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Take up and use of the Universal Credit Advance Payment

Qualitative research with Universal Credit
Claimants

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DWP research report RR 1076

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Executive summary

About the research

Universal Credit (UC) is a single monthly benefit payment for people in or out of work. When an individual first makes a claim for UC there is a one month assessment period, after which it takes up to seven days for payment to reach their account. This means the time period between making a UC claim and receiving the first payment is around five weeks.

Claimants can apply for an advance payment of up to the full amount of their estimated first payment if they need financial support during the first five weeks. The advance payment is interest free and is repaid through the claimant's monthly UC payments.

Ipsos MORI undertook qualitative research for DWP to understand the decision-making process about whether or not to take the advance payment. A total of 50 in-depth interviews were conducted, comprising 31 interviews with those who had taken the advance payment and 19 interviews with those who had not. The sample also comprised a mix of claimant demographics, including age, gender, work status and reported confidence in managing their finances.

Claimant context

Claimant circumstances at the point of making their UC claim strongly affected the level of support they required to understand the advance payment. Those with a disability or long-term health condition or who had difficult personal circumstances, such as being a refugee or leaving an abusive relationship were likely to need support to understand the transition to UC, the advance payment and to manage their finances but were unlikely to seek this out themselves.

Claimants who had a sudden change of circumstance which meant they now needed to claim UC having previously been working had limited capacity to change their circumstances or look beyond the immediate crisis. This limited their ability to absorb information or look for additional support.

Claimants who were working and received UC to top up their income demonstrated good financial management skills and ability to understand UC and the advance payment. They needed least support from DWP.

Understanding of the advance payment

There were claimants who did not remember being told about the advance payment until after they had made their claim or reached the end of their first assessment period. This may have been because of poor recall or there may be inconsistencies in the information being provided at Jobcentres.

Claimants who had little or no knowledge of either the five week wait or the advance payment before attending the Jobcentre to make their UC claim were reliant on the work coach at the Jobcentre to explain this. They expected the Jobcentre to provide

authoritative information on UC (and therefore the advance payment), which reduced their motivation to seek additional information from other sources. However, in the research, these claimants also demonstrated poorest recall and understanding of the specific details of the advance payments.

Claimants with stronger financial management skills who were more digitally confident were more likely to have sought information about UC from a third party such as a debt charity before making their claim. They were better prepared for the five week wait and could make a more informed decision about taking the advance payment. These claimants also had strongest recall of the specifics of the advance payment.

Providing claimants with written information about the advance payment could help support recall and act as a prompt for work coaches to discuss the advance payment with all claimants.

Claimants who decided not to take the advance payment

Reasons for not taking the advance payment included:

- not knowing about it.
- feeling that they did not need it. These claimants had other sources of income and felt that they could manage financially until their first UC payment decided not to take the advance payment.
- aversion to debt. This was linked to poor understanding of how the advance payment differs from commercial loans.
- long term impact on their UC payments. These claimants felt that a reduction in their UC payments would have a more negative impact in the long term.

Claimants who did not need the advance payment were able to arrange their finances to cover the gap in payments. Claimants who did not take the advance payment but did need additional funds during this time borrowed money from family and friends, used their credit cards or overdrafts. Other strategies those who did not feel they needed the advance payment used during the assessment period included making reduced payments for utilities and/or rent and using food and/or clothing banks.

Claimants who decided to take the advance payment

Claimants who took the advance payment did so because they felt they needed the money. There were examples of claimants who were concerned about taking the advance payment but feeling they had no choice as they had no other income.

Claimants who only found out about the five week wait and advance payment when they made their claim for UC were particularly likely to feel this way, as they had no opportunity to explore alternative options. Reluctance to take the advance payment stemmed from concern about borrowing money which had to be repaid and / or about the long-term reduction to their UC payment.

Claimants reported knowing what they would spend their advance payment on and sticking to this plan. Claimants reported spending their advance payment on

essential living expenses such as food, bills and rent or to pay for a large, unavoidable expense such as a rental deposit.

Claimants with stronger financial management skills planned how much advance payment to take, for example, by calculating how much money they could live off during the assessment period and requesting this. Claimants with poorer financial management skills picked an amount they thought or hoped would be enough but did not demonstrate having planned this in detail, or in some cases, having the skills to do so.

There was also variation in how well claimants understood the advance payment repayments. Those with stronger financial management skills had a clearer understanding of this, in contrast to those with poorer financial management skills who had a weaker understanding. Those with less understanding of how and when the advance payment would be repaid reported finding it harder to manage when this was deducted from their UC payments. Claimants who reported receiving less money on UC than legacy benefits, or whose UC payments varied each month also reported finding it hard to understand how their repayments would affect their monthly income.

Information needs

As noted, recall of the detail of the advance payment and repayments varied across the sample and was linked to existing financial management skills and capacity to understand and retain this type of information¹. To address this, it may be useful to provide claimants with written information about the advance payment which they can take away and refer back to.

To make an informed decision about the advance payment, claimants wanted:

- information about how much UC payment they would receive each month. This was seen as essential to helping them understand how deductions to repay the advance payment would affect their income.
- Information about the advance payment. Specifically, that it must be repaid; it is interest free; how much they can receive; when repayments start; over how long they can repay it; how much their monthly repayments will be.

Claimants expected information about the advance payment to come from the Jobcentre and DWP through the UC website. This was viewed as the authoritative source of information about UC and the advance payment. It was important for information to be tailored to the individual's circumstances and needs, for example their family circumstances; if they had other forms of income; and their experiences of, and capability to, budget monthly.

¹ There may also be variation in the detail which work coaches are providing about the advance payment but this report cannot comment on this as work coaches were not included in the sample for this study.

