

Money and Mental Health submission to the Work and Pensions Committee's inquiry on Universal Credit: the wait for a first payment

Introduction

The Money and Mental Health Policy Institute is a research charity, established in 2016 by Martin Lewis to break the link between financial difficulty and mental health problems. The Institute's research and policy work is informed by our Research Community, a group of 5,000 people with lived experience of mental health problems or of caring for someone who does.

Over our first three years, issues with the benefit system have been amongst the topics most commonly raised by the Community. This written submission has been informed by this powerful, lived experience testimony, as well as our wider body of research. Unless otherwise specified, all quotes in this response are drawn directly from our Research Community.

In submitting this response we are acutely aware of the current climate, and the impact that the coronavirus crisis is having on households. The pandemic is placing huge strains on the economy, which has led to an enormous spike of 1.4 million new Universal Credit (UC) claims.¹ The pandemic, and the public health measures to contain it, including social distancing, are having a significant impact on the nation's mental health, and for people with existing mental health problems increased anxiety about their health and finances can exacerbate their difficulties.²

Against this backdrop of increased demand for UC, it is more urgent than ever that the benefits system works for everyone, including people experiencing mental health problems. Whilst Money and Mental Health has a number of concerns about the wider design and administration of UC, we appreciate that this is not within the scope of this inquiry. This response therefore sets out the evidence from our research and policy work on how the built-in five-week wait for the first payment of UC can cause detriment to people experiencing mental health problems.

Our response covers questions 1, 2 and 3 of the Committee's call for evidence. In addition to this response, we recommend that the Department reviews our reports '*The benefits assault course*'³ which looks at the accessibility of the UK benefits system for people with mental health

¹ Politics Home. Coronavirus: DWP looking to recruit 5,000 benefit claimants to handle surge in Universal Credit claims. 15 April 2020

² D'Arcy C. Money and Mental health at a time of crisis: a policy note. Money and Mental Health Policy Institute. 2020.

³ Bond N, Braverman R, Evans K. The benefits assault course: Making the UK benefits system more accessible for people with mental health problems. Money and Mental Health Policy Institute. 2019.

problems, and *'Seeing through the fog'*⁴, which explores how mental health problems can affect a person's financial capability.

Summary

- Many people claiming benefits are experiencing mental health problems. Nearly half (47%) of working-age adults receiving an out-of-work benefit have a common mental disorder, such as depression or anxiety.⁵ Ensuring UC works effectively is therefore crucial if we are to meet the needs of this significant share of claimants.
- The five-week delay people face before receiving their initial UC payment can cause financial hardship and psychological harm. It does not take account of the additional needs of people with mental health difficulties and can worsen existing mental health problems.
- The government should end the five-week wait and make the benefits system more accessible to people with mental health problems. This is crucial to prevent more people from falling into financial difficulty when they're struggling with their mental health.

Q1. To what extent have the mitigations the Government has introduced so far (e.g. Advanced payments) helped to reduce the negative impact of the five week wait for UC claimants?

The introduction of advanced payments has mitigated some of the immediate financial hardship caused by the five-week wait. Adapting UC to minimise or eliminate this wait time would be the preferable response. But for new claimants without savings to cover the five-week wait, advanced payments have offered welcome short-term assistance.

Given people with mental health problems are overrepresented in low-paid, high-turnover and part-time work⁶, and are three times and a half times more likely to be in problem debt⁷ - both of which make building up savings difficult - avoiding a five-week wait for payment is particularly important for this group. However, for some this immediate relief comes at the expense of longer-term financial harm.

We have identified two key challenges for people experiencing mental health problems in engaging with the advanced payments system. These can make it harder to access the support offered but also to make decisions and understand the ramifications of accepting an advanced payment.

⁴ Holkar M. *Seeing through the fog: How mental health problems affect financial capability*. Money and Mental Health Policy Institute. 2017.

⁵ Holkar M. *Debt and mental health: A statistical update*. Money and Mental Health Policy Institute. 2019

⁶ The Mental Health Taskforce. *The Five Year Forward View for Mental Health*. 2016.

⁷ Holkar M. *Debt and mental health: A statistical update*. Money and Mental Health Policy Institute. 2019

1. Understanding repayment terms and deciding to request an advance can be tricky

Advances, based on an estimated first payment, must be paid back within 12 months, and are deducted directly from future monthly benefit payments. Repaying this debt over such a relatively short period of time can cause considerable hardship.⁸ Given this, the consequences of requesting an advance should be carefully evaluated before deciding to proceed.

But making financial decisions can be more difficult when you're experiencing the cognitive and psychological effects of a mental health problem. Reduced concentration - a common symptom of mental health problems - can make it harder to understand repayment arrangements. Increased impulsivity from conditions such as bipolar or personality disorders may mean people request and accept advances without their usual level of forethought.

