christians against poverty

CAP

Cost of living support payments - call for evidence

CAP's official response to
Work and Pensions' committee call for evidence

April 2023

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Summary

Christians Against Poverty (CAP) supports people in debt and poverty across the UK. Our flagship service, CAP Debt Help, works alongside people in their journey to become debt free. As a result, CAP has seen the impact of the Government's cost of living payments and is happy to feed into this call for evidence.

Key points:

- The cost of living support payments have been a real lifeline to people on low incomes during the cost of living crisis. However, even with these payments financial hardship has become an ongoing reality, and one that will not disappear once the 'crisis' is over.
- Chronic low incomes have seen millions of low income families struggle to get by, forcing people to sacrifice meals, disconnect from their energy and worry about the future.
- Issues with the provision of the cost of living support payments has seen people miss out, despite being in need and on a low income.
- The lack of clarity over timings of payment has made it hard for families to budget effectively.
- The automation of the support has helped to ensure that those disengaged with the welfare system are still in receipt of the much-needed help. However, not everyone who needed this support was in receipt of the passport benefit, either because they do not meet eligibility criteria for means-tested benefits or are not aware of their entitlement.
- There needs to be a more collective emphasis on encouraging people to check their entitlement on free benefits calculators, and provision of support for those unable to do so online.

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Questions

1. To what extent have the cost of living support payments been sufficient at helping eligible households meet the cost of essentials such as food and electricity?

In times of high costs and a fall in real incomes, CAP has seen these cost of living parachute payments act as a lifeline for low income families. After the Universal Credit £20 per week uplift was withdrawn in 2021, families saw a significant portion of their income removed. Whilst this had been known to be temporary, most claimants valued the additional income because it allowed them to afford their bills and essential costs. As the cost of living crisis began, this left families struggling on low incomes and rising costs, and for many, unmanageable debt. Therefore, the cost of living support payments were a welcome step to provide families with additional income to help afford the rising cost of essentials, like food, rent and energy.

To make matters worse, these rising costs were unavoidable for people. Statistics show that inflation has impacted the price of basic products proportionally more than other items, for instance pasta, milk and butter.

No one should have to live in a cold, dark home over the winter months. No parent should have to sacrifice meals, in order to feed their children. In February 2023, CAP conducted a YouGov[1] poll which found that poverty is on the rise in communities across the UK - nearly two thirds of the UK have seen poverty increase in their local areas (65%), and the vast majority (85%) of respondents agreed poverty has increased in the UK in the past year.

The cost of living crisis continues to impact millions - almost 42 million people (79%) in the UK are estimated to have been financially affected by the cost of living crisis. 10.5 million (20%) are experiencing financial difficulty, with 13.7 million more are only just about coping (26%) and would be at risk of falling into difficulty with further cost increases. These statistics would suggest that despite the cost of living support payments, people are still struggling to make ends meet.

Millions are also losing sleep and being forced to skip meals - more than half (53%) the population has lost sleep worrying about their finances. Just under a third of UK adults (32%) have had to skip meals, with 2.6 million (5%) adults doing so daily in the cost of living crisis.

These statistics show that despite the cost of living support payments, millions of people are still struggling to make ends meet.

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[1] CAP commissioned a YouGov Poll of a nationally representative sample of 2,098 people in February 2023. 84% of respondents lived in England, 5% in Wales, 8% in Scotland, 3% in Northern Ireland. Population figures have been calculated using ONS mid-year UK adult population estimates for 2020 of 52,890,044.

All calculations related to population have been carried out by Christians Against Poverty, using YouGov and ONS data.