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1 Introduction

This report outlines findings from a qualitative study undertaken with Universal Credit (UC) claimants to understand the take-up and use of the UC Advance Payment. The research was undertaken by Ipsos MORI on behalf of the Department for Work and Pensions (DWP).

This chapter introduces the research and provides an overview of the approach taken, detailing the background to the study, the key aims and objectives, and the research design.

1.1 Background

UC is a single monthly benefit payment for people in or out of work. It replaces several legacy benefits: income-related Jobseeker's Allowance, income-related Employment and Support Allowance, Income Support, Housing Benefit, and Working and Child Tax Credits.

UC payments are made up of a standard allowance and any extra amounts for claimants who have children, a disability or health condition and / or need help paying their rent. UC is paid once a month, directly into a claimant's bank, building society or credit union account. In contrast to legacy benefits, the housing element of UC is paid directly to the claimant rather than to their landlord. This approach, of monthly payments and claimants receiving the housing element directly, is designed to more closely reflect the experiences of people who are working than legacy benefits.

UC is paid in arrears. When an individual first makes a claim for UC there is a one month assessment period, during which the administrative elements needed for someone to make a UC claim are put in place, including identifying and resolving any over payments from previous benefits and establishing whether the claimant passes or is exempt from the habitual residency test. After this it takes up to seven days for payment to reach their account. This means it takes around five weeks from making a claim for claimants to receive their first payment.

Claimants can apply for an advance payment of up to the full amount of their estimated first payment if they need financial support during the first five weeks. The advance payment is interest free and is repaid through their monthly UC payments. Claimants can postpone starting their repayments for up to three months after they start claiming UC and choose how long they repay their advance payment over, as long as this is within 12 months of starting to repay.

Research by Ipsos MORI in July 2019 showed that 75% of new UC claimants were aware of the advance payment and 61% had applied for one.

1.2 Study aims

Ipsos MORI was commissioned to undertake qualitative research to understand how claimants make decisions about taking the advance payment and how they use it. Specifically, the research sought to understand:

- The formal and informal forms of financial support claimants have access to and receive during their first assessment period.
- How claimants decide whether or not to take an advance payment and how much to receive.
- What understanding claimants have of the advance payment when deciding whether or not to take it.
- What information claimants receive about advance payments and their future UC award; the impact this has on decision making and any additional information claimants would benefit from.
- Where claimants go for information and support about the advance payment.
- What claimants use advance payments for and what their financial priorities are during the assessment period.
- What impact taking the advance payment has on claimants' finances in the long term.

1.3 Research design

The design was small-scale and exploratory. A total of 50 in-depth interviews were conducted with claimants who had first made their claim for UC within the past six months. Interviews were conducted face to face or by telephone between 15 May and 11 June 2019 and lasted up to an hour. Of the 50 interviews, 31 claimants had taken the advance payment and 19 had not. The sample also comprised a mix of claimant demographics, including age, gender, parents and non-parents, and well as individuals with health conditions. Other sampling criteria included geography (urban or rural), whether claimants had claimed legacy benefits or were new claimants, those who had previous debt and those who did not, employment status and how confident claimants felt managing their money. The achieved sample profile is outlined in appendix A.

Claimants were purposively selected from a sample provided by DWP. Participants were recruited to take part using specialist recruiters and guided by a screening questionnaire designed with DWP to ascertain eligibility and to check key quotas (as set in the sample profile).

The interviews were undertaken by Ipsos MORI researchers using a discussion guide agreed with DWP. The interview data was analysed using a robust inductive framework approach, as part of which the data was synthesised thematically and interrogated for patterns and relationships.

As with all qualitative research, this study explored experiences in-depth, and sought to understand how and why issues occur. This research did not seek to be statistically representative of the wider claimant population. Quotations from the research have been included to provide rich, detailed accounts as given by participants. Only the views of those who were interviewed are represented here. For that reason, the report does not cover the view of work coaches or other Jobcentre staff as they were not included in the sample for this study.

2. Claimant Context

This chapter provides an overview of the circumstances of new UC claimants in this sample and how this affected their attitudes towards the advance payment.

2.1 Circumstances at the point of making a claim

Amongst the claimants who took part in this research there were four broad types of experience at the point of making a claim for UC:

- **Struggling and vulnerable:** these claimants were on very low incomes and financially unstable, even if they were living within their means. They were likely to have a disability or long term health condition, additional support needs (including being unable to read or write) and/or be providing care support to a family member. This group were likely to be need help but were unaware of the available support or how to access this. They were also likely to lack the skills to support themselves.

"I struggle to keep motivation because of depression so I just couldn't keep up with the processes [of managing my finances], I was just trying to manage here and now."

Male, not working, legacy benefit claimant

- **Difficult circumstances:** these claimants reported applying for UC due to challenging life circumstances beyond their control. Examples included refugees who applied for UC when they had right to remain status and victims of abuse or domestic violence. These claimants were likely to need intensive support as they had little experience of the benefits system and limited social capital.
- **Change of circumstance:** these claimants had not been claiming benefits or tax credits but had a change in circumstances which meant they needed to claim UC. These experiences included having been made redundant; relationship breakdown (separating from main earner); development of a long-term health condition; being in a serious car accident; death in the family; starting to care for a family member or having a baby. For example, one claimant had been a university lecturer but had to stopped working due to the progression of her Multiple Sclerosis. These circumstances limited their capacity to change their financial situation and also limited their ability to look beyond the immediate crisis.

"I was the main income [earner] in the house, I was a childminder before used to work 8-6pm job 5 days a week, all of a sudden I had to stop [because of my health]. We started struggling financially and health wise too was being admitted [to hospital] every couple of weeks...I got really depressed."

