

Department for Work and Pensions

Research Report No 172

# Social Fund use amongst older people

Elaine Kempson, Sharon Collard and Sally Taylor

A report of research carried out by the Personal Finance Research Centre, University of Bristol on behalf of the Department for Work and Pensions

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# Glossary

## Budgeting Loan (BL)

Budgeting Loans are part of the Social Fund. They are interest-free loans that have to be repaid, and are intended to help spread the cost of things other than regular expenses. Budgeting Loans can be made to people who have been receiving Income Support, Minimum Income Guarantee or income-based Jobseeker's Allowance for at least 26 weeks.

## Capital disregard

The maximum amount that a person can have saved without it having an impact on the amount of benefit they receive.

## Community Care Grant (CCG)

Community Care Grants are part of the Social Fund. They are non-repayable sums of money that are awarded to meet a need for community care or to help ease exceptional pressures on families. Community Care Grants can be made to people who are in receipt of, or likely to be in receipt within six weeks of Income Support, Minimum Income Guarantee or income-based Jobseeker's Allowance.

## Crisis Loan (CL)

Crisis Loans are part of the Social Fund. They are repayable loans that can be made to anyone, whether or not they are in receipt of benefits. Crisis Loans aim to help people meet expenses in an emergency or because of a disaster.

## Income-based Jobseeker's Allowance

Income-based Jobseeker's Allowance is a means-tested benefit paid to people of working age who are able and available to work, and actively seeking employment.

## Income Support

Income Support is available to people aged over 16 who have a low income and are not available for work.

## Minimum Income Guarantee (MIG)

The Minimum Income Guarantee superseded Income Support for people who are aged 60 or over (or have a partner aged 60 or over) and who are on a low income.

**Social Fund**

The Social Fund provides lump sum payments, grants and loans, predominantly to people living on a low income. Grants and loans are discretionary and not for a standard amount.

# Summary

The current Government has introduced a number of measures to tackle poverty among people over pension age, and the new Pension Service aims to provide an integrated service for the delivery of benefits and information to this group by 2004. The Social Fund has an important part to play in tackling pensioner poverty but, to date, take-up among older people is far lower than it is among other eligible groups. This research was, therefore, commissioned by the Department for Work and Pensions to provide an understanding of the reasons for take-up and non-take-up of the discretionary Social Fund<sup>1</sup> among older people receiving Income Support in the form of the Minimum Income Guarantee (MIG). It was also designed to explore ways of addressing the barriers to take-up by this group.

The study was qualitative and based on 37 depth interviews (19 with people who had received either a loan or a grant from the Social Fund and 18 who had not), followed by two focus groups – one with Social Fund applicants and the other with non-applicants.

## Living standards on MIG

Most people receiving MIG had been unable to make adequate provision for their old age. Long-term low pay often compounded by ill-health were the most common reasons, although a small number had experienced a major disruption to their lives and finances which left them with inadequate provision. A minority, however, had been slightly better off in the past but the amounts they managed to put by were insufficient to take them above the qualifying income for MIG. They tended to be people in their seventies and eighties who were home owners and either had a small private pension or some money in savings. On the whole, there was little difference in the provision that had been made for retirement by Social Fund applicants and non-applicants.

Likewise, the applicants and non-applicants had very similar living standards. Roughly equal numbers of people were managing quite well or just getting by; but a minority were struggling financially. The extent to which people were able to make ends meet was explained by three inter-related factors. These were the level of financial assistance they had in addition to the retirement pension and MIG; whether or not they had additional drains on their income; and the circumstances that had resulted in them becoming eligible for MIG. Personal circumstances (age, gender, marital status) and the length of time they had been receiving Income Support/MIG did not seem to have an effect.

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<sup>1</sup> Community Care Grants, Budgeting Loans and Crisis Loans.

The highest spending priorities were for food, heating and household bills but at least half of people said they were routinely cutting back on these essentials in order to make ends meet. Social Fund applicants were more likely to say they cut back than non-applicants, although it was not possible to identify an explanation for this. In reality, though, many more people may have been making economies than said that they did as, for some, cutting back appeared to be second nature. In contrast, buying new clothes, going out socially and holidays or day trips were considered by applicants and non-applicants alike to be either a low priority or simply beyond their means. Smoking, too, was a low priority for all but a small number of people.

