

Universal Credit

Guidance on personal budgeting support

What is personal budgeting support?

Personal budgeting support is about helping claimants adapt to three key changes that Universal Credit brings:

- a single household payment;
- paid monthly; and
- rent paid directly to the claimant - so the claimant will pay their rent to the landlord themselves.

Personal budgeting support will support claimants who need help managing their money and paying their bills on time as they transition onto UC.

What are the elements of personal budgeting support?

There are two elements to personal budgeting support:

- Money advice to help claimants cope with managing their money on a monthly basis and paying their bills on time.
- Alternative payment arrangements for some claimants who genuinely cannot manage the standard monthly payment and where there is a risk of financial harm to the claimant or their family. This might include rent paid directly to the landlord, a more frequent than monthly payment, or a split payment between partners.

How does money advice affect Universal Credit claimants?

- Money advice will be offered to all Universal Credit claimants when they make a claim and will be given to those who have a clear need.
- There will be different levels and types of money advice based on need; some claimants will be signposted to online services, some may be offered a single session over the phone, others an intensive face to face session with follow up call(s).
- Money advice will be offered online, by phone, or face to face.
- External organisations with relevant expertise are expected to deliver money advice.
- Money advice services will be tailored to the claimant's ability to handle each of the main Universal Credit financial changes – paid monthly, as a single payment to the household, with rent paid directly to the claimant.

- Some claimants will need money advice for a short period of time, others for much longer.

What type of money advice will be available?

There will be a comprehensive set of **money advice** products and services offered at the point of claim or migration.

Money advice will include:

- Online budgeting tools for claimants who can help themselves - such as those offered by Money Advice Service and Citizens Advice.
- Advice services offered by external organisations for those who need more support with, for example, getting a bank account or doing a monthly budget plan.

The vast majority of claimants needing alternative payment arrangements will be referred for money advice so that they become more financially independent with a view to the payments arrangements ending when they are no longer needed.

What is the money advice process?

The **money advice** process filters claimants to the most suitable service and channel in the most efficient way. This means that:

- Claimants who have no need for money advice or can help themselves (by using an online or phone service) are signposted quickly to the right place.
- Claimants who need an alternative payment arrangement are identified quickly and a decision made so that payments are set up quickly.
- Claimants needing an intervention to help them manage their money will be referred to a local advice organisation; they will determine how often to see the claimant and the channel, based on the claimant's needs at that time.

What are alternative payment arrangements?

The move to a single monthly household payment will be a significant change to the way most benefits are currently paid so the following alternative payment arrangements will be available to help claimants who need additional support:

- Paying housing costs (rent) directly to landlords.
- Making more frequent than monthly payments.
- Splitting payment of an award between partners.

What are the key elements to consider?

Alternative payment arrangements will be 'claimant centric,' in other words something that is done 'with the claimant' rather than 'to the claimant'. Applications will be considered on a case by case basis using existing business knowledge i.e. information we hold about the claimant.

A claimant can be considered for one or more alternative payment arrangements based on individual circumstances and characteristics. The Universal Credit adviser acting on behalf of the Secretary of State makes the decision taking account of the claimant's ability to:

- Pay their bills on time, particularly their rent
- Budget income and outgoings over a calendar month
- Manage a single payment to the household.

In what priority order should they be considered?

Alternative payment arrangements will be considered in the following order of priority:

1. In order to safeguard the claimant's home, paying rent direct to the landlord will be the first priority where rent is part of the Universal Credit award.
2. Secondly and where appropriate we should consider if a more frequent payment is needed. A bi-monthly payment (two payments every month) is recommended for those who will struggle to manage monthly - although exceptionally a different frequency may be considered.
3. The split payment of an award between partners should only be considered in certain specific situations e.g. financial abuse where one partner mismanages the Universal Credit award or in some domestic violence situations where the couple decide to remain together in the same household and a separate claim to Universal Credit is not made. In these situations we should first consider paying the rent element directly to the landlord (where appropriate), before deciding on the proportion to be split between the couple.

