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Housing

# Feeling the pinch – the lowered benefit cap one year on...

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# Acknowledgements

CIH would like to thank the people who agreed to be interviewed as part of this research and who so willingly shared their experiences and their time with us. To maintain anonymity we have not named them, but we are grateful for the help they gave us.

We also thank the following organisations who helped and supported us:

- Broadlands Housing
- Cardiff Community Housing
- Devon and Cornwall Homes
- EMH Group
- Gentoo Group
- Nottingham City Homes
- South Lanarkshire Council



# Setting the Scene

As part of the Welfare Reform Act 2012, the Conservative and Liberal Democrat coalition government introduced a cap on the total amount of benefits an individual household could receive at £500 per week or £26,000 a year- the supposed average income of a household in the UK. The cap was lower for single people with no children at £350 per week or £18,200 a year.

The key aims were to:

- Increase incentives to work
- Introduce greater fairness into the welfare system between those on out-of-work benefits and working taxpayers
- Make financial savings and incentivise behaviours that reduce long-term dependency on benefits.

This was based on an idea of fairness that stated that no one should receive more on state benefits than the average household income. This was said to be fair to tax-payers as it meant that people living exclusively on welfare benefits, or working fewer than 16 hours per week, would be forced to make the same choices as people who worked but earned a “low income” (supported by tax credits and other benefits). Any income above the level of the cap is deducted from housing benefit payments.

From autumn 2016, the Conservative government lowered the cap to £20,000 a year except for London where it is now set at £23,000 a year. The original cap was set at the rate of the average household income. Some have argued that the original cap was too high on the grounds that to have an after tax income of £26 000pa would require a salary of around £35 000pa. The lowered cap is set at an arbitrary amount decided by the Government.

There are several circumstances in which the cap does not apply. This includes situations where people:

- Qualify for working tax credit by working 16 hours (or more) per week
- Are above the qualifying age for pension credit
- Get certain benefits for sickness or disability (such as disability living allowance, personal independence payment or attendance allowance) or a war pension

- Were in employment for at least 50 weeks out of the 52 weeks before their last day of work

## Why is this important?

CIH have long voiced concerns about the impact of both the original benefit cap and the lowered cap and published [this assessment](#) of its probable impact highlighting that the lowered cap would impact strongly on tens of thousands of families and especially their children. This looked primarily at the numbers expected to be affected by the cap, and by how much, and the expected shortfall in housing benefit payments that would need to be paid out of their other income.

This report, based on interviews with 18 families living in rented homes across Britain and affected by the lower cap, outlines the serious impact that this is having.

## What have we found?

- Work is not proving to be the “best route out of poverty” as the Government claims – this is so because of the high costs of childcare, other costs associated with working and the changes to benefits that occur when people move into work
- The lowered benefit cap is causing significant hardship to households who have no realistic prospect of escaping it
- Almost all the households we spoke to reported increased stress as a result of the cap. Added to this, many had an adult and/or child with a long-term health condition with additional costs associated with it
- The cap is impacting on children with our interviews showing that they are not receiving the same life chances as other children, for example, missing out on educational visits and school trips
- The high cost of childcare is a barrier to people getting into work or increasing their hours if they work already.





# Is the measure meeting the government's stated aims?

## Increasing incentives to work

- While the aim was to incentivise people to find work or increase their hours, we found significant barriers to them doing so. Although most were aware that claiming working tax credit would exempt them from the cap, many were not in a position to do so, for example, they had recently given birth or had children with special health or developmental needs. The findings of this research chime strongly with the recent judgement that the cap causes hardship to this group for "no good reason"
- Only two of the people we spoke to had found work to escape the cap - in both cases on a self-employed basis. However, although they had returned to work, the changes to their benefits had wiped out any financial gain and they were now in the same position as they were when capped

## Introduce greater fairness into the welfare system between those on out-of-work benefits and taxpayers in employment

- The cap may in some ways appear fairer to people who work in that it makes those who are claiming benefits make the same choices. But we found areas where the cap is manifestly unfair and causing considerable hardship to capped households
- Several people described how they had gone without food, heating or were in some form of arrears as a direct result of the cap. Some households had used food banks or said they could not afford basic clothing for their children. Many were reliant on help from family members or other sources. It should be questioned whether hardship of this type is a price worth paying for such a nebulous goal.

