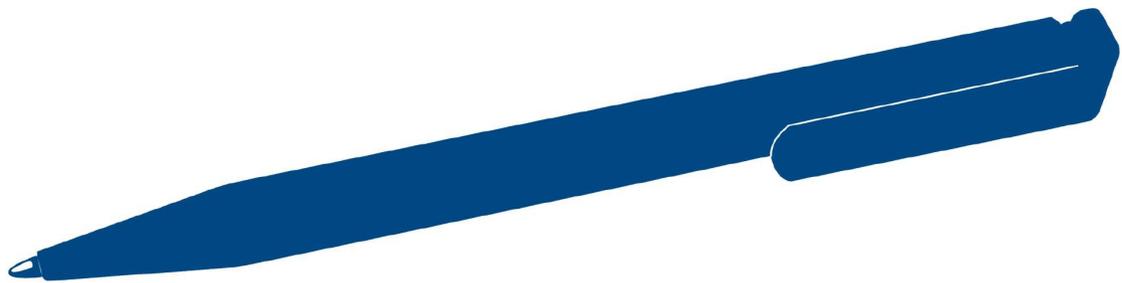


# Lockdown Lifeline

Ensuring adequate support  
across the benefits system  
during the COVID-19  
pandemic



May 2020

# Contents

<b>Introduction</b>	<b>2</b>
Summary of recommendations	3
Citizens Advice data	4
Summary of changes to benefits to date	5
This briefing	5
<b>Widening eligibility and access to the benefits system</b>	<b>6</b>
Migrants and people with irregular status	6
Self-employed people	8
<b>Immediate measures to help ensure adequate support across the benefits system</b>	<b>9</b>
Easing the benefit cap	10
Changes to advance payments	11
Improving support for legacy benefit claimants	13
<b>Reviewing support for groups who risk facing a disproportionate impact due to coronavirus</b>	<b>14</b>
Younger adults	14
Families with more than 2 children	16
Disabled people	17
<b>Closing remarks</b>	<b>18</b>

# Introduction

Coronavirus has had a sudden and unprecedented impact on people's jobs and incomes. Nearly 4 out of 10 (38%) households have reported lost income because of this crisis, with nearly 1 in 10 (8%) households reporting losing 80% or more.<sup>1</sup>

The Government has made a series of interventions to help boost people's financial resilience during this period. The Job Retention Scheme and the Self-Employment Income Support Scheme are designed to temporarily subsidise 80% of wage costs and self-employed income (up to £2,500 per month) for those eligible. Other measures such as temporary mortgage and debt holidays are helping to limit people's expenditure. The Government has also made significant changes to the benefits system to help shore up people's incomes.

However, we are concerned that there will still be families who will struggle to make ends meet. 6.3 million employees have been furloughed via the Job Retention Scheme - nearly a quarter of all employees.<sup>2</sup> The Office for Budget Responsibility has warned that unemployment could rise to 2 million in the second quarter,<sup>3</sup> indicating the economic uncertainty is unlikely to be short-lived.

Many people were already struggling before this pandemic. Over 7 million people have no savings to fall back on,<sup>4</sup> whilst 10% of all adults in Great Britain say they couldn't cover their costs for longer than a week if they lost their main source of income.<sup>5</sup> The current economic situation and social distancing measures amplifies these challenges. People are limited in their ability to take up work due to a dwindling job market,<sup>6</sup> whilst also having little prospect of reducing their outgoings through things like moving home.

The current crisis has highlighted the need for our benefits system to act as a financial safety net for people during difficult times. Changes so far have started to ease some of the problems that existed,<sup>7</sup> but the scale of the impact coronavirus will likely have on people's lives means it's vital we now build upon these to ensure the right support is in place for all groups. This includes those

---

<sup>1</sup> Poll of 2,000 adults conducted on behalf of Citizens Advice by Opinium (carried out between 2-7 April)

<sup>2</sup> HMRC (2020) <https://twitter.com/HMRCgovuk/status/1257324798847451136>

<sup>3</sup> Office for Budget Responsibility (2020) [Coronavirus Reference Scenario](#)

<sup>4</sup> Financial Conduct Authority (2018) [Financial Lives Survey](#)

<sup>5</sup> Office for National Statistics (2020) [Early Indicator Estimates from the Wealth and Assets Survey](#)

<sup>6</sup> Office for National Statistics (April, 2020) [Coronavirus and the Economic Impacts on the UK](#)

<sup>7</sup> See Citizens Advice (2020) [Making Ends Meet: The impact of the benefits freeze on people in debt](#)

facing a temporary income shock, but also groups who risk facing longer-term and more severe economic detriment.