In summary a claimant could therefore have any of the following combinations:

- Housing only.
- Frequency only (for non householders).
- Housing and frequency.
- Housing and split.
- Frequency and split (for non householder couples where appropriate).
- Housing, frequency and split.

The above approach aims to support those claimants over time in developing their budgeting capability and at the same time safeguarding their home.

When can an alternative payment be considered?

Alternative payment arrangements can be considered at any point during the Universal Credit claim. They may be identified at the outset when the personal budgeting support is decided, or during the claim e.g. because the claimant is struggling with the standard monthly payment, or moves house which could affect the housing or split payment.

They can also be triggered by: business knowledge, the claimant, their representative, their caseworker, and/or their landlord as a result of the build up of rent arrears. To safeguard the claimant's home, a landlord can notify Universal Credit asking for the housing cost element to be paid direct to them when a rent arrears 'trigger' has been reached. The Direct Payment Demonstration Project (DPDP) is testing different rent arrears trigger points that will inform the final trigger to be used in Universal Credit.

When should alternative payments not be offered?

The Government is keen that Universal Credit reflects the world of work where 75 per cent of people receive wages monthly. The majority of claimants should be paid the single monthly payment, enabling them to make a smooth transition into monthly paid work, encouraging personal responsibility for finances and learning how to budget on a monthly basis. Alternative payment arrangements should only be considered for those claimants who genuinely cannot manage the single monthly payment and as a result there is a risk of financial harm to the claimant or their family. These arrangements are not available through choice and this guidance aims to set out the approach to provide support where appropriate, considering a combination of financial and other challenging factors e.g. addiction, homeless, learning difficulties etc. It is important that claimants are able to make the same sorts of decisions as those in work and develop the financial capability to do so.

When will alternative payments be reviewed?

