Third Party Deductions (TPDs): Time for a Policy Review

Social Security Advisory Committee Occasional Paper No. 5

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Deductions from Benefit: Time for a Policy Review?

1 This paper in the Occasional Paper series published by the Social Security Advisory Committee (SSAC) explores the current situation of third party deductions from benefits and considers whether the overall rationale for these deductions is focused and based upon consistent policy intentions. Third Party Deductions from benefit were originally introduced to safeguard the position of people receiving income-related benefits when they fell into arrears with essential bills. While, according to DWP, this remains the principal rationale for the scheme, deductions are now also made under wider powers to pay debts that help in enforcing compliance with social and financial obligations (amongst others paying court fines and child maintenance payments), as well as a way of furthering new social policy objectives (integration loans and arrears on consumer credit granted by third sector lenders)

2 The Committee scrutinised two sets of regulations in 2006 that widened the scope of the scheme considerably. The Committee raised its concerns in respect of both sets of regulations at the time but also felt that there was scope to reiterate its thoughts on deductions for payments to third parties more generally in this paper. The Committee set out its opinion that there should be a review of the system of deductions from benefits before there is any further widening of the system. The review should consider issues of consistency in policy and efficient administration as well as the impact on claimants of deductions being taken from their benefits[1].

3 This paper begins by providing a basic introduction to policy regarding deductions from benefit; then considers the context for deductions (e.g. changes in utility service disconnections); the impact of deductions on claimants and examines two case studies of recent changes to the scheme. It then sets out a number of principles for a review of the scheme.

Background

4 There are currently four types of deductions: Third Party Deductions (TPDs) from benefits, overpayment recovery, Social Fund loan repayments and Child Support Maintenance. The key focus of this paper will be on TPDs but it is worth considering briefly the full-range of deductions for which claimants may be liable[2]. Third Party Deductions apply to income-related benefits: Income Support (IS), income-based Jobseeker's Allowance (JSA) and Pension Credit. Deductions can also be made where the income-related benefit is combined with another benefit, e.g. Incapacity Benefit. The scheme works by diverting a specified amount of benefit (currently £2.90 a week in respect of arrears) directly to the creditor until the arrears are paid off. Where appropriate, an amount is also deducted to cover ongoing consumption or liability.

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[1] SSAC (2006) The Social Security (Claims and Payments) Amendment (No.2) Regulations 2006 (S.I.2006 No. 3188) Command Paper Cm6974

[2] We are grateful to DWP Officials who provided much of the background information about deductions to the Committee.

In Northern Ireland deductions can be made from other benefits such as IB even where IS is not in payment. This relates to historically higher rates of public debt that may no longer apply in practice.

According to DWP, Third Party Deductions have a two-fold purpose:

- to provide last-resort rescue where a claimant is struggling with arrears of essential household outgoings, or;
- to impose compliance with a social and monetary obligation.

These are very distinct in purpose. The first, when imposed without the claimant's consent is designed to make decisions assuming they are in the interest of the claimant without their agreement. It might be called 'paternalistic'. The second raises larger issues because this purpose could be widened according to government policy. It may raise constitutional and human rights issues because it involves the confiscation of claimants' assets.

5. In Great Britain, the TPD scheme began in the 1970s, in response to concerns about a large number of fuel supply disconnections which were particularly affecting those on the lowest benefit incomes. The provision that started in respect of fuel arrears has extended over time to various other items:

- housing costs and rent arrears,
- water costs (1990)
- fines (1992).
- deductions for Council Tax arrears and Child Support payments were added in 1993 and
- more recently further deductions were added for refugee integration loans (2007) and then
- arrears from an affordable credit scheme (2006) (see paras 24:28 below for more details)[3].

6 The rules governing deductions are set out in Schedule 9 of the Claims & Payments Regulations, entitled 'Deductions from Benefit and Direct Payment to Third Parties'. Schedule 9 prescribes the amount for each individual arrears deduction, currently £2.90, i.e. five per cent of the single person's Income Support rate. The total amount deductible for arrears is subject to a cap of three x five per cent (i.e. £8.70). For utility costs an amount can also be deducted to cover the cost of *current* consumption as well as arrears, which prevents the debt continuing to grow at one end while being paid off at the other. There is a protective stipulation that the total amount deducted must not, without the person's consent, exceed 25 per cent of their benefit income.

