Beneath the trends

A detailed look at the issues facing claimants going through managed migration

September 2024

Introduction

The Department for Work and Pensions (DWP) is in the process of moving legacy benefit claimants onto universal credit (UC) through managed migration. Gradually, claimants are being selected for managed migration and are sent a 'migration notice' informing them that they have three months to claim UC, after which their legacy benefit payments will be terminated.

Alongside the administrative challenge this poses to the DWP, the UC system requires claimants to make significant adjustments to how they manage their day-to-day finances. UC payments are less frequent, UC is primarily claimed and managed online, and claimants have their income assessed each month. Households that are financially worse off claiming UC may be entitled to 'transitional protection' to preserve their income temporarily at its pre-UC level. Some households will still be worse off in practice if higher debt deductions are made from their UC award.

Child Poverty Action Group (CPAG) is undertaking research to identify the key issues affecting claimants going through managed migration, with the objective of helping to improve the process. Since early 2023 we have been gathering case studies and speaking to both welfare rights advisers and claimants to understand how managed migration is affecting households, what is going well and how it can be improved. We are sharing our evidence with the DWP on an ongoing basis. This report is the sixth in a series of public briefings summarising our findings to date (other reports are available here).

This report focuses on the experiences of people who have been in contact with CPAG and who have been sent their migration notice. We use their experience to identify ways that the managed migration process can be improved to ensure that those facing the greatest barriers, who will receive their migration notice in the coming months, are able to make and sustain a UC claim.

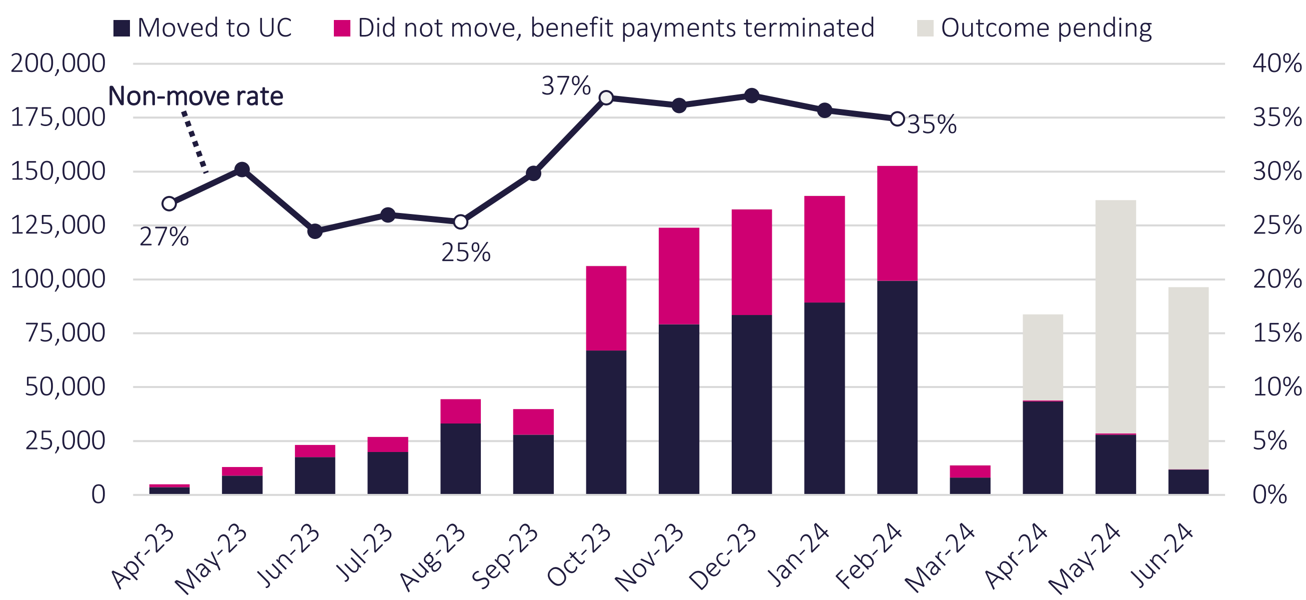
Progress to date and plans for completion

