

## Helping people through the Covid-19 pandemic

The government has now moved in to the Delay phase of its coronavirus action plan. The focus has rightly been on public health, NHS readiness, and targeted support.

As the situation develops, and the government's response broadens, it will be increasingly important to support the financial and social resilience of individuals and families. If people cannot afford to self-isolate without fear of debt, disconnection, or eviction, this will undermine the public health response. And in the long-term there is a risk that a temporary crisis could translate into lasting economic harm.

This briefing paper shares policy options to mitigate these risks. Because the situation is fast-moving, we present a range of options, some appropriate now and others appropriate only if or when the crisis escalates. All the measures presented would be temporary and some could apply for only a short period at the peak of the pandemic.

A theme running through the paper is that it will be vital to share the financial burden of the coming months fairly between government, business, individuals and families.

Visits to our coronavirus advice pages have increased fourteen fold in the past week as the potential implications hit home. At Citizens Advice we know that many families in England and Wales go into this crisis with little resilience - around 7 million people have no savings at all.<sup>1</sup> It is in everyone's interests that we help vulnerable people through these difficult times.

### Who is at risk?

The impact of this crisis will be widely felt. But some groups are particularly exposed:

- People in low paid employment - in particular, people in 1.5 million jobs who earn below the Lower Earnings Limit (LEL) necessary to earn Statutory Sick Pay (SSP)<sup>2</sup>
- Up to 5 million self-employed people,<sup>3</sup> particularly those who have not made sufficient NI contributions to qualify for contributory Employment and Support Allowance (ESA)
- 3.7 million adults who say their household could not cover living expenses for under a week if they lost their main source of income, alongside 7.4m people with significant debt burdens - typically in the form of mortgages, loans, credit cards or council tax arrears<sup>4</sup>
- People who face higher energy and other essential costs as a consequence of having to self-isolate

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<sup>1</sup> [The financial lives of consumers across the UK: Key findings from the FCA's Financial Lives Survey](#), FCA, 2018

<sup>2</sup> Citizens Advice analysis of ONS data.

<sup>3</sup> [Employees and self-employed by industry](#), Office for National Statistics

<sup>4</sup> [The financial lives of consumers across the UK: Key findings from the FCA's Financial Lives Survey](#), FCA, 2018

There is likely to be significant overlap between these categories, which will increase the risk of long-term harm. Our package of temporary measures is put forward with these groups in mind.

### Summary of temporary options:

- **Employment:** provide SSP at 80% of their wage<sup>5</sup> for people earning less than the Lower Earnings Limit; suspend the Minimum Income Floor for all self-employed people for 1 year; suspend NI contribution requirements for contributory ESA.
- **Universal Credit:** make advance payments a grant for those advised to self-isolate; make maximum use of repayment pauses for benefit debt and third party deductions.
- **Housing:** issue guidance to landlords on how to treat renters in arrears; suspend section 21 to reduce 'no fault' evictions, and amend the grounds under which a section 8 order can be made to ensure people are not being evicted as a consequence of being in arrears during this crisis; Social Housing Regulator should write to all housing associations to set out expectations of support for people with rent arrears.
- **Mortgages and other debts:** institute mortgage and loan holidays, with no higher costs and options for how delayed payments are repaid, while ensuring credit ratings aren't affected; finance industry-wide forbearance for all debts; amend council tax regulations to ensure people are not liable for their annual bill when they miss a payment; councils should avoid using court and enforcement action.
- **Essential bills:** use the existing Cold Weather Payment to provide support for self-isolating households paying higher energy bills in receipt of Universal Credit or legacy benefits; ensure suppliers have processes in place for self-isolating people to top up legacy and smart prepayment meters; suspend disconnections for the period of the crisis.
- **Consumer protection:** Ensure intelligence sharing is working across the enforcement landscape; preemptively ban unsolicited marketing on products that make claims about helping consumers deal with coronavirus.

