



Law Centre (NI)

**DWP Consultation:  
Social Fund Reform: debt, credit and low-  
income households**

**Law Centre (NI) & Housing Rights Service  
response**

**June 2010**

## **About Law Centre (NI) & Housing Rights Service**

Law Centre (NI) is a public interest law non-governmental organisation. We work to promote social justice and provide specialist legal services to advice organisations and disadvantaged individuals through our advice line and our casework services from our two regional offices in Northern Ireland. We provide a specialist legal service (advice, representation, training, information and policy comment) in five areas of law: mental health, community care, immigration, social security and employment to almost 500 member agencies. Members include local Citizen Advice Bureaux, independent advice agencies, local solicitors, trade unions, social services, probation offices, constituency associations of local political parties, libraries and other civic organisations.

Established in 1964, Housing Rights Service has over 45 years' experience of providing legal advice and representation to people in Northern Ireland with housing problems. We also assist frontline agencies and housing/legal professionals to meet the housing advice needs of people who contact them through training, legal information and advice consultancy. A significant proportion of our housing advice work concentrates on dealing with issues relating to Housing Benefit. Consequently, we have built up considerable expertise in this area. This, coupled with a client centered approach to our work, enables Housing Rights Service to provide comment on current issues and potential policy solutions for the sector.

### **Introduction**

The consultation paper on the Government's Social Fund is of particular relevance to Law Centre (NI) and Housing Rights Service as our work is underlined by a desire to assist the most vulnerable and this includes promoting financial inclusion for people on low incomes. As Northern Ireland is not referred to in the Department's consultation, it seems fair to assume that that the circumstances in Northern Ireland have not informed these proposals. The Social Fund plays a valuable role in Northern Ireland in tackling poverty and social exclusion by providing support to people on low incomes, who need help to pay for a variety of intermittent and unforeseen expenses.

Housing Rights Service is aware through the experience of our clients that people on low incomes or the financially excluded are more likely to need credit for essential items such as household appliances, clothing, and furniture and to pay for bills. For these people affordable credit is a matter of necessity, not luxury. Not only do they need credit for necessities, but they are very likely to have difficulties accessing affordable credit from mainstream lenders. The result is fewer options and more people turning to higher interest products from sub-prime lenders (such as doorsteps lenders, mail order catalogues, pawnbrokers, pay-day loans and illegal money lenders). The majority of these sources of credit can be extremely costly, with APRs ranging anywhere from 100% to 400%. Such practices can both

trigger and exacerbate debt problems which, if unchecked, can lead to eviction and homelessness

Housing Rights Service, in recognition of the need for more affordable credit options, has been working tirelessly to put in place a pilot scheme to enable tenants in rent arrears to obtain loans from a local credit union. We have secured commitments to be involved in the scheme from a number of credit unions and housing associations and work is ongoing to develop the detailed arrangements. It is anticipated that the scheme will be operational from July 2010.

We welcome the Government's recognition that it has a responsibility to do more to help people who are struggling to make ends meet and its desire to improve the management of the Social Fund. The Social Fund is a lifeline for many people on low incomes and it protects many against the interest charges they might have to pay if they obtained a loan from the commercial sector, credit union or other money lender. Our experience is that users of the Social Fund are already in significant debt elsewhere and the Social Fund is another source of credit rather than an alternative source of credit. These proposals must be looked at in that light. We are aware that the performance of the Social Fund was heavily criticised by the Work and Pensions Committee, which said it was 'letting down' the poorest in society and claimed that attempts to centralise the system had failed.<sup>1</sup>

### **The Social Fund in Northern Ireland**

First, we would like to give a brief outline of the situation in Northern Ireland and recent developments in the administration of the Social Fund. During the course of 2007/08 a critical examination of the organisational arrangements for the delivery of the Social Fund service in Northern Ireland was undertaken. This examination took place within the context of the wider centralisation programme to improve delivery of Social Fund in Great Britain as referred to in the consultation paper.

In Northern Ireland during the year 08/09 the Social Fund, in total, provided payments worth around £78.8 million. In addition, estimates indicate that Winter Fuel Payments of £68 million have been made to 307,223 households that include someone aged 60 or over. A further 10,064 families received a £500 grant to help with the costs of a new baby and the Social Fund scheme made 231,222 other awards.