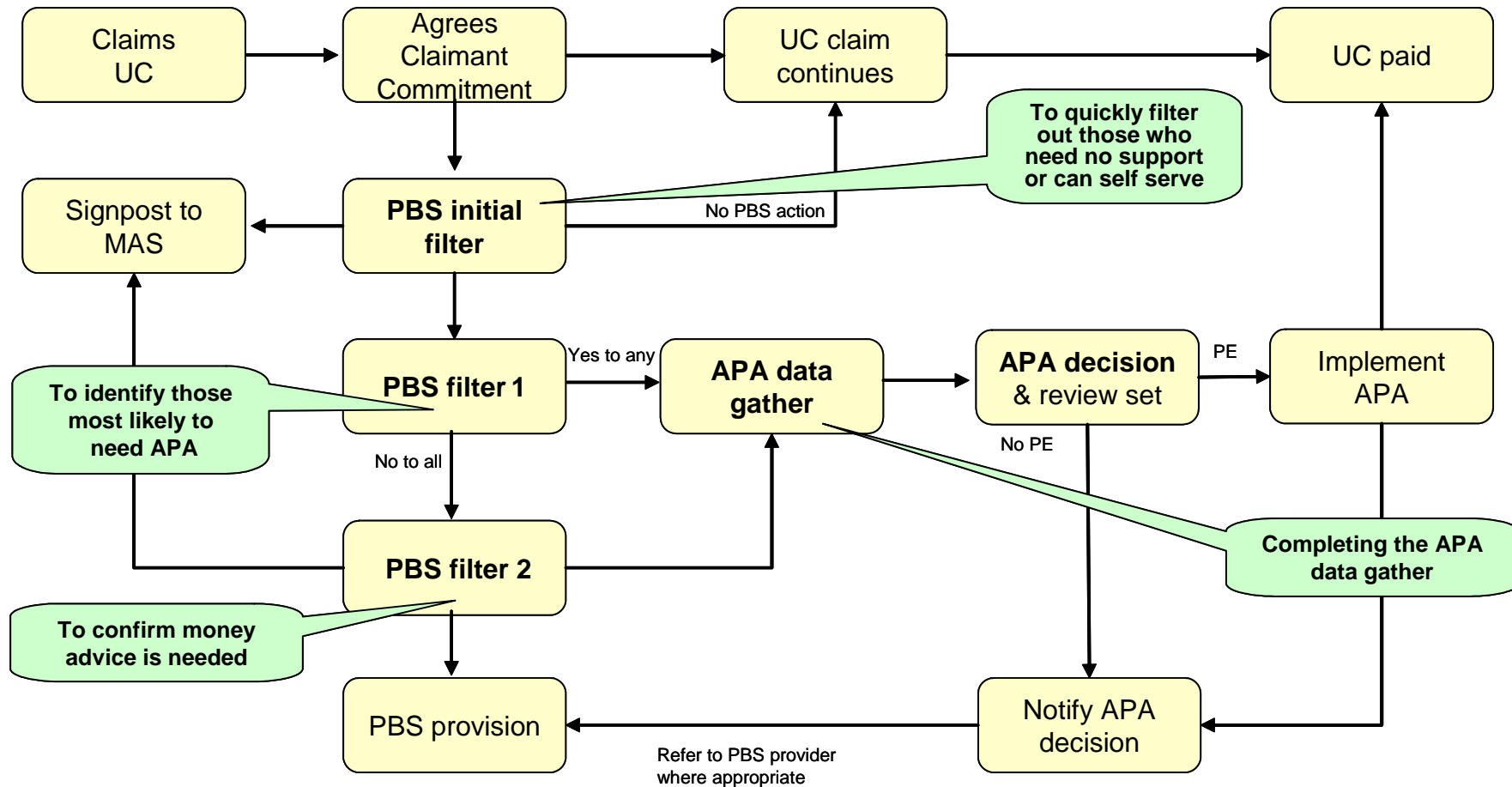
Alternative payment arrangements will be subject to a review. The Universal Credit adviser will decide the review period taking into account the claimant's particular circumstances. At the review, they will decide if the claimant is now capable of managing the standard monthly payment.

If a claimant has two or more alternative payments in place, it may be appropriate to consider a gradual move to the single monthly payment e.g. managing on a monthly basis first, followed at some point by paying their rent. This 'stepping stone' approach aims to help them make the transition to standard monthly payments over time.

What are the key factors to consider when deciding if alternative payment arrangements are appropriate?

When considering alternative payment arrangements, the Tier 1 and Tier 2 factors set out at Annex A should be used to help to decide if these arrangements are appropriate to an individual. All cases must be assessed on an individual basis and information will need to be gathered with sensitivity and in a non judgemental way. It will be important to gain confidence and build trust and rapport with individuals, listening to their needs, probing and questioning to identify the issues. Details from a third party i.e. the claimants' representative, their caseworker and / or their landlord can be used to inform a decision.

The PBS High Level Design (Pathfinder)



Glossary:

- APA – alternative payment arrangement
- MAS – Money Advice Service
- PBS – personal budgeting support
- UC – Universal Credit

Annex A

Factors to consider for alternative payment arrangements
Tier One factors – Highly likely / probable need for alternative payment arrangements
Drug / alcohol and / or other addiction problems e.g. gambling
Learning difficulties including problems with literacy and/or numeracy
Severe / multiple debt problems
In Temporary and / or Supported accommodation
Homeless
Domestic violence / abuse
Mental Health Condition
Currently in rent arrears / threat of eviction / repossession
Claimant is young either a 16/17 year old and / or a Care leaver
Families with multiple and complex needs
Tier Two factors - Less likely / possible need for alternative payment arrangements
No bank account
Third party deductions in place (e.g. for fines, utility arrears etc)
Claimant is a Refugees / asylum seeker
History of rent arrears
Previously homeless and / or in supported accommodation
Other disability (e.g. physical disability, sensory impairment etc)
Claimant has just left prison
Claimant has just left hospital
Recently bereaved
Language skills (e.g. English not spoken as the 'first language').
Ex Service personnel
NEETs - Not in Education, Employment or Training