Female, working, legacy benefit claimant

- **Managing and capable:** these customers were in work and / or had other sources of income (for example support from their family) outside of UC. They were most likely to have been former tax credits claimants and may have been using UC to top up their income. They demonstrated good budgeting skills and so were less likely to need support with this (financial management skills are covered further in section 2.3). They were capable of accessing help and information if they needed it with or without signposting from DWP.

"At that time we thought very positively about how it [UC] might help us. It does really help - in a way."

Couple, working, legacy benefit claimants

2.2 Attitudes towards the advance payment

Claimants' existing work and claim history affected their attitudes towards UC and the advance payment.

Claimants had limited knowledge of UC before making their claim. There was mixed awareness that the first UC payment is not received until at least five weeks after the claim is made. Those new to claiming benefits had least knowledge or understanding of how to make a claim or their responsibilities as a claimant. Legacy benefit claimants' awareness and expectations of the advance payment were driven by their previous experiences of claiming and there were pockets of low awareness about when they would receive their first payment or that the frequency of payments would change.

"I wasn't thinking too much into it [UC]; I didn't realise it would take this long or how it is worked out. I wasn't told much about it, so wasn't well informed."

Female, working, no previous benefits

"I just thought I declare my income and get my payment. I was under the impression I'd be paid as normal."

Female, working, legacy benefit claimant

Those who had looked for information about UC before making their claim were more likely to be aware of the payment frequency and wait for the first payment and could therefore make preparations. This tended to be the most financially capable claimants. For example, one claimant who had moved back from Australia and planned to set up an online business had looked in to UC and spoken to a debt charity before making her claim.

"I budgeted for all the things I would need because I knew there would be a delay."

Female, not working, no previous benefits

Claimants with other sources of income, working more than 16 hours a week or who could rely on their partner's income or support from their family were less worried about their finances during the assessment period.

"Because I was living with my parents [meeting my financial needs until UC came through] wasn't pressing."

Female, not working, no previous benefits

However, claimants with poorer financial management skills² were unlikely to have sought additional information and were more likely to find out about the five week wait for payment when they went to the Jobcentre to make their claim. There were examples of those who knew about the wait but who assumed it would not apply to them as they were transferring from another benefit.

"In the interview, the person at the Jobcentre said, 'you'll get your first payment on 1st October'. I was shocked! What was I supposed to do for a whole month with no money?"

Female, working, no previous benefits

Amongst newly out of work claimants, there was evidence that people waited a few months to make a claim because they hoped they would be able to get a job quickly and not need to claim benefits. When they then learnt they would have to wait five weeks for their first payment this led to financial difficulties as they had already spent their savings.

2.3 Financial management skills

Participants were asked at recruitment how confident they felt managing their money, but reported confidence bore little relationship to the strategies being used to manage their money.

Those who demonstrated more active financial management used strategies such as listing all outgoings and dates or using a notebook or Excel sheet; using apps or banking tools which categorised spending; setting up all bill payments to go out on the first of the month by Direct Debit; setting a budget for food and other expenses; paying their bills at the beginning of the month and dividing their remaining income into weekly pots.

"I have a notepad and write down my incomings and my outgoings and work out what I've got spare for the month, so I know where I'm at."

Female, working, legacy benefit claimant

² Financial capability and financial management refer to participants' confidence, attitudes, knowledge and skills when making money management decisions.

Participants who had a more passive approach to financial management adopted a 'wait and see approach', for example, paying their bills and 'seeing what is left'. These participants were accustomed to having a fairly regular stream of income from receiving weekly or fortnightly benefit payments so saw little need to budget. They were more likely to report feeling confident in their ability to manage their money but in the interview seemed to lack control.

"The money was coming in weekly and I didn't have any childcare costs or work expenses to manage, so we just got by from one week to another."

Female, working, legacy benefit claimant

"It was good because we were paid [benefits] in weekly instalments and I got paid every four weeks from my job, we had money constantly coming in, we could do whatever we wanted to."

Male, working, legacy benefit claimant

Those who were struggling the most financially felt that there was little point budgeting as they did not have enough money each month and so budgeting would make little difference.

There were examples in our sample of claimants who were in difficult financial circumstances due to a current or former partner having run up large bills or credit card debts which they now had to repay.

3. Understanding of the advance payment

This chapter of the report sets out what participants knew about the advance payment and how they found this out.

3.1 Sources of information about the advance payment

The Jobcentre was the primary source of information about UC and therefore the advance payment. Claimants tended to find out about the advance payment either whilst making their claim for UC or when they were in financial difficulty during the assessment period and contacted the Jobcentre about this. Those who were least digitally confident; were in difficult circumstances; were experiencing a crisis or were otherwise vulnerable (for example, had ill-health or difficulties reading or writing) were least likely to seek additional information and were therefore most reliant on the Jobcentre for information about UC and the advance payment. There was also an expectation that the Jobcentre would be an authoritative source of information on the advance payment and would give accurate and up to date information. This expectation reduced motivation to seek information from third party sources.

Claimants who were unaware that they would not receive their first payment until after the assessment period felt they had little chance to get advice about the advance payment. They first heard about it at the point where they learnt they would not receive any payments for five weeks which influenced their decision making (this is covered in section 4.2.1).

Perceptions of the quality of information varied according to claimants' financial understanding and management skills. More capable claimants reported that the information they found online or which was provided at the Jobcentre was straightforward and clear. However, claimants with less financial knowledge or who needed additional support reported that the information they received was not always clear. Participants who felt the information they received from the Jobcentre had not been clear believed this may have been because UC had been more recently rolled out in their area, meaning work coaches were less familiar with UC. This suggests that the information provided by the Jobcentre may improve as work coaches and other colleagues become more familiar with UC and the advance payment.

"It was confusing because the Jobcentre didn't know much about it and you didn't know who to turn to."