The Winter Fuel Payment (paid to all pensioners annually) was welcomed by everyone interviewed. Half of them had spent it on fuel bills; others had used the money to buy other essentials or had put it into savings – usually because they spread the cost of fuel by paying with their rent or through a pre-payment meter. There was a good deal of support for a second annual lump sum – but not if it replaced the discretionary Social Fund entirely. When asked how they would spend such a sum if it were provided, the most common response was on items for which people often apply to the Social Fund. Non-applicants were just as likely to say this as applicants. A number of people mentioned non-essential spending, such as a holiday or a meal out, and a minority would put the money by until they needed it.

## Saving and borrowing

Most older people on MIG had saved some money at some stage in their lives, but for many of them it had been small amounts for relatively short periods of time. Indeed the most common pattern was *instrumental saving*, where people periodically saved up for specific purposes and then spent all the money they had put by. About a quarter were life-long *rainy day savers*, who put money by for emergencies or unexpected needs. Approaches to saving did not differ between Social Fund applicants and non-applicants, nor did the amounts they had in savings or investments at the time they were interviewed.

Around half of people had some money in a formal savings or investment account, with the amounts ranging from £40 to £3,000. Only a very small number of them had more than £1,000 (the level at which eligibility for help from the Social Fund begins to be affected for people aged 60 or over) and most of these were non-applicants. People with smaller amounts saved usually put the money by for specific purposes, including many items for which they could have applied to the Social Fund. Those with larger sums of money tended to be rainy day savers; if they had earmarked their savings for anything, it was for their funeral. They felt that £2,000 was the minimum amount that they would like to keep on one side. In fact, a quarter of the people interviewed were actively adding to savings at the time of the interview.

For the most part, people's pattern of saving had not altered much after they had retired. A small number had been drawing on their savings – mostly to meet one-off items of expenditure. All of these were people who had not applied to the Social Fund. Less expected, a similar number of people had started to save since retirement, all of whom were saving up either for essentials or for a holiday. Most of these were Social Fund applicants.

Attitudes to borrowing were quite negative and only a small number of people felt comfortable about using credit. Indeed, half of the people interviewed said that they had never used any form of commercial credit in their lives. None of these people had borrowed from the Social Fund either. The other half did use commercial credit, with the amounts outstanding ranging from £30 to £5,500. Many of those who had borrowed did so despite being anti-credit. They either felt that using credit

was unavoidable in their present circumstances, or they did not consider the type of credit they used to be borrowing. This applied especially to users of mail order catalogues but also to a small number of people who had interest-free loans or goods bought on hire purchase. There was a small group of heavy credit users, drawn equally from Social Fund applicants and non-applicants, who owed at least £700 on three or more credit agreements. Unlike the other borrowers, they used credit not only to pay for non-essentials but also to cover the cost of bills or even to buy food.

Many of the modest credit users said that they had used commercial credit more extensively when they were younger, especially when they had a young family. Only a minority had cut back their use since retirement and most of these had stopped using revolving credit such as credit cards and overdrafts. However, a similar number of people said that they had used more credit since they had retired; these were the people who used revolving credit to pay bills and make ends meet and who had the larger amounts outstanding.

Overall, the people interviewed fell into three groups of roughly equal size:

- People who had savings and used no credit at all, most of whom were managing relatively well financially and had either not applied to the Social Fund at all, or they had only ever had a Community Care Grant.
- People who had commercial credit commitments and nothing at all saved, who included all of the people who were struggling financially and many who were just getting by. They included equal numbers of Social Fund applicants and non-applicants.
- People who either had no savings and no credit, or they had very modest amounts of both. They included roughly equal numbers of Social Fund Budgeting Loan applicants and non-applicants.

## Social Fund needs

Few older people receiving MIG had been able to replace essential household items before they retired and they were just as likely to be Social Fund applicants as non-applicants. Consequently, almost everyone had needed to replace or repair something since they had retired. White goods were the most common item, followed by floor coverings, decoration and repairs and furniture. Applicants had met a high proportion of these needs through their use of the Social Fund. In contrast, non-applicants had more often saved up for the things they needed, even though this was a struggle. Indeed, some of them had bought goods second hand; others had been helped to meet the costs by relatives as part of a reciprocal arrangement whereby older people helped with child care.

A number of people who were interviewed had moved into sheltered housing for health reasons in the past year. The majority of them had applied to the Social Fund for a Community Care Grant, but had only found out about the Social Fund by chance and had not received any help with the costs of removal. A minority, however, were quite unaware that they could have applied to the Social Fund at all.