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<sup>1</sup> New Start, 23 May 2007 at <http://www.newstartmag.co.uk/news>

Compared to 2007/08, the figures for 2008/09 show there were 309,712 applications to the discretionary Social Fund, 43,842 more than in 2007/08. Further in 2008/09 applications for Community Care Grants increased by 10.6% from 44,998 to 49,786; applications for Crisis Loans increased by 26.6% from 100,887 to 127,734 and applications for Budgeting Loans increased by 10.2% from 119,985 to 132,192.<sup>2</sup> It will be interesting to view the 2009/10 figures and see whether applications to the Social Fund increase again in reflection of the continued downturn in global economics.

### **Chapter 3: Reforming the loans scheme**

#### ***1. What types of support and requirement would be most useful for customers?***

DWP's recent research report on customer experience of the Social Fund found that the Social Fund scheme as a whole or in part remains unintelligible to many benefit claimants. The report stated that *'Jobcentre Plus staff do not have access to sufficient information about the Social Fund or do not readily give this information and greater transparency and clarity is needed on: the fund as a whole;...what customers can apply for;...the application assessment process, (and) the repayment process.'*<sup>3</sup>

It is clear, therefore, that considerable work needs to be done to increase the information available to customers on the Social Fund. In addition, it is also evident that staff require further training to ensure they understand the purpose and process of the Fund so as to better inform customers.

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<sup>2</sup> Department for Social Development *Annual Report on the Social Fund 2008/2009*, Belfast: Crown Copyright

<sup>3</sup> DWP, Research Report No 625, *The Social Fund: Customer experiences and perspectives: Qualitative research with Jobcentre Plus customers (2010)* at page 52

***2. When do you feel it is most effective to intervene in a customers' interaction with the Social Fund, for example following a second loan application?***

Provided that further resources are given to ensure that there is better information available to customers, staff interventions in a customer's interaction with the Social Fund should be minimal. Support, however, should be available to those who need it at any stage of a customer's interaction with the Social Fund. Assistance and support should be available for potentially vulnerable customers including those with mental health issues or learning disabilities and those for whom English is a second language who may be more confused by the complexities of the Social Fund system.

As recent research from Gingerbread has noted many people on a low income are very good at managing to live on a budget<sup>4</sup>. Most applications to the Social Fund are a result of a lack of financial resources and not the inability to manage on a low income. We are disappointed that the inadequacy of benefit levels has not been acknowledged.

It is interesting to note that DWP research found that study participants thought that claimants should have specific reasons for making repeated loan applications and that customers' reasons for this should be explored further. We would support such measures provided the reason for intervention is primarily to support the customer and to understand the underlying issues. It is imperative that staff are on hand to provide appropriate advice or signpost to alternate support systems. Intervention should not solely be for the purpose of revealing fraudulent behaviour or to 'crack down' on repeat applications. It must be recognised that continued access to the Social Fund, in many cases, will be necessary for a claimant's financial survival.<sup>5</sup>

***3. How best can we identify the support needs of our customers in a more automated system?***

We would welcome further information about the proposals for a more automated system as the consultation document does not provide detail on how this would work in practice. Generally, we support the move to a more streamlined service that will be more efficient and effective for claimants. This could include increased automation; however, the lack of face to face contact would make it more difficult to identify any additional support needs. The system could include the opportunity for a claimant to request further support, if required, which could then be followed up by staff.

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<sup>4</sup> Gingerbread, *Family Finances*, January 2010

<sup>5</sup> Supra note 3 at page 55

***4. Who do you think would be best placed to carry out these interventions?***

We welcome the Government's proposals to provide not only financial assistance to Social Fund customers but also practical advice and other financial services through partnership with the third sector. We remain unconvinced, however, that the proposals for reform as outlined in the consultation paper will assist customers or provide the necessary equality of access. Long term benefit claimants simply do not have the level of income or savings cushion to meet needs which require immediate lump sum expenditure. No level of engagement with the third sector will alter that stark fact.