In 2023/24, managed migration focused on tax credit-only claimants, before expanding to claimants of other benefits in April 2024. The latest data shows that by the end of June 2024, 1.2 million legacy benefit claimants had been sent a migration notice.[1] Under current plans, most people receiving a legacy benefit (except those receiving employment and support allowance (ESA) but not tax credits) will be sent their migration notice by the end of September 2024. The managed migration of the remaining ESA claimants, which was previously deferred until 2028, is now expected to begin in autumn 2024 with all claimants receiving a migration notice by the end of 2025.[2]

More than a quarter of a million claimants have had their legacy benefit terminated without making a UC claim

To date, 284,000 tax credit-only claimants did not claim UC before the deadline and had their legacy benefit payments terminated.[3] This is a non-move rate of 34 per cent, considerably higher than the 26 per cent expected by the DWP in November 2023.[4] The proportion of people not moving to UC increased sharply in autumn 2023 when couples receiving tax credits were incorporated into the roll-out. It is not clear why couples would be less likely to respond to the migration notice, but the process of claiming UC is more complex as both members of the couple have to individually complete a UC claim. The DWP is conducting fieldwork to gather quantitative information about people's reasons for not moving to UC. But it is unlikely that the findings will be timely enough to inform the approach to managed migration in the near term.

Figure 1: Number of individual claimants sent a migration notice by outcome, and non-move rate (%)



[1] Department for Work and Pensions, *Move to Universal Credit statistics, July 2022 to June 2024*, 13 August 2024
[2] Parliamentary Statement made by Jo Churchill, when minister of state for employment, Statement UIN HCWS485, 21 May 2024
[3] See note 1
[4] Public Accounts Committee, *Twenty-Ninth Report of Session 2023–24, Progress in implementing Universal Credit*, 24 April 2024

More than 75,000 claimants have made a claim for UC after the deadline

Eight per cent of people sent a migration notice miss their deadline but make a UC claim soon after their legacy benefits are terminated.[5] People who claim within a month of the deadline on their migration notice (or the expiry of an extension) can still get transitional protection, and their UC award will be backdated to the point at which their legacy benefits were terminated (though the delay will lead to an additional gap in their benefit payments). Once a claimant has passed the deadline on their notice (or the deadline of an extension), their legacy benefit payments are automatically terminated and the DWP does not have the power to retrospectively extend the claimant's deadline. If a claimant only reaches out to the DWP after they have passed the deadline, the DWP cannot resume the claimant's legacy benefit and the claimant will have to wait five weeks for their first UC payment once they apply.

The tax credits cliff edge

The DWP has reassured the public that it can always extend the managed migration deadline if the department is unable to provide a claimant with support in time.[6] However, the DWP cannot indefinitely extend deadlines without putting the benefit entitlement of some claimants at risk. Regulations require HMRC to end tax credit payments on 5 April 2025. This means that anyone receiving tax credits who has not managed to move to UC by that date will see their tax credit payments end.

If the DWP is unable to provide support to a claimant before 5 April 2025, as things currently stand, they cannot prolong their tax credit payments. Rather than change the regulations that end tax credit payments or come up with a contingency plan so equivalent payments to claimants can be made beyond April 2025 if needed, the DWP and HMRC appear to be intent on pursuing this self-imposed deadline. In preparation for this, further regulations have been laid[7] so that people who have previously had their migration notice cancelled, for example, where the DWP has in error issued the wrong notification or because of exceptional personal circumstances, do not need to be given a three month notice period when their migration notice is reissued. These regulations therefore allow the DWP to give claimants less than three months to move to UC if their notice was previously cancelled and the tax credit closure date is approaching.