7 Where there are three or more sets of deductions, a priority order is applied to determine which ones should take precedence. This is designed to ensure that deductions that protect the individual and the family (e.g. to prevent fuel disconnections) are prioritised.
The priority order is currently:

[3] This paper does not include Mortgage Interest Direct where the portion of the claimant's benefit paid directly to the lender does not reduce the claimant's aggregate benefit income for living expenses and housing costs as it is not a 'deduction' proper.

1 Housing costs (not covered by the mortgage payment scheme)
2 Rent arrears & service charges
3 Fuel costs
4 Water charges
5 Council tax
6 Magistrates Court Fines (any court in Scotland)
7 Child Support Maintenance (pre-2003 cases)
8 Integration Loans
9 Eligible Loans

8 In October 2004, the TPD for fines was increased to a flat-rate of £5 and Magistrates Courts' access to fines deductions was speeded up. However, the overall deduction limit remained the same. So if existing deductions leave no room for a £5 deduction without exceeding the limit, the fine deduction defaults to the standard £2.90. From July 2006, in England and Wales regulations were introduced to deduct court imposed compensation. If a court orders an offender to pay compensation to the victim of their crime, it is deducted (without their consent) from their benefits or by an attachment of earnings. In 2006, deductions for Eligible Loans were introduced and, in 2007, Integration Loan deductions for refugees were introduced. These two types of deductions are considered in more detail later in the paper.

Non-Third Party Deductions from benefit

9 As non-Third Party Deductions are a debt to the Department rather than a third party, overpayments do not figure in Schedule 9 and recovery is not restricted to the Schedule 9 individual amount. However, they are bound by other regulations to the same maximum amount as Schedule 9 deductions and also to the priority order, where they have a 'ghost' penultimate place after fines and before (pre-2003) Child Support Maintenance payments. Thus overpayment recovery has to be deferred if the aggregate of Third Party Deductions with greater priority has already reached the £8.70 maximum (unless the overpayment was a result of fraud, when a higher maximum of £11.60 can apply, with the recovery filling any available room up to that limit).

10 The interest-free Social Fund Crisis Loan and Budgeting Loan deductions account for just over half of the total deductions from benefit. They are the choice of the beneficiary, as the loan applicant agrees repayment terms before the loan is paid and repayment deductions commence. Deductions are not linked to Schedule 9's priority order so the presence of other deductions is no impediment to a loan. However, Social Fund loan repayment rates are sensitive to other commitments the claimant already has, including TPDs. If the applicant's weekly commitments from income are more than 15 per cent of the weekly income support rate for a single person, the repayment rate offered will be the lowest one of 5 per cent of benefit. Given the increase in Crisis Loan applications once the system became telephone based (estimates suggest that applications increased by 30 per cent in summer 2007), there may be a concomitant increase in the number and amount of deductions taken from claimants' benefit.

11 Between 1993 and 2003 Child Support payments were a straightforward Third Party Deduction. The third party was the person entitled to the maintenance. However, from March 2003 Child Support Maintenance (CSM) cases were lifted out of Schedule 9 and relocated in a new Schedule 9B, where a flat-rate £5 payment was introduced for

new cases. CSM therefore became a separate, freestanding deduction, independent of the priority order in Schedule 9 and allowing the deduction to be applied regardless of any others already in place. Schedule 9 rules, however (i.e. the ordinary Third Party Deduction rules), still apply to pre-2003 cases.

Consent for Deductions

12 In some circumstances, claimants can request DWP to arrange deductions (e.g. for utilities), in others they can be levied on them without consent. The Jobcentre Plus leaflet that explains deductions sets out how and when a claimant can instigate a deduction and when it may be imposed upon them. It states:

'You can apply for third-party deductions at your local Jobcentre Plus office, jobcentre or social security office or pension centre. Your landlord or fuel or water supplier can also ask us to take deductions if this is the most convenient arrangement for you to clear your debt. For Council Tax, your local authority may ask us to take payments from your benefit. You cannot ask for his yourself. For a fine, the courts may ask us to take payments from your benefit…You cannot ask for this yourself'.