Female, working, legacy benefit claimant

"I think that the people you have interviews with, they need to go over it with you. We can offer you this loan, this is how much you can have. Think about it personally. These are your repayments and they take it from you first payment. No one told me that."

Female, working, legacy benefit claimant

Claimants who sought information from other official sources were most likely to go to GOV.UK.

Participants got anecdotal information about the advance payment from friends and family. This information was reported to primarily cover how claiming UC, and/or taking the advance payment would affect the individual financially and tended to be negative. Participants did not report friends or family signposting information sources to inform the decision about whether not to take the advance payment or offering practical advice on how to make their claim for UC. Other informal sources of information used were online forums such as Mumsnet, Money Saving Expert or Facebook groups about UC.

Advice participants received from financial support charities or networks tended to relate to UC payment frequency and financial management more generally than the advance payment specifically. Information and advice from third parties was most likely to be accessed by participants with stronger financial management skills who looked for advice and guidance on specific questions.

"I called the Universal Credit helpline but there were so many different components to the benefit I think every component had a different helpline to call but [the financial information charity] were really good to get an idea of what I might be entitled to."

Female, not working, no previous benefits

Claimants who had an existing support worker or relationship with Citizen's Advice, due to their wider circumstances got information about UC and the advance payment through these channels.

This reliance on the Jobcentre, particularly amongst the least knowledgeable claimants, illustrates the importance of the advice given by Jobcentre personnel in ensuring claimants have sufficient information to make decisions about the advance payment.

3.2 Recall of information about the advance payment

Claimants varied in their ability to understand and recall information about the advance payment. Less financially capable claimants or those with poor English were less likely to fully understand the implications of taking the advance payment. Those who were preoccupied by their circumstances struggled to remember any additional information provided. Participants in difficult circumstances who had only learnt that

they would not receive a payment for five weeks after starting their claim for UC found it particularly hard to absorb information about the advance payment.

There were claimants who did not remember being told about the advance payment at all. These claimants were a mix of those who had and had not been claiming legacy benefits and a range of circumstances for moving on to UC, including being unable to work due to ill-health or being made redundant.

These experiences, of not being able to retain or remember information about the advance payment and not remembering being told about it suggest claimants may benefit from written information about the advance payment to help them recall the information about it. There is also the possibility that work coaches were not consistently sharing information about the advance payment with claimants. A reminder to provide new claimants with written information about the advance payment could also help to address this, by creating a prompt for work coaches to discuss the advance payment.

“I didn't know anything [about the advance payment] at the time, it was only after we received our first payment that we heard about the advance payment... we found out about it through more research, going through the details and looking into it more we realised we could've got it.”

Male, working, no previous benefits

Those who remembered being told about the advance payment but had less recall of the specifics did not remember being told that it would need to be repaid (they felt the name implied it was receiving their first payment early, rather than needing to be repaid); how much their first UC payment would be; how much advance payment they would be eligible for; that the amount of advance payment available was equivalent to their first month's UC payment; how much repayments would be; the time period over which the advance payment had to be repaid; that the advance payment is interest free and that it is only available once.

“She [work coach] didn't tell me when I would have to pay it back and how much. I thought I would be contacted and a payment plan would put in place...but it wasn't. As soon as I got paid [UC] £125 got deducted and I was a bit shocked.”

Female, working, legacy benefit claimant

Claimants felt that knowing how much their first UC payment would be was essential to making an informed decision about the advance payment. Without this information they could not understand what impact the deductions would have on their income overall in the following months³. There were examples of claimants who did not take the advance payment due to lack of understanding of how much their UC payments would be and therefore what effect the repayment deductions would have.

³ The information needed to calculate an individual's UC payments means DWP cannot always provide a specific amount for the first UC payment claimants will receive at the point of making a claim.

"I remember asking my job advisor look I've paid my rent with my credit card, I need to know how much I'm getting so I know how I'm going to sort things. She said I don't know, it depends on your circumstances."

Female, working, legacy benefit claimant

Claimants who remembered being given more detailed information about the advance payment had understood that it would need to be repaid. They also felt that they had been consulted on how much they would like to take and understood how much their repayments would be. However, there was still low awareness that the advance payment was interest free.

Claimants who had seen information about the advance payment online seemed to have better understanding of the repayment terms than those who only remembered being given information verbally. This may be because claimants who looked for information online had stronger financial knowledge and capability but also suggests that claimants may benefit from being given written information about the advance payment.

"It was all laid out, so it said, 'if you take out this much, you'll pay back this amount each month, over this amount of time'. It was all nicely set out and easy to understand."

Female, working, legacy benefit claimant

4 Decision making about taking the advance payment

This chapter sets out how claimants decided whether or not to take the advance payment; how they managed financially during the assessment period and what impact this had on their financial circumstances long term.

4.1 Claimants who decided not to take the advance payment

The decision not to take the advance payment was due to lack of awareness; lack of perceived need or aversion to borrowing money.

Unaware of the advance payment

There were a group of claimants in the sample who reported not being told about the advance payment, either at the point of making the claim or whilst claiming UC. These claimants could therefore not take the advance payment. This group included claimants who would have taken the advance payment if they had known about it and those who felt they would have benefitted financially from doing so.

Claimants reported not having heard about the advance payment until after they had received their first UC payment. The impact of this varied depending on whether claimants felt they would have taken the advance payment or not. Claimants who said they would not have taken the advance payment anyway did not feel particularly affected by not having heard about the advance payment. For example, one claimant who had applied for UC immediately on becoming unemployed had a final month's pay due which he used to cover his and his family's living costs during assessment period said he would not have taken the advance payment. However, a claimant who had stopped working due to ill health reported using her overdraft and credit card to pay her bills and rent during the assessment period which suggests that knowing about the advance payment may have been useful for her.