The following provides more detailed guidance around each of the factors:

Factors to consider for alternative payment arrangements
Tier One factors – Highly likely / probable need for alternative payment arrangements
Drug / alcohol and / or other addiction problems e.g. gambling <ul style="list-style-type: none">- Claimant declares/ has declared on a previous claim a problem with substance abuse- Claimant considers themselves to be addicted/ a regular user- Substance misuse includes problems with alcohol, any type of illegal drug or improper use of non illegal substances e.g. glue- Feedback from third parties about the individual's addiction should also be taken into account e.g. support agency staff.
Learning difficulties including problems with literacy and/or numeracy <ul style="list-style-type: none">- Claimant has difficulty reading, writing and/or performing simple mathematical tasks,- May be evidenced by low/no educational achievement- May also be linked to a medical condition (e.g. Autism, Downs Syndrome etc)
Severe / multiple debt problems <ul style="list-style-type: none">- Claimants are unable to meet credit commitments from available income, taking account of minimal necessary expenditure. This may include personal loans, mortgage repayments, utility arrears, social fund debt up to the max amount etc.- Severe debt problems could be evidenced by multiple debts and/or non payment of multiple debts over a period of 2 months or more and possibly heavy use of the new localised welfare assistance schemes.- The key factor is that the claimant has not made a repayment plan or is not sticking to the terms of a repayment plan and is a very disorganised and chaotic money manager.
In Temporary and / or Supported accommodation <ul style="list-style-type: none">- This includes both temporary accommodation (such as B&Bs) and supported accommodation (e.g. homeless hostels, domestic violence refuges, specialist accommodation for disabled people)- This could also include independent accommodation with housing related support (previously Supporting People) provision attached, such as floating support.

- Consider only if the claimants status in this accommodation impedes their ability to manage their financial affairs effectively as some types of accommodation will be short stay, but others will have longer tenancies of two years or more and many claimants will be able to manage the UC single monthly payment. The focus should be more around the type of 'support' provided rather than the accommodation type when considering if alternative payment arrangements are appropriate.

Homeless

- As per the Housing Act 1996, a claimant is homeless if they have no accommodation that it is safe or reasonable for them to occupy, or if they are expected to have no access to accommodation within 28 days.
- In practice, this includes people who are rough sleeping, people who are sofa surfing with friends or relatives, people in hostels, people who are about to be evicted and people in unsafe and unsuitable accommodation such as squats.
- Should have been homeless for more than 2 weeks or not at the same address for no more than 1 month.
- But do consider that some claimants who are homeless may still be financially capable.

Domestic violence and abuse

- Claimants who are currently suffering domestic abuse, or have had domestic abuse inflicted on them.
- This includes any incident of threatening behaviour, violence or abuse (psychological, physical, sexual, financial or emotional) between adults who are or have been intimate partners or family members regardless of gender or sexuality. This can also include forced marriage and so-called "honour crimes".
- Abuse that forms a pattern of coercive and controlling behaviour e.g. controlling the other person by using a variety of financial means

Mental Health Condition

- Claimant has a mental health condition (e.g. phobia, bi-polar disorder, severe depression) which impairs their ability to manage their own affairs effectively
- Feedback from a third party about the symptoms that the individual has should be taken into account, including any evidence from legacy information held.

Currently in rent arrears / threat of eviction / repossession

- Claimant is currently in arrears for their rent of 2 or more months (DPDP learning to inform the arrears 'trigger' level)
- Claimant has been evicted for rent arrears and/or failed a tenancy within the last 12 months.
- Claimant is subject / threatened with eviction and / or repossession.

Claimant is young either a 16/17 year old and / or a Care leaver

- 16/17 year olds – many will have limited if no financial capability and in order to claim UC will have to be in some form of hardship already (i.e. estranged from parents, have a child, be sick/disabled etc.)