13 A key issue relates to explaining consent to claimants and helping them to understand fully the range of deductions that are available to them (or can be imposed upon them). The deductions system is relatively complex and research has shown that awareness of deductions and their operation amongst claimants is patchy (see para 20).

Third Party Deductions – Volumes and Trends

14 There was a decrease in the total number of deductions between 1997 and 2005, even taking into account the addition of Pension Credit deductions in 2003. The most noticeable fall was in deductions amongst JSA claimants, where both the number and percentage of claimants with deductions fell. Although the number of IS deductions fell, the percentage of IS claimants with deductions increased from 29 to 46 per cent.

Table 1 - Deductions 1997-2004

	Number of deductions 1997	Per centage of claimants with deductions 1997	Number of deductions 2005	Per centage of claimants with deductions 2005
Income Support	1,149,000	29	990,000	46
Jobseeker Allowance	519,900	29	187,000	24
Pension Credit	-	-	224,000	8

Source: DWP Quarterly statistical enquiries, 2004

In terms of the type of deduction, the sharpest fall has been in utility deductions. A major factor in this fall has been the fall in the number of eligible JSA claimants. Other factors that explain this fall include the increased availability and spread of pre-payment meters, budget payment plans and the fuel companies' policy of only disconnecting supply as a 'last resort' . However, other deductions have increased in volume over the same period. Table 2 below shows the number of deductions for IS claimants in 1997 and 2005. Although at a low level, the number of fines deductions doubled over the period. In both 1997 and 2005, approximately 70 per cent of those with deductions had more than one deduction.

Table 2 - Third Party Deductions from Income Support payments by type and average weekly amounts in Great Britain

Type of Deduction	August 1997	February 2005	Average Weekly Amount of Deduction Feb 2005
Electricity	39,000	17,000	£12.05
Gas	114,000	22,000	£10.94
Water and Sewerage	144,000	92,000	£7.39
Mortgage Interest	278,000	100,000	£37.34
Council Tax	111,000	179,000	£2.98
Fines Recovery	14,000	28,000	£3.27
Child Support Maintenance	-	10,000	£4.66
Social Fund loan recovery	567,000	743,000	£11.24
Overpayment Recovery	102,000	119,000	£6.35

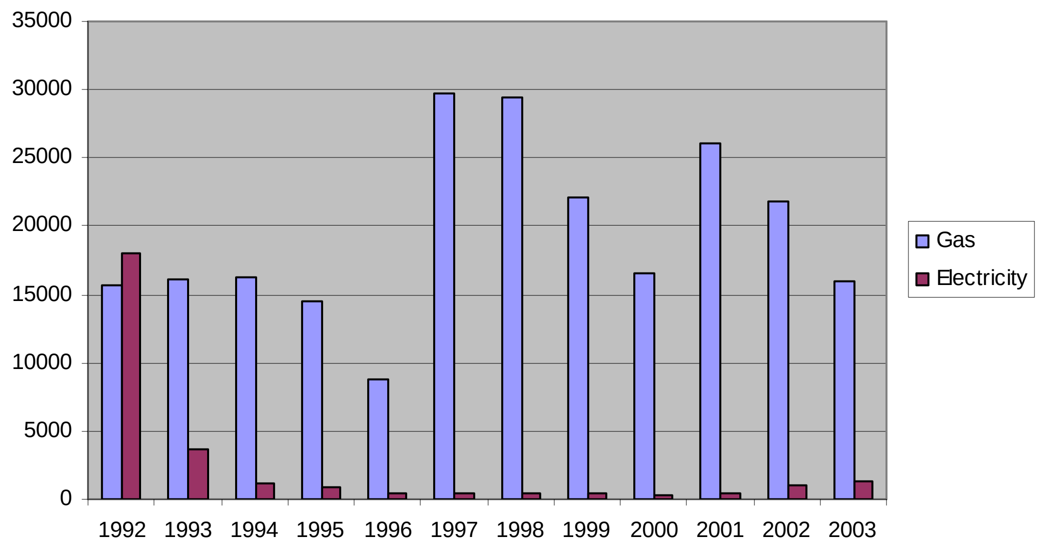
Source: DWP Quarterly Statistical enquiries, 2005