"I didn't know anything at the time, it was only after we received our first payment that we heard about the advance payment."

Male, working, no previous benefits

No need for the advance payment

Claimants who had other sources of income did not take the advance payment because they felt they could manage financially until they received their first UC payment. This was the case for those who had income from work or whose partner did and/or had more notice of their change to UC so were able to plan and budget for the time during the assessment period when they would not receive any benefit payments. This also applied to claimants who were living with their parents and so

felt they did not need additional financial support. More exceptionally, there was a claimant who was receiving financial support from her local authority which was maintained during the assessment period.

Decided not to take the advance payment

Claimants who remembered being offered the advance payment and did need financial support during their first assessment period but decided not to take it did so because they were worried about taking on (more) borrowing. This was connected to lack of understanding about how the advance payment was different to a commercial loan, for example, that there is no interest.

There were also participants who did not take the advance payment because they were worried about how much their future UC payments may be reduced if they took the advance payment and what this would mean for their monthly income.

“I didn’t take the [advance payment] offer – it doesn’t make too much sense if I’m going to be getting paid in advance but then deducting [from] my pay when I’m going to need it.”

Male, working, legacy benefit claimant

“Working as a debt manager advisor in the past I knew [that taking the advance payment] wouldn’t make sense. When you’re struggling things may make sense at the time but it doesn’t it just makes things worse in the long run.”

Male, working, legacy benefit claimant

These participants preferred to make other arrangements, such as borrowing money from friends or family or using a pre-arranged overdraft or credit card. These claimants were more comfortable using these informal methods of borrowing than taking the advance payment, which was seen as a formal borrowing which they wanted to avoid. They felt that if they borrowed from a friend or family member they could determine the repayment terms to better suit themselves, rather than these being set by DWP. As well as being a personal preference, opting to borrow money from someone they knew rather than DWP may be related to lack of understanding about the ability to defer repayments for three months after starting to claim UC, reduce the repayments or to reduce the total level of deductions from their UC payments.

The longer term financial effects of not taking the advance payment depended on claimants’ wider financial circumstances.

Those who were working or had other sources of money (for example, a redundancy payment or savings) managed on their existing resources.

“I said to him [our work coach] if you take that out you will need to pay it back and we will just end up in more debt - that was my thinking.”

Couple, working, legacy benefit claimants

Amongst claimants who did not take the advance payment there were examples of people who regretted not doing so because they had fallen behind on other payments or borrowed from other sources.

These claimants needed additional financial support during the assessment period and reduced spending in order to rely solely on their or their partner's earned income; savings or borrowed from friends or family. They also made reduced payments for utilities and / or rent (with or without prior agreement from the supplier or their landlord); used food and / or clothing banks or relied on credit cards and overdrafts.

These experiences illustrate that whilst not all claimants will need an advance payment, it is important for it to be clearly explained and at the right time so that claimants who do need it, understand whether or not it is the best option for them financially, compared with other forms of borrowing.

4.2 Claimants who decided to take the advance payment

4.2.1 Deciding to take the advance payment

Claimants who took the advance payment did so because they felt they needed to. There were examples of claimants who were uncomfortable taking the advance payment doing so anyway. Discomfort with taking the advance payment stemmed from concern about borrowing money which needed to be repaid due to lack of experience doing so or because they were already in debt and worried about adding to this. There were also concerns about the implications for their UC payments in the long term and how taking the advance payment would affect their monthly income. Ensuring that claimants have clear information about the advance payment could help to address these concerns.

"I rather wouldn't have taken it [the advance payment] but I had to."

Female, working, legacy benefit claimant

"[I thought] it [the advance payment] was a loan thing, with interest. I was apprehensive, I never taken a loan before."

Female, working, no previous benefits

Claimants reported having a clear idea of what they would spend the advance payment on and having spent it as they intended, either to cover essential living expenses or a large, unavoidable expense during their first assessment period.

- **Covering essential living expenses:** Claimants who were moved on to UC from a legacy benefit had no other income until their first UC payment. As such they felt they had no choice about whether or not to take the advance payment, it was a financial necessity. Single parents; those with a smaller social network of friends and/or family who could support them or those who had been unable to plan their transition to UC, such as those leaving an

abusive relationship, were more likely to be in this position. These claimants planned to, and did, spend their advance payment on food and bills. They paid their bills as soon as they received the advance payment, to avoid falling behind during the assessment period. Strategies to make the money last during the assessment period including doing a large shop upfront or budgeting a specific amount of money for each week.

"It [the advance payment] came in and then it went straight out, gone. It didn't leave me with much living expenses, it covered the rent and bills, don't think it covered everything then more bills came in they piled up."

Male, working, legacy benefit claimant

"[I took the advance payment] just because I had nothing and couldn't keep going."

Male, not working, legacy benefit claimant

"I was just going to hibernate and hope my mum wouldn't mind. I was going to stay in, not go out, and not spend any money. I did a few [extra] odd jobs here and there to get a little bit of money for the kids' milk and stuff like that. I ended up going back to the food bank, which was the most embarrassing thing ever, because I've worked my whole life."

Female, working, legacy benefit claimant

- **Covering a large, unavoidable expense:** These claimants had a large unavoidable expense which needed to be covered during the assessment period, for example, a rental deposit, which they used the advance payment for.

4.2.2 Deciding how much advance payment to take

Decision making about how much advance payment to take was linked to claimants' wider financial management skills.

Those with better financial management skills, or who received support with this, for example from a parent, calculated how much money they could live off during the assessment period and requested this amount. Those who were most capable also had most information about how their UC would be affected by repayments and so took this into consideration and requested what they felt they were able to repay from their UC payments. There were claimants who felt that they had no choice but to take the maximum amount as they needed at least this, and ideally more, to live off during the assessment period.

