

Consultation Response

Social Fund Reform: debt, credit and low income households

June 2010

National Association of Welfare Rights Advisers

The National Association of Welfare Rights Advisers was established in 1992 and represents advisers from local authorities, the voluntary sector, trade unions, solicitors and other organisations who provide legal advice on social security and tax credits.

We strive to challenge, influence and improve welfare rights policy and legislation, as well as identifying and sharing good practice amongst our members.

NAWRA holds a number of conferences throughout the year across the UK, attended by members from all sectors of the industry. An integral part of these events are workshops that help to develop and lead good practice.

Our members have much experience in providing both front line legal advice on benefits and in providing training and information as well as policy support and development. As such NAWRA is able to bring much knowledge and insight to this consultation exercise.

The response has been put together from evidence collated through a questionnaire to members. It is a representation of views from frontline advisers and their clients from across the UK.

NAWRA response to the inquiry into Social Fund Reform

A: General comments

Entitlement to social fund payments

NAWRA welcomes the initiative to make loans available from day one of a claimant's benefit entitlement. However, it feels that both loans and grants should also be made available to claimants in receipt of contributory ESA and contributory JSA where the claimant would receive the equivalent income-related benefit had they not met the contribution conditions ie they do not have other income or savings. In the current system claimants who have worked and paid National Insurance are excluded from both community care grants and budgeting loans and thus treated less favourably than claimants who have not even though their income is the same.

Payments on account

NAWRA also supports the proposal to bring in payments on account to avoid the need for crisis loan applications in alignment cases. However, it has grave concerns about how this will operate in practice. Within housing benefit legislation there is a requirement for local authorities to make a payment on account where a claim has not been decided within 14 days (Regulation 93(1) Housing Benefit Regulations 2006). Despite the fact that this should happen automatically invariably it does not. Similarly Regulation 2 of the Social Security (Payment on Account, Overpayments and Recovery) Regulations 1988 allows for interim payments on other social security benefits yet again in practice it is very difficult to get these paid. NAWRA believes it will be essential to

legislate so that these payments on account must be paid and within a clear time limit eg 2 weeks.

Efficient use of the loans budget

NAWRA agrees that it is important to have efficient recovery of the budget to ensure there is more money available to lend out and it would be interested to know what percentage of loans are recovered. However, it suggests that another option is to significantly increase the loans budget available. As it is a loans budget it does not need to be funded year on year but should be self-replacing. Therefore any outlay to increase the budget should be one-off rather than recurring. A larger budget would enable loans to be given more readily without the need for intense screening currently used for crisis loans. This would drastically reduce administrative costs. An example cited by one member was of a claimant applying for a £20 crisis loan. The invasive questioning lasted half an hour before the loan could be agreed. The administrative costs must have been far greater than the amount of the loan as well as causing distress to a claimant already in difficult circumstances. This example is very typical of situations arising all the time.

There was also a suggestion that in situations where a back payment of benefit is made and there is a social fund loan outstanding a reduction to the back payment could be made equivalent to what weekly deductions over the period would have amounted to.

Qualifying criteria for community care grants

NAWRA feels that the 'families under exceptional pressure' criteria should be broadened out to include all people under exceptional pressure. There are many extremely vulnerable people in society who are single e.g. those with mental health problems, fleeing domestic violence, refugees, drug or alcohol dependency. These people should not be precluded access to a CCG just because they are single.

B: Response to the specific consultation questions

1. What types of intervention would be most useful for customers?

NAWRA believes that the most effective type of intervention would be enabling claimants to have access to independent advice with a holistic approach looking at maximising income, financial advice, budgeting etc. This should be more than just an initial appointment but provide ongoing support and check-ups. It may be possible to run workshops or courses which could offer support and advice to a number of people at a time dependant on their need. The most appropriate type of intervention will vary from claimant to claimant eg some may already be skilled at budgeting but just do not have enough money to meet their needs. Any intervention should be offered to claimants rather than forced upon them. In order for the support to be effective it is essential that the person engages fully – coercion is not the way to enable this to happen.

NAWRA does not believe excessive screening of applications is an effective or efficient intervention. The award of a loan should not be delayed or withheld because a client is unable to get to an interview.

2. When do you feel it is most effective to intervene in a customers' interaction with the Social Fund, for example following a second loan application?

As stated above NAWRA does not believe that insisting on a face-to-face interview is an effective intervention. A number of claims drop out when a claimant is required to attend interview – NAWRA believes research should be carried out as to why this is. Because interviews are only held in screened offices, of which there are very few, NAWRA suspects that claimants are put off because of the difficulty and costs involved in attending. As a result they may well turn to more available and less appropriate forms of credit such as loan sharks. Face-to-face interviews are also not a financially sensible intervention. The costs involved in providing staff for the interview and possibly travel costs for the claimant mean that the administrative cost could be significantly more than the loan eventually offered. A far more appropriate form of intervention is the offer of holistic advice as set out in 1 above and this could be offered as part of any loan application.