## Make financial savings and incentivise behaviours that reduce long-term dependency on benefits

- Again, reducing the overall benefits bill by capping benefits may reduce costs in the short term. However, we spoke to several households who were clear that they were threatened with

homelessness because of the cap. We know that crisis intervention in homelessness cases is more expensive than developing systems that don't allow people to face the risk of homelessness in the first place

- All the households we spoke to were either in work, planning to return to work or had genuine reasons why working for more than 16 hours a week was difficult, if not impossible. We found no suggestion in any of the households we spoke to that living on benefits was a "lifestyle choice" as has been suggested. Most of the households had either been in work previously or were planning to go back into work and showed no signs of treating benefits as a "free ride". We therefore challenge the narrative that there are a significant number of people that are happy to live on benefits.

## What are we calling for?

We are calling for the government to urgently review the impact of the lowered benefit cap. This should be done with a view to either returning to the original cap (at £26,000 per year) or preferably scrapping the cap altogether and a return to a benefits system based on assessment of need and actual cost rather than one that is based on arbitrary limits.



# Our research in detail

## Why did we carry out this research?

We carried out analysis of the likely effects of the lowered benefit cap in autumn 2016. Because of our concerns about the likely effects of the cap we've followed this up with a series of interviews with people affected.

## What did we do?

We carried out a series of semi-structured interviews with 18 households living with the impact of the lowered cap. This included men and women; some were living with partners and others were lone parents. All, whether single or part of a couple, had more than one child. We also spoke to staff working for social housing providers to get their views on the impact of the cap.

The amount by which households' housing benefit was capped ranged from £9.58 per week to over £170 per week. There were several cases where only 50p of housing benefit was being received, the minimum allowed under benefit cap rules to maintain the open claim and so retain entitlement to discretionary housing payments.

Most families were living in three bedroom houses but some were living in smaller homes than they needed. Most were claiming income support as their main source of income, along with child benefit, child tax credits and some housing benefit. Two were claiming jobseeker's allowance and two claiming employment support allowance. Several were making new claims for benefits that would exempt them from the cap.

## What did we find?

It is perhaps not surprising that our interviews highlighted that the lower benefit cap was having an impact on household finances. However, we also identified the worrying effects it is having on the health and on the children of the households affected.

Other factors also emerged including the quality of communication with those affected by the cap the complexity of the welfare system and barriers to people finding work or increasing their hours if they were already working.

## The financial impact of living with the cap

Responses to this question varied greatly. Of the 18 people/households we spoke to 9 reported that they had either gone without food, gone without fuel or were in arrears with at least one bill. Fuel arrears were rare and most were using pre-payment meters. One reported significant arrears with their water bill. Several had arrears on a catalogue or a credit agreement - these were often incurred before the introduction of the cap or they had been left with debt as a result of relationship breakdown. Rent arrears were the most common type of debt.

Six told us they had used food banks as result of having no money to buy food. The majority of those who had not had avoided it due to financial support from family members, many of whom were in financial difficulties themselves.





A repeated theme was that, whereas before the cap households could manage and have some money left for things they hadn't anticipated, after the cap they were living "hand to mouth". As one person said:

*"It basically meant that I couldn't really afford to do any food shopping each week...I've probably got bad credit now because I had credit cards and they were the first thing that I'm not going to pay that if I need to buy food and pay rent and you have lots of other things you have contracts for and you can't just not pay them so I was having to juggle things and I was getting more and more behind with my rent and in arrears and they served me and eviction notice, a County Court thing, and I was trying to desperately sort that out as much as I could and it's just little things like if my kids need school shoes and that, I can't afford because I've literally got nothing spare at all left over whereas before I did."*