Changes in Utility Services and Deductions

15 There have been a number of changes in terms of utility services and deductions that have a bearing on the rate of take-up. There has been a marked reduction in the number of electricity disconnections since the early 1990s, although gas disconnections have remained at about 15,000-20,000 per year. The higher figure for gas disconnections is apparently caused by the gas industry maintaining that it cannot, for health and safety reasons, install a prepayment meter in the absence of the occupier.[4]

[4] Parliamentary Warm Homes Group (2004) Consultation Response – Disconnection from Domestic Gas and Electricity Supply http://www.nea.org.uk/downloads/Parliament/Disconnection_from_Domestic_Gas_and_Electricity_Supply.pdf

Chart 1 - Number of Disconnections for Debt 1992-2003



16 It seems likely that the falling number of disconnections is largely attributable to the increased use of prepayment meters as an alternative. Whilst this option is clearly preferable to actual disconnection, it does mask the extent of problems faced by many low-income households in paying for fuel. Many families and individuals who would have been identified as in difficulty with their energy costs are now anonymous, under-consuming and effectively self-disconnecting or rationing their access to energy[5]. This reduction in the number of disconnections is also a feature of relatively low energy prices. With the increase in fuel costs experienced in recent years, we might expect to see more people suffering fuel poverty and possibly an increased need for gas and electricity deductions to prevent disconnections. Since 2003 domestic gas prices have risen by 87 per cent and domestic electricity prices by 56 per cent. Millions of low-income consumers and fuel poor households use prepayment meters as a way to help them budget. But people with prepayment meters are paying up to £173 a year more for gas and up to £113 more for electricity than quarterly billed (standard credit) consumers[6].

17 Water was added to the Third Party Deduction scheme in 1990; since then the Water Industry Act of 1999 made it illegal for any water company in England and Wales to disconnect, for non-payment, any dwelling that is occupied by a customer as their principal residence. So claimants in debt to water companies are highly unlikely to be disconnected as a result of non-payment. However, OFWAT argued in 2002 that water payment deductions from benefit should be given higher priority than they already receive. They are currently considering whether water companies should be more proactive in using TPDs to recover arrears (Water companies can set up a deduction

[5]National Energy Action (2005) Debt and Disconnection
http://www.nea.org.uk/Policy_&_Research/Fuel_poverty_facts/Debt_and_disconnection
[6] National Consumer Council, Press release, 4th September 2006
http://www.ncc.org.uk/cgi-bin/kmdb10.cgi/-load964191_nccviewcurrent.htm

without the customer's permission but OFWAT suggests that good practice would be to make reasonable attempts to contact the customer first)[7].

Departmental Research into Third Party Deductions

18 The Department has undertaken several pieces of research that explored the use of the Social Fund, especially when it was first set up. There is, however, a limited amount of research into Third Party Deductions more generally. Qualitative research concerning Social Fund budgeting loans has consistently shown that claimants value the opportunity to pay back the loans by regular deductions from benefit. However, research has also tended to conclude that repaying Social Fund budgeting loans can lead to increased hardship for some recipients. It appears to reinforce poverty by reducing an already meagre income further and leaving many with insufficient funds.[8]

19 In 2005 DWP published a research report that focused on both Social Fund loan repayments and Third Party Deductions [9]. It was a qualitative study involving 45 interviews with claimants to explore their understanding of deductions and the impact of deductions on their households. The sample included lone parents, unemployed couples with children, disabled people and pensioners. In addition to having both Social Fund loans and TPDs, almost three-quarters of the sample had other debts including bank loans, overdrafts, hire purchase and catalogue debts.

20 The study found that awareness of Third Party Deductions was low across the sample and that claimants' understanding of the mechanics of the schemes was patchy. Respondents were often unclear about when their own Third Party Deduction was set up and how much was outstanding. Even when they had no prior awareness of Third Party Deductions, users had assumed that DWP would be able to provide some sort of help with the repayment of arrears. Claimants expressed both positive and negative views about deductions and the nature of the views related to a number of factors (excluding whether the Third Party Deductions were requested or imposed):

- Whether Third Party Deductions were seen as being 'fair'
- How effectively Third Party Deductions were explained and implemented; and
- Whether an individual's financial independence was seen to be compromised

21 There was general acceptance of the principle of deductions among respondents, although some felt that they reduced their financial independence. A key area of concern was the rate of repayment. Most respondents viewed deductions negatively when a significant proportion of benefit (over 20 per cent) was taken up in deductions. Below 20 per cent, a range of views were expressed that related to issues

