

Mr Will Quince MP
Minister for Welfare Delivery
Department for Work and Pensions
Caxton House
Tothill Street
London
SW1H 9NA

3rd January 2021

Dear Minister,

Re: Universal Credit uplift and the benefit cap

We valued the opportunity to meet you in September, to discuss government recovery planning for vulnerable and disadvantaged children and families.

During that meeting, you stated that the Government would review the interaction between the Universal Credit uplift, and the benefit cap, after the next fiscal event – the 2020 Spending Review. We therefore now write to seek an update on that review process, and timeframes for its completion. We would also like to share with you the latest evidence on this issue, which adds further weight to the case for suspending or abolishing the benefit cap.

As you know, the cap prevents many Universal Credit households from benefiting from the £20/week uplift in Universal Credit, introduced in April 2020. We are concerned that, as a result of the cap, many low-income families with children are missing out on this vital additional support, at a time of rising unemployment, falling incomes, higher household costs, and additional caring responsibilities as a result of school closures.

Many capped households already in receipt of Universal Credit prior to the pandemic have never received the uplift. Meanwhile, many households who have made a new claim during the pandemic (after being made unemployed or losing hours) are now at the end of the 9-month grace period in which the cap is not applied, and will lose the uplift. [Research by Child Poverty Action Group \(CPAG\)](#), published in December, estimated that 35,000 households came to the end of their grace period in December – 27,000 of which were households with children – and a further 41,000 are due to be newly-capped between January and March this year.

While in theory it is possible to avoid the cap, by working enough to meet the earnings threshold, or by moving into cheaper housing, current labour market conditions and national lockdown restrictions make cap avoidance difficult if not impossible in many cases. The majority of households affected by the benefit cap are single parent families - many of whom will be grappling with childcare and home-schooling responsibilities in the face of prolonged school closures. For these families, finding a sufficient level of work to avoid the benefit cap in the current context is unrealistic.

In addition to the immediate situation facing families during the coronavirus pandemic, evidence has shown that the policy is failing to achieve its intended purpose – to increase work incentives. Research has shown that cutting social security payments can push claimants further away from the labour market, and increase child poverty. It is also a cause of deep poverty - [CPAG research](#) estimates that the cap's removal could pull 50,000 children out of poverty; 100,000 children out of

deep poverty (<50% median income); and 150,000 children out of very deep poverty (<40% median income). Furthermore, there is now [an established link between the cap and mental ill-health](#), which impacts on both the individual, and wider society through public spending.

We therefore call on the Government to urgently undertake its planned review, and to commit to considering the overall impact of the benefit cap (particularly on lone parents) in the near future.

Yours sincerely,

Imran Hussain - Director of Policy and Campaigns, Action for Children

Alison Garnham – CEO, Child Poverty Action Group

Richard Crellin – Acting Director of Policy and Research, The Children's Society