The need to act becomes all the more critical as the current measures introduced to protect people's finances gradually come to an end. This report builds upon our previous work into ongoing support for people during this period.<sup>8</sup> We outline a series of immediate changes that would help shore up people's incomes, as well as areas for reform that need to be considered in the longer-term.

Whilst we recognise the costs attached with several of these changes, acting now will help reduce the risk of people building up debt, promoting financial resilience in the longer-term. This would also aid the economic recovery, helping to shore up consumer confidence which has fallen to lows not seen since the financial crisis in 2009.<sup>9</sup>

## Summary of recommendations

### **To widen eligibility and access to the benefits system, the Government should:**

- Temporarily lift the 'no recourse to public funds' restriction for those subject to immigration control. It should also temporarily suspend the Habitual Residence Test from the application process for benefits such as Universal Credit.
- Publish guidance to clarify how the capital limit rule for claiming Universal Credit (currently £16,000) applies to business assets to widen eligibility to the benefit to self-employed people who are currently unable to trade.

### **To ensure adequate support across the benefits system, the Government should immediately:**

- Suspend the benefit cap to ensure people can access adequate levels of financial support during this period and beyond.
- Temporarily turn advance payments into grants to ensure that people get the support they need to get through the five week wait, without the risk of debt and problems in the future. Short of this, they should temporarily suspend repayment of advance payments for existing Universal Credit claimants, similar to the three-month suspension of

<sup>8</sup> See Citizens Advice (2020) [Near the cliff-edge: how to protect households facing debt during COVID-19](#) and Citizens Advice (2020) [When the protection schemes end: a transition package to help households recover from the coronavirus shock](#)

<sup>9</sup> Resolution Foundation (2020) [The economic effects of coronavirus in the UK](#)

repayments of Tax Credit and benefit overpayments and Social Fund loans.

- Ease pressure on households receiving legacy benefits by applying an uplift to mirror recent increases to the standard allowance within Universal Credit and Working Tax Credit basic element.

**Longer-term, the Government should consider measures to ensure groups disproportionately affected by coronavirus have adequate access to support from the benefits system, including:**

- Reviewing benefit rates for younger groups of claimants (across things like the standard allowance within Universal Credit and the Local Housing Allowance).
- Considering ways to increase support for larger families, such as through lifting the two-child limit on benefits .
- Reviewing support for disabled people going through the appeals process for disability benefits (such as Personal Independence Payment), as well as improving the accuracy of decision-making at initial assessments.

## Citizens Advice data

At Citizens Advice, we've seen a huge increase in the demand for our advice since government measures began in March. Over the period 9 March - 24 April, our website had almost 8 million pageviews.<sup>10</sup> 'Coronavirus' was the most searched word on our website, followed by people looking for information on Universal Credit.<sup>11</sup>

Enquiries about Universal Credit spiked in mid-March, which was mirrored by the unprecedented numbers of people applying for the benefit through the DWP, who processed 1.8m claims between 16 March - 12 April.<sup>12</sup>

In addition to our website traffic, people have been coming to us for advice by telephone, email and through webchat. We've seen a 35% increase in people coming to us for help with their initial claim for Universal Credit compared to the same period 6 months ago (23 September - 20 October 2019).<sup>13</sup> This includes people who we have supported through our Help to Claim service.<sup>14</sup>

---

<sup>10</sup> Citizens Advice (2020) [Top coronavirus issues seen by Citizens Advice \(updated 29th April 2020\)](#)

<sup>11</sup> Ibid

<sup>12</sup> DWP (2020) [Universal Credit: 29 April 2013 to 12 March 2020](#), Management Information Tables

<sup>13</sup> Citizens Advice (2020) [Top coronavirus issues seen by Citizens Advice \(updated 29th April 2020\)](#)

<sup>14</sup> Help to Claim is a service that supports people to make a claim for Universal Credit