"I didn't want to borrow more, because when I found out I had to pay it back there was no point."

Female, not working, legacy benefit claimant

Claimants with poorer financial management skills selected an amount of advance payment which they thought or hoped would be enough but seemed not to have planned this in much detail or given it much consideration.

"It would've been helpful to have someone work it out for me, you know 'if you borrow this much per week, it would last you for this long'. Something like that would've been really helpful."

Female, working, legacy benefit claimant

Claimants' financial management skills and the information they remembered receiving about the advance payment informed their decision making about how much to take. This suggests that there may be a role for additional support, to help claimants who have not already form a monthly budget and understand how much they may want or need to take.

Like those who did not take the advance payment, those who did also reported needing additional financial support during the assessment period because the advance payment was the equivalent of a month's UC but had to last for five weeks. These claimants adopted similar strategies for meeting their financial commitments during this time including reducing spending as they relied solely on their or their partner's earned income; savings or borrowed from friends or family. There were also examples of claimants agreeing reducing payments for utilities during the assessment period; not paying their rent or utility bills (without period agreement); using food and / or clothing banks or using credit cards or overdraft facilities.

"I took the maximum I could, because I knew that I had six weeks ahead of me that I had to budget for. So even though I was taking a month's money, I was going to have to stretch that month's money over the following six weeks."

Female, working, legacy benefit claimant

4.2.3 Understanding of advance payment repayments

Claimants with stronger financial management skills had a better understanding of the advance payment repayments. They knew how much they would be repaying each month; how long this would take them to repay in full and what impact repayments would have on their monthly UC payments. They reported getting this information from their work coach at the Jobcentre. Those who were most digitally confident were also more likely to have better understanding of their UC payments and advance payment repayments as they were more accustomed to engaging with and absorbing information from websites. Only one participant reported having sought information from a third party (financial information charity).

"They said it would be about £100 a month taking out of my payments, so I knew that was fine, that gave me all the information I thought I needed."

Female, not working, no previous benefits

"It was all laid out [on the website], so it said, 'if you take out this much, you'll pay back this amount each month, over this amount of time'. It was all nicely set out and easy to understand."

Female, working, legacy benefit claimant

Those with poorer financial management skills were likely to have less clear understanding of how they would repay their advance payment. They lacked clarity about how much they would repay each month; the timeframe over which they would make the repayments or for how much longer they would be making repayments⁴. This led them to have financial difficulties managing the repayments. Those with poorer financial management skills were also less likely to have reported seeking information from a third party.

“I think that the people you have interviews with, they need to go over it with you. We can offer you this loan, this is how much you can have. Think about it personally. These are your repayments and they take it from you first payment. No one told me that.”

Female, working, legacy benefit claimant

These findings suggest that providing claimants with written information about the advance payment could give them something to refer back to and prompt their memory if they cannot remember specific details of the conversation later. This would have been particularly useful for claimants who were experiencing difficult circumstances or who found out about the five week wait for the initial payment at the Jobcentre. Both of these experiences may have hindered their ability to accurately recall detailed information shared with them at the time. Useful information to provide would be details of the how much advance payment they can take (and why), how much repayments will be and actions they can take to adjust these if needed. A claimant who had contacted a debt charity referred to getting a transcript of her conversation and finding this useful to refer back to.

“They [debt charity] emailed a transcript and the benefits calculation [after my call about UC.... it gave me a good base of how much I was going to get and how much I need to budget.”

Female, working, legacy benefit claimant

These findings also suggest there is a need for more financial and budgeting support for those with weaker existing financial management skills, particularly in relation to forward planning.

“It would've been helpful to have someone work it out for me, you know 'if you borrow this much per week, it would last you for this long'. Something like that would've been really helpful.”

Female, working, legacy benefit claimant

⁴ As work coaches were not interviewed for this study it is not possible to comment here on whether they take different approaches to describing the advance payment or if the difference in understanding is solely due to variance in claimant comprehension.

“We had to sit back and think well, where is this money going... we had to work out when we were going to do. So I started a spreadsheet with my outgoings and all of that. I get my payslip a week before payday so I put that into the spreadsheet to see what we have and see what we can do.”

Male, working, no previous benefits

4.2.4 Impact of advance payment repayments on monthly income

Claimants who were more financially reliant on UC felt that repaying the advance payment had more effect on their income than they had expected. The deductions felt hard to manage. This was compounded by the move to monthly payments which claimants were not used to and found more difficult to manage than more regular payments.

Those who reported receiving less money on UC than they had on legacy benefits felt that taking the advance payment had a particularly negative effect on their income, as they were adjusting to a reduced income anyway. This experience was particularly pronounced amongst those who had not understood what their repayments would be.

“I was poor before, and in a lot of debt. The long-term effect of the advance payment is that I'm still really poor... I've got £50 less per month than I should do, but there was no other option, really.”

Female, working, no previous benefits

Claimants whose UC payments varied each month found it difficult to understand how the repayments would affect their monthly income. They expressed regret at having taken the advance payment because the deductions made it harder to plan and manage their monthly budget.

Claimants who had stronger budgeting and money management skills and / or were less financially reliant on UC found it easier to accommodate the repayments and were more likely to report that they felt comfortable about making their repayments.

As long as I budget properly, it [repaying the advance payment] has not affected me.”

Male, not working, legacy benefit claimant

5 Information needs

This chapter sets out the support and information needs claimants have to help them make an informed decision about the taking the advance payment.

5.1 What information do claimants need about the advance payment?

As noted, recall of information about the advance payment varied and was linked to claimants' existing ability to manage their money and budget (see section 2.3 for more detail on this). To address this, claimants need information about the details of their UC claim; specific details of the advance payment and repayments and the long term implications.