One household had lost three quarters of their housing benefit telling us they had been forced to halve the amount of money spent on food for her family. It was also a struggle to buy other essential items:

*"...we do tend to walk everywhere now as we don't have money for a bus. I've got two toddlers so walking everywhere can be a nightmare sometimes. And I have to rely on clothes given to me for the little ones, because I absolutely have no money spare to buy them new trousers. I'm having to rely on other people to give me stuff."*

Another summed up the effects of the benefit cap up in more stark terms stating

*"It's a real struggle, I have basically nothing."*

The most serious results of the cap were where tenants were living in the private rented sector and the cap meant losing all housing benefit except the minimum 50p allowed to keep the claim open. As one person with five children told us:

*"I'm getting 50p a week, at the moment I'm getting a DHP (discretionary housing payment) but that ends on the 3rd of July and I've been told I won't get that again as they're running out of funds...the rent is now £600 and something a month, at the moment I am paying £75 a month towards it but as a single parent and having just had a baby I've had to give up work and stuff so as a single parent even £75 a month is a lot but I was coping with that, but it's just 50p in July. Which means, I've spoken to my landlord and my landlord can't put the rent down any further, as it stands on the 3rd of July I'll need to go homeless...from the 3rd of July I will have to go and present myself at the council as homeless which is a nightmare...[We] will be homeless and the house I'm in isn't furnished at all so every carpet, the toilet seats, everything in it is mine; and I've been told if I go homeless that I'm basically going to lose everything. I've worked for everything, everything that the kids have got £500 beds that the kids have got that I've saved and saved and saved for. I'm going to lose everything."*

Unsurprisingly, most of the households were using pre-payment meters for their gas and electricity. Although concerns have been raised about these being more expensive, this was valued as it gave people the ability to know how much they were spending. However, some told us that there were times when they didn't have any gas or electricity.

*"Well, we try and budget, keep things to a minimum and the heating's never on. It's just for hot water to have a bath and things and to do the dishes, if you're cold you put an extra jumper on (laughs)...I think last time he (the children's father) gave me a bit of money we were sat in the dark for three hours waiting for him to come and pick them up."*

Others told us that the effects of the cap were less severe on them, but these were people living in social housing with lower rents and who also had family members able to help them out if they had no money.



## The health impact of living with the cap

This was perhaps the most disturbing aspect of the conversations we had with people. All but one of the people interviewed told us they were living with greater stress levels in their households as a result of the cap; often this built upon existing stress with six people telling us that they were already taking prescription medication for either stress or depression before the application of the cap; one person was in receipt of employment support allowance (ESA) for depression and anxiety.

The people we interviewed said that being subject to the cap has led to a number of feelings including stress, disappointment in themselves (that they were failing their children), and humiliation for not having the money to do "normal" things both themselves and with their children.

*"Well it's probably the most stressful time of my life I think. The thought of losing my home and you've got people saying they won't kick you out on the streets...and I'm saying, yes they will! If you can't pay your rent and you're already in social housing where is there to go? The PRS won't take me and 5 kids, they don't want kids and the amount of children I've got - yeah it's just been a really, really big worry. I lost some weight which is good! (laughs)"*

As stated above, a number of the people we spoke to had pre-existing health conditions (both mental and physical) and the stress of the cap was affecting these conditions negatively, making them less able to cope with the challenges they are facing.

*"I'm a diabetic, I can fall unconscious if I have low blood sugar. I am going to court as I assaulted someone in a hypo, my lawyer has advised me to take it to trial because I was unaware at the time. I go to court in August...I have to have somebody with me the whole time because of the fits if I'm hypo, I could be sitting talking to you and I could have no clue I have low blood sugar...until I pass out. I'm very forgetful as well because of it, because my brain has been starved of oxygen that's why I'm forgetting things...It's stress as well, it makes me go hypo...all this business with cuts at the moment is giving me a lot of hypos."*