We are aware the Government is committed to simplifying the delivery of benefits, including the administration of the Social Fund. However, the proposals to partner with the third sector in the delivery of the Social Fund to customers raise some concerns. We question how the process will be simplified if customers must apply to one body while practical decisions are made by a separate body. We welcome further information regarding the practical outworking of the proposals and how any form of 'double' administration can be avoided.

***5. Do you think a single gateway to deliver the loans scheme is a good idea?***

The Social Fund has long been marred by a confusing and overly complex application process. The current system, while allowing immediate applications for crisis loans and community care grants, delays applications for budgeting loans until a customer has been in receipt of benefits for six months. We welcome the proposals to allow budgeting loans to be claimed immediately though we do not see the need to restrict the level of financial support. We would not therefore recommend a cap on support for those claiming a budgeting loan during the first 26 weeks of a scheme.

A single gateway scheme has many benefits if rolled out correctly. The scheme would be simpler for customers to understand; there would be a considerable reduction in the paperwork involved in applying for a loan and it should also lead to faster decision making on applications. This would greatly benefit customers by reducing the stress involved in applying for a loan at times of considerable financial strain. However, we believe a single gateway for applications should cover both loans and grants.

### ***Other comments***

- **Improving debt recovery**

It is important to note that there have been longstanding differences in the powers to make deductions from social security benefits in Northern Ireland and Great Britain. Northern Ireland generally has more extensive powers to recover payments from benefits. The current difference is that in Northern Ireland deductions from benefits to cover payments for fuel costs and arrears, housing debts and rates can be made from Income Support, Jobseeker's Allowance, Retirement Pension, Severe Disablement Allowance, State Pension Credit, Widow's Pension, Widowed Mother's Allowance, Income Related Employment and Support Allowance and Contributory Employment and Support Allowance (if payable at the same level as income related ESA).

In effect in Northern Ireland deductions can be made from non-means tested benefits on a free standing basis i.e. whether or not a means tested benefit is in payment. In addition, in Northern Ireland consent of the claimant must be sought, but if refused, the Department of Social Development can nonetheless make a deduction above the 25 percent maximum, while the lack of consent cannot be overridden in Britain.

### **Chapter 4: A reformed grant scheme**

#### ***6. What support is most needed by those applying for multiple discretionary grants?***

We welcome the confirmation within the consultation document that the grants scheme will be retained. DWP's consultation in December 2008 on The Social Fund: A New Approach requested comment on retaining a grant scheme. Law Centre (NI) commented that it is vitally important to retain the grant scheme. Law Centre NI and Housing Rights Service are concerned, however, by a number of the proposals to reform the grants scheme. We believe the scheme does need reform and would recommend the redevelopment of the scheme to increase the number of grants available. Figures for 2008/09 show that community care grants make up only 16 percent of the gross expenditure of the discretionary Social Fund, compared to 43 percent in crisis loans (a significant increase on previous years) and an additional 41 percent in budgeting loans.<sup>6</sup>

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<sup>6</sup> Supra, note 2 at page 15

Initially grants made up one third of discretionary Social Fund expenditure but this has now eroded to merely one fifth. We are strongly against the continued erosion of grants and believe measures need to be taken to redress the balance so more grants are made available to Social Fund customers. The qualifying conditions to be eligible for a community care grant are very narrow and need to be re-examined as part of this wider review.

Community care grants provide specific assistance to certain groups in society. Current figures in Northern Ireland for expenditure on community care grants by application group show that people with disabilities account for approximately 45 percent of all applications, followed by pensioners (24 percent) and lone parents (21 percent).<sup>7</sup> These three groups are often seen as particularly vulnerable and retaining access to community care grants rather than general loans for these groups is particularly important. Direction 4, which has to be satisfied in order for a grant to be paid, is already sharply focused and should not be diluted further.

Additional financing is often requested by these groups for specific needs relating to disability, age or parental status rather than for general or one off emergency needs as catered for by the loan schemes. For some applicants there is a lesser stigma associated with applying for a community care grant as opposed to a crisis or budgeting loan. Indeed, some individuals may refuse to apply for loans if grants were no longer available to them therefore putting themselves in greater financial stress.