## Summary of changes to benefits to date

Policy Change
<b>£500 million hardship fund</b> provided for Local Welfare Assistance schemes and council tax support.
<b>Statutory Sick Pay</b> made available for people self-isolating or shielding due to coronavirus, and payable from day 1 for people who are self-isolating.
<b>Employment and Support Allowance</b> made payable from day 1 for those self-isolating or caring for a child who is, and for those shielding.
<b>Minimum Income Floor</b> suspended for 8 months for all self-employed people.
<b>Coronavirus Job Retention Scheme</b> announced, allowing employers to apply for 80% of furloughed employees wages up to £2,500 per month.
<b>Self-Employment Income Support Scheme</b> announced, providing taxable grants worth 80% of trading profits up to a maximum of £2,500 per month to self-employed people affected by coronavirus.
<b>Local Housing Allowance</b> rates increased to cover the bottom 30% of local rents.
Recovery of <b>benefit overpayments, social fund loans and tax credit debts</b> paused for three months.
<b>Universal Credit standard allowance</b> and <b>Working Tax Credit basic element</b> increased by £1,040 for 12 months. <b>Permitted work earnings limit</b> increased from £131.50 to £140 per week after tax.
<b>Face-to-face assessments, reviews and reassessments for sickness and disability benefits suspended for 3 months.</b>

## This briefing

Given the enormous scale of the crisis, there is a need for immediate measures to help shore up people's finances during this period. But we also need to look ahead to the longer-term impact this crisis could have on people's income security, ensuring the right support is in place for groups who risk being disproportionately affected.

These are set out across three categories:

- **Widening eligibility and access to the benefits system** to ensure that everyone who needs support can access it
- **Immediate measures** to help ensure adequate support across the benefits system
- **Reviewing support** for groups who **risk facing a disproportionate impact** due to coronavirus

## Widening eligibility and access to the benefits system

This global emergency is unlike any in the post-war period. It is both an economic and a health crisis in one - an inadequate response to either facet risks undermining the response to the other. The wide-ranging impact of the crisis makes it paramount that all those needing support from the benefits system can access it.

This section highlights where there are currently gaps that need addressing.

### Migrants and people with irregular status

Most migrants face some restrictions on their ability to access benefits, ranging from people from the European Economic Area (EEA) needing to demonstrate that they have settled status or the right to reside to access benefits, to many non-EEA nationals without indefinite leave to remain having no recourse to public funds (NRPF). People with irregular status (including people born in the UK to undocumented migrants, failed asylum seekers, and people who have overstayed a visa) are unable to access any kind of state support.

Migrants are likely to be disproportionately affected by the current crisis, as they are more likely to work in sectors affected by the lockdown<sup>15</sup> and to be in low-paid<sup>16</sup> or insecure work or self-employment<sup>17</sup> than UK-born people. While some migrants will be able to access the Job Retention Scheme and the Self

---

<sup>15</sup> IPPR (2020) [Migrant workers and coronavirus: risks and responses](#)

<sup>16</sup> JRF (2017) [Foreign-born people and poverty in the UK](#)

<sup>17</sup> IPPR (2020) [Migrant workers and coronavirus: risks and responses](#)

Employment Income Support Scheme, there will be migrants who won't be covered and who may struggle to access support from the benefits system.

It is clear that this is an area of concern for migrants. In the 6 weeks between 13 March and 24 April 2020, there were 7,832 views of our webpage on 'UK benefits and services if you're subject to immigration control', a 110% increase on the 6 weeks prior. Similarly we saw an increase during the same period in views for our webpage on checking whether you can pass the habitual residence test (HRT) for benefits<sup>18</sup> - we had 14,063 views, representing a 33% increase on the 6 weeks prior.

Our advisers often submit evidence forms to highlight key problems faced by people they're helping. Analysis of 50 of these evidence forms<sup>19</sup> relating to coronavirus and migrants' access to benefits has identified a number of common challenges. We've seen several cases of clients on zero hours and low-paid agency contracts who have been refused furlough by employers or not heard back from a request for furlough. Some clients with NRPF have felt compelled to continue working even if they are in the 'higher risk' or 'shielding' group or exhibiting coronavirus symptoms because they know they will be unable to access benefits if they stop working.

EEA nationals have also told us about problems with pending Settlement Scheme applications, failing the HRT, and knowing they do not meet the requirements of the HRT. This is compounded by the fact that in many instances, international travel restrictions mean they cannot return to their home country.