*"This (the cap) has been going on since I found out I was pregnant, I ended up in the hospital with high blood pressure, honestly I've been in tears so many times its been unbelievable and I'm tired of putting on a brave face because my kids don't*

*know the extent of what's happening and I don't want to worry them. I'm just living day-by-day and waiting on the 3rd of July and then I'm going to have to go homeless. I've been in this house seven years and I've made it a home, the thought of losing everything makes me feel sick."*

Another was undergoing tests for suspected multiple sclerosis and so was often in chronic pain. They were required to attend regular appointments at the local hospital for exploratory tests and stated that this was "quite expensive" for them. It was also not clear when the final results of the testing would be known, this was important for them as a positive diagnosis, while distressing and not without its own issues, would mean they could potentially claim disability living allowance (DLA) thus escaping the cap.

In addition to the health impacts of the cap a number of people told us that either they or their children had pre-existing conditions that meant they faced increased costs related directly to these. These costs inevitably mean that they have less money to live on after the introduction of the cap combined with the essential expenditure related to their health needs.

*"...my three year old daughter is actually having an operation next week on the Wednesday...but I'm going to have to cadge a lift as I can't afford to take her. Which is shocking, and my baby's got appointments, you know, jabs, my son have speech therapy and might have autism and I have to borrow people's cars, kidding onto them that mine's broken so that I can take them."*

*"I do panic especially when all my bills are going out, I do struggle. Because I'm having to take from other areas, taking bus fare off my son is out of the question, he suffers with dyspraxia so his muscles are quite tight so I can't cut that down, I have to cut out treats for the kids; it's going on main things rather than treats."*

One household's situation was further complicated by the fact that the family only fell under the benefit cap at all as she and her partner were providing foster care and so had four children in the household. The additional family tax credit they received as a result had put them over the benefit cap threshold. In addition both nephews have been diagnosed with behavioural issues; this meant that they were incurring additional costs in attending appointments with them and also in keeping them in contact with their parents. Social services were providing some additional financial support but not enough to mitigate the effects of the cap and the additional costs incurred.





## Effects on the children of capped households

Of serious concern is that, of the 18 households interviewed, seven reported that there was at least one child living in the household with a long term health condition (six of these also reported having a health condition themselves). These included behavioural and developmental issues. One person we spoke to had a child with epilepsy which involved frequent hospital visits either for tests or as a result of seizures with additional travel costs as a result. Another, whose son had severe behavioural issues, had been able to claim DLA and so had escaped the cap at the time of the interview. They told us that they had incurred considerable rent arrears while their benefits were capped. They also found themselves in a situation where they were told that, if they increased the hours they worked from 12 to 16 per week, they would escape the cap but this was impossible in practice.

*"The advisor in the Job Centre was saying if you can work 16 hours a week you won't be affected but I couldn't work the 16 hours a week because my son was constantly being excluded (due to his behavioural issues), I was in a catch 22 situation, I couldn't work any more; I was lucky enough that I worked at the local pre-school so the head of my son's school was also my boss, although I was losing money if I had to go home. I was in a catch 22, I wanted to work extra hours but I couldn't because I just couldn't do them."*

Another had a specific need for the property they were living in that was related to a child's health condition - the cap was threatening to end their tenancy.

*"...trying to find a smaller place which is going to be interesting because we've got two boys and the wee girl and my partner and myself. The reason we waited for this house was because it has a bathroom upstairs and a toilet downstairs and my son has chronic IBS...I've got it too but he's actually sick with it...so we thought that's great we can have this house..."*

The effects on children were not confined to their home lives. Another theme of the responses was the cost of travel to school. Several people said that they were incurring additional costs relating to this, either as a result of driving their children to school or paying

for bus fares. In some cases this was as much as £15 per week. In one case this only paid for travel one way, they had a 30 minute walk the other way.

A number of people we spoke to said that their children's schools were a 25 to 30 minute walk away, but this was considered a walkable distance by the local authority and so no financial help with travel costs was provided. One told us that she paid for her children's school travel as the walk entailed going through a wooded area and she felt this was not safe.

