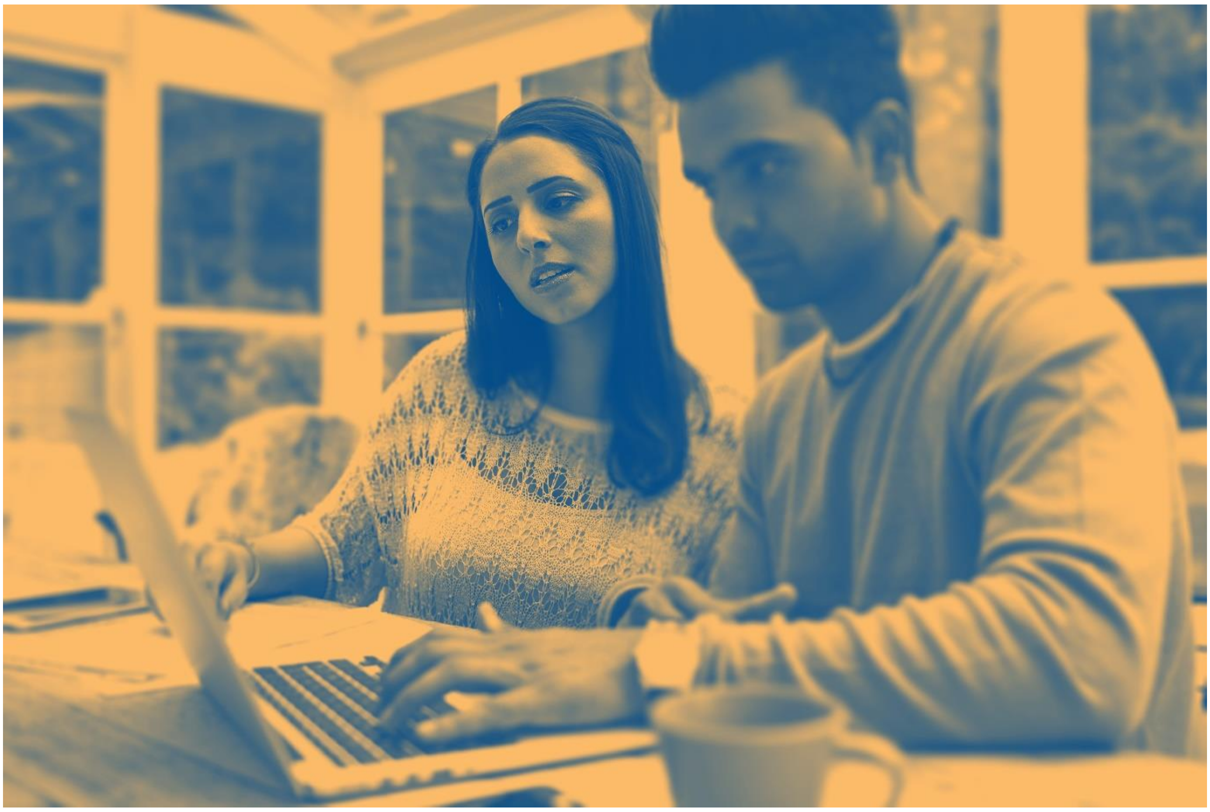
citizens advice Cornwall

Insufficient Support for Young People on Lower Universal Credit Rate



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Introduction

This report explains why Universal Credit (UC) provides insufficient support for some of our most vulnerable young people and recommends remedial measures. It has been prepared by Citizens Advice Cornwall and is aimed at Government, MPs and the organisations campaigning for those affected.

The lower UC rate that may be awarded to those under-25 can lead to a number of problems such as:

- inability to eat nutritious food (possibly when still growing)
- increasing debt burden
- inability to pay the rent and fear of eviction
- homelessness
- deteriorating physical and mental health.

This report is based on a review of national reports on this issue and case studies from Citizens Advice Cornwall recorded in 2021-22.

Summary

UC is designed to help with living costs, eg. when unemployed or suffering from ill health. However, claimants under the age of 25 may be paid at a lower rate.

