Public Accounts Committee inquiry: universal credit

Personal tax



18 June 2024

Earlier this year, the Public Accounts Committee launched an inquiry on the government's progress in implementing universal credit. The Low Incomes Tax Reform Group responded to the committee's call for evidence.

LITRG's response (www.litrg.org.uk/10903) to the Public Accounts Committee's call for evidence (tinyurl.com/57emuwce) focused on the transition of tax credit claimants to universal credit.

The government gave a broad commitment that anyone moving to universal credit, without a change of circumstances, should not lose out in cash terms on that transition. However, LITRG's submission highlighted that, under the current transitional protection rules, some people may get less universal credit than they were getting on legacy benefits (such as tax credits), but they will not get transitional protection. As a result, the government's commitment does not, in reality, apply to all migrating claimants.

Since 2018, LITRG have urged the Department for Work and Pensions (DWP) to do a full assessment of transitional protection to get a better understanding of:

- how many people will not get transitional protection, even though their universal credit award will be lower than their legacy benefits; and
- how many people will get a transitional element in their universal credit award, even though it is higher than their legacy benefit award.

DWP should do this urgently before they further increase the number of migration notices. In addition, DWP should clarify their guidance to:

- make it clear that some people may not fully benefit from the commitment that there will be no cash losers at the point of transition and it is possible that their actual universal credit award will be less than their legacy benefits;
- provide examples of the most common situations where this is likely to occur; and
- explain that the calculation of the transitional element is based on an indicative universal credit amount and not the actual universal credit award.

The information provided by DWP about transitional protection is currently misleading by suggesting that the comparison is between the amount the claimant was receiving on legacy benefits and the amount they will get under universal credit. This is incorrect – when assessing whether someone is entitled to transitional protection, the comparison is between their legacy benefit amount and an 'indicative' universal credit amount. This indicative universal credit amount may differ from their first actual universal credit award for a number of reasons. LITRG have therefore urged that this guidance should be updated as a priority.

Furthermore, there is a lack of transparency around transitional protection both for claimants and advisers. For claimants, DWP do not provide information about how transitional protection is calculated as a matter of course. Claimants must know to ask for this and then challenge it by way of a mandatory reconsideration. LITRG have urged DWP to improve transparency and include transitional protection calculations on award notices as a matter of course.

Up to March 2023, nearly 27% of tax credit claimants who were sent a migration notice did not claim universal credit and missed out on an average of £300 a month. DWP do not appear to have done any detailed research with that specific group to understand why they did not claim and look at whether any mitigations can be put in

place to encourage people to claim the support they are entitled to. More work should be done to understand why so many tax credit claimants do not go on to claim universal credit.

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