This presents people at high risk of hardship and destitution. We have seen cases where clients are at risk of eviction and homelessness (in some cases illegal eviction has been threatened), spiralling areas for rent, council tax or essential services, and are unable to provide for them and their family.

---

<sup>18</sup> People from EEA countries who want to apply for benefits need to show they have the right to claim. They can do this by passing the Habitual Residence Test (HRT). People taking the HRT need to show that the UK, Ireland, Channel Islands or Isle of Man is their main home and they plan to stay, which is known as being 'habitually resident'. They also have to show they have a 'right to reside', providing evidence about their work, family and personal situation.

<sup>19</sup> Submitted between 13 March 2020 and 21 April 2020. 15 evidence forms relate to EEA nationals, 34 relate to non-EEA nationals and 1 relates to both EEA and non-EEA nationals

### **Kadiatou's story**

Kadiatou has NRPF and was working as a cleaner on a zero-hours contract before the start of the coronavirus pandemic. She is not receiving any payment from the cleaning agency employing her, and they have so far declined to answer her messages asking for clarity about furlough (she only started her job in early March).

She has severe asthma and is therefore currently unable to seek new employment, as she needs to shield at home. She has fallen behind on her rent payments and is being chased by her landlord. Prior to the pandemic, she already had council tax and utilities arrears. Kadiatou has run out of money for food, and she is feeling very distressed and overwhelmed by her situation. She contacted Citizens Advice to ask to be referred to a food bank and mental health support.

### **Recommendations:**

- The Government should temporarily lift the 'no recourse to public funds' restriction for those subject to immigration control.
- The Government should temporarily suspend the Habitual Residence Test from the application process for benefits such as Universal Credit.

## **Self-employed people**

We welcome the steps the Government has taken to part cover self-employed people's incomes during this period through the Self-Employment Income Support Scheme. We know that there will be self-employed people who won't qualify for this scheme - including those who have been self-employed for less than a year - which is why clarity is needed on support available for this group through Universal Credit.

Public guidance on Universal Credit eligibility says the maximum amount people can have in savings when applying for Universal Credit is £16,000. This is a form of means-testing access and ensures that those with substantial savings are not able to apply for support before they use those savings. However, this may prevent some self-employed people from applying for the benefit. This is because self-employed people have to save up over the year in order to make tax payments when the time comes for self-assessment. It is therefore possible

that there will be self-employed people who have capital in excess of £16,000 to pay a future tax liability.

Whilst the Minister for Welfare Delivery has said that money set aside for a tax liability can be considered as a business asset and wouldn't fall under the capital limit rule,<sup>20</sup> this has not been clarified in guidance and claim forms.

**Recommendation: The Government should publish guidance to clarify how the capital limit rule for claiming Universal Credit (currently £16,000) applies to business assets to widen eligibility to the benefit to self-employed people who are currently unable to trade.**

## Immediate measures to help ensure adequate support across the benefits system

From our debt work, we know that on average a single person has necessary outgoings of £960 per month. With a Universal Credit standard allowance of £410 a month<sup>21</sup> and Housing Benefit set at the 30th percentile of local market rents, there will likely be households facing a shortfall in support in being able to meet these costs.<sup>22</sup>

We know that many people on benefits were already in a difficult financial position before this crisis. Our research last year found that almost half (49%) of those receiving working-age benefits had struggled to meet essential costs over the 12 months prior.<sup>23</sup> The situation for these individuals is likely to be made worse where they have seen a drop in their hours or been made redundant.

We are already seeing the immediate impact this crisis is having on people's ability to pay their rent, mortgage and manage household bills:

---

<sup>20</sup> Work and Pensions Committee (2020) [Oral evidence: DWP's response to the coronavirus outbreak, HC 178](#)

<sup>21</sup> For single people 25 and over

<sup>22</sup> Citizens Advice (2020) [Financial support during the Covid-19 pandemic - a proposal for a Crisis Minimum Income](#)

<sup>23</sup> Citizens Advice (2019) [Achieving Income Security For All](#)

- 29% of renters report they expect to be or are already behind on their rent as a consequence of coronavirus.<sup>24</sup>
- 1.2 million households have been given mortgage holidays.<sup>25</sup>
- 1 in 10 (9%) report having fallen behind on at least one household bill due to the pandemic, with agency and zero hours workers disproportionately affected.<sup>26</sup>

Whilst the Government has introduced welcome measures to help protect people's finances during this period - such as investment in the Universal Credit standard allowance and Working Tax Credit basic element - it's clear that more action is needed to shore up people's incomes to avoid them building up debt and facing unnecessary hardship.<sup>27</sup> This section outlines further emergency measures that would help strengthen people's ability to make ends meet.