It has been found that the lower UC rate can have seriously detrimental effects, leading to poor nutrition, high debt, homelessness and poor mental and physical health. The lower rate is especially problematic for the following under-25-year-olds who are not living with their parents:

- young people without parental support
- homeless young people
- young people with children
- young people in poor health

Recommendations are therefore given (see Page 11) to support the above groups by paying the full UC rate to under-25s living independently.

Who can claim Universal Credit

UC is a payment to help with living costs, which may be claimed from age 18 up to pensionable age. A list of circumstances in which UC can be claimed is given in Appendix A. Claimants must have savings below £16,000. Those living with a partner must make a joint claim. (See the government's website[1] for full details of UC eligibility.)

How Universal Credit is calculated

UC is made up of a **standard allowance** and any extra amounts that apply, eg. if the claimants:

- have children
- have a disability or health condition that prevents the person from working
- need help paying the rent.

If employed, the UC is reduced by 55p for every pound earned, with certain allowances for circumstances, which are described on the government's website. [2]

Lower Universal Credit for under 25s

Reduced standard allowance

Young people may receive less UC, because the **standard allowance** is reduced for those under 25-years-old. The **standard allowances** for singles and couples in 2022/23 are shown in the following table.

Circumstances	Monthly standard allowance
Single and under 25	£265.31
Single and 25 or over	£334.91
In a couple and both under 25	£416.45 (for both)
In a couple and either are 25 or over	£525.72 (for both)

Reduced help paying the rent

Single young people who are renting from a private landlord may also receive less UC to help with housing costs. If under 35 and not living with a partner, help is limited to the rent for a single room in a shared house – the shared accommodation rate (SAR). In certain circumstances, extra help may be given (see Appendix B). SAR is dependent on area.

[1] www.gov.uk/universal-credit
[2] www.gov.uk/universal-credit

Impact of the lower UC rate

The amount of UC awarded to under-25s can be insufficient to pay for water, electricity, gas, food and personal expenses. The claimant may therefore be unable to feed themselves properly and have insufficient nutrition at an age while they are still growing. In 2018, the Social Security Advisory Committee reported:

> *"We spoke to many individuals who were struggling with day-to-day survival and thus unable to focus on the medium-term challenge of finding training or work."* [3]

Examples are given below of the impact on four groups that have been identified as especially at risk.

Impact on young people without parental support

In 2018, the Social Security Advisory Committee recommended action on the low UC rates for under 25s who have to live independently:

> *"Of all the recommendations in this report, the most critical action is for DWP [Department for Work and Pensions] to assess whether current benefit rates for under-25s who have no choice but to live independently are sufficient to cover the cost of food, rent, and other essentials. By far the most common refrain we heard in every focus group or interview was that benefit rates for this group are currently too low to afford a basic standard of living."* [4]

Unfortunately, this recommendation was rejected by the DWP. Centrepoint have also investigated the risks to young people who are trying to live on the lower UC rate:

> *"We were told by some young people that they prioritise rent payments and other housing costs over food due to fear of losing their accommodation - instead they would choose to go hungry…*
>
> *"66 per cent of respondents report going to bed hungry due to lack of money. 32 per cent said that this happens all the time…*
>
> *"As well as the physical impacts of food insecurity – which included fatigue and difficulties concentrating, in turn affecting work and education – young*

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[3] Social Security Advisory Committee (2018) *Young People Living Independently, A study by the Social Security Advisory Committee, Occasional Paper No. 20*, p 59. London: Social Security Advisory Committee. https://www.gov.uk/government/publications/ssac-occasional-paper-20-young-people-living-independently

[4] Social Security Advisory Committee (2018) *Young People Living Independently, A study by the Social Security Advisory Committee, Occasional Paper No. 20,* p 59. London: Social Security Advisory Committee. https://www.gov.uk/government/publications/ssac-occasional-paper-20-young-people-living-independently

> *people also spoke about the impacts on their wellbeing and self-esteem from using food banks and accessing emergency food support"* [5]

No parental support and studying (January 2021)

A young man and his partner are struggling to afford their living costs. They are both 18 years old and have no parental support (partly due to bereavement). He is studying for an A-level equivalent and his partner works as a carer.