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[7] OFWAT (2002) *Dealing with customers in debt – guidelines* *http://www.ofwat.gov.uk/aptrix/ofwat/publish.nsf/AttachmentsByTitle/debt_guidelines_1002.pdf/$FILE/debt_guidelines_1002.pdf#search=%22OFWAT%20dealing%20with%20customers%20in%20debt%202002%22*

[8] Finch, N and Kemp, P., (2004) The use of the Social Fund by families with children, DWP in-house Report No 139 http://www.dwp.gov.uk/asd/asd5/ih2003-2004/IH139.pdf

[9] Farrell, C., Brown R. and O'Connor W., (2005) *Perspectives of Social Fund loans and third party deductions - A qualitative study of recipients,* Research Report No. 240 http://www.dwp.gov.uk/asd/asd5/rports2005-2006/rrep240.pdf

such as how helpful the Third Party Deductions were felt to be and the level of existing debt. The impacts of repayments on household financial management depended on the total amount of benefit deducted and the level of other debt.

- Manageable rates of deductions helped reduce the level of debt to be repaid and removed the risk of defaulting and incurring penalties

- Unmanageable rates appeared to exacerbate the effects of living on low income and led to reduced household spending, accrual of arrears and increased borrowing from other sources.

When repayment rates (in combination with other factors) made it difficult to make ends meet, then all members of the family were affected. Adults attempted to protect their children but children were undoubtedly affected.

22 An earlier research report (1994) explored deductions from IS claimants and included a questionnaire survey (1,137 IS recipients), interviews with claimants and staff and analysis of existing credit and debt surveys[10]. The research is dated but some aspects are still relevant, such as the advantages and disadvantages of deductions (known as 'Direct Payments' in 1994): The advantages included the fact that Direct Payments prevented creditor sanctions (e.g. disconnection and eviction), helped with budgeting and were often cheaper than alternative payment methods (pre-payment meters may have incurred higher tariffs). The disadvantages included the fact that Direct Payments reduced cash flow and made it harder for people to meet other household expenses (40 per cent of questionnaire respondents stated that they did not have enough to live on once the payment had been deducted from their benefit). In addition, some claimants complained about a lack of information, especially about whether payments had been made and how much arrears had been paid.

Recent Additions to the Deductions Scheme

23 In late 2006 and early 2007, two new types of loans were added to the TPD scheme. The regulations for both the new loans were presented to the Committee by DWP and the Committee had a number of concerns about the loans. Overall, the Committee felt that the new loans widened the scope of the TPD scheme in an ad-hoc fashion. Further details of the loans and our concerns with them are set out below.

The Eligible Loan Deduction Scheme

24 The Eligible Loan Deduction Scheme (ELDS) was introduced in December 2006 as part of the Government's financial inclusion strategy designed to help increase the supply of affordable credit to people on low incomes. The purpose of the scheme is to allow lenders from the third (not for profit) sector to apply for deductions from benefit to repay loans, in certain circumstances, if repayments have not been made for 13 weeks or more. Under the terms of the scheme, approved lenders must sign a Memorandum of Understanding (MOU) with the Department prior to entering into any loan agreements with their customers. DWP has been allocated a maximum of £10 million from the

[10] Mannion, R., Hutton, S and Sainsbury, R., (1994) Direct Payments from Income Support, DSS Research Report No 33

Financial Inclusion Fund to support administration costs of the scheme, with a cost of approximately £3 million for start-up.

25 ELDS forms part of the TPD scheme and normal TPD rules apply in respect of deduction rates, overall limits and priority. Accordingly, the deduction is five per cent of the IS personal allowance for a person aged not less than 25 (£2.90 a week in 2006/07). The customer must be left with a minimum of 10p IS after the deduction has been made. Deductions for loans currently have the lowest priority in the list of nine types of deductions (see paragraph 7 above). Although the scheme was implemented in December 2006, because of the lender application process and the operation of the scheme, the Department expected the first applications for deductions from benefit to come through in summer 2007.