Some of these measures - extending SSP entitlement to those below the LEL, suspending section 21, amending the grounds under which a section 8 notice can be made and banning unsolicited marketing - require legislation and could be prioritised in forthcoming emergency legislation.

Other measures - changes to Universal Credit, Cold Weather Payment and other benefits and amendments to council tax regulations - should be possible by amending secondary legislation or changing guidance. The FCA should lead on changes to mortgages and other debts while sector regulators should take action in other essential markets.

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<sup>5</sup> Reflecting that SSP is currently set at 80% of the LEL; if SSP is increased, we recommend this is adjusted as well.

We have outlined the reasons for each of these changes in further detail below. We have also pointed to areas where further changes are likely to be needed as the impact of the pandemic widens.

### **Employment and benefits**

We welcomed the government's plans to make people eligible for sick pay from day 1, reduce the waiting period for discretionary Employment and Support Allowance (ESA) to 1 day, and temporarily suspend the minimum income floor for people who are self-isolating or sick. Measures to ensure sick pay and the benefits system can be used both by sick and self-isolating people are welcome too, as is the ability of the 111 service to issue sick notes. This will make people more financially secure and mitigate challenges for those who fall sick or need to stay at home.

Should the need for social distancing strategies become more pronounced as the virus progresses, further measures may be needed to ensure the safety net can support people to do the right thing for their own and vulnerable members of society's health.

Crucially, support is needed for those in the 1.5 million jobs who earn below the Lower Earnings Limit (LEL) for Statutory Sick Pay (SSP). As and when the outbreak progresses, steps taken by these workers - who are particularly concentrated in customer-facing service jobs - will be critical.

**We recommend that the government fast-tracks its existing proposal to provide SSP for people earning less than the LEL at 80% of their wage, at least on a temporary basis.** This would cushion these workers and help them take the necessary action to reduce the spread of the virus. We expect this will need primary legislation, so we recommend the government consider it in forthcoming emergency legislation.

Self-employed people will be better able to access Universal Credit as a consequence of the suspension of the Minimum Income Floor for those who self-isolate. But many self-employed people will lose business as a result of this crisis whether they need to self-isolate or not.

**We therefore recommend the government temporarily suspend the Minimum Income Floor for all self-employed people for the coming period.** Given the existing discretion with setting work-related requirements, this should be possible either through amending regulations or simply providing additional guidance to Work Coaches.

Suspending the Minimum Income Floor may not be enough to support people who are ineligible for contributory ESA to self-isolate if they need to do so. **The government should therefore consider temporarily waiving the NI contribution requirements** by amending the Employment and Support Allowance Regulations 2013, so that self-employed workers who have not paid enough national insurance contributions over the last 2 tax years are not penalised.

2.8 million people are currently on Universal Credit and demand is now likely to increase.<sup>6</sup> While Universal Credit is a better tool for responding to a pandemic situation than its predecessor benefits, it is not designed to provide quick financial support. **The five-week wait should be reduced so that households who self-isolate can get quicker support.** One way to achieve this would be to temporarily make repayable advance payments a grant rather than a loan for people medically advised to self-isolate.

Some debts can be deducted from Universal Credit payments and people are more likely to fall into debt during this period. We welcomed the lowering of the maximum reduction rate from 30% to 25% set out in the Budget. **At the peak of the outbreak, the government should also consider a temporary repayment pause for claimants.** This would be an effective way to boost the financial resilience of low income and vulnerable groups at a critical moment, in support of public health objectives.

**The level of SSP and benefits will likely need to be addressed if the crisis is prolonged or affects a significant proportion of the population.** While the combination of SSP and Universal Credit payments will provide people with much needed financial support, analysis of our debt advice data suggests it may not be enough to cope with sustained temporary drops in income. While not a perfect comparison, people who come to us with negative budgets - where their necessary outgoings exceed their income - often find that the support they receive from the state and their employer is insufficient. For example, a single person with no dependents will typically have necessary outgoings of around £1000 a month. Depending on the level of Universal Credit housing costs element, combined SSP and Universal Credit housing costs element will be far lower.