It's not clear yet how many people going through managed migration will need additional help like a home visit. The enhanced support journey (ESJ), which all income support and ESA claimants are put on, begins shortly before a claimant's deadline. If a claimant on the ESJ needs help, the deadline is extended so a home visit can be arranged. If that claimant is unresponsive and potentially vulnerable, specialists at the DWP are engaged. The DWP will need to grant extensions to make sure that these measures can be taken before terminating their benefit payments. If the DWP is not able to complete this process for all the vulnerable tax credit customers who need support by April 2025, those remaining will see a sizable cut in their income.

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[5] See note 1

[6] At an Oral Evidence session of the Public Accounts Committee, Neil Couling, change and resilience director general and senior responsible owner for universal credit, said 'We have the power to extend the migration period as many times as we like.' Later in the session, Peter Schofield, DWP permanent secretary, said 'At the end of the day, as Neil said, we can always extend a migration notice if we have not been able to provide the support.' Oral evidence: Progress in implementing Universal Credit, HC 458, 11 March 2024

[7] The Social Security (State Pension Age Claimants: Closure of Tax Credits) (Amendment) Regulations 2024. Regulation 44 paragraph 3

The experience of families

Julia's family: a working disabled parent and two disabled children likely to lose out on UC

Julia[8] is disabled and unable to walk short distances, and has two children, both of whom are disabled. She lives in a rented property. Julia earns a small amount through self-employment, working from home. She receives child tax credit, working tax credit and housing benefit, which will end soon as she has received a migration notice. She also receives carer's allowance (as the registered carer of her eldest child), her children qualify for disability living allowance (DLA), and she receives personal independence payment (PIP).

Julia has done a lot of research about how she will be affected by moving to UC. She has estimated that she will be £500 a month worse off. She understands that she will be assessed for transitional protection but that it will erode away, or end, when her circumstances change.

Julia's eldest child is about to reach the age where his DLA will end, and he will have to apply for PIP. Julia thinks her son will not qualify for PIP (as the eligibility rules differ) and this alone will mean the family lose £500 a month. Julia's son ageing out of DLA will lower her UC entitlement. She will also need to transfer her carer status from her elder child to her younger child who also gets DLA, but she fears this change will be futile as she expects it to merely erode her transitional protection. Our understanding of the regulations is that her transitional protection will be maintained in this situation but based on the information available to Julia her conclusion is understandable.

Julia's self-employment income complicates matters further. Under tax credits she could report this to HMRC annually. Under UC she will have to report this every month. She has been unable to identify from her research if she will be considered 'gainfully self-employed' and what the requirements of her will be under UC. Self-employed people who go through managed migration are required to attend an appointment with a work coach at the job centre to show evidence of their self-employment status. Julia will have to request that this appointment happens on the phone as she is not physically able to attend in person. She is worried that this could cause a delay in her first UC payment.

If she is not considered 'gainfully self-employed', Julia could undergo a work capability assessment and would likely qualify for the limited capability for work-related activity (LCWRA)[9] element of UC. But this assessment takes many months and would result in a change of circumstances, so any benefit that she could gain from the disability element will eat into her transitional protection pound for pound.

She's also been thinking carefully about when to apply for UC. She knows that there will be at least a five-week gap between her last tax credit payment and her first UC one, and she expects that she will have to request an advance payment to make ends meet during this time. She knows that if she applies just after her tax credits have been paid, the gap between benefit payments will be shortest. But she would also like to schedule it so that her UC gets paid shortly before her rent is due. UC payment dates are fixed on the day that the claim is made, so future payments will be paid monthly thereafter, and there is no way of changing it to suit the claimant's budgeting needs.

Despite Julia's considerable amount of research, she has been unable to get the information she needs about how the many factors in her situation intersect. She phoned the help-to-claim service but couldn't get through.

[8] All names have been changed to protect people's anonymity.

[9] LCWRA is an additional UC amount for those unable to work due to a health condition or disability.

