

Active Inclusion Newcastle Debt Bulletin #1

Welcome

Welcome to the first edition of the Active Inclusion Newcastle Debt Bulletin. This is a quarterly summary of updates in the debt advice world brought to you by Money Matters, part of Newcastle City Council's Active Inclusion Service.

If you, or the Newcastle residents you support, need some debt advice you can phone our consultancy line on **0191 277 1050** (Monday, Tuesday, Thursday and Friday from 9.30am to 11.30am).

For further information, please visit [Newcastle City Council's debt and money advice web page](#).

Universal Credit: Personal Budgeting Support

Since the introduction of Universal Credit in Newcastle on 27 April 2015 for single residents who would otherwise have made a new claim for Jobseeker's Allowance (JSA), we have been offering Personal Budgeting Support (PBS) to those Universal Credit claimants who have been identified as needing support with budgeting and who are not Your Homes Newcastle (YHN) tenants. YHN are providing PBS to those Universal Credit claimants who are YHN tenants.

One of the main issues we have noticed is that the amount of the deductions from Universal Credit are considerably higher than those the Department for Work and Pensions (DWP) deducts from traditional passporting benefits. If someone claims Universal Credit, deductions can be taken from their benefit up to a maximum of 40% of someone's personal allowance. For example:

A single person aged over 25 years old will receive £317.82 per month personal allowance for Universal Credit (not including their housing costs element). 40% of this amount is £127.13 per month. This leaves a person with £190.69 per month, or £44 per week, to pay for essential bills, such as food, travel and telephone.

Our experience so far has shown that high deductions are reducing clients' ability to afford essential bills and food, causing them hardship. The cases that we are seeing where the DWP are making high deductions are different to our experience with other benefits. For example, £5 per week (£21.67 per month) would be deducted for a court fine from a claimant's JSA. If the DWP allow the court to take 40% (as they are doing with Universal Credit), this equates to £29 per week (£127.13 per month) – a big increase.

You can make a request to the DWP to reduce the level of the deductions. If the DWP will not agree to a reduction, you can make a complaint to the DWP using the details overleaf, or you can seek advice from the client's MP.



You can make a complaint to the DWP in writing, by phone, online or in person:

Department for Work and Pensions
PO Box 50101
London
SW1P 2WU

Tel: 0345 600 0723

Online: www.jsacomplaints.itssshared.net/start

When you contact the DWP you will need to tell them:

- your client's National Insurance number
- your client's full name, address and contact number/s
- what happened, when it happened and how it affected your client
- what you want to happen to put things right

Universal Credit: Personal Budgeting Support – Case study

- Miss P is aged 19 years old, single and lives in a housing association property. She is living in her own house for the first time and does not have a family or support network around her.
- Miss P lost her job in September 2015 and after spending two weeks unsuccessfully looking for work she made a claim for Universal Credit in October 2015. As she is aged under 25 she was entitled to £251.77 standard allowance and £278.54 housing element (£530.31 in total).
- As **Universal Credit is paid four weeks in arrears**, after a **seven day waiting period** her first payment was not until November 2015. **This meant that she had no income and no money for five weeks.**
- Miss P received PBS from Money Matters in October 2015. She was extremely worried about how she was going to not only pay her bills but feed herself and put money on her gas and electric meters over the five week period. She is estranged from her parents and was brought up by her grandmother, who she no longer speaks to, so has no one who can help her.
- Miss P had arrears on her rent account and had been served with a notice of seeking possession, so was at risk of homelessness. She requested an **Alternative Payment Arrangement (APA)** so that **the housing element of her Universal Credit was paid directly to her landlord**. She did this specifically because she felt it would be more acceptable to her landlord if they got the money directly and would help to “convince” them not to evict her.

Money Matters took the following action on her behalf:

1. Contacted her landlord to enquire what assistance they can offer their tenants who are claiming Universal Credit. After some confusion, the manager at the local housing office could offer no specific details. Miss P's details were taken and we were advised that a financial inclusion officer would contact her in three working days to arrange an appointment where they would discuss the assistance they could offer.
2. Gave her a voucher for her local food bank.
3. Contacted Revenues and Benefits to ask them to place her Council Tax account on hold and to check the progress of her application for Council Tax Reduction.