26 The Committee had several concerns with the proposed scheme and in August 2006 formally consulted on the proposals. Its report on the consultation, published in December 2006,[11] suggested that the scheme appeared to be 'an over-elaborate and costly mechanism to produce a relatively minor and uncertain effect'. The report concluded that the addition of loans from third sector lenders to the TPD scheme widens the scheme in an ad-hoc fashion and dilutes the focus on repaying priority debts. The Merits of Statutory Instruments Committee also examined the regulations, and subsequently, in February 2007 Lord Skelmersdale initiated a debate to annul the regulations introducing the scheme. The debate ranged over some of the criticisms set out in the SSAC's report. There was a consensus that the benefits system is not a debt recovery tool and that the Social Fund might be a more suitable route to increasing the provision of affordable credit.

Integration Loans

27 The Integration Loan Scheme is a Home Office designed initiative to help individuals and their dependants to settle into the community following a decision to grant them refugee status or humanitarian protection in the UK. The initiative is intended to provide interest free loans to certain groups to buy goods and services that will assist integration (e.g. essential household items, training). The scheme has been created to replace the existing system of backdated payments of: Income Support, Housing Benefit, and Council Tax Benefit. In other words these loans replaced what was, in effect, a grant. The Home Office considers applications for loans and DWP then pays the loan on behalf of the Home Office and collects the repayments, either from benefit or by agreed installments from the client when the client is not in receipt of an income-related benefit.

28 The primary legislative powers for this scheme lie with the Home Office, while DWP legislation set the deductions in the framework of the existing deduction systems as set out in Schedule 9 of the Claims and Payments regulations. The scheme was introduced in January 2007. As the primary power for the regulations lies with the Home Office, the Committee was unable to consult formally on the proposals although it did have a number of concerns with the scheme. Overall, the Committee was concerned

[11] Social Security Advisory Committee (2007) The Social Security (Claims and Payments) Amendment (No 2) Regulations 2006 (S.I. 2006 No. 3188) Command Paper Cm 6974

that adding the repayment of integration loans dilutes the focus of the TPD scheme and in effect moves the scheme away from one that was designed to 'protect' claimants, to one that can be used as a method for collecting a range of non-priority debts. Not only does the scheme widen the scope of Third Party Deductions but it also essentially promotes the Government to the status of priority creditor. Priority creditors in court or voluntary negotiated debt repayment programmes are mortgage lenders, landlords and utility service providers, that is, the arrears currently recoverable through Third Party Deductions. In addition, the scheme may discriminate against people on benefits, as there is no proposal for attachment of earnings to recover integration loans. The Committee also had concerns about the rate of repayment and the time allowed before repayment begins. As the loan scheme replaced backdated benefit, the Committee questioned whether a rate of five per cent of the Income Support personal allowance might be too high and sought reassurance that the repayment of the loans would not lead to unnecessary financial hardship amongst recipients.

Deductions from Benefit – Rationale for a Review

29 The Committee has suggested to the Department that there should be a review of the current scheme. The current system of Third Party Deductions adds considerably to the complexity and administrative costs of benefit delivery. Stakeholders have also raised a number of issues with both the theory and operation of deductions, and the scheme is not without its critics. For example, Citizens Advice has suggested that the current scheme represents a 'mixed blessing' for its clients in receipt of benefit. On the one hand, the scheme allows those on benefit who face debt enforcement to arrange deductions from benefit and so prevents people falling deeper into poverty. On the other hand, multiple deductions may leave people with a very severe reduction of net income from which to buy food and other essentials[12]. A number of respondents to the consultation into the proposed Eligible Loan Deduction Scheme (ELDS) suggested that the scheme should be reviewed before the piecemeal addition of further deductions.

30 Citizens Advice suggest that the scheme needs to be reviewed for three main reasons:

- Deductions cannot be made from tax credits, yet payment for people with children is transferring to tax credits;
- The range of benefits covered by the scheme is too narrow, and;
- Claimants have inadequate controls over the number and amount of deductions (consent is only required when the total deductions exceeds 25 per cent).

31 The National Energy Action group view the deduction scheme for fuel payments as being a 'virtually moribund payment method of last resort' and would wish to see it expanded to become an improved version of the existing system. It argues that this should go hand in hand with further reducing the incidence of fuel disconnections[13]. Energy Watch has proposed a number of changes, including better publicity and referral to the scheme, making the scheme available to consumers in low-income employment

[12] CAB (2005) *Take it Away, CAB evidence on the DWP third party deductions scheme and financial exclusion* http://www.citizensadvice.org.uk/take_it_away.pdf
[13] National Energy Action, May 2004

and using the scheme as a debt prevention measure as well as debt resolution[14]. However, although stakeholders offer options for improving the scheme they are clear in their support of the principle of deductions and they highlight the importance of the scheme in allowing claimants to manage priority debts.