## Easing the benefit cap

The benefit cap is a limit on the total amount of benefit you can get, with different levels depending on your household composition and whether you live inside or outside Greater London. A key rationale for the cap was for households out of work to not receive more in benefits than the average working family earns, as well as to incentivise work.<sup>28</sup>

76,000 households were subject to the benefit cap prior to this crisis.<sup>29</sup> These will disproportionately be households with high fixed costs due to family size or living in an area of high rents. In normal circumstances, claimants would be able to mitigate against this by reducing their outgoings. However, the lockdown measures in place at the moment mean that benefit claimants are limited in their ability to move into more affordable properties in order to reduce their housing costs.

---

<sup>24</sup> Poll of 2,000 adults conducted on behalf of Citizens Advice by Opinium.

<sup>25</sup> UK Finance press release: ['1.2 million mortgage customers given payment holidays by lenders'](#)

<sup>26</sup> Poll of 2,000 adults conducted on behalf of Citizens Advice by Opinium.

<sup>27</sup> This would be distinct from our suggestion for a Coronavirus Financial Hardship Fund, which would be to help people facing particularly significant income shocks and unavoidable outgoings. See Citizens Advice (2020) [When the protection schemes end: a transition package to help households recover from the coronavirus shock](#)

<sup>28</sup> House of Commons Work and Pensions Committee (2019) [The Benefit Cap: Twenty-Fourth Report of Session 2017-19](#)

<sup>29</sup> Department for Work and Pensions (2020) [Benefit Cap - Data to November 2019](#)

New claimants with earnings above a certain threshold<sup>30</sup> are exempt from the benefit cap for the first 9 months of their claim - however, new claimants with a break in earnings in the past year or very low earnings will not benefit from this. Some legacy benefit claimants who were also previously exempt from the cap may now be subject to it if they lose their jobs and have had a break in earnings in the past 50 weeks.

With job prospects limited by social distancing measures, coupled with indications of a longer-term shrinking of the labour market as a result of coronavirus,<sup>31</sup> claimants affected by the benefit cap face reduced prospects in increasing their income through employment.

### **Nikola's story**

Nikola is a single parent. She was made redundant before the Coronavirus Job Retention Scheme came into effect and relies on Universal Credit to cover her essential costs while she looks for a job.

Nikola had a break in her employment and has not earned enough in the last 12 months to qualify for a grace period – she is subject to the benefit cap and left with £300 per month to live on after housing costs. Nikola has a lot of work experience in retail but is finding it difficult to secure a job during the crisis and has two children to home school. Citizens Advice provided Nikola with a food bank voucher and an energy grant.

**Recommendation: The Government should suspend the benefit cap to ensure people can access adequate levels of financial support during this period and beyond.**

## **Changes to advance payments**

Advance payments are available to provide people with access to income to get through the five-week wait for an initial Universal Credit payment.

While advance payments can be a vital immediate lifeline, repaying advances leave people with reduced incomes in the longer-term. This can create severe

---

<sup>30</sup> After tax earnings of £604 per month for at least 12 months for a single or couple household

<sup>31</sup> OBR (April 2020) [Commentary on the OBR coronavirus reference scenario](#).

financial challenges and have knock-on effects, such as pushing people to cut back on essentials, sell personal possessions or take on further debts.<sup>32</sup> 7 in 10 (70%) of the people we helped with Universal Credit in 2018 who took out advances also fell into arrears on bills, compared to half of those (53%) who do not take out an advance.<sup>33</sup>

Many households receiving benefits before this crisis managed their budgets on a fine margin or were unable to make ends meet and fell into debt. Families who have never received benefits may also struggle to make ends meet if they lose their income – 10% of adults in Great Britain say they couldn't cover their costs for longer than a week if they lost their main source of income.<sup>34</sup> Those in this situation would be at greater risk of financial hardship if also faced with having to pay back advance payments.