The student earns an average of £150 a month and his partner earns about £1,000 a month. As they cannot seek financial support from parents or claim any help with student finance, they find it difficult to cover their basic living expenses plus rent.

They have been advised to make a couples claim for UC and will be entitled to a monthly standard allowance plus help towards their rent. Their take-home pay will be deducted from their overall award by 55p for every pound earned. However, they will only be entitled to the monthly standard allowance for a couple under 25, which is currently £109.27 less than that for a couple of 25 and over. This reduces the financial support for a young couple who have had to start life on their own without parental support and who have the same outgoings as an older couple.

Impact on young people with children

Concerns about the impact of the lower UC rate on parents under-25 have been published by a number of organisations. The Child Poverty Action Group reported that people who were made systematically worse off on the changeover to UC from the previous system included:

> *"Parents under 25, who receive around £65 less per month for a single parent or £100 less for a couple. (In the legacy system people under-25 were entitled to the over-25 rate of benefit if they had children; in Universal Credit this is no longer the case.)* [6]

Centrepoint have also explained that:

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[5] Centrepoint (2021) *Benefits to Society: Homeless Young People's Experiences of the Social Security System*, p 27. London: Centrepoint. https://centrepoint.org.uk/media/5009/d235-uc-peer-research-report-a4-v5-screen-singles.pdf

[6] Tucker, J (2019) *Universal credit: What needs to change to reduce child poverty and make it fit for families?* p 14. London: Child Poverty Action Group. https://cpag.org.uk/sites/default/files/files/policypost/Universal%20credit%20-%20what%20needs%20to%20change_0.pdf

> *"...many young parents struggled to manage with the amount of money they received through the benefits system – again in part due to receiving a lower standard allowance even though they received additional support for caring for a child".*[7]

Young child, cold home and high bills (February 2022)

The client is 20 and lives in a 2-bed flat with her 22-month-old child. She is vulnerable at the moment due to her ex-partner leaving after a drinking habit. Her main problems are a debt of £1,000 to her gas provider, a debt to a nursery of £900 and very high bills.

Her flat suffers significant heat loss through two old Victorian windows and one is in her son's bedroom, so the heating is on permanently. She pays £50/month for water, £92/month for electricity and £90/month for gas. Unfortunately, switching energy tariff is not available due to her debt. She is also currently paying off £15 per month on her gas debt.

The client is not working and receives UC. As she is under 25, her standard allowance is reduced. She receives £983/month (after some deductions for advance payment), Child Benefit of £92/month and Council Tax Reduction. The UC includes the full cost of the rent (£550/month) on her flat. This leaves only £433/month plus Child Benefit to cover the living expenses for her and her child. (She also receives small amounts of maintenance payments from her ex-partner.) The reduced amount of UC received as a young person is insufficient to meet her outgoings as a parent with a young child and high bills.

Impact on young people in poor health

The Child Poverty Action Group reported that people who were made systematically worse off on the changeover to UC from the previous system included:

> *Young people (under 25) with limited capability for work, who receive around £65 less per month. (In the legacy system under-25s were entitled to the over-25 rate if they had limited capability for work; in Universal Credit this is no longer the case).* [8]

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[7] Centrepoint (2021) *Benefits to Society: Homeless Young People's Experiences of the Social Security System*, p 33. London: Centrepoint. https://centrepoint.org.uk/media/5009/d235-uc-peer-research-report-a4-v5-screen-singles.pdf

[8] Tucker, J (2019) *Universal credit: What needs to change to reduce child poverty and make it fit for families?* p 15. London: Child Poverty Action Group.

The lower UC rate makes it difficult for those suffering from ill health to heat their homes, where they tend to spend more time than those in good health.

Poor health and fuel poverty (March 2022)

The client is single and only 20 years old. She suffers from PTSD, anxiety, depression and IBS. She lives in a mid-floor, one-bedroom flat and her main heating source is storage heaters. Her main problems are high bills and living without electricity, due to her inability to afford to top up her electricity key meter.

The client was being charged roughly £100 a month on her electricity bills prior to April 2022 when prices were due to increase again. The pending increase caused her much concern.

She is receiving only UC and has £30 a month deducted from this for a budgeting loan and an advance. This leaves her with only £227 a month to pay for all her bills and food. She has been assessed by CA as being in fuel poverty. The lower amount of UC received as a 20-year-old is insufficient to cover her basic needs.