## Housing

It is important to support homeowners, as we set out below. But home ownership is concentrated among higher income groups, so focusing on this group alone risks excluding private and social renters who are more financially vulnerable on average.

4.5 million households live in the private rented sector and 4 million in the social rented sector, with the biggest single group in both (37% and 34%) made up of families with children.<sup>7</sup> Support for these households is critical, as it is likely that some people will fall behind on their rent as a consequence of self-isolation or wider disruption.

The government will want to ensure that people do not face higher risk of eviction as a consequence of coronavirus, and there is therefore a strong case for limiting evictions in general during the period. It could therefore consider a range of options. On the light touch end, the government could issue non-binding guidance to landlords regarding how they should treat tenants in this situation. This could send a powerful signal to landlords less mindful of their civic obligations during this crisis.

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<sup>6</sup> [People on Universal Credit](#), DWP, January 2020

<sup>7</sup> [English Housing Survey](#), Ministry of Housing, Communities & Local Government

At the height of the pandemic, bolder action might be needed. **The government should, for a limited window, pause the option of eviction on any grounds.**

To do this, the government could temporarily suspend section 21 (to reduce faultless evictions during this period) and temporarily amend the grounds under which a section 8 order can be made, to ensure no-one is evicted as a consequence of being in arrears due to coronavirus, for all existing Assured Shorthold Tenancies. There would be a strong case for backing this up with financial support for struggling landlords.

The government should also provide guidance to judges to ensure people are not evicted for rent arrears accrued as a result of coronavirus.

A similar issue exists in the social housing sector, though we expect this to have a smaller effect, given more affordable rents and the ability of advance/hardship payments to help play a role. Still, we recommend the Social Housing Regulator writes to housing associations to set out its expectations on how households who fall into arrears as a consequence of coronavirus should be supported.

### **Helping with mortgages and other financial debts**

Many people will see a loss of income in coming months. Falling behind on mortgage payments presents a significant challenge for many households, and industry has recognised they will need to stand ready to support customers as needed. While there have been positive voluntary actions from banks already, this support should take a specific form.

**Banks should offer forbearance on payments, through a flexible mortgage holiday,** ensuring that credit ratings aren't affected by not recording or reporting them as missed payments to credit ratings agencies. Customers should not be disadvantaged if they use this option - using the principles of Breathing Space, additional interest accrual should be suspended. For delayed payments, customers should have the choice of higher payments for the remainder of the mortgage term or an extension of the mortgage's term to reflect the delay. Where landlords receive 'mortgage holidays' they should be expected to pass this on to their tenants.

Banks should be flexible in applying this approach. While people who self-isolate could be most in need, many others will see their income disrupted. Banks should be sensitive to people's financial circumstances and ensure this mechanism is available to all people whose income is disrupted.

While mortgages are usually homeowners' biggest outgoing, we think a similar approach should be taken industry wide. For any type of debt agreement, if people are falling behind on payments because of a need to self-isolate, they should be given forbearance and not face higher costs because of delayed payments, with no impact on credit ratings for missed payments. In the case of loan agreements, banks and other lending firms should adopt similar approaches to the suggestion we outline for mortgages.

**The FCA should issue emergency rules or guidance to banks and other lending firms outlining a similar approach to the suggestion we outline for mortgages.** If the FCA needs greater powers, the government should stand ready to provide them via forthcoming emergency legislation.

Finally, council tax is now the most common debt problem we see at Citizens Advice. We welcome the Budget's announcement of a £500 million grant to local authorities to support economically vulnerable people through council tax relief. We expect local authorities will want to increase the support they offer from 70-90% to 100% of the bill.