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On average a CAP client waits around two years before seeking debt help, and this statistic is similar across the industry. The debt advice sector is only beginning to see the surge in families needing help with their finances, from the cost of living fallout. StepChange Debt Charity's latest monthly client data shows demand for debt advice is strikingly higher than last year, with over a quarter (26%) of StepChange clients saying that the cost of living is their main reason for debt.[2]

CAP's YouGov poll also found that people are worried how they will pay bills in 2023: 65% of adults (34.4m people) think that the cost of bills and essentials would put a significant burden on their finances in 2023. Millions are also worried because their income has not increased (32%, 16.9m people) and they will not be receiving government support for bills (15%, 7.9m people).

At its core, the root problem is that people do not have enough to live on. This is why CAP continues to call for liveable income levels, across both social security and wages. Serving clients with low incomes is becoming increasingly difficult for Debt Advisors in the sector, who have often attempted to access all avenues of income maximisation, and are still left with impossible situations.

Case study - submitted by CAP Debt Advisor
'I took a call from Y who wanted advice as she cannot afford to pay her energy bills as they keep going up. She has taken measures to reduce use as much as possible: turned off heating and hot water, to wash she heats a small amount of water in the kettle to use in the sink, only eats cold food to avoid using the cooker, uses her tablet instead of the TV to watch things, the only switch left on in her home is her fridge.

I advised about the Warm Home Discount, council tax rebate, additional Universal Credit payment for cost of living. But Y has used this all on energy and it isn't enough.

We discussed possible ways she could maximise her income, which is currently Universal Credit including limited capability for work and work related activity. Y cannot work due to ill health, hence receiving limited capability for work and work related activity, she has applied for PIP twice but has been rejected both times. Her support worker is helping her appeal the decision as they believe it to be incorrect.

I had to advise that there is not sufficient support available for her, and the best thing to do is to wait for the court case with her PIP.'

In the case study above, whilst CAP could help Y with debt advice, the root cause of the debt could not be dealt with - that being rising costs and low income.

[2] https://www.stepchange.org/media-centre/press-releases/demand-for-debt-advice.aspx

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Timing

The lack of transparency about when the cost of living payments would be awarded has also made it difficult for people on low incomes to budget. Without knowing exactly when payments would land, those living week to week - or even day to day are faced with difficult decisions. Providing more clarity on the timing of the payments would help low income households budget effectively, and not be forced to cut back unnecessarily. For instance, the most recent Cost of Living payments announced for Spring 2023, Autumn 2023 and Spring 2024 were announced in March 2023 but the cost of living Spring payment specific dates were not actually announced until April. This makes it hard for people to budget for these payments as eg. Autumn can be any time Sept-Nov.

Clear Governmental communication was needed so that the general public would be well informed about all the cost of living support packages. In our YouGov polling conducted in August 2022, we found that one in four (27%) respondents wanted more information about what they are entitled to from Government support. 15% wanted information on how to access packages like the Household Support Fund.

2. What role have the following factors played in access to the cost of living support payments:

   a) Passporting: Not already being in receipt of certain means-tested benefits, despite being eligible, and consequently being prevented from accessing emergency support;

The dates of the qualifying period were unhelpful because the first round of payments cut off date was set before the announcement. So where the payments were a prompt for people to check their entitlement, they would not get the payment despite applying before the payments were made and being in the same situation as others that received them.

In October 2022, CAP launched a free benefits calculator on our website. Since its launch, there have been 68,924 completed calculations, with just over £40 million found. In just 8 months thousands of people and families have identified additional income. Working on the assumption that there are still many more people not claiming what they are entitled to, there is a large cohort of people missing out on the cost of living support payments.

This is why CAP will continue to promote its benefit calculator webpage, and call for Government and businesses to encourage people to check to see what they may be entitled to. That said, there is still a cohort of vulnerable adults who do not have access to the internet, whether that be lack of WiFi or a suitable device. There is not an easy alternative for this cohort of people, who will likely be missing out on their entitlement.

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b) Cliff-edges: Not being in receipt of a certain means-tested benefit, because households failed to meet certain qualifying thresholds.