*"..school is half an hour's walk away from the house, we've been told its walking distance but they've got to cut through a duck pond where the....it's not a safe journey to school. I wouldn't like to find my daughter walking to school by herself. They have to talk through a duck pond surrounded by trees, it's a wee, dark place, it's not very well lit. So she has to get the bus."*

The effects of the cap on children were also evident in the activities that they were able to take part in both in and out of school. Children of capped households were clearly not getting the same opportunities as other children; and this was often a direct result of the cap (as well as reductions in funding for schools). In eight of the 18 households children had missed school activities or trips as they couldn't afford to pay for them. These were frequently extended visits to foreign cities or "outward bound" type activities in the UK.

*"My daughter's got a school trip in October with the school, it's four days outside, abseiling and stuff, that's £250 and I can't afford to pay it and it's hard because I went with my school on stuff and I'm trying to figure out a way because I don't want her to lose out. I know it sounds daft, it is daft, but it annoys me because I know I wasn't like this beforehand. I want my kids to go on school trips and have the odd day out at the safari park or something daft like that - no I can't even afford to do that and I have to scrimp every penny..."*

Others told us that their children could only afford to go on school trips either because family members had paid or the school discounted trips for families on benefits and/or allowed them to pay in instalments.





There were also other costs associated with school that were mentioned by multiple households, often these related to the cost of clothes, shoes and charges the schools made for fruit or milk. Capped tenants were struggling to pay these costs on top of everything else.

*"Yes, they've had to miss school trips because obviously I've only been back at work. They caught me off guard the other day and had a school disco, and asked for pound, and I know it's just a pound but that was literally £2 each, £6 and I didn't have that. So I was like, mummy will take you to the park for an hour, everything's got to be free. In the holidays my kids watch all the other kids go out on day trips with their parents while they're sat in their front garden or I'm taking them to a local park. Or I'm trying to find a park with a free paddling pool just so they can do a bit of swimming."*

This also touches on another key theme of the interviews, that parents felt that their children were missing out on doing activities as a result of the cap. There were many examples in the interviews of parents saying that they could afford "treats" and visits to safari parks and other attractions before the cap, but that now such activities were unaffordable. There was a feeling that children of capped households were not able to do the same activities as their peers and that this often created a feeling of failure or disappointment.

*"The kids are affected, I can't afford for them to go to clubs at night...I feel like I'm failing the kids, I can't take them out, the kids want to do things their friends are doing and I have to say we can't afford that. It does bring you down a lot as I feel as if I'm constantly saying no, no."*

*"I can't really afford to go anywhere with the kids during the holiday break whereas before I could afford to take them out. I mean when you've got little one's birthdays coming up too you go into panic mode."*

## Poor communication and the complexity of the welfare system

One of the main criticisms we heard related to poor communication from the Department for Work and Pensions (DWP), local councils and housing associations about the cap. This varied from people being given short or no notice about the cap or lack of clarity around the cap and what it meant.

*"I was claiming income support but it's through that I found out about it. I didn't find out anything from the housing association, no, didn't really know how it was going to happen until the last minute. I wasn't even aware it was coming out of the HB until the last minute."*

Another told us that he had been notified only by text message.

*"What it is, is I'm sat at home one day and I get a random text out of the blue saying that you've been hit by the benefit cap we're reducing your housing benefit by nearly £80 per week. You can imagine...we're worried about what we're going to do we got a new baby... But to get a text out of the blue like that, no warning at all, no explanation why or anything. It was just if you are finding it difficult, ring this number so I called the number and they told me, it's quite complicated..."*

In this case also, the person had been working 25 hours a week for some time and so was eligible to claim working tax credits but never had. He told us that he had been asked to provide proof of eligibility to claim working tax credits to escape the cap and then when he did so that this was not enough and he would have to actually claim the tax credit. He has now put in a claim.



Inevitably households were receiving a number of welfare benefits. The main issue for the people we talked to was the differences in payment cycles and dates where rent and other payments were taken from their bank accounts. This created periods where they were very short of money. Many told us they would find it easier if their benefits were paid on a weekly basis in equal sums.