"When I have "bad days" then I cannot focus, concentrate, learn or take in things, whether it is standard Terms & Conditions, contracts, "small print", or complicated financial/jargon-filled information. People can repeat it, but it will not sink in." - Expert by experience

For those struggling with mental health problems but also facing the need to put food on the table, weighing up the long-term consequences of repaying what is essentially a loan can be impossible. This can lead to lasting financial difficulties, and exacerbate and prolong existing mental health problems.

"When Universal Credit took just under fifty percent of my benefit for repayments to the Department for Work and Pensions, [it] took over four months to have sorted and I spent those months visiting the local food bank after being left with £25 to live on all month. This was the most damaging experience to my mental health." - Expert by experience

1.4 million people or households have made a new claim for UC since the onset of the coronavirus pandemic. A significant proportion of these claimants are likely to be unfamiliar with navigating the UC benefit system. They are doing so, at a time of huge personal stress, with anxieties around their health and finances, and obvious impacts on their mental wellbeing too. Making decisions under these circumstances about advance payments is likely to be tricky. People may not have the cognitive bandwidth or psychological reserves to weigh up and understand the full ramifications of decisions.

2. Mental health problems can make it difficult to navigate the benefits system and request an advanced payment

⁸ Thompson E, Jitendra A and Rabindrakumar S. 5 weeks too long: why we need to end the wait for Universal Credit. The Trussell Trust. 2019

Common symptoms of mental health problems include reduced concentration, increased impulsivity, memory problems and reduced planning and problem solving skills, all of which can make it harder to claim and manage benefits.⁹ Over 90% of recent claimants with mental health problems, who responded to a survey of Money and Mental Health's Research Community, reported some level of social anxiety when engaging with the benefits system.¹⁰ People report physical symptoms like a racing heart or sweating, and behavioural changes like avoiding dealing with benefits or using alcohol to cope.

"I had to register for Universal Credit this week. The adviser huffed and puffed at being asked to repeat things, would not give me the info in writing and was unhappy that I had to ask her to wait whilst I wrote it down... The new rules, sanctions, varying figures for different things that you do or don't do are really complicated. I was basically treated like an "imbecile" and my lack of understanding was mainly due to my mental health." - Expert by experience

Receiving an advanced payment is not an automatic right. Having navigated the system to make a UC application, people who are in financial hardship are then required to overcome an additional hurdle and request an advanced payment. To make the request, a person must evidence among other things that they do not have enough money to last them until their first payment and that they have no pending final earnings or accessible savings. Mental health problems can impact upon a person's ability to problem-solve and their clarity of thought, making gathering information, evidencing hardship and advocating for yourself to get an advanced payment insurmountable for some.

Negative consequences

These additional challenges that people experiencing mental health problems face in managing advanced payments can exacerbate existing mental health problems.

"We are getting more and more people saying [their mental health crisis is] because of the benefits process... It's just too much for them. They just have breakdowns, really, trying to cope with what's being asked of them." - Interview with a mental health crisis professional

For some, repaying advance payments can lead to problem debt, with those affected sometimes going without essentials such as food and utilities, and facing homelessness.

"Not having enough money means almost every part of life becomes a struggle... always being hungry, or cold, not being able to socialise with others, stressing about every bill and every penny you spend, and the many, many other ways that struggling financially has an impact on your life, chips away at will to live." - Expert by experience

⁹ Bond N, Braverman R, Evans K. The benefits assault course: Making the UK benefits system more accessible for people with mental health problems. Money and Mental Health Policy Institute. 2019.

¹⁰ Benefit assault course. Money and Mental Health survey. The benefits assault course. Base for this question: 417 people who have claimed ESA, HB, JSA, UC, CTR or PIP in the last two years.

Nearly half (46%) of those in problem debt have a mental health problem.¹¹ At the extreme end of this, people in problem debt are three times as likely to have thought about suicide in the past year, and over 100,000 people in problem debt attempt suicide in England each year.¹²

Q2. What is the best way of offsetting the impact of the five week wait?

The government should end the five-week wait and make the benefits system more accessible to people with mental health problems. This is crucial to prevent more people from falling into financial difficulty when they're struggling with their mental health.

Table 1 outlines Money and Mental Health's view on several of the options available for offsetting the impact of the five-week wait. It considers opportunities for doing so in the current climate, and how this may support claimants experiencing mental health problems. The table begins with our most preferred options, evidencing how this would serve the needs of claimants, specifically those experiencing mental health problems as well as drawbacks for them or the DWP.