<ul style="list-style-type: none"> - Care Leavers – Claimants who have recently been in local authority care and includes those over 17, most claimants leave care at 18, but some leave as early as 16 or as late as 25.
<p>Families with multiple and complex needs</p> <ul style="list-style-type: none"> - Claimant is part of a family that is part of the Troubled Families Programme - Other families with multiple and complex needs could include a combination of persistent offending behaviour, persistent anti-social behaviour, mental health issues, drugs and alcohol issues, domestic violence, safeguarding issues and debt - Feedback from third parties e.g. family intervention case worker about the complex and overlapping nature of problems in the claimant's family should be taken into account
<p>Tier Two factors – Less likely / possible need for alternative payment arrangements</p>
<p>No bank account</p> <ul style="list-style-type: none"> - Claimant has no bank account or no usable account (including accounts which are open but which are overdrawn and which the claimant may be reluctant to use).
<p>Third party deductions in place (e.g. for fines, utility arrears etc)</p> <ul style="list-style-type: none"> - Claimant is currently making payments from benefit to repay utility arrears (e.g. gas, water, electricity) - Or will be considered for rent arrears deductions as they are more than 2 months in arrears with their rent
<p>Claimant is a Refugee / asylum seeker</p> <ul style="list-style-type: none"> - This definition applies to those claimants who have been granted refugee status, with indefinite leave to remain and with recourse to public funds within the last 12 months. - Claimant is an asylum seeker who is eligible to claim DWP benefits while their application is being processed - Their status impedes their ability to manage their own financial affairs effectively
<p>History of rent arrears</p> <ul style="list-style-type: none"> - Claimant is not in arrears but may have been within the last 12 months and was subject / threatened with eviction and / or possession. - Consider the fact that the claimant may now be financially capable and able to manage their own financial affairs effectively.
<p>Previously homeless and / or in supported accommodation</p> <ul style="list-style-type: none"> - Claimant was homeless (as per definition above) within the last 12 months but is now in suitable accommodation. - Claimant has moved from supported housing into independent accommodation within the last 12 months. - Consider the fact that the claimant may now be financially capable and able to manage their own financial affairs effectively.

<p>Other disability (e.g. physical disability, sensory impairment etc).</p> <ul style="list-style-type: none"> - Claimant has a disability/ impairment not covered by the 'mental health section that impairs their ability to manage their own financial affairs effectively
<p>Claimant has just left prison</p> <ul style="list-style-type: none"> - Claimant has left prison within 3 months of making their claim to UC. - Consider only if their status impedes their ability to manage their UC financial affairs effectively, budgeting support may be the answer rather than an alternative payment arrangement.
<p>Claimant has just left hospital</p> <ul style="list-style-type: none"> - Claimant has just left hospital within 3 months of making claim to UC. - Consider only if their status impedes their ability to manage their UC financial affairs effectively, budgeting support may be the answer rather than an alternative payment arrangement.
<p>Recently bereaved</p> <ul style="list-style-type: none"> - Claimant has suffered the loss of close family member (as described in social fund guidance) within the last 3 months. - Consider only if their status impedes their ability to manage their UC financial affairs effectively, budgeting support may be the answer rather than an alternative payment arrangement.
<p>Language skills (e.g. English not spoken as the 'first language').</p> <ul style="list-style-type: none"> - Claimant does not speak/understand English or does not speak/understand English as their first language. - Consider only if their status impedes their ability to manage their UC financial affairs effectively, budgeting support may be the answer rather than an alternative payment arrangement.
<p>Ex Service personnel</p> <ul style="list-style-type: none"> - Claimant was a member of HM forces and was discharged within the last 18months. (This does not include civilian posts with HM forces or any reserve organisations e.g. Territorial Army). - Consider only if their status impedes their ability to manage their UC financial affairs effectively, budgeting support may be the answer rather than an alternative payment arrangement.
<p>NEETs</p> <ul style="list-style-type: none"> - Claimant is aged 18-24 and not in education, employment or training. <p>Consider only if their status impedes their ability to manage their UC financial affairs effectively, budgeting support may be the answer rather than an alternative payment arrangement.</p>

Case study examples

The following case study examples are an indication of how several of the above factors can come into play when considering alternative payment arrangements.