*"It can be tricky at times. Because I get my income support every fortnight I pay the top up from my IS (income support), I pay two weeks at a time. But that can be tricky if there's other things the kids need, it's very hard being on benefits because I get IS every two weeks, and CTC (child tax credits) every week so that's usually my weekly shopping and other expenses come out of that, and then CB (child benefit) each month, so it can be very hard to juggle what money is coming in when, what needs to be paid. It can be very stressful at times, sometimes you have to rob Peter to pay Paul."*

In addition to these issues another person told us that not only was she capped and struggling to keep track of her payments, she was also having money taken out of her benefits to pay back a previous overpayment by the DWP (not her fault) and so was placed in even greater hardship.

Concerns were also raised about the change of status if they got a job or if there were specific changes in their circumstances. For example, one person we spoke to had been looking for work but was concerned that if they accepted a job they had been told they would be switched to claiming universal credit (UC). Their main concern about this was the 4-6 week waiting period on UC and that they would not be able to afford to start work with this break in their

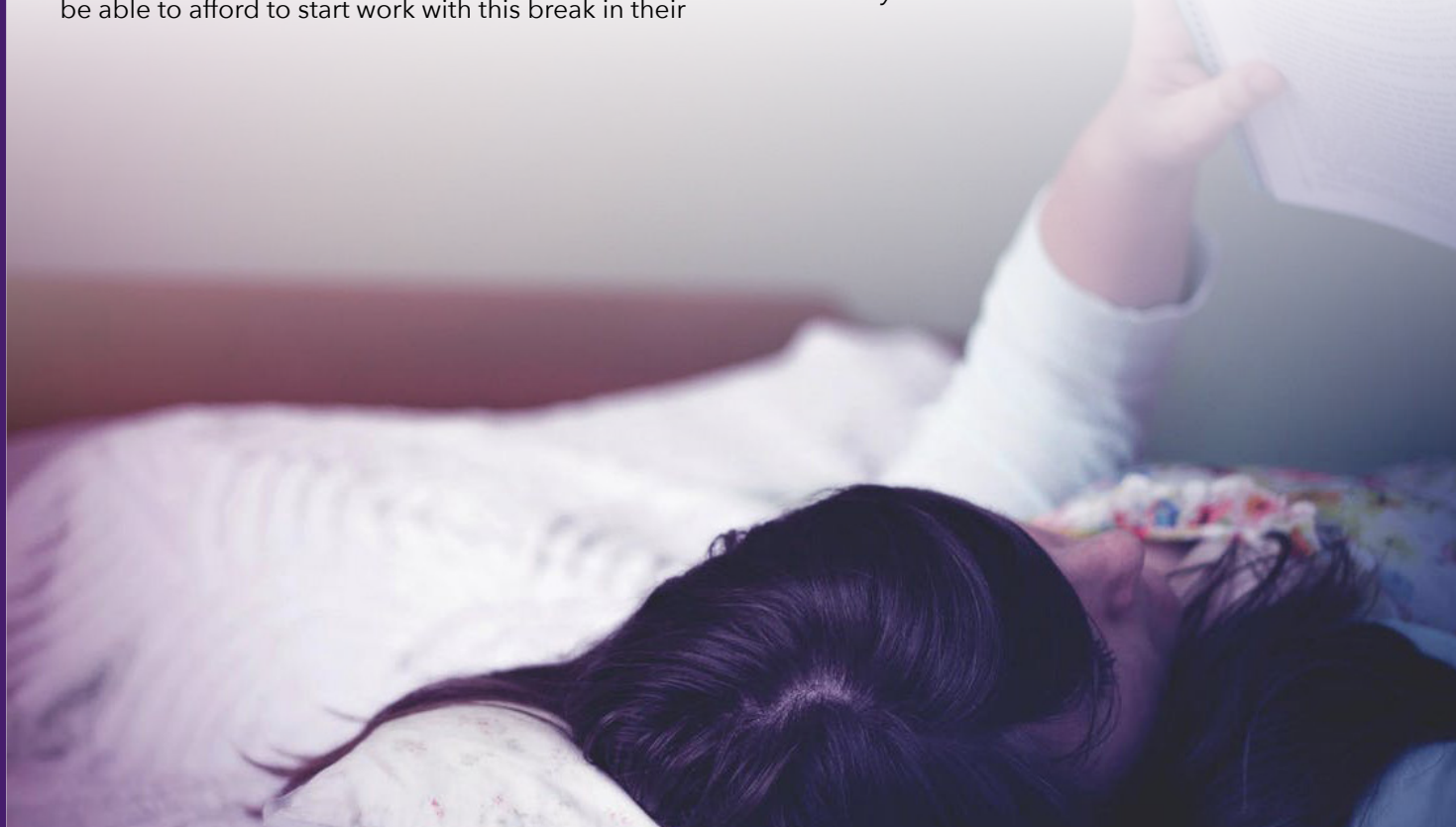
benefit payments. They also stated that the Benefits Agency had not been clear with them about this or whether this would even be the case, the uncertainty was also unsettling.

