

Universal Credit Continuous Improvement Information Note 325/14

Date: 19/12/2014

Audience

System and Process Support officers,
Universal Credit Staff

For information

Non Universal Credit Staff (Single Points of Contact and Change and Implementation Managers)

Action

Immediately

All UC Continuous Improvement Information Notes will be stored in the Interim Solutions folder.

Subject – Request for Financial Hardship Decision for rent arrears

Issue – Legislation came into force on 26 November 2014 that will increase the rate of deductions for rent arrears. The deduction will be made up of two parts: a 10% minimum deduction rate near the top of the deductions priority order; and a further deduction rate of an additional amount up to 10% near the bottom of the priority order. This means that the total deduction for rent arrears will rise to between 10-20% depending on what other deductions are in place.

Therefore, unlike with other third party deductions, consideration will be given to hardship and where a financial hardship decision is made the total deduction could be reduced down to no lower than the minimum 10% deduction.

Solution

If a claimant requests a Financial Hardship Decision due to the amount of rent arrears or deductions being taken from their Universal Credit award, the telephony agent (TA):

1. Selects 'View deductions'.
2. Checks if one of the following relevant deductions exists in current deductions:
 - Social Fund loan

- Recoverable Hardship Payment
- Housing Benefit or DWP Administrative Penalty
- Housing Benefit, Tax Credit or DWP Fraud overpayment
- Housing Benefit or DWP Civil Penalty
- Housing Benefit, Tax Credit or DWP normal overpayment
- Rent Arrears, this can only be considered if more than 10% of the Standard Allowance has been taken

Claimant has rent arrears only

TA will go to the Award Summary Screen to check the amount of rent arrears that have been deducted. If only 10% of the standard allowance has been taken, then the request for hardship must be refused and TA informs the claimant of the following “you do not meet the criteria for consideration of financial hardship for rent arrears”. The TA then advises the claimant of the Money Advice Services (MAS) See Identifying the need for Personal Budgeting Support.

Examples below show amount and percentage of deductions taken from the claimant’s standard allowance

	Percentage			
Standard Allowance	5	10	15	20
£249.28	12.46	24.93	37.39	49.86
£314.67	15.73	31.47	47.20	62.93
£391.29	19.56	39.13	58.69	78.26
£493.95	24.70	49.40	74.09	98.79

If the amount of rent arrears deducted is more than 10% of the standard allowance, TA informs claimant they will get a call back regarding their request for hardship. TA will create an outbound call task for an Account Developer.

AD action on receipt of outbound call task

AD will open UC6, located in supporting documents, and complete it by asking the claimant the following,

Reason for hardship request, asking the following, is hardship due to

- incurring expenses due to caring responsibilities
- due to ill health/sickness

- home is at risk
- dependent child(ren)
- job at risk
- any other exceptional circumstance, for example purchase of a washing machine on credit

1. Savings of more than £500?

If the claimant has reported they have savings of £500 or more, and they have **not** stated the hardship is due to ill health/sickness, the AD informs the claimant “you do not meet the criteria for consideration of financial hardship for rent arrears”. If the claimant has **not** answered yes to any of the questions regarding hardship the AD informs the claimant you do not meet the criteria for consideration of financial hardship for rent arrears”

The TA then advises the claimant of the Money Advice Services (MAS) See Identifying the need for Personal Budgeting Support.

The AD wraps up the call and updates CAMLite Contact history with details of the action taken before exiting all records..

If the claimant has answered yes to any question regarding the reason for hardship, the AD then needs to negotiate with the claimant the amount they can afford to repay on top of the original 10%, and the time they will need the hardship consideration in place for.

Examples below show amount and percentage of deductions taken from claimant's standard allowance

	Percentage			
Standard Allowance	5	10	15	20
£249.28	12.46	24.93	37.39	49.86
£314.67	15.73	31.47	47.20	62.93
£391.29	19.56	39.13	58.69	78.26
£493.95	24.70	49.40	74.09	98.79

The AD must discuss the amount the claimant can afford in pounds and pence.

For example, claimant's standard allowance is £249.28. AD will ask claimant, can they afford to pay £15, claimant may state they can afford £10, therefore AD will accept this. This is then equivalent to 4.011% of the Standard Allowance, so rounded down to 4%

Once agreed the % to recover must be recorded on the UC6. If the claimant states they cannot afford to pay more than the original 10%, then this must be recorded on the UC6.

If the claimant has declared they are unable to pay any of the additional 10% towards their rent arrears, the review period will be set for 3 months.

If the claimant agrees to pay 1% or more of the additional 10% towards their rent arrears, the review period will be set for 6 months.

The AD must inform the claimant of the agreed review period and amount of the new deduction to be taken. The AD wraps up the call.

The AD must now add up the amount of total deductions that are being taken, before the additional rent arrears 10% and then convert into a percentage

Example

Claimant has the following being recovered

New claim advance	£86.44
Gas arrears	£24.70
Rent arrears	£86.44
In total	= £197.58

Claimants Standard Allowance is £493.95 (Joint claim)

Percentage presently being recovered is

$$£197.58 / £493.95 \times 100 = 40\%$$

If the claimant has stated that they cannot pay any additional amount, the AD will accept this and record this on the UC6.

If the claimant has agreed to pay an additional 5% towards their rent arrears (£74.09 in total) therefore the amount to be recorded on the UC6 is 37% (rounded down). This is the amount that the AD will apply to restrict any further recovery of rent arrears. To apply the restriction the AD

1. Navigates to the claimant's home page in the Agent Portal.
2. Selects 'Apply Financial Hardship'
3. Enters the percentage deduction rate from the UC6 in the Financial hardship decision screen and selects 'Next'
4. Selects 'Submit'. The agent is automatically navigated to the Financial hardship decision screen that confirms 'Financial hardship applied'

AD creates a CAMLite generic task completing the notes field with 'Review required for FHD, and overrides the SLA to the required review period agreed, i.e. 3 or 6 months.

Once the review period matures, the AD will need to follow the same process to determine if Financial Hardship Decision for rent arrears is still required. If still required, AD will perform the same calculation, and request the same information of the claimant. If the AD decides there is no reason to continue the Financial Hardship, they must end it See Payment Financial Hardship to stop

If Claimant has a relevant Debt deduction only, or a relevant Debt deduction including Social Fund, or a relevant Debt deduction and Rent Arrears deduction,

If the claimant states hardship is due to debt recovery, or a combination of rent arrears and debt recovery, The TA provides the claimant with the Debt Management telephone number 0345 8500 293 and explains that their request will be considered by Debt Management

If you have any questions or feedback on this information note please send them to the following mailbox:

DWP UC Live Service Improvement