all. **Young people have to wait at least five weeks for their first UC standard allowance payment. During this time they often have to choose between having no money whatsoever, or taking on debt which will leave them unable to meet their basic living costs for months to come.**

This is because of fixable problems with UC. The Government should urgently address these by changing UC so that young people have to wait far less time for their first payment. The current system may lead young people to engage in risky behaviours, including crime and begging, or harmful relationships in order to survive.

The problem: After someone has applied for UC they have to wait at least five weeks for their first standard allowance payment.ⁱ The standard allowance is intended to support non-housing basic living costs. Young people who have recently been homeless rarely have any savings or pay cheques on the way to live off while they are waiting.

Claimants making new UC claims or transferring (migrating) to UC from other benefits are subject to this wait. It leaves people facing the choice between trying to live with no money or getting into debt – people can ask the Department for Work and Pensions for a loan, called a budgeting advance, to cover the gap before their first payment.

The problem with taking this loan is that it has to be paid back from future UC standard allowance benefit payments. This is especially difficult for young people.ⁱⁱ Since 2016, over years of high inflation, the standard allowance has been capped at £58 for people aged under 25, compared to £73 for claimants aged 25 and over. As the table below shows, it is extremely challenging to live off £58 a week. There is no slack to repay debt from it and also meet essential living costs.

Table: Budget on £58 per week UC standard allowance. Figures from George, 20, supported by Depaul UK

<i>Item</i>	<i>Average weekly costs to meet with £58 UC Standard Allowance</i>
Food	£12
Gas and electricity	£11
Three days travel, including to Jobcentre and volunteering	£10
Water	£6
Mobile phone	£5
Council tax	£3
Everything else - including clothing, toiletries, household supplies.	£11

When these figures are taken into account it is not surprising that some young people we work with decide to forgo budgeting advances. Instead they try to survive off foodbanks and handouts, which can be humiliating to ask for.

“Trying to live off £58 per week is unbearable, trying to live off less than that to repay a loan would be impossible, at least without getting into more debt or going hungry. It would also lead to isolation and depression. As a county we should empower not embarrass young people.” George, aged 20 - Depaul UK client

The Government should reduce the time it takes for the first UC standard allowance payment to be paid to young people to stop trapping them in destitution or debt

The problems highlighted in this briefing result from the gap between young people's application for UC and their first standard allowance payment. This gap should be significantly reduced. Jobseeker's Allowance claimants usually have to wait two weeks for their first payment. A similar two week or shorter wait could replace the current five week wait for UC.

Possible objections to this are that it would affect the assessment period built into UC, and that it would require more funding.

- The assessment period is used to record claimants' monthly income, which is needed to calculate their monthly UC payments. Currently, budgeting advances paid during this period are based on estimates of claimants' income. The method used to make these estimates could be used as a basis for actual payments of UC, rather than advances. Any under or over payments identified after the full assessment period could be dealt with by adjusting subsequent UC awards.
- Reducing the wait to two weeks would mean having to fund an additional three week's UC standard allowance payment. This would equate to around £175 per new claimant aged under 25. The total cost of this measure would be far less than the billions of pounds of savings generated each year by the Government's benefits freeze. Depaul UK believes that the Government should reinvest some of these savings to ensure that we have a functioning safety net for young people.

ⁱ Support for housing costs through UC can be paid two weeks after an application for people transferring to UC from other benefits.

ⁱⁱ The minimum amount that can be borrowed is £100. The maximum amount for a new claim advance is 50 per cent of the claimant's estimated UC payment. For new claims this has to be paid back over a maximum period of six months.