Table 1: Evaluating options available for offsetting the five-week wait from a mental health perspective

<p>Eliminate the five week wait - Change advance payments from loans to grants for UC claimants</p>	<p>Pros:</p> <ul style="list-style-type: none"> ● Avoids the need for people experiencing mental health problems, and the associated cognitive and psychological effects, to weigh up and understand complex information and ramifications of taking out an advanced payment ● If available for all claimants, would not rely on disclosure of mental health problems or claimants being aware their symptoms are those of a mental health condition ● Prevents mental health problems from being exacerbated by the difficulties involved in repaying loans. <p>Cons:</p> <ul style="list-style-type: none"> ● Most expensive option, though administration around repayments would be reduced.
<p>Mitigate the hardship caused by the five week wait - Substantially reduce rates at which</p>	<p>Pros:</p> <ul style="list-style-type: none"> ● Limits any negative long-term impact for those who opt to take an advanced payment ● Prevents repayments from being an unnecessarily high burden on those struggling with their finances and mental

¹¹ Holkar M. Debt and mental health: A statistical update. Money and Mental Health Policy Institute. 2019

¹² Money and Mental Health analysis of NatCen analysis of APMS 2014 and ONS mid-year population estimates 2017.



<p>advanced payments are repaid</p>	<p>health. Managing on significantly reduced budgets with the cognitive and psychological changes that can accompany many mental health problems can be impossible and lead to further hardship and detriment</p> <ul style="list-style-type: none"> Aligns rates of repayment with arrangements for consumer credit, moving DWP approach more in line with the FCA guidance on treatment of vulnerable customers. <p>Cons:</p> <ul style="list-style-type: none"> Requires claimants to continue to navigate a complex process to request and claim an advanced payment Lower repayment rates may still be difficult for those most struggling with their finances or mental health.
<p>Suspend repayments of advanced payments - for a three month period</p>	<p>Pros:</p> <ul style="list-style-type: none"> Aligns DWP response to coronavirus crisis on overpayments with repayments Recognises the financial difficulties that those applying for advances are likely to be facing in light of the crisis, and the likely widespread negative effect the crisis is having on mental health. <p>Cons:</p> <ul style="list-style-type: none"> Risks similar problems reemerging later in the year if suspensions are only temporary and claimants' situations have not improved Claimants are still required to navigate the process of requesting an advance in the first instance.
<p>Restructure the assessment period - Reduce the assessment and payments period to fortnightly payments</p>	<p>Pros:</p> <ul style="list-style-type: none"> Reduces the wait time for first payments to three weeks Helps those whose mental health problems mean they struggle with budgeting to better manage their finances Reduces the number of claimants likely to require an advance, avoiding the claims process and difficulties with repayments faced by those with mental health problems. <p>Cons:</p> <ul style="list-style-type: none"> Requires claimants who do need an advance to navigate a complex process to request and claim an advanced payment.

Q3. Are different mitigating options needed for different groups of claimants?

There is ample information and testimony evidencing that the five-week wait is leading to hardship for many claimants.¹³ While there is merit in making provisions to safeguard some of the most vulnerable claimant groups, such as those with mental health problems, these need to be in addition to a system that fundamentally works for everyone.

Designing different mitigating options for different groups of claimants only works effectively if those in need of additional support can be identified. This approach is insufficient for people with common mental health problems:

- Levels of undiagnosed mental illness are high, with 36% of people with a common mental disorder having never received a formal diagnosis.¹⁴ Although these people are unable to disclose their condition, they may be experiencing the same symptoms and challenges as people who know about their condition and can disclose it. This is likely to increase significantly in the coming weeks, months and years as we begin to see a fuller picture emerge of the impact of the pandemic on people's emotional wellbeing and mental health.
- Some people do not feel comfortable disclosing their mental health problem to the DWP. Mental health problems remain the subject of stigma, so disclosure can be distressing and require serious courage. For people with a severe mental illness (SMI), who may have faced a lifetime of prejudice as a result of their condition, disclosure can be even more difficult.

Money and Mental Health firmly believe that the DWP needs to move beyond mitigating hardship in the form of adjustments such as advanced payments, to designing a system that works better for everyone. While options to achieve this improved system vary in both cost and administrative complexity, as evidenced in the table above, ideas such as advanced payments being non-repayable, advanced repayment rates being set at an affordable rate or moving to fortnightly assessment periods as is currently the case in Northern Ireland could all make a meaningful difference.

While these steps to make the system work better for everyone are preferable, they may also take time to implement. Steps should be taken in the interim to make these provisions available to safeguard those people with the most acute need (ie: those with severe mental illness, such as schizophrenia, bipolar or personality disorder, or all those in acute mental health need) from financial hardship and the subsequent potential psychological harm.

¹³ Thompson E, Jitendra A and Rabindrakumar S. 5 weeks too long: why we need to end the wait for Universal Credit. The Trussell Trust. 2019

¹⁴ McManus S et al. Adult Psychiatric Morbidity Survey: Survey of Mental Health and Wellbeing, England, 2014. NHS Digital. 2016.