4. Wrote to the Magistrates' Court and asked them to write off her fine on the grounds of financial hardship.
5. Helped her to apply for an advance (of £271.05) on her Universal Credit and discussed what repayments she would have to make, for the next six months, because of the advance.
6. Provided full specialist debt advice.
7. Worked through her budget with her.

The advance payment she has taken has to be cleared within six months, meaning that the DWP are taking £45.17 per month from her standard allowance of £251.77 per month for the next six months, leaving her with just £206.60 per month (£47.67 per week), which has to cover all of her essential needs, including food, travel, clothing and all of her bills. She will be living in hardship for the next six months if she doesn't manage to find a new job.

It could be argued that she should not have taken the advance payment or should not have taken as much, but as she rightly asked "*what am I going to do for the next five weeks?*". She didn't have money to feed herself or to put on gas and electric meters, so she needed the advance to be able to do these things.

The advance repayment time limit of six months, plus the five week delay in the first payment of Universal Credit, is putting claimants in financial hardship, especially the under 25s who receive £66.05 per month less than the over 25s.

Food banks

Food banks usage continues to grow. Between April and September 2015, The Trussell Trust's 425 foodbanks across the UK gave 506,369 three day emergency food supplies to people in crisis, compared to 492,641 in the same period last year; a rise of 3%.

Money Matters has seen an increase in the number of referrals they have made to food banks since the introduction of Universal Credit. When residents apply for Universal Credit, most have to wait on average five or six weeks for a payment. Unless they have savings to help them get by, they will have no money and food banks are often the only solution.

There is information about food banks and other help for those who are worried about money issues on [Newcastle City Council's managing your money web page](#).

Changes to the Individual Bankruptcy Petition

The way people petition for bankruptcy has now changed, as follows:

1. New online application

People will no longer have to fill in three copies of the lengthy 'debtors petition'. It will all be done online using a unique username and password via the central UK Government website – www.gov.uk/apply-for-bankruptcy – to an adjudicator within the Insolvency Service. Please note that an email address will be required to access the online form.

2. No court attendance

3. Lower fees

The £525 official receiver fee will still be payable, but the £180 court fee will be replaced by a £130 adjudicators fee, which can now be paid in instalments. Trust funds may be able to help with both fees.

Marriage tax allowance

At Money Matters we always carry out a benefit check to ensure our clients are receiving all of the benefits that they are entitled to and to try to increase a person's income where possible. One way of doing this is the marriage tax allowance.

The marriage tax allowance is a new way for couples to transfer a proportion of their personal allowance (the amount you can earn tax free each year) between them. It is a £212 tax break. People can claim the tax break if the following conditions apply:

- They are married or in a civil partnership; *and*
- One person in the couple is a non-taxpayer, which usually means earning less than the £10,600 personal allowance; *and*
- The other person in the couple is a basic 20% rate taxpayer (couples with a higher- or additional-rate taxpayer aren't eligible for this allowance); *and*
- Both members of the couple must have been born after 6 April 1935 (if not, there's another tax perk *).

* If one of the couple was born before 6 April 1935 they could be eligible for the married couple's (and civil partner's) allowance. This could give them a reduction on their tax bill of up to £835. However, if they are an unmarried couple they get nothing, even if they are living together.

For more information, search **marriage tax allowance** at: www.moneysavingexpert.com

Further information and help

Can be found on [Newcastle City Council's debt and money advice web page](#).

This debt bulletin was written in **June 2016** by the Money Matters team at Newcastle City Council. It is provided quarterly and is as accurate as possible at the time of writing. The bulletin is part of the Active Inclusion Newcastle offer of support to professionals, which includes debt awareness and benefits **face to face training** and **eLearning**. [For more details see our web page for professionals and volunteers](#).

You may also be interested in the weekly **Active Inclusion Newcastle e-bulletin** which provides a brief update on financial inclusion and homelessness prevention issues. If you want to receive this, or for more details, email activeinclusion@newcastle.gov.uk