***7. Do you have any views on possible issues in putting the legislation around the provision of goods and services into practice?***

The Welfare Reform Act 2009 and Welfare Reform NI Bill make provision for community care grant payments to be made for specified goods or services to an external supplier rather than directly to the applicant. It is assumed that these provisions relate primarily to the supply of white goods and furniture at discount rates including services such as delivery and installation. We are particularly concerned that there is no provision in the Act for any form of redress for borrowers who are dissatisfied with the decision made on their application for a Social Fund loan and payment made direct to suppliers. It is important that claimants are given access to an appeals system to challenge any decision made in regards to entitlement or the nature of goods/services provided.

We are also concerned by the proposals to reduce choice for individuals and enforce specification of suppliers by the Secretary of State or Department of Social Development in NI. We believe it is important to maintain a degree of flexibility in the allocation of community care grants to allow for the different circumstances and needs of applicants. We are concerned that these changes

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<sup>7</sup> Ibid at page 8

will increase the stigma associated with community care grants as claimants will be identified by suppliers as receiving goods through a community care grant. This impacts on a claimant's independence and could have an adverse impact upon people's willingness to claim. There is also concern regarding the discretion placed upon the third party suppliers regarding the cost or quality of goods supplied through a direct payment of a community care grant. Further consideration should be given to the potential impact of these clauses prior to introduction.

In addition, there is a provision in the Act that relates to income benefit payments but is nevertheless relevant to the Fund as it should reduce the need for crisis loans in some situations; it introduces a power to make payments in advance of a customer's first benefit payment, to be known as payments on account. We are broadly in favour of the principle of making payments on account to avoid large scale use of crisis loans for claimants waiting for their first payment for benefit.

***8. In what circumstances do you think a resettlement grant should be given?***

In Northern Ireland the vast majority of community care grants are awarded to families under exceptional pressure and to help people stay in the community (49.1% and 45.5% of total gross expenditure respectively<sup>8</sup>). Only 3% of expenditure is for people setting up home as a planned programme of resettlement and people moving out of residential or institutional care. We would welcome the widening of circumstances for which a resettlement grant could be given to account for the many varying situations customers may find themselves in need of such additional support.

***9. What additional support could be offered to resettlement grant customers to help them move towards increased financial independence?***

We support a holistic approach to the resettlement process and are encouraged by the recognition that additional support may be required alongside the provision of a resettlement grant. Budgeting advice to assist with the spending of the grant and signposting customers to community support services in the area in which they resettle would be welcomed providing that such services remain resourced to provide tangible support.

We note the recommendation that all successful applications should be supported by evidence as to their need from a relevant professional working with the individual and the family. While we understand the reasoning behind this proposal we would urge against being too prescriptive in requiring such evidence

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<sup>8</sup> Supra note 2 at page 22

as some applicants will not have a relationship with a 'relevant professional' and they should not be penalised for that. Such a proposal may work against the provision of support to vulnerable members of the community who genuinely require assistance but have not established a relationship with a GP or social worker. We would recommend that there be an element of discretion in making decisions to allow for such circumstances if such proposals were to be put in place.

## **Chapter 5: Social Fund Funeral Payments**

***10. Do you think that students not in receipt of welfare benefits should qualify for financial help with funeral payments? If so, how should we identify these students?***

We would welcome proposals to extend the provision of support to students not in receipt of welfare benefits. It is important to appreciate that such students while not in receipt of benefits may have few or no other financial resources other than existing loans.

***11. Should we restrict access to students in full-time higher education? Should we consider an age limit? Any other criteria?***

Given the assumed small number of people who would be affected and the qualifying conditions already in place we do not see any need to restrict access to students in full time higher education or the need to impose an age limit.

## **Conclusion**

Law Centre (NI) and Housing Rights Service welcome the opportunity to respond to this consultation paper. We trust you will find our comments helpful. If there is any further way in which we could contribute to this process we would welcome the opportunity to do so.

### **For further information about this response contact:**

Policy Unit  
Law Centre (NI)  
124 Donegall Street  
Belfast  
BT1 2GY  
Tel: 028 90 24 44 01  
FAX: 028 90 23 63 40  
Textphone: 028 90 23 99 38

Ruth Barry  
Housing Rights Service  
Middleton Buildings  
10-12 High Street  
Belfast  
BT1 2BA  
Tel: 028 90 26 79 26