There is a cohort of people in low paid work, without children, who would have missed out from these payments. This group of people are already struggling to get by and now need to continue to do so, without the additional support.

c) Qualifying period anomalies: issues relating to the timing of benefit payments;

CAP Debt Advisors and Frontline workers have alerted CAP to the cases they have seen where due to issues relating to the timing of benefits payments, people on low incomes have missed out on the support payments. What's more, the cost of living payments were intended to help people for a window of months, therefore setting the qualifying period for only a single month did not encompass all those who may have been eligible over a longer period.

Case study - submitted by CAP Debt Advisor
V is on Universal Credit and works part time with no guaranteed hours. During the assessment period for the Winter cost of living payment, V was given more hours than normal taking her just over the threshold of receiving Universal Credit. This resulted in no Universal Credit payment during the assessment period and her missing out on the winter cost of living payment despite her getting Universal Credit every other month of the year and her income normally being lower. This makes things even tighter than normal this winter with this essential support.

d) Receiving a nil reward on a Universal Credit payment, due to reasons such as sanctioning; or

Whilst CAP does not have any case studies for this specific issue from the 2022/23 payments, Advisors report seeing an increase in the number of sanctions people are receiving and therefore this would be of increased concern in future.

e) Any other technicality you believe the Committee should investigate?

CAP Debt Advisors report a worrying increase in the number of budgets they create where a client is in an unsustainable financial situation, by this their income does not meet their expenditure. This is worrying considering that many low incomes households are receiving the Government's cost of living support payments. At the end of 2022, CAP reported that 51% of clients had an unsustainable budgets – even after debt advice.

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3. How has the Department's ad-hoc payment system and its design and use benefitted or limited the delivery of cost of living support?

Benefitted

The speed at which the Government was able to provide the cost of living payments was beneficial, in contrast with the pace at which other changes to other benefits have taken place. This was needed with the cost of living rising quickly.

The fact that individuals did not need to proactively apply was also beneficial, as it meant money was awarded to many low income households automatically, without needing a big awareness campaign.

It was also good that people on legacy benefits were included, unlike in the £20 per week uplift, giving better reach.

Limited

CAP Debt Advisors report a worrying increase in the number of budgets they create where a client is in an unsustainable financial situation, by this their income does not meet their expenditure. The one-off nature of the cost of living support payments mean that despite the fact they helped, it's not a long term solution. The payments did not solve the unsustainable budgets we saw in this period, with CAP finding the average amount of deficit for these budgets (£250 per month) shows insufficient these payments were.

A limiting factor was the lack of transparency on the timings the payments would be received. When someone is living on a low income, being able to budget and manage money is key - and therefore these ad hoc parachute payments did not aid people's planning and money management.

The fact these one-off ad hoc payments were needed to 'top-up' benefits is indicative of the fact that the level of social security is not adequate. CAP is supportive of the Work and Pensions Select Committee's review of the adequacy of social security, and hope its findings will highlight the current situation, and the recommendations will offer a recommended direction forward. That said, the uprating of social security rates in line with inflation this April will help people better afford the essentials. Those in receipt of social security should receive a sufficient amount to be able to afford the essentials, such as rent, food and energy. The rate it's set should therefore not require these ad hoc cost of living support payments.

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4. Are there any examples of international best practice in relation to the delivery of emergency cost of living support that the UK can learn from?

CAP does not hold enough evidence to suggest international best practice.

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About Christians Against Poverty (CAP)

With a vision to see transformed lives, thriving churches and an end to UK poverty, Christians Against Poverty (CAP UK) is a national charity that equips local churches to deliver a range of services.

CAP Debt Help provides holistic support for families and individuals facing problem debt with a free face-to-face service – tackling both the financial challenge and the wider emotional impact. CAP tackles the causes and consequences of UK poverty through free community groups, also run through local churches.

All CAP's services are free of charge and available to everyone, regardless of age, gender, faith and background. To find out more, visit capuk.org.

Requests for further information

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