Only a third of the people interviewed had no current needs that might have been met by a Budgeting Loan or Community Care Grant from the Social Fund. They included equal numbers of applicants and non-applicants. Some of these people were in their eighties and expected things 'to see them out'. Others had their financial affairs managed by their children, and often lived with them as well.

The remaining two thirds needed a range of items, with white goods, floor coverings and beds and bedding being the most common. Neither the extent nor the nature of needs varied much between applicants and non-applicants, although the people who had the most pressing needs were almost all people who had not applied to the Social Fund.

Poor health was very common and only a very small number of people (all non-applicants aged over 70) had neither physical nor mental health problems. Heart disease was especially common, followed by arthritis, strokes and brain haemorrhages. Several people had mental health problems – usually in addition to poor physical health. The severity of these problems varied and those least debilitated were people who had applied for a Social Fund Budgeting Loan. Consequently, the most serious cases of poor health were found among Community Care Grant applicants and people who had not applied to the Social Fund at all. Indeed, a number of non-applicants were every bit as ill as people who had received a Community Care Grant.

The focus groups explored how applicants and non-applicants would meet three needs for which an application to the Social Fund would be appropriate:

- Visiting a very sick relative.
- Moving into sheltered housing.
- Replacing a washing machine.

These discussions took place after the Social Fund had been described to the participants.

Both applicants and non-applicants thought it would be appropriate to apply for a Crisis Loan to visit a sick relative, although the non-applicants had no idea whether an application would be successful and some of the applicants doubted whether the loan would come through quickly enough. In both cases, family or friends would be the next port of call.

Most applicants and most non-applicants thought that it would be appropriate to apply to the Social Fund to meet the costs of moving into sheltered housing. But they would have applied for either a Budgeting Loan or Crisis Loan, not a Community Care Grant. Again non-applicants had no idea how successful an application might be. Commercial loans were considered undesirable in these circumstances. Help in kind from family or friends was acceptable but financial help was not.

There was much less willingness to apply to the Social Fund to replace a washing machine, especially among the non-applicants. Those who were unwilling to apply to the Social Fund thought it would be better either to do without until they had saved up enough money to buy a second-hand replacement, or to buy a new one through a mail order catalogue.

## Knowledge of, and attitudes to, the Social Fund

Knowledge of the Social Fund was extremely limited. Just about all the non-applicants said that they had never heard of the Social Fund. Fewer than half of the applicants knew enough to make an informed application; the rest had either only a vague awareness, mostly extrapolated from their own circumstances, or said that they knew nothing at all. Indeed some applicants did not even recognise the Social Fund when it was mentioned and thought that they had had a grant or loan from their local Council.

There were no obvious explanations as to why some people knew more about the Social Fund than others. There was no link with the length of time people had claimed Income Support/MIG, with people's ability to make ends meet or with their level of need for items for which they could have applied to the Social Fund. Importantly, contact with caring agencies (social workers, home helps or voluntary care organisations) also seemed to play little part.

In fact, those who were aware of the Social Fund had gleaned their information from a diverse range of sources in a rather hit and miss way. Some had found out informally through family, friends or neighbours; others had been told about the Social Fund by a very wide range of more 'official' sources.

Rarely had people sought information about the Social Fund, nor had they been told about it as part of a systematic assessment of their needs. For the most part they had found out by chance, which explains why contact with caring agencies was not linked to levels of knowledge.

A third of applicants and non-applicants were positive about the Social Fund. Most of the remaining applicants had no views one way or the other; while non-applicants tended to be negative.

After having the Social Fund explained to them, half of the non-applicants thought that they might make an application in the future. They were willing to apply for a Community Care Grant if the need arose but hardly any of them would apply for a Budgeting Loan. For those who were opposed to borrowing, a Budgeting Loan was just another form of credit; the rest preferred to avoid borrowing if they could. That left half of non-applicants who said that they would not apply under any circumstances. Those who were unwilling to apply at all were opposed to borrowing. They also felt they should take care of their own needs, or thought that Community Care Grants were 'too good to be true' and would, in fact, have to be repaid.

## Use of the Social Fund

The most common reasons for applicants' most recent loan or grant application to the Social Fund was to buy carpets, followed by beds and bedding and white goods. On the whole, Budgeting Loans and Community Care Grants had been used for a similar range of items. There are two explanations for this. First there is some overlap in the items people can apply for – for example a Budgeting Loan may be used to replace an old carpet, while a Community Care Grant may be used to carpet a new home in sheltered accommodation. Secondly, poor knowledge of the Social Fund meant that some