

# Universal Credit and You

Summary report, prepared for:

The Money Advice Service



Prepared by:

Anthony Shephard, Amy Harrod & Andy Wright

Date: May 11<sup>th</sup> 2015



# Background



Universal Credit is gradually being introduced across the UK and will see six working-age benefits merged in to one

The main objective of this discussion was to gauge awareness and understanding of Universal Credit

Other insight objectives included:

- Perceived pros and cons of the welfare reform and Universal Credit
- Assessing members knowledge of Universal Credit
- Understanding how Universal Credit will affect members finances

A discussion was held on the Tell MA community:  
62 members took part in the discussion  
Leaving a total of 110 comments



# Screen grab of discussion



## TOPIC: Universal Credit and You

■ Universal Credit and You 1 week 1 day ago

#9594



AmyH

Administrator



Posts: 410 Thank you received: 9

NOW ONLINE



Universal credit is a new benefit that has been introduced gradually since April 2013. It will see six working-age benefits merged into one and will mean big changes to the way those benefits are paid. For this topic we would really like to hear your views on Universal Credit.

- Are you aware of the welfare reform and Universal Credit?
- What is your understanding of Universal Credit?
- Do you think Universal Credit is a good idea? Why/why not?
- What impact do you think the following will have on how households manage their finances:
  - o Single monthly benefit payments directly in to bank accounts?
  - o One payment per household, rather than per individual in the household

# Insights

# Most Tell MA members were aware of Universal Credit...



These generally understood it was the merging of several benefits

*I am aware of this. Instead of having four or five different departments paying benefits, it will be one department.*  
(Male, 35-44)

*Vaguely aware of this and I understand they are trying to combine benefits so they are not all paid separately.*  
(Male, 35-44)

*I am aware of Universal Credit. My understanding of it is that it puts together welfare payments into one.*  
(Female, 25-34)

*Yes I know about universal credit, they will merge all current benefits and tax credits into one payment.*  
(Female, 16-24)



## ...although the level of understanding and interest in it varied



Most had a basic level of understanding. Unsurprisingly, there was less interest from those that don't receive benefits or are unaffected by the changes

*To be honest **as we did not qualify I never really took it any further.** I can remember, was it Ian Duncan Smith talking about it a few years ago in the news and it has been only covered sporadically since.  
(Male, 45-54)*

*I haven't claimed any benefits since the 1980s, so **it isn't something I am that knowledgeable about.**  
(Female, 45-54)*

*I know a little about it but as I am not personally affected at the moment, **I have not analysed it in great detail.**  
(Male, 45-54)*

***Yes, I have heard about it** but have not really researched it myself, since I am not in receipt of benefits.  
(Female, 35-44)*



# Many expressed concern about Universal Credit and its potential impact



*I can understand the government's thinking behind this and in principal it's a fine idea to put people in charge of their own finances but **in reality it won't work.***  
(Female, 45-54)

*I think it is a bad idea and **will cause a lot of people to lose their homes** or get into more debt.*  
(Female, 45-54)

*Universal Credit is going to be **a source of major financial difficulties** in many households.*  
(Female, 45-54)

***Just another ideological cut** by this foul Tory government.*  
(Male, 55-64)



# There were several areas of concern



*Lack of budgeting skills*

*To receive a sum of money once a month and then to have to budget for the rest of the month is a skill which few people seem to have.*

*(Female, 45-54)*

*There will be problems; **some people just aren't used to budgeting** for themselves.*

*(Female, 45-54)*

*For those that are not so good at budgeting, it will be a **bad idea** because they may spend all their monthly payment at once.*

*(Female, 25-34)*

*Not so good for people **who cannot manage money.***

*(Female, 45-54)*

*Spending on whatever they choose*

*Some will spend this upfront money on what ever they want and **it won't be spent on their poor kids or the bills.***

*(Female, 35-44)*

*I dread to think **what it's going to be spent on.***

*(Female, 35-44)*

## Other areas of concern



*Room for error in the payment system*

*The **system wasn't / isn't properly developed**, so mistakes are made.  
(Female, 25-34)*

*For one department to be in charge of everything **is a logistical nightmare**.  
(Female, 45-54)*