Impact on those at risk of homelessness

Centrepoint has reported on the increased risk of debt and homelessness arising from the lower UC rate for under 25s. In their survey:

> *65 per cent report having fallen behind on rent or essential bills due to a lack of money while receiving benefits…*
>
> *72 per cent have had to borrow money from family or friends…*
>
> *40 per cent have had to take out a loan or go into an overdraft*[9]

Their report explains that once homeless, it is very difficult to recover. For young people experiencing housing insecurity or homelessness, barriers to finding work can be immense due to: disrupted education, no qualifications or work experience, a lack of material resources, and poor mental and physical health.

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https://cpag.org.uk/sites/default/files/files/policypost/Universal%20credit%20-%20what%20needs%20to%20change_0.pdf

[9] Centrepoint (2021) *Benefits to Society: Homeless Young People's Experiences of the Social Security System*, p 24. London: Centrepoint. https://centrepoint.org.uk/media/5009/d235-uc-peer-research-report-a4-v5-screen-singles.pdf

Homelessness, high debts and mental health problems (June 2022)

The 24-year-old client's girlfriend has left him. Although he wants to keep seeing their daughter, this is difficult because of his homelessness. He is sleeping in a tent but doesn't sleep well due to people throwing things at his vulnerable home and causing damage. He has Asperger's, ADHD and is currently being assessed for PTSD.

The client and his sister were removed from the care of their mother and raised by their grandparents. By age 17, he was living in supported accommodation for young people. Approximately three years later, he got a job (zero-hour contract) and moved into a two-bed flat, where his debt problems began. The client found the rent to be unaffordable and he could not cope with his UC fluctuating, so he got into debt. He also used drugs heavily for two years until his girlfriend got pregnant. He says he has been free of drugs since then. He lived with his girlfriend in a family hostel when their baby was born in 2021. The couple then got a flat, with all the bills in his name and he has further outstanding debts from this time.

Private lets and room share don't seem to be available due to his lack of employment. He is not having much success in bidding for a council property. The client estimates his current debt at approximately £14,000. The client has not been in care, so in spite of his early loss of parental support, he has not been entitled to the full UC rate whilst under 25 years old. This lower UC rate and its fluctuation has contributed to his current difficulties with debt and homelessness.

Recommendations

To ensure sufficient support for the UC claimants aged under 25 who are most at risk, the following actions are recommended:

1. The Government allows UC claimants aged under 25, who are living independently without family support, the same **standard allowance** as claimants aged 25 years and over.
2. To support the above, the DWP develops a simple method of identifying under-25-year-olds who are living independently. For example, if the claimants are recorded on the DWP database as paying rent or mortgage.
3. As a longer term project, the DWP develops a method for estimating basic living costs, in order to use the results in the annual review of the UC **standard allowance**.

Actions one and two above would protect the at risk groups identified in this report. Action three above would be of benefit to all UC claimants and would assist in the effective use of public funds.

Appendix A

UC may be available to those aged 18+ and below pensionable age who are:

- on a low income (including self-employed and part-time)
- out of work
- unable to work
- studying or training and responsible for a child
- 21 or under, studying any qualification up to A Levels or equivalent and do not have parental support
- in full-time education and were assessed as having limited capability for work before starting the course

16-17 year olds can claim if:

- health condition or disability
- caring for a severely disabled person
- responsible for a child
- pregnant and expecting the baby in the next 11 weeks
- had a baby in the last 15 weeks
- do not have parental support and are not in local authority care

Appendix B

Extra may be granted to the SAR rate for under 35 year olds renting from a private landlord who:

- live with a dependent, e.g. child
- are a care leaver and under 25
- have previously lived in a hostel for homeless people for at least 3 months
- are an ex-offender managed under an active Multi-Agency Public Protection Agreement (MAPPA)
- are getting the daily living component of Personal Independence Payment (PIP)
- are getting the care component of Disability Living Allowance (DLA) at the middle or highest rate
- are getting Attendance Allowance or Constant Attendance Allowance
- are getting Armed Forces Independence Payment

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