Information about their UC claim

Claimants reported having to make decisions about the advance payment without knowing when they would receive their first UC payment and how much it would be. They felt that this made it difficult for them to plan ahead and understand what the impact of taking the advance payment would be on their monthly income.

Claimants felt that knowing, or having a guide to, how much UC they could expect to receive each month would help them understand how much advance payment they should take. One claimant who had received this information from a debt and financial management charity felt that she was able to plan ahead and make an informed decision about the advance payment.

"[The charity] were really good to get an idea of what I might be entitled to... they did clarify quite a few things like some of the minor details and then they emailed a transcript and the benefits calculation...it gave me a good base of how much I was going to get and how much I needed to budget."

Female, not working, no previous benefits

Information about the advance payment

As noted, not all claimants remembered being told about the advance payment. Knowing that it was available to them was the first piece of information all claimants felt they should have about the advance payment.

"Would have been good if they'd said because you're struggling so much and instead of waiting would you like to take an advance payment, it would have stopped me using the credit card quite so much."

Female, working, legacy benefit claimant

After this, claimants wanted to know that the advance payment must be repaid and that it is interest free. This information was important to ensuring that claimants

understood the difference between the advance payment and credit cards or commercial loans.

Claimants also wanted to know how much money they could receive as an advance payment. There was little understanding that this was up to 100% of their first UC payment, and even if there had been, there was little awareness of how much their first UC payment would be.

Claimants also wanted detail about the repayment arrangements including how much the repayments would be each month; what this would mean for their monthly UC payments and over how long they would be repaying the advance payment.

5.2 Who should provide information about the advance payment?

Claimants felt that the Jobcentre was best placed to provide information on the advance payment as they felt it would be authoritative source of accurate information on UC and the advance payment. Claimants expected enough information from the Jobcentre to make an informed decision about the advance payment and understand what this would mean for them. As explored earlier, amongst this sample recall of the specifics of the advance payment suggested that the information provided is not being picked up consistently by claimants. Providing claimants with written information about the advance payment, so that they have something in writing to refer back to could help support better recall.

It was important for the information to be tailored to the individual's financial capability and needs, for example, their health; current work circumstances and capacity to work; whether their income from work is fixed or variable; family circumstances; any existing or previous debt; their existing approach to budgeting; their experiences of budgeting monthly; whether they had other sources of income; the proportion of their overall income which UC comprises.

"When you're with someone [at the Jobcentre, it would] be good if they could ask: Did you understand the forms ok? Anything you didn't understand? Anything we can change to make it better? How else can we help?"

Female, working, legacy benefit claimant

Positioning support and information in a way which claimants would be receptive to was also important. There was a risk of people refusing help or advice even if it would be beneficial to them. Framing this as 'considerations about the advance payment' could help build receptivity to this type of support.

"They offered to talk to me about budgeting but I refused, each time I refused, it's a personal thing, I don't like someone to tell me what to do, I will manage by myself."

Male, not working, legacy benefit claimant

There was limited use of charities or third parties amongst claimants in this sample. This was in part due to lack of awareness which led to a lack of legitimacy. Currently these types of organisations were more likely to be used by more financially capable or knowledgeable claimants than the most vulnerable⁵. If the Jobcentre were to signpost claimants to these organisations it could help build awareness of them and their legitimacy amongst claimants. Going to a third party could also help to mitigate against some of the reluctance to get support and advice from the Jobcentre.

Friends and family were not a commonly used source of information about the advance payment and where they did have experience of UC or shared information, this tended to be negative. Given that finances are a highly sensitive topic claimants were unwilling to discuss these with friends. Younger claimants were more open to receiving advice from their parents, and in some cases already were already doing so.

⁵ Since April 2019 claimants who need additional support making their UC claim have been referred to the 'Help to Claim' scheme run by Citizens Advice and Citizens Advice Scotland (<https://www.citizensadvice.org.uk/about-us/contact-us/contact-us/help-to-claim/>). This scheme is provided by Citizens Advice and Citizens Advice Scotland and funded by DWP to provide support to claimants during the initial claim process and up to the point the claimant receives their first correct payment. Fieldwork for this study was conducted before Help to Claim was introduced.

6 Conclusions

This research explored how new UC claimants made decisions about whether or not to take the advance payment at the time the research was conducted (May to June 2019). This section of the report outlines the key findings from the study, as they were reported and observed at the time the research was conducted:

Claimant context

New UC claimants had a broad range of circumstances which influenced their ability to understand and engage with their UC claim and the advance payment. Claimants with the most stable circumstances and who demonstrated better money management and budgeting skills needed least support to make informed decisions about the advance payment. Those with more complex personal circumstances (such as experience of an abusive relationship, being a refugee or having a long term health condition) and / or weaker financial management skills were more likely to require additional support to do so.

Sources of information about the advance payment

For claimants who found out that they would not receive a UC payment for at least five weeks after making their claim at the Jobcentre, this was their sole source of information about the advance payment. This suggests that it will be important for work coaches to be able to give clear and concise information about the advance payment and repayments, to help claimants make informed decisions about whether or not to take it.

Claimants who had looked for support and information in preparation to make their claim for UC had information about the advance payment earlier. They therefore felt more able to make an informed decision.

Recall of information about the advance payment

Claimants with stronger financial management skills were more able to remember the specifics of the advance payment. Those with weaker financial management skills had poorer recall of the specifics of the advance payment, including the repayment arrangements. This was particularly the case for those with difficult personal circumstances which may have inhibited their ability to clearly absorb information whilst at the Jobcentre. Providing claimants with written information about the advance payment which they can refer back to could help support longer term recall of the specifics of the advance payment.

