

Citizens Advice Scotland (CAS) Response to the APPG on Poverty's Call for Evidence on the £20 uplift in Universal Credit and Tax Credits

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Scotland's Citizens Advice Network empowers people in every corner of Scotland through our local bureaux and national services by providing free, confidential, and independent advice. We use people's real-life experiences to influence policy and drive positive change. We are on the side of people in Scotland who need help, and we change lives for the better.

Summary

At the start of the pandemic, CAS welcomed the UK Government increasing Universal Credit (UC) payments by £20 a week. This was a first step to make UC a more adequate safety-net and must not be cut in the Spring Budget.

CAS recommends the £20 a week increase to UC is made permanent.

If the uplift is removed, it will have the following impacts:

- People across Scotland on Universal Credit will face a significant income shock and be pushed into poverty.¹
- Financial hardship will be exacerbated, with wider health and economic impacts.
- Those already struggling will be hardest hit. An additional 1 in 6 Citizens Advice Bureaux (CAB) clients in **complex debt**² **will be pushed into an income crisis**
- CAB evidence also shows many people claiming UC for the first time and from a widening demographic, including:
 - People living in the least deprived areas of Scotland who are likely to have higher housing costs.
 - Homeowners with mortgage costs, which are not covered by UC for the first 39 weeks of a claim.
 - Self-employed people with ongoing overheads e.g., for insurance, professional body membership or website hosting.
 - Those currently employed but eligible for UC, who are likely in low-paid jobs which are harder to do from home, requiring costs for transport.

The role of UC in our social security safety-net has never been as important. We already face unacceptable levels of poverty in our society. At a time when we

¹ Scottish Government, <https://www.gov.scot/publications/impact-of-withdrawing-emergency-benefit-measures/> Impact of withdrawing emergency benefit measures, Nov 2020

² Complex debt refers to the level of support someone needs, whether that is due to the size of their debts in comparison to their income, or the number of separate debts they have

must build back better from the COVID-19 crisis, this cut could see even more people swept under the tide.

Risking an Income Crisis

Removing the £20 a week uplift to UC risks an income crisis for many people already struggling. UC claimants have doubled in Scotland over the past year,³ and UC has made up a substantial proportion of the advice needs of our clients. Scotland's Citizens Advice Network has provided over 110,485 pieces of advice on Universal Credit since March – a 76% increase from this time last year.⁴

An analysis of CAB clients on UC who have received advice on 'complex debt' from CAB in Scotland between April-December 2020 reveals the stark financial impact removing the £20 a week increase will have:

- If the £20 a week increase is cut, 8 in 10 CAB complex debt clients will be unable to meet their basic living costs (I.e. be in a negative budget).
- The £20 a week uplift increases the number of complex debt clients who are in a positive budget by 17% (1 in 6), supporting them to meet their basic living costs.
- Cutting the uplift would directly contribute to 1 in 6 CAB clients in complex debt being pushed into a negative income where they will be unable to meet their basic living costs.

A Widening Demographic

The Citizens Advice network has seen a greater number of first-time UC claimants since the pandemic began, as well as a widening demographic of people seeking advice on UC. Between April and August 2020, CAB evidence indicated that:

- A quarter (27%) of clients seeking UC advice for the first time lived in SIMD quintiles 4 and 5 (the most affluent parts of Scotland). 30% of new UC clients lived in the most deprived parts of Scotland (SIMD 1).
- Over 1 in 4 (28%) new CAB clients seeking UC advice were homeowners, who will receive no UC mortgage support for 39 weeks.
- 1 in 10 (11%) new CAB clients seeking UC advice were self-employed, in comparison to 5% of repeat UC clients.
- A third (34%) of CAB clients seeking UC advice were in part-time or full-time employment.

Moving to UC from paid employment often entails a significant income shock and UC recipients in these circumstances may face particular financial risks if the £20 uplift is removed, including higher rent and mortgage costs, costs associated with self-employment, and even the cost of transport for those in low-paid jobs which are harder to do from home.

³ Scottish Government, [Universal Credit Scotland Dashboard – December 2020](#), page 2.

⁴ CAS, Advice Data 2019-20, Dec 2020

CAS has long called for the level of UC payment to be lifted to a more adequate level. More people than ever are now finding themselves claiming Universal Credit for the first time and are likely to have financial commitments that outstrip the level of UC payments. Those facing a shortfall in Local Housing Allowance to cover their rent, ongoing mortgage payments, and the costs of self-employment and low-paid work are relying on the £20 uplift to support them during the pandemic.

It is vital that the £20 increase to Universal Credit is made permanent to prevent poverty and destitution. Whilst focusing on Universal Credit in our submission CAS are also supportive of also extending the increase to the legacy benefits.

Any cut to the £20 a week increase will have profound financial implications for everyone now relying on UC. To fulfil the rhetoric of building back better the Government must make the uplift permanent, cancel the cut, and ensure the continuation of this vital support to people on Universal Credit.

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