Whilst the Government has announced that the cap on deductions from a Universal Credit award will be reduced from 30% to 25% of the standard allowance from October 2021, as well as an increase in the time to pay back advances to 24 months, there are more significant changes that are needed now to shore up people's incomes during this crisis.

### **Cameron's story**

Cameron lost his job and claimed Universal Credit to help cover his household bills and rent arrears. Cameron is under 25 and lives in a socially rented property.

He took out an advance to cope with the wait for first payment but repaying the advance left him without enough to live on. After deductions for the advance at a repayment rate of 22% of his standard allowance (£54.85) and a further £25.18 for rent arrears, Cameron was left with £171.74 after housing costs.<sup>35</sup> He was unable to pay for the essentials, such as household bills and food, and was forced to rely on food banks.

---

<sup>32</sup> Citizens Advice (2019) [Managing Money on Universal Credit](#)

<sup>33</sup> Ibid

<sup>34</sup> Office for National Statistics (2020) [Early Indicator Estimates from the Wealth and Assets Survey](#)

<sup>35</sup> This case study was recorded before the April 2020 increase to the Universal Credit standard allowance and LHA.

## Recommendation:

- **The Government should temporarily turn advance payments into grants** to ensure that people get the support they need to get through the five week wait, without the risk of debt and problems in the future.
- Short of this, **the Government should temporarily suspend repayment of advance payments for existing Universal Credit claimants**, similar to the three-month suspension of repayments of Tax Credit and benefit overpayments and Social Fund loans.

## Improving support for legacy benefit claimants

We know that many people receiving benefits had low levels of financial resilience prior to this crisis. Between April - August 2019 for instance, 40% of people we helped with debt who claim income-related benefits had a negative budget.<sup>36</sup>

Whilst there has been a welcome increase to the standard allowance of Universal Credit and the basic element of Working Tax Credit, there has not been a similar increase to the value of other legacy benefits. With the challenges previously mentioned for people to reduce their outgoings and increase their income from employment, this discrepancy in support risks worsening the financial situation for those legacy benefit claimants who were already facing difficulties.

Mirroring the increase in Universal Credit and Working Tax Credits in other legacy benefits would also protect people from having to make complex and difficult decisions about whether they would be better off moving to Universal Credit now, or waiting until they can access transitional protections through managed migration (the process for moving over all remaining legacy benefit claimants on to Universal Credit).

**Recommendation: The Government should ease pressure on households receiving legacy benefits by applying an uplift to mirror recent increases to**

---

<sup>36</sup> Citizens Advice (2020) [Making Ends Meet](#). A negative budget here relates to households who have no money left at the end of the month once they've covered their living costs.

## Reviewing support for groups who risk facing a disproportionate impact due to coronavirus

This crisis is not impacting all sectors of the economy, or society, equally. People also face different costs depending on personal circumstances – some people will live in places with higher rents and some people will have extra costs from caring for children or disabilities. This section examines some groups who are not only likely to be disproportionately affected, but may also face restrictions or barriers to the level of support they can receive from the benefits system.

### Younger adults

Younger adults are generally entitled to lower rates of benefits such as Universal Credit and contributory Employment and Support Allowance.<sup>37</sup> Yet there is evidence to suggest that younger adults are likely to be disproportionately affected by the current economic crisis:

- Large proportions of young adult workers are in the retail and hospitality sectors<sup>38</sup> which have been hardest hit by lockdown, and are more likely to be low-paid and/or in insecure work than older workers.<sup>39</sup>
- The unemployment rate for under 25s is higher than the unemployment rate for the population as a whole before the crisis began,<sup>40</sup> and younger adults also historically face higher unemployment during economic downturns.<sup>41</sup>

---

<sup>37</sup> As of 6th April, a single claimant under age 25 receives £67.17 less per month in their standard allowance than those 25 and over.

<sup>38</sup> New Policy Institute (2017) [Young Adults and the Minimum Wage](#)

<sup>39</sup> Resolution Foundation (2018). [The kids aren't alright: a new approach to tackle the challenges faced by young people in the UK labour market](#)

<sup>40</sup> House of Commons Library (2020) [Youth Unemployment Statistics](#)

<sup>41</sup> New Policy Institute (2017) [Young adults and the minimum wage: the case for lowering age eligibility](#)

- Younger adults are more likely to be living in the private rental sector,<sup>42</sup> and receive less help with their housing costs. Single people under 35 are typically only entitled to the 'shared accommodation rate' of the housing element of Universal Credit,<sup>43</sup> meaning people under 35 living alone may face a significant shortfall between their housing costs and their Universal Credit entitlement.