Another charity Julia spoke to gave her what she knew to be bad advice by telling her to proceed to claim UC and they could resolve any issues once the claim was in process.

> "I've tried my best. I've tried doing calculations. I've tried asking groups. I've tried phoning the helplines. I've tried Citizens Advice. And I don't think anybody gets the whole picture… I'm scared of getting it all wrong and being left with no money". - Julia

Learning from Julia's experience

Julia is highly likely to make a claim for UC before the deadline, which the DWP will deem a success. But Julia is unlikely to see this as a successful experience. Despite doing thorough research, her own calculations and seeking advice, Julia has been unable to get the information she needs to plan for the move to UC. Without this information she has been unable to anticipate how her income will change and decide at what point in her notice period to make a claim. Any transitional protection she does receive will erode if she is assessed to have limited capability for work-related activity and she will be considerably worse off.

As Julia does not receive ESA or income support, she will not be placed on the enhanced support journey. Therefore if something happens to Julia that prevents her from making a claim by the deadline, a family emergency for example, no systems checks will be carried out prior to her benefit claim being terminated.

Julia herself highlighted several areas for improvement:

- It would be helpful if there was a sample of the UC form before you begin the claim. This is the case for DLA which Julia found very helpful.
- Failing that, Julia would like to have a checklist of all the documents she may need prior to starting a claim (she has already spent two days locating and scanning paperwork she anticipates may be needed).
- Ideally, she would like an expert to explain to her how the different aspects of her situation interact and affect her UC entitlement so she can make sure she is in the best possible position, and to shield her children from the loss of income the family is likely to experience.

Sarah's family: a couple with children with additional needs worried about budgeting on UC

Sarah lives with her partner, their four children and her partner's adult child in rented accommodation. They receive income support (which includes a severe disability premium) and child tax credit for their eldest two children. They are also entitled to housing benefit which is paid directly to their landlord. All these benefit payments are due to end when Sarah's family reach their migration deadline.

Sarah has independently researched her benefit entitlement and believes she will be worse off on UC. She understands that she will be eligible for some form of transitional protection and that this will erode over time. She said: '[the DWP] says we're going to match what you have now, but that isn't actually the case for the future... That stuff is a lie… It disappears quite quickly'.

Sarah has recently submitted an application for her child, who currently gets the middle rate of the DLA care component, to receive the higher rate because of his complex needs. Sarah anticipates that it will take six months for the application to be assessed by which point she will have moved to UC. If Sarah was still receiving tax credits, she would have been entitled to an additional £50 a week as the carer of a child with significant additional needs, but she is now expecting to see no increase to her UC as the additional amount that will be added to her UC award (the higher rate disabled child addition) will erode her transitional protection. She said: 'That makes me quite upset as well because I really need that extra money for him because he has got quite complex needs'. Sarah's expectations are incorrect. If her son is awarded the higher-rate DLA, her UC should increase, and her transitional protection should be maintained as she submitted the DLA form *before* she applied for UC. However, we do not know if the automated transitional protection system accounts for this, or if Sarah's transitional protection will be eroded and she will have to challenge the DWP to get her full entitlement.

Sarah is very worried about adjusting to UC's monthly payments as she is used to weekly payments. She knows that it is possible to get bi-monthly payments, but she doesn't know how to access this: 'For me, a month is a very long time.' When Sarah moves to UC she will also have an additional budgeting concern: her housing benefit will no longer be paid directly to her landlord by default to cover the rent, she will need to use her UC income to pay rent.

Sarah's budgeting concerns are compounded by her deadline date which is in the summer holidays, just before two of her children have a birthday. In a usual year this would be a difficult time to navigate financially, but if she proceeds to claim UC as planned, the birthdays will fall after her tax credit payments have ended but before her first UC payment. She could apply for UC earlier to avoid this problem, but she wants to wait so she can set money aside in preparation if she is able to.