*Costly to implement*

*So far the introduction has been **catastrophically expensive**.  
(Male, 35-44)*

*So far it has **cost the tax payer a fortune** to implement.  
(Female, 45-54)*

*I hate to think **how much money has been poured into and wasted** on this system so far.  
(Male, 55-64)*

*The costs involved in setting it up make me think that it was **a waste of time and money**.  
(Female, 16-24)*

# Some thought the combination of payments into one was a good idea



## Positive comments focused on ease and efficiency

*Having the combination of benefits all administered by one company, **should be far easier for a claimant** than having to contact numerous departments to make claims and report changes.  
(Female, 55-64)*

***This seems more efficient** than the present system of receiving several separate amounts of money throughout the month.  
(Female, 55-64)*

*It sounds easier being that **it is only one payment**.  
(Female, 25-34)*

***It should simplify things** - it's a more joined up way of handling various benefits, by having them all dealt with under one system, rather than by multiple agencies.  
(Female, 55-64)*



## Some felt a single monthly payment would encourage financial responsibility and ownership



*It mirrors life. We don't have lots of separate bits of money for separate parts of our lives.*  
(Female, 55-64)

*It's a good idea to **make people more responsible for their money**, by having them pay their own bills, rather than having them paid for them.*  
(Female, 35-44)

*I would think single monthly benefit payments directly into bank accounts would be a good idea, as **most people get their wages paid in that way.***  
(Female, 45-54)

*It can only make households more responsible and **put them in good stead for entry into work.***  
(Male, 45-54)

# Some expressed concern for having to budget for the whole month upon receipt of a single monthly payment



*I don't think many people receiving benefits have been used to budgeting on a monthly [rather than a bi-weekly] basis, so **this may prove challenging for some** who may unwittingly get into debt if they're not good at organising necessary spending.  
(Female, 35-44)*

***Not everyone is good at budgeting** and may see a large payment as a reason to spend without taking all financial commitments into account.  
(Female, 45-54)*

*Not a good idea because **a lot of people spend money when they have it**, so it's likely **they'll run out of money before the month is up**.  
(Female, 16-24)*

*For those who are sensible it is fine, **for those that already spend money on drink, fags, going out designer buggies and accessories this is a disaster**.  
(Female, 35-44)*



## Members also voiced concern over people getting into debt during the initial change over period



*I think at the beginning **it will be difficult for most to make the change** from weekly / fortnightly to monthly. I **do hope the system offers people plenty of advance warning.***

*(Female, 35-44)*

*No solutions have been given for the changeover, moving from fortnightly payments to monthly. **Are people supposed to survive on two weeks money for a whole month** before payment is made?*

*(Female, 45-54)*

*If they have to make two weeks money stretch for a month for this benefit to start, **that means people will be two weeks behind on their rent**, as they are not going to be able to pay it out of two weeks money.*

*(Female, 45-54)*



# The idea of one payment per household also caused worry



Many felt this was unfair and could lead to abuse of the system, resulting in some family members being out of pocket



*To avoid accidental or deliberate misappropriation of monies, I feel that monthly payments should go to the family members to whom they're intended rather than as part of one lump sum monthly payment to one family member only.*  
(Female, 35-44)

*I am a little worried about all benefits going to one person in the household, the reason Child Benefit was paid to mothers was because it was acknowledged that there were **some families that were abusive with money** and that has not changed.*  
(Female, 45-54)

*This is not really fair, as people could be on it for different reasons and individuals in the household might not contribute equally! **There would be a lot of issues with this I think!** It should remain per person.*  
(Female, 25-34)

## Many members felt that it was a good idea for benefit claimants to pay their bills / rent from their own bank account



There was a view that those claiming benefits should be responsible for their own money just like any other member of society

**Other people have to pay from their bank account, so why not people on benefits? I have no issue with people on benefits if they qualify. I feel that a great many people will feel better about themselves if they are paying bills from their bank account. If someone wants to go and blow it all when they get it, let them. It's their choice. Hopefully they will learn from their mistakes**  
(Female, 35-44)

**I think this is a great idea. It shows people how things work in the real world and hopefully they'll be penalised if they don't pay on time.**  
(Female, 16-24)