Young people will face challenges with reducing fixed costs such as housing during this period. For some young people, they will have no choice but to live independently – for instance if their family is financially unable to support them, or if they're unable to move in with parents who are in the 'shielded' group.

These financial difficulties are amplified in situations where people lose their income as a result of the crisis, causing real worries about making ends meet. We've been seeing this through our own data. Between 1 March - 23 April, 750 people under 35 came to us for help with issues related to Local Housing Allowance (LHA) rent restrictions - this is a 31% increase on the 2 months before. Under 35s now make up 2 in 5 (44%) of people presenting to us with this issue, compared to 1 in 3 (36%) in January and February 2020.

This presents a strong case to review levels of support from the benefits system for younger adults - both to help deal with the current financial impact and beyond, as we likely enter a context where the labour market may take time to recover.<sup>44</sup>

### Jamal's story

Jamal is 20 years old. He lives together with his partner and their 11 month old baby in privately rented accommodation.

Jamal made a joint claim for Universal Credit after he was unable to work due to coronavirus government guidance. His rent is just under the average rate for the area and caring for a young child means he is exempt from the shared accommodation rate. However, help with housing costs won't cover it all. Jamal will have to make up the £101.98 rent shortfall, as well as cover his family's living costs, out of a monthly standard allowance of £488.59 plus the child element of £235.83. He will be £105.45

---

<sup>42</sup> Resolution Foundation (2018) [Home Improvements: Action to address the housing challenges faced by young people](#)

<sup>43</sup> This is set at the rate of a room in the bottom 30% of local rental prices. This applies to those who don't live in shared accommodation.

<sup>44</sup> Office for Budget Responsibility (2020) [Coronavirus Reference Scenario](#)

worse off per month than a couple over the age of 25 with a child and worries how he will make ends meet.

## Families with more than 2 children

There have been welcome steps to temporarily ease the process of applying for child benefit or child tax credits by allowing parents of newborns to claim without having to register their child's birth.<sup>45</sup> However, there is a need to review other changes to benefits to support families during this period, including to the 2-child limit.

The Government has previously said this policy is designed to ensure fairness between benefit claimants and those who support themselves solely through work.<sup>46</sup> This means that families with a third or subsequent child (with some exceptions) born after the 6<sup>th</sup> April 2017 are not entitled to additional support through child tax credits or Universal Credit (worth £2,830 per child per year). According to CPAG, by the end of June 2019, an estimated 160,000 families and 600,000 children had been impacted by the 2 child policy.<sup>47</sup>

During this current crisis (15 March - 17 April), we have seen 253 clients about problems with the two child limit. This is more than twice the amount of clients (97 clients) we saw about this issue during the same period last year. Our advisers have reported some of the challenges faced by large families affected by the 2-child limit and the overall benefit cap. These include problems with debt (such as rent arrears and Council Tax debt), as well as difficulties with being able to feed or clothe their children.

In the present situation, where it will be difficult for parents to increase their income from employment, there is a risk that families will see an amplification of problems they were already facing. There is evidence to suggest this is happening already. Recent research by the Trussell Trust saw a 122% increase in food parcels for children in the last 2 weeks of March compared to the same period last year.<sup>48</sup>

---

<sup>45</sup> HM Revenue & Customs press release: '[Don't miss out, claim Child Benefit by phone or post, HMRC tells new parents](#)', April 2020

<sup>46</sup> Work and Pensions Committee (2019) [The two-child limit: Third Report of Session 2019](#)

<sup>47</sup> CPAG (2019) [All Kids Count](#)

<sup>48</sup> The Trussell Trust press release (1 May 2020) [Food banks report record spike in need as coalition of anti-poverty charities call for strong lifeline to be thrown to anyone who needs it](#)

## Vicky's story

Vicky and her partner have 3 children. Vicky is on a zero-hour contract and her partner is a full-time carer for their third child who has a major heart defect.