Learning from Sarah's experience

Like Julia, Sarah is likely to make a claim for UC before her deadline. Sarah would benefit from a delay to allow her to save money and avoid moving during an expensive period, and to await the outcome of another benefit decision (in this case, her son's DLA application). Neither of these are likely to be considered 'good reasons' to request a deadline extension by the DWP.

Sarah would also benefit from budgeting support. Having the option for the housing element of her UC award to be paid directly to her landlord or having more frequent UC payments from the outset could appeal to Sarah as she transitions to UC. But currently the only way that she can access these options will be after her first UC award is made, at which point she may have fallen further into debt, and there is no guarantee any requests like this would be granted.

People who move to UC are not provided with any information on their UC statement about how their transitional protection was calculated. This means that Sarah will not have the information she needs to identify if any erosion in her transitional protection is correct or if it should be challenged.

Steve's family: a disabled parent with one child who may not move to UC

Steve gets contributory ESA and child tax credit and has savings that exceed £16,000. He was very surprised when he got his migration notice as he understood that contributory ESA was not being replaced with UC. Upon reading the notice Steve thought he should challenge the decision to include him in managed migration rather than apply for UC.

Steve's contributory ESA should be exempt from managed migration, but his child tax credit is not. If he were to make a claim for UC before the deadline, he should continue to receive contributory ESA, and his child tax credit would be replaced by UC. But Steve is convinced that his ESA will be converted to UC, that he'll be subject to transitional protection, and that the value of his benefits will erode significantly over time. He thinks his best option is either to terminate his child tax credit claim or not make a UC claim to preserve his ESA. By his calculations: 'In all scenarios, I will lose thousands of pounds of financial support'. Even if Steve moves to UC, his UC award will be terminated 12 months after making a claim when the saving exemption ends.[10]

Steve called the managed migration helpline, but the telephone agent was unable to answer his queries and he was transferred to the general universal credit helpline. However, Steve found this helpline very difficult to navigate as, without a UC account, he couldn't provide the details requested by the automatic call router. He was then told on the phone, incorrectly, that his child tax credit would continue indefinitely, provided there were no changes of circumstances.

We reassured Steve and strongly encouraged him to seek advice and apply for UC before the deadline.

Learning from Steve's experience

Steve's experience shows the consequences of not providing more detailed information in the migration notice: claimants can fear the worst and ultimately decide not to move to UC. In Steve's case, seeking more information from the DWP was arduous and failed to provide him with correct information about how moving to UC would affect him.

- The migration notice should include information that specifies which DWP benefits are and are not being replaced by UC.
- The managed migration helpline service should not transfer people to the UC line if it puts people through to an automated service requiring someone's UC account details.

Rebecca's family: a terminally ill parent with one child who needs support to claim

Rebecca is terminally ill and lives in rented accommodation with her son. She gets ESA, housing benefit and child tax credit. She received a migration notice, meaning these benefits are due to end and she will have to apply for UC to replace them. A benefits adviser has calculated that Rebecca will be no better off moving to UC, and Rebecca is reluctant to go through this change during what is already a difficult time. On top of her terminal cancer, Rebecca has physical and mental health issues meaning that her advice worker will have to do a considerable amount of work to manage her transition to UC.

Terminally ill claimants were, until recently, one of the 'deferred groups'. They had been excluded from the process of managed migration 'until a process had been designed to include them',[11] given the difficult situation they are already in. However, terminally ill claimants who are claiming tax credits are no longer deferred to ensure they move to UC before tax credits close in April 2025, despite no specific process for terminally ill claimants being offered. Fortunately, Rebecca has been able to get help from a benefits adviser via Macmillan Cancer Support.