Conclusion

32 The Committee recommends that the Department undertake a review that considers the rationale for the scheme, its operation and its impact on customers. The review should explore why the scheme exists and whether it should be limited to supporting claimants to meet priority debts. A number of issues requiring investigation are set out below:

i) Current Third Party Deductions for essential services such as housing, fuel etc. provide claimants with a certainty of the protection of these services. However, they may also act as a disincentive to moving into employment. For claimants who are in debt, moving into work will entail managing those debts without the support of the TPD scheme, and dealing personally with creditors who can apply for the full arrears, or much more demanding repayment arrangements, once TPDs have ended. Making the transition to work may be complicated and compromised in these circumstances. The presence of debts – in particular those which do not relate to essential service – that are 'managed' by TPDs, complicates any 'better off' calculation of the advantages of entering employment. Debts which become unmanageable may precipitate an early return to claiming benefits.

ii) Are the current rates of repayment appropriate? Although no individual should have more than 25 per cent of their benefit deducted without consent, benefit rates are at a level that makes further income reduction problematic. Commercial lenders are prepared to accept lower rates of payment (e.g. £1-2 per month) from those in financial difficulty, compared with £2.90 a week for TPDs. In many cases creditors suspend payments altogether while someone is out of work and claiming JSA or IS.

iii) Should water still be included in the scheme as water disconnections are illegal in most circumstances? Water companies have recourse to other methods of debt recovery and Third Party Deductions are rarely needed to prevent claimants and their families losing access to water.

iv) Should non-priority debts be included in the scheme at all? By including integration loans, for example, the Home Office is being made a priority creditor over suppliers of other essential services who can only, normally request TPDs for arrears. Moreover, by including these loans and arrears on affordable credit, they are being given priority over any secured loans the benefit recipient may have. Again this runs counter to accepted practice with regard to the recovery of money owed, such as court agreements between debt advisers and creditors to prioritise secured lending, rents and utility bills above all other payments.

[14] www.energywatch.org.uk

v) Should the scheme be made available to people in receipt of a wider range of benefits? As the scheme is only available to JSA, IS and Pension Credit recipients it excludes a range of people on similar incomes (e.g. lone parents who have had lost their entitlement to IS when the benefit for their children started to be paid by child tax credit).

vi) Does the basis for a different approach to the scope of deductions between Great Britain and Northern Ireland remain sustainable?

Recommendations

33 As the Committee recommended in the report on The Social Security (Claims and Payments) Amendment (No.”) Regulations 2006 (S.I.2006 No.3188) there should a review of the system for deductions from benefits which should consider consistency of policy and the impact upon claimants of these deductions.

34 The starting point should be a consideration of the policy objectives of Third Party Deductions which currently appear to have four potentially conflicting aims:

i) To manage the financial affairs of claimants who are judged as not able to manage them themselves;

ii) To reduce the risk that claimants and their families will suffer from not meeting their financial liabilities;

iii) To assist in the management of certain debts to selected creditors;

iv) To control through the social security system certain debts to achieve other public policy measures, such as the recovery of fines.

35 Recognising that Third Party Deductions will continue within the social security system and the value of such deductions for some claimants, the Committee makes the following policy recommendations for reform:

i) Third Party Deductions should be confined only to maintaining essential services such as housing, water etc, and ensuring that responsibilities to children are continued through child maintenance;

ii) Third Party Deductions should not be used to recover money which can be secured through other existing civil procedures since this places benefit recipients in a different group from other citizens;

iii) For claimants with debts managed by TPDs who are moving into work, a one-off payment (similar to the Job Grant paid by Jobcentre Plus to claimants taking up work of at least 16 hours per week) of the equivalent of four week’s TPDs should be made to all creditors in order to give the claimant some time in which to negotiate new, manageable, independent repayment arrangements. This should be supported by improved information and advice on debt management within the Department’s work-focused programmes.