Her family receives the child element on Universal Credit for their first 2 children, but not for their third child due to the 2-child limit. This amounts to a financial loss from the child element amounting to £2780 per year and puts the household budget under strain. Vicky has a significant amount of debt and describes her family as 'just about managing'. Her employer has applied for the Job Retention Scheme and she expects her income to be reduced even further in the coming weeks. Vicky worries about falling further into debt during the crisis.

## Disabled people

The Government has already taken the welcome step to temporarily suspend reviews and reassessments for Personal Independence Payment (PIP) and Employment and Support Allowance (ESA). However, the intense pressure the DWP is currently facing could lead to delays for disabled people who are awaiting assessments or challenging decisions on awards for disability benefits.

Many people we help with issues about disability benefits come to us because they believe the decision on their initial assessment for PIP or ESA was incorrect. For those who go on to ask for a mandatory reconsideration, the average waiting time in January was 48 days for PIP,<sup>49</sup> and 16 days for ESA.<sup>50</sup> This increases to an average of 32 weeks for those who appeal to a tribunal (the time from registering an appeal to receiving a decision).<sup>51</sup> In light of the current crisis, there is the risk that the waiting times could increase even further, leaving many with a significantly reduced income for a longer period of time.

Disabled people challenging a decision on an award for ESA will normally continue to receive the ESA 'assessment rate', which is currently £74.35 per week for those aged 25 or over. However, there is no equivalent for people challenging a decision on their assessment for PIP. This could be challenging as disabled people face average extra cost of £583 a month for costs associated

---

<sup>49</sup> Department for Work and Pensions (2020) [Personal Independence Payment: Official Statistics](#)

<sup>50</sup> DWP, ESA WCA: Mandatory Reconsideration Clearances, Jan 2020

<sup>51</sup> Ministry of Justice (2020) Tribunal Statistics Quarterly: October to December 2019

with their health<sup>52</sup> - which is what PIP is designed to provide financial support towards.

Beyond this, there is an urgent need to improve decision-making at the initial assessment for disability benefits. This would help reduce the number of cases taken to mandatory reconsideration or appeal stages, easing the administrative burden on the DWP whilst also getting money to disabled claimants quicker.

### Meena's story

Meena has non-terminal cancer and has applied for Universal Credit and PIP. She was refused PIP following an assessment and requested a mandatory reconsideration. 6 weeks later, she received a notice stating that she would receive a decision in the next 12 weeks. This means Meena faces a wait of up to 18 weeks, which could increase further if she has to lodge an appeal following the mandatory reconsideration decision.

**Recommendation: The Government should consider measures to ensure groups disproportionately affected by coronavirus have adequate access to support from the benefits system, including:**

- Reviewing benefit rates for younger groups of claimants (across the standard allowance within Universal Credit and the Local Housing Allowance).
- Consider ways to increase support for larger families, such as through lifting the 2-child limit.
- Reviewing support for disabled people going through the appeals process for disability benefits (such as Personal Independence Payment), as well as improving the accuracy of decision-making at initial assessments.

## Closing remarks

The coronavirus pandemic has shone a light on the importance of a well-functioning benefits system for people during times of need. The Government has acted quickly to improve the processing of benefit claims and increase support in parts of the system - but further urgent measures are

---

<sup>52</sup> Scope (2019) [Disability Price Tag](#)

needed to fill ongoing gaps and help shore up people's finances in the coming weeks.

Many people we help were already in very difficult financial situations before this crisis and new groups of people have faced a sudden income shock. Acting quickly will reduce the risk of large numbers of people falling into unsustainable debt, facing eviction, or losing access to essential services.

But as we enter what is likely to be an extended period of economic turbulence, we also need to look at the role of the benefits system beyond the immediate impact that coronavirus has had on people's jobs and incomes. As the Government prepares for a gradual transition from the current lockdown, these plans must also address existing problems with benefits to ensure the right support is in place for all those who need it. This will be crucial to ensuring no one is left behind as the country recovers from this crisis.

# Good quality, independent advice. For everyone, for 80 years.

We give people the knowledge and confidence they need to find their way forward - whoever they are, and whatever their problem.

Our network of charities offers confidential advice online, over the phone, and in person, for free.

With the right evidence, we show companies and the government how they can make things better for people.



**[citizensadvice.org.uk](https://citizensadvice.org.uk)**

Published May 2020

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

Registered charity number 279057.