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DWP Deductions Push Vulnerable Claimants into Financial Strain

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A charity is calling for urgent reforms after warning that the Department for Work and Pensions (DWP) is deducting up to £60 per month from benefit recipients without sufficient notice, leaving many struggling to meet basic living costs.

The Money and Mental Health Policy Institute, established by financial advocate Martin Lewis, has raised concerns over the DWP's approach to recovering benefits overpayments.

These overpayments typically occur when recipients of Universal Credit, financial assistance for those on low income or out of work, receive more than they are eligible for, often due to administrative errors or unreported changes in circumstances. Once identified, the DWP can deduct up to 15% of a person's monthly benefit, equivalent to around £60 for a single adult, without prior negotiation.

Unlike private lenders, such as banks and utility companies, government departments are not legally required to assess an individual's ability to repay or to provide extensive engagement before recovering debt. The charity argues that this creates a disproportionate burden on vulnerable individuals, especially those already living on the edge of financial insecurity. Some recipients reportedly discovered the deduction only after logging into their online accounts, where they were informed that excess Universal Credit payments would be reclaimed.

Helen Undy, Chief Executive of the Money and Mental Health Policy Institute, likened the situation to the carers' allowance controversy, stating: "Many people we work with are already running out of money for food before the end of the month. Suddenly taking £60 from what they have left plunges them into further financial hardship and needless distress." The charity has urged the government to allow people to negotiate affordable repayment plans, mirroring the standards required of consumer creditors.

The issue is especially pressing as the government seeks to expand its authority through the Public Authorities (Fraud, Error and Recovery) Bill, which would grant the DWP broader powers to identify and recover overpayments. The charity suggests that any new powers should come with increased responsibilities, including a requirement to consider individuals' essential expenses and overall financial health before enforcing repayments.

In response, a DWP spokesperson emphasised the department's commitment to fair treatment, stating: "We understand debts do occur and will always support those struggling with repayments to agree on affordable plans." The spokesperson also noted the department's use of the Money Advice Network, which provides free, impartial debt support, and its adherence to the Treasury's Breathing Space policy, designed to give those in serious debt temporary legal protection from creditor action.

While tackling fraud and errors in the benefits system is a legitimate concern, the current approach risks penalising honest claimants who may be unaware of overpayments. The call for a balanced and respectful method of debt recovery is growing louder, and the government would do well to ensure its practices reflect the fairness it expects from the private sector.