**Individuals should be responsible for paying bills, so they can control their spending.**  
(Male, 45-54)

**They are human beings like you and I and therefore should be responsible for paying their own bills. If they don't budget their money appropriately, then they will suffer the consequences, just the same as a working person would.**  
(Female, 45-54)



# Though some were worried that bills and rent will go unpaid, if left to the individual



*It should be a good idea in an ideal world but I can imagine funds not going where they should in many households, sometimes through no fault of their own.*  
(Female, 35-44)

*I think it will be a bad idea for some as they may spend the money meant for rent without realising.*  
(Female, 25-34)



*This is going to be very challenging; as I suspect lots of people will just spend the money and worry about paying their landlord or energy bill the next month!*  
(Male, 35-44)

*I can see a lot of people not bothering paying it.*  
(Male, 35-44)

# Members believed budgeting support would be crucial to the success of the new system



*I think the job centres and such need to **help people learn about budgeting before they bring this in**, as some will not be used to having to budget and such for the entire month. They need to be helped to learn tips and different ways that will work for the individuals in question as everyone is different!*

*(Female, 35-44)*

*Support in way of work shops on budgeting and on **going support** where someone will keep in contact with people who need it, to see how they are getting on with keeping out of debt and paying bills on time.*

*(Female, 25-34)*

*They may not seek advice about their situation. They need to make sure that all claimants are aware that this can be done. **It should definitely be listed on the***

***gov.uk website.***

*(Female, 25-34)*

*For the ones that can't budget, **I think they will need extra help on learning to do it better.***

*(Female, 25-34)*

# Worry over Universal Credit affecting tax credits was less prevalent



***I don't think universal credit will affect my tax credits, all it will mean is I get paid once a month [which I do for child benefit anyway] and my child tax credit will go from weekly to monthly which **won't be too much of a big change.** I can work around that.***

*(Female, 25-34)*

***I'm not sure anything would change,** since we'll just get a payment like the tax credit payment. We don't have any other benefits.*

*(Female, 35-44)*

*From **weekly to monthly** that's about all!*

*(Female, 35-44)*



# Summary

# Food for thought



- **Although most Tell MA members were aware of Universal Credit to some extent, the level of understanding was varied**
- **Many had concerns, most of which centred around budgeting**
- **Many expressed worry over the benefit payment changeover period from weekly to monthly**
- **It was clear that anything that prepares people for the reality of work and life off benefits resonated with members as they felt it would lead to improved financial capability**
- **There was the understanding that there would need to be support in place for those adapting to paying their own rent and bills and managing a single monthly payment**
- **Any concern over changes to tax credits were minimal, although many couldn't comprehend any potential changes**

# Case Studies

## Case study 1 – Budgeting support is crucial to the success of Universal Credit



Universal credit is combining all the benefits into one and the claimants would have one lump sum. It is a great idea as it forces people to take responsibility of their money - by giving them control in terms of budgeting. **The assumption everyone knows how to budget is rather silly.** There are people who don't know how to budget, who will suddenly find themselves with a lump sum of money, feeling the urge to spend. This in turn lead them to the road of debt - primary and secondary debt! Though the idea is good, too much is spent in technology in implementing the system while not much has been spent to get people to learn about budgeting. No wonder housing associations and landlords are rather wary.

## Case study 2 – Make individuals responsible



As for benefit claimants having the full amount of their benefits paid to them directly - why shouldn't they? **They are Human Beings like you and I and therefore should be responsible for paying their own bills. If they don't budget their money appropriately, then they will suffer the consequences** - just the same as a working person would! People fall on hard times for a multitude of reasons and require financial assistance from the government. That's what the Welfare System is for and if you have paid in, then you are perfectly entitled to claim for assistance. There is lots of support out there for people who need help budgeting - The Money Advice Service being one of them.

# Keep in touch...

3<sup>rd</sup> Floor, 56 Princess Street  
Manchester  
UK  
M1 6HS

P +44 (0) 161 235 5270

W [www.mustard-research.com](http://www.mustard-research.com)

E [anthony.shephard@mustard-research.com](mailto:anthony.shephard@mustard-research.com)

T @MustardResearch