



Citizens Advice Scotland written evidence

The impact and consequences of the two child policy in Child Tax Credits inquiry

Scottish Parliament Social Security Committee

May 2017

Citizens Advice Scotland (CAS), our 61 member Citizen Advice Bureaux (CAB), the Citizen Advice consumer helpline, and the Extra Help Unit, form Scotland's largest independent advice network. Advice provided by our service is free, independent, confidential, impartial and available to everyone. Our self-help website Advice for Scotland provides information on rights and helps people solve their problems.

In 2015/16 the Citizens Advice network in Scotland helped over 310,000 clients in Scotland alone and dealt with over one million advice issues. With support from the network clients had financial gains of over £120 million and our Scottish self-help website Advice for Scotland received over 4 million unique page views.

Introduction

Citizens Advice Scotland welcomes the opportunity to provide evidence to the Committee. Benefits and tax credits is the largest area of advice provided by Scotland's CAB network, with 227,561 new issues brought to bureaux in 2015/16, representing 39% of advice provided.

Advice on Child Tax Credits is one of the most common issues that clients seek advice on, with 13,363 new issues during the year, an increase of 14% compared with the previous 12 months. A CAB client profile survey in November 2016 showed that 9.3% of clients (1 in every 11) who were given advice on an issue related to Child Tax Credits were from a large family, with three or more dependent children.

The impact of the two child policy

CAS is generally concerned about the restriction on families to only being able to claim Child Tax Credits or Universal Credit for two children.

As the policy applies to additional children born after 6 April 2017, the effect of the limit will affect an increasing number of people over time. Although they will be unaffected unless they have additional children, 101,000 families receiving Tax Credits in Scotland had two children, with a further 51,000 having three or more children, according to the most recently published official figures.¹

CAB evidence shows receiving Child Tax Credits can be essential to prevent families from facing hardship and destitution. Analysis of CAB Child Tax Credit cases from

¹ Personal tax credits: Finalised award statistics – geographical statistics 2014 to 2015 – HM Revenue and Customs, May 2016
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/525473/cwtc_awards_g_eog.pdf

April to October 2016 showed that many of the issues were related to delays in payment caused by clients having their tax credits stopped incorrectly following an investigation by Concentrix, the company contracted by HMRC². These cases showed evidence of clients struggling to get their tax credits claims reinstated and suffering financial detriment as a result. For families with more than two children, the impact of the loss of tax credits has been particularly profound and indicates that restrictions to their Child Tax Credit entitlement have the potential to push them into crisis.

An East of Scotland CAB reports of a client who is a lone parent with four children. Her Child Tax Credit payments have suddenly stopped following claims from Concentrix that another adult lives in the house (the person named was her brother who lives elsewhere, but helps care for the client's disabled son). The client has not received any tax credit payments for seven weeks, and has already sent in documentation three times to show she is a lone parent. HMRC have accepted her mandatory reconsideration request, but told her it could take a further six weeks to consider. The client has recently had to give up work due to physical and mental health issues following a car accident. She has been borrowing from family to pay the rent. The CAB referred the client for a food parcel and helped her make a claim for a Crisis Grant due to her lack of income.

An East of Scotland CAB reports of a client who is married with three young children and is currently on maternity leave. They have a combined income of less than £20,000 per year. The client is challenging an alleged overpayment of tax credits of £1,800, and has repeatedly tried to provide requested information about childcare to HMRC, but has not managed to get through, despite meeting the priority criteria for severe hardship due to their income and three children.

Impact on Lone Parents

In addition, the proposals will have a particular impact on lone parent families, who will find it difficult to make up the losses through working additional hours, due to having several young children to care for. Almost one third (32%) of CAB clients who sought advice on a Child Tax Credit issue in November 2016 were single parent

² Work and Pensions Committee statement, 13 October 2016, *Concentrix scandal, HMRC and tax credits*: www.parliament.uk/business/committees/committees-a-z/commons-select/work-and-pensions-committee/news-parliament-2015/concentrix-hmrc-tax-credits-statement-16-17/

families, indicating that the benefit is a substantial source of income for this group, who are simultaneously affected by other changes to the social security system.

For instance, the most recently published official statistics show that the groups most likely to be affected by the Benefit Cap are larger families and lone parents, as well as the children who live in the households. This has further increased since the level of the Cap was reduced from £500 to £384.62 per week from November 2016.

According to the most recently published official figures from February³, 77% of households affected by the Benefit Cap in Scotland represent families with three or more children and 57% comprising a lone parent with three or more children.⁴ These households were affected principally through a combination of high rents due to the size of the household requiring a larger home, as well as their entitlement to children's benefits which are not exempted from the cap.

Whilst the Department for Work and Pensions consultation document on exemptions to the policy suggests that *"households will need to think carefully about whether they are financially prepared to support a new child without relying on the tax credits or means-tested benefit systems"* and recognises that *"some parents or carers for children are not in the same position to make choices about the number of children in their family as others are"*⁵ it does not recognise that there will be future circumstances where any family who has a third child, may subsequently and unexpectedly require support from tax credits or Universal Credit. This includes situations where families may break up or where there is a loss of income, such as redundancy.

Exemptions to the policy

A small number of exemptions to the two-child limit have been announced, which include:

- Children born in a multiple birth
- Children in kinship care arrangements
- Children whose parents are under the age of 16 living with family
- Children likely to have been conceived as a result of rape

Citizens Advice Scotland agrees that the above categories should be exempt from the two-child limit, should the policy remain in force.

The final exemption on the list, for third or subsequent children likely to have been conceived as a result of rape, is much harder to evidence than the others. It is also

³ February 2017 figures, Stat Xplore - Department for Work and Pensions <https://stat-xplore.dwp.gov.uk/>

⁴ Ibid.

⁵ Exemptions to the limiting of the individual Child Element of Child Tax Credit and the Child Element of Universal Credit to a maximum of two children: Public consultation – Department for Work and Pensions, October 2016 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/561641/exceptions-to-the-limiting-of-the-individual-child-element-of-child-tax-credit-and-the-child-element-of-universal-credit-to-a-maximum-of-2-children.pdf

important that this route is as straightforward as possible for people to access, to address a highly difficult and sensitive situation that has arisen as a result of the two-child limit.

Citizens advice bureau advisers are not included in the 'third party reporting' process, and do not in general have specialist expertise in supporting survivors of rape and sexual assault, or reporting rape. In those circumstances, bureaux will refer clients to specialist organisations.