There is also a case for more considerate enforcement on council tax. Millions of households will shortly receive their 2020/21 council tax bill. Under current regulations, a typical council tax payer - paying around £1,600 a year council tax - faces becoming liable for the full amount if they are unable to meet installments at the start of the year. At the height of the outbreak, this risks creating counter-productive and unnecessary harm. There is a practical way to relieve this pressure. **MHCLG should amend council tax regulations through secondary legislation to stop people becoming liable for a full annual bill when they miss one payment.** Councils should also avoid using court or enforcement agents to collect arrears accrued as a result of self-isolation.

### **Helping with increased essential bills**

People who self-isolate will have higher essential bills, particularly for energy. A good way to support these households is to re-fashion the Cold Weather Payment (CWP). This gives £25 a week to those in receipt of certain benefits if there are 7 consecutive days of cold weather.

**The Government could change conditions for the CWP so that households who are advised to self-isolate and are in receipt of Universal Credit/legacy benefits automatically receive an additional payment to help them with increased energy costs.** This would also help those receiving Pension Credit who need to self-isolate. There may also be a case for temporarily extending CWP to people in receipt of a Personal Independence Payment, as disabled people face higher energy costs in general, which will be exacerbated should they need to self-isolate. These changes would require an amendment to the Social Fund Cold Weather Payments 2013.

On energy debts, we are working closely with Ofgem and our current belief is that existing rules and guidance should be sufficient to ensure energy suppliers treat their customers fairly. One risk is that people who self-isolate struggle to top up their legacy prepayment meters. **We recommend that suppliers provide discretionary credit to a shop, a relative or friend who can pick up on people's behalf or that suppliers send out a pre-loaded top up card in these circumstances.**

We think that water bills are unlikely to be a significant concern, as they are not priority debts and water companies have no power to disconnect, though obviously companies should be expected to provide adequate response.

We are more concerned about telecoms bills, because firms often move too quickly to disconnection when customers fall behind on bills. With many more people working from home, telecoms firms should do everything possible to avoid disconnections that are not at a customer's request during the crisis. For customers with fixed broadband limits, **firms should be flexible during this period on levying charges on customers exceeding these data limits (for example, by allowing customers to spread the costs over 12 months and not charging penalties).**

### **Consumer protection**

We are closely monitoring data from our Consumer Service helpline for coronavirus-related scams or sharp practice. We see some evidence that traders are exploiting consumers' concerns around coronavirus and Trading Standards and Action Fraud will need to be vigilant in coming months.

There are reports of inflated prices for goods such as hand sanitiser and face masks, as well as false claims relating to their efficacy. There are also reports of traders setting up, or cloning, legitimate websites to take advantage of the spike in demand for these goods. These traders then fail to fulfill orders, leaving customers out of pocket. The scams and false claims we see currently reported largely relate to cleaning products and services, including dry cleaning and home cleaning services. **We are sharing our intelligence with colleagues across the consumer enforcement landscape, and will continue to do so.**

The Competition and Markets Authority has indicated it will take action to ensure that traders do not exploit the current situation to take advantage of people, by charging excessive prices or making misleading claims about the efficacy of protective equipment.

Crises often lead to an increase in fraud, scams and aggressive selling techniques. **The government could consider taking precautionary action to limit unsolicited marketing on products that make any claims about helping consumers deal with coronavirus.** A precedent for this is the government's action to ban unsolicited calls, emails and text messages about pensions, through amending Privacy and Electronic Communications Regulations. A similar approach could be taken to deter coronavirus scammers.

### **Conclusion**

The measures outlined above focus on putting in place social infrastructure that allows people to make the best decisions at all times for their health, and for the health of the wider public. They are designed to be temporary changes in response to an unprecedented situation.

More detailed work should be conducted in future to mitigate the longer term impacts of coronavirus on the UK economy. This detailed work should be designed to spread the impacts of the pandemic fairly between government, businesses and individuals. Most importantly, it should focus on getting the most vulnerable people - who are likely to be hit hardest by this crisis - back on their feet.