Protecting people with additional needs not known to the DWP

Even if Rebecca was not being helped by Macmillan, as an ESA recipient she would still be part of the enhanced support journey. But not everyone with an additional need is known to the DWP. For example, someone who gets housing benefit and child tax credit and is receiving chemotherapy, but has a good prognosis in the long term, will

[10] Child tax credit payments do not consider a claimant's capital, but UC does. People who have savings over £16,000 who move to UC from tax credits via managed migration will have their savings over £16,000 disregarded for 12 assessment periods. If their savings remain above £16,000 at that point, their UC award will end as they become ineligible for UC.

[11] Move to Universal Credit (managed migration): Exclusions, deferrals Specialist teams' guidance, provided by DWP on 17 June in response to FOI 2024/37582

only be offered additional support if they contact the DWP to ask for it. Unless someone is receiving ESA and, in some cases, income support[12] the onus is placed on individual claimants to reach out to the DWP to ask for help.

- The migration notice should include a statement encouraging people who do not get ESA or income support, but who have additional needs, to inform the DWP, so they can get the support they need.
- The DWP should automatically extend the deadline of all unresponsive claimants and proactively seek to contact them to avoid cutting the income of a vulnerable individual in complex circumstances.

Conclusion

The DWP has assured us that claimants are not being put at undue risk as a result of managed migration, as their plans to proceed are subject to ongoing assessment against 'readiness criteria', and that the DWP can indefinitely extend the deadline of a claimant who they have been unable to support.

Digging deeper, these assurances offer cold comfort. The 'readiness criteria' that the DWP used to decide to expand managed migration to the latest cohort has not been published (despite multiple requests). But we know that when the proportion of people not making a claim for UC is much higher than the department expected, the roll out doesn't slow down. We know that the DWP cannot indefinitely extend a claimant's deadline because, if they receive tax credits, those payments will stop in April 2025 regardless. These factors present real risks to the hundreds of thousands of claimants who are due to go through the managed migration process in the coming months.

Beyond that, cases like Julia's and Steve's show that the DWP shouldn't be squarely focused on the number of people who make a claim for UC by their final deadline date – this alone does not mean the process was a success. A successful experience would mean that claimants are easily able to get information about how the move to UC will affect them and how and when any transitional protection could erode. A successful transition would mean that claimants are supported to adjust to a new budgeting cycle and work-search requirements so they can manage their claim without rapidly falling into debt or being sanctioned.

The DWP should slow down the roll out of managed migration to ensure that people moving to UC are being paid in full and on time, and that claimants are able to get the information and advice they need to cope with the change. But the DWP will also need to make contingency plans to ensure that payments can be made to tax credit recipients after April 2025. It could do this by amending the regulations, developing a process to make emergency payments or automatically transferring any remaining claimants to UC.

The DWP sensibly began rolling out managed migration to tax credit-only claimants, who have simpler benefit entitlements to calculate, are more likely to have savings to draw on and less likely to be vulnerable. Now it is proceeding to a much more complex and vulnerable claimant group. With the self-imposed tax credit deadline looming, if the DWP does not act now, it appears the more vulnerable claimants will be at the greatest risk of falling victim to a sprint finish.

[12] People getting income support are included in the first stage of the enhanced support journey by being called three times. If they do not respond to those calls, no attempt is made to arrange a home visit unless the DWP's records show that the claimant may be vulnerable.

Do you have evidence to share?

If you are a benefit claimant, welfare rights adviser or third sector stakeholder affected by managed migration, please get in touch. We want to hear about your experience (good and bad) of managed migration to help us understand what's going well and issues the DWP needs to address. More information is available at cpag.org.uk/managed-migration-project.

About Child Poverty Action Group

Child Poverty Action Group works on behalf of the more than one in four children in the UK growing up in poverty. It doesn't have to be like this. Our vision is of a society free of child poverty, where all children can enjoy a childhood free of financial hardship and have a fair chance in life to reach their full potential. We use our understanding of what causes poverty and the impact it has on children's lives to campaign for policies that will prevent and end poverty – for good. We provide training, advice and information to make sure hard-up families get the financial support they need.

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