Decision making about taking the advance payment

The decision not to take the advance payment was due to lack of awareness that it existed; lack of perceived need; concern about the long term implications for the UC payments and/ or reluctance to borrow from DWP and a preference to borrow from friends or family.

Those who did decide to take the advance payment also demonstrated some reluctance to take on this debt but felt that they had no other sources of income so

had no choice. These experiences suggest that it will be important for DWP to clearly communicate the availability of the advance payment and how it differs from a formal loan, particularly that it is interest free and the claimant can determine the time period it is repaid over.

There was also variation in understanding of the repayment of the advance payment, suggesting that DWP should ensure this information is provided in a clear and concise way, preferably with a personal illustration of what the monthly repayments will be and how this will affect their UC payments.

Experiences of claimants who took the advance payment

Claimants who took the advance payment intended to use this to cover their essential living expenses, or a large, unavoidable expense during the assessment period. All claimants reported spending the advance payment as they had intended.

How repaying the advance payment affected claimants depended on the proportion of their overall income their UC payments made up. The more reliant a claimant was on their UC payment, the more they were affected by the deductions. Those who felt that they were receiving less financial support on UC than they had on legacy benefits reported that the deductions to repay the advance payment compounded the challenges they experienced adjusting to a lower income.

Claimants who had stronger financial management skills and / or whose UC payments formed a smaller part of their income found it easier to accommodate the repayments.

These experiences illustrate the benefit of support and advice being tailored to the individual, to reflect the diversity of personal circumstances and financial capability amongst UC claimants.

Information and support needs

Claimants felt that they needed information about how much their first UC payment would be to make an informed decision about the advance payment. DWP's ability to accurately calculate a UC payment is dependent on the claimant providing the right information at the point of making the claim. To support this, claimants should be told about the information they need to bring with them to make their application when booking the appointment. Sending a reminder text before the appointment and emphasising that this is needed to make sure their UC payments are accurate could help ensure new claimants have this information when they attend their Jobcentre appointment to make a claim.

Claimants also felt it was important to communicate that the advance payment is interest free and over how long the advance could be repaid. Claimants also wanted to understand how much the monthly repayments would be and what this would mean for their UC payments overall.

Claimants felt that the Jobcentre was the best place to receive information about the advance payment. Claimants wanted the information they received to be specific to their circumstances so that they could understand what taking the advance payment would mean for them. Providing information in writing, for claimants to refer back to,

could help address some of the knowledge gaps demonstrated by claimants in this sample.

There was a mixed response to the offer of additional budgeting support from the Jobcentre. There were claimants who were open to and requested this, yet there were also claimants who would benefit from this but acknowledged they would turn it down. How support is positioned could help encourage claimants to take it up.

There was little awareness budgeting and financial support from charities or third parties. If the Jobcentre were to signpost claimants to these organisations it could help increase awareness and take up⁶.

⁶ As of April 2019, DWP has been working with Citizens Advice and Citizen's Advice Scotland to provide support to claimants during the initial claim process and to the point the claimant receives their first correct payment. Fieldwork for this study was conducted before Help to Claim was introduced.

Appendix A: Methodology

This section provides more detail on the qualitative methodology.

Design

The study comprised a total of **50 in-depth interviews** with people who had started claiming UC within the past six months. The interviews were conducted in person or via telephone and lasted up to an hour.

Interviews were conducted between 15 May and 11 June 2019.

Claimants were recruited in two groups:

- 31 claimants who had taken the advance payment.
- 19 claimants who had not taken the advance payment.

The research sample also comprised a mix of claimant demographics, including age, gender, urbanity, and health conditions. The achieved sample profile is outlined in the table below:

Table A1: Achieved interviews

	Had taken the advance payment	Had not taken the advance payment
	Total = 31	Total = 19
Previous claim		
Legacy benefit claimant	18	12
No previous benefits claimed	13	7
Age		
16 - 24	9	/
25 - 34	11	7
35 – 44	6	8
45+	5	4
Household type		
Single	13	6
Lone parent	18	7
Couple with children	/	6
Work Status		
Not working	15	5
Working part-time	11	4
Working full-time	2	5
Self-employed	3	5
History of debt		

Previous debt	23	12
No previous debt	8	7

The sample also included a range of gender, age, household type, employment status and participants from different regions of Great Britain.

Sample

Claimants were purposively selected from a sample of claimants who had begun claiming UC in the previous six months. Claimants had taken part in an earlier research study for DWP and had given permission to be contacted for further research. Participants were recruited to take part using specialist recruiters and guided by a screening questionnaire designed with DWP to ascertain eligibility and to check key quotas.

Fieldwork

The interviews were undertaken by Ipsos MORI researchers using a discussion guide agreed with DWP. The interview data was analysed using a robust inductive framework approach, as part of which the data was synthesised thematically and interrogated for patterns and relationships.

Claimant interviews were guided by a topic guide. The topic guides were developed in discussion with DWP and were designed to reflect the aims and objectives of the study.

Analysis

Interviews were all recorded (with informed consent being gained from respondents) using encrypted digital recorders in line with the Ipsos MORI Business Excellence System (BES) and DWP General Security Accreditation Document. Recordings were either transcribed verbatim or researchers wrote detailed notes, listening back to recordings to ensure no data was lost. The data generated from these interviews were systematically managed using the framework approach. This approach supports case and theme-based analysis. The analytical stage involved working through summaries, drawing out the range and diversity of experiences and views, identifying similarities and differences, and interrogating the data to explain emergent patterns and findings.

Please note: qualitative research is used to map the range and diversity of different type of experiences rather than indicate the prevalence of any one particular experience; as such numerical language is not used and findings are not aimed to be statistically representative.