Example 1

Pete claims Universal Credit. He has severe learning difficulties and lives in supported accommodation. He is referred for alternative payment arrangements. However it transpires that Pete's brother, Joe, acts as his appointee and fully manages his brother's financial affairs. Joe has been looking after his brother's financial affairs for many years, ever since their parents passed away. He works part time and sees his brother regularly and is deemed capable of managing Pete's Universal Credit. As a result an alternative payment arrangement is not considered appropriate in this case.

Example 2

Gary is 22 and not in education, employment or training and claims Universal Credit. Following questioning, it comes to light that he has dyslexia, and struggles to read; he does not understand basic written documents and finds it difficult to manage his finances. He is referred for alternative payment arrangements and during the conversation with him and the local support agency, we discover that he also has other debts and although he does have a repayment plan in place he is not sticking to the terms and therefore risks further action if he continues to fail to pay. He is also in debt to family members and is paying small amounts in erratic ways and well below the agreed repayment plan. He continues to borrow more money from friends to cover debt payments. This is causing him a lot of anxiety. It is agreed to pay his rent direct to his landlord and he is referred for budgeting support services including the set up of a budgeting (or 'jam jar') account. His circumstances will be reviewed in six months time.

Example 3

Naveed claims Universal Credit following his discharge from a long spell in hospital, although his health condition is poor he is now in recovery. During his spell in hospital he accumulated some debt and his English is not very good. Following questioning he is considered for alternative payment arrangements. During the interview with Naveed and his health worker, it transpires that he considers himself financially capable, he explains that he has an active bank account with direct debit facilities, but would welcome some support to get the debts he has accumulated in order. Alternative payment arrangements are therefore not considered appropriate and he receives his Universal Credit via the standard monthly payment. He is referred for budgeting support services to help him set up a repayment plan to help him clear his debts.

Example 4

Lucy is 26 years old and makes a claim to Universal Credit and following 'Personal Budgeting Support' data gather questioning, it comes to light that she has a drug addiction problem and has no bank account plus a history of debt. She is currently a regular user of cannabis and is not receiving treatment (she says her local support service can only treat

class A users at present), she wants treatment and says without it she cannot stop 'using'. She is therefore considered for alternative payment arrangements as risks spending a large proportion of her Universal Credit income on drugs. A decision is made to pay her pay her rent direct to her landlord and to pay her more frequently than monthly. She is referred for treatment and budgeting support services which include the set up of a budgeting (or 'jam jar') account. Her circumstances will be reviewed in eight months time.

Example 5

Jane is a 29 year old woman, with a 1 year old son. Her husband was violent and, with the help of the police, she and her son fled to a refuge. She took with her only the clothes she and her son were wearing, with no other items and no money. She claims Universal Credit and with the help of the refuge support staff she requests alternative payment arrangements. She is now facing upfront expenses as she fled without any money / credit cards etc. A decision is made to pay her more frequently than monthly and to pay her housing costs direct to the refuge as well as a Universal Credit advance. Money advice is also put in place as well as the support she gets from the refuge to rebuild her life. It is decided that her circs will be reviewed once she leaves the refuge.

After staying in the refuge for seven months, she has moved into her own tenancy, she continues to receive support and counselling from staff in the refuge. She now has an active bank account with direct debit facilities and feels capable of managing her own financial affairs. Alternative payment arrangements are no longer considered appropriate and she moves to the standard monthly payment.

More Information

For more information on any of the above please contact the UC PERSONAL BUDGETING SUPPORT team: universalcredit.pbs@dwp.gsi.gov.uk