Another had a child with quite severe behavioural issues and there was a possibility of a residential school placement for them. They had escaped the cap by way of getting DLA but hadn't received any clarity on what would happen if her child went into a residential placement - would this mean that the DLA would cease and she would be capped again?

### **Support with going back to work**

The cost of childcare was also raised as a barrier to working. This often meant that going to work meant they were no better off or sometimes worse off than under the cap. Even where they escaped the cap by virtue of working 16 hours a week and claiming working tax credit, the cost of childcare meant that these gains were wiped out.

*"If they want people to go back to work, single parents like me, they need to lower the rate of childcare then don't they? That's my argument then, for me to work, what about my son? My son's two years of age, the cost of childcare is just too much; I'd be going to work just to pay for my childcare. I might as well be a stay at home mum, bring up my son, then when he goes to school, then go back to work. Then that makes sense but I'm not going to go and pay all this money out, I'm not going to work full time in a call centre or a shop just to pay it all out in childcare. I might as well stay at home with my son and bring up my son myself."*





*"My children at the primary school in (location) and I need childcare for the youngest, and I know CTC pays towards childcare but it would have cost me a hell of a lot more to pay for childcare so I'm relying on people to have my youngest so I can go out and work. Now I'm no better off, they capped me at £384 a week but my rent is £120 a week, council tax is £97 a month and I managed to go out self employed and they're only giving me a couple of quid help on HB, they're only paying £25 top up for the rent so I still struggle doing 20 hours. My take home is only £200 a week, out of my wages I have to pay for fuel because of the driving, I'm having to fork out for my own clothing so practically my wages are gone and what I was capped at was just that little bit of extra income that I needed to get by so I'm in the same position working as I was on benefits and when the benefit cap came in it just made everything worse. I'm no better off working at all."*

One person told us she had returned to work on a self-employed basis and was disappointed with the support she had received from the government to do so. This was mainly regarding the additional tasks required of being self employed.

*"It is difficult, it's hard as well as I've had to start as self-employed and there's stuff you have to do and I don't really know what I'm doing. Things like finding money for insurance, sort out an accountant and self assessment and little things, I didn't have a clue what I was doing. But I had to try and make a go of it really."*

### **Mitigating steps from other organisations/bodies**

It was also apparent from some of the interviews that the situations of some households could be very much worse were it not for steps taken by other organisations to mitigate their situations. These steps were not taken in direct response to the cap but were more general steps to assist families on low incomes. Specific steps identified were child tax credits covering some childcare costs, schools running programmes to assist with the costs of school outings and in the case of Scottish families, formula baby milk being provided and their utility company providing £140 worth of utilities for Christmas via a pre-payment credit. It was also mentioned that one food bank had provided vouchers for a frozen food store to buy food for Christmas – this was said to have been a "life-saver".