3. How best can we identify the support needs of our customers in a more automated system?

The best form of support is where claimants choose to take up support as opposed to being coerced. Therefore support needs could be identified on the application by offering a referral to support services or an appointment in a local jobcentre to discuss their needs and wishes.

4. Who do you think would be best place to carry out these interventions?

NAWRA believes that the most effective support would be provided by specialist services within the third sector. The progress2work initiative now operating in jobcentres enables referrals to be made to specialist drugs projects where a claimant has asked for help. Similar referral procedures could be set up to advice agencies so that claimants could access high quality independent advice. However, in order for this to happen additional funding would need to be provided to the third sector agencies to meet the need as most organisations are struggling to meet their current demand.

5. Do you think a single gateway to deliver the loans scheme is a good idea?

NAWRA supports the idea of a single gateway making access to all loans a simpler process. However, there are concerns about decision makers clearly identifying loans that are needed in a crisis and ensuring a same day payment is issued.

6. What support is needed by those applying for multiple discretionary grants?

NAWRA feels that the claimants who are applying for multiple grants are generally particularly vulnerable people who are on benefits long-term. When the grants system was replaced by the loans system in 1988 there was no increase in benefit levels to allow people to budget for larger one-off items. Research has shown that claimants on benefit long-term do not have enough money to meet their day to day needs and there is certainly no scope to save¹. This is particularly so for working age people without children as there have been relative increases in allowances for children and pensioners. That is why it is essential to maintain the community care grants system to meet the needs of these claimants – the fact that people are claiming multiple grants is likely to be that the level of benefits simply does not meet the costs of their daily living let alone additional one-off expenses.

However, claimants could be offered a referral for extra support as set out in 4 above to ensure that they are receiving all the benefits that they are entitled to and general financial advice.

7. Do you have any views on possible issues in putting the legislation around the provision of goods and services into practice?

There were mixed views within NAWRA on the provision of goods and services as opposed to cash payments. While it was recognised that there could be cost savings and that for some claimants it was preferable to have the item delivered there were also concerns raised. These included the lack of choice and flexibility for the claimant. For example, a claimant who is awarded a grant for a fridge may decide to top up the grant in order to get something more suited to their needs such as a larger fridge or fridge freezer. Direct provision of goods would prevent this option. Cultural issues were also raised; under the current system a cash grant is awarded and the claimant can choose to spend it on the items they believe to be of higher priority rather than what the DWP consider to be high priority. An example cited was of a Somali family who had applied for a bed and laminate flooring. An award was made for the bed but not the flooring. However, the family chose to spend it on the flooring – they already had a mattress and preferred to sleep on that and have a floor that could be kept clean for their prayers and for their children.

If goods are to be provided it is suggested that this is only for white goods and that there should be provision for claimants to choose a more expensive item and make up the difference. Consideration could also be given to providing store cards as opposed to cash. This keeps a greater degree of flexibility while also ensuring that the money is likely to be spent appropriately.

However, comments were also made that provision of goods and services is a move towards taking independence and responsibility away from the claimant. This goes

¹ A Minimum Income Standard for Britain in 2009, Joseph Rowntree Foundation 2009

contrary to the policy elsewhere in benefits eg paying housing benefit direct to the claimant as opposed to the landlord.

8. In what circumstances do you think a resettlement grant should be given?

NAWRA supports the idea of a regulated resettlement grant to reduce inconsistency in decision making. However, it did not agree that social workers or GPs are necessarily the best placed people to support the claim. More relevant would be hostel workers, tenant support officers, support workers, resettlement workers, probation officers. It was suggested that the applications could be signed by the support worker in much the way that the maternity grant application is signed by the health professional.

9. What additional support could be offered to resettlement grant customers to help them move towards increase financial independence?

Many claimants may already be receiving support from the person who endorses their application. However, a similar referral process to that mentioned in 4 above could be offered if the claimant requires further support.

10. Do you think that students not in receipt of welfare benefits should qualify for financial help with funeral payments? If so, how should we identify these students?

NAWRA did not have strong views on this point but is not opposed to the proposal.

However, NAWRA does feel that consideration should be given to extending the scope of funeral payments generally. The stringent qualifying conditions around 'responsibility for a funeral' cause distress to people at a very difficult time. There are also concerns that the typical payment falls a long way short of meeting the cost of even a basic funeral.

11. Should we restrict access to students in full-time higher education? Should we consider an age limit? Any other criteria?

Again no strong views were expressed.

12. Should the power to make Community Care Grants and a per capita proportion of the Community Care Grant budget be devolved to the Scottish Government? What would the benefits of devolution be?

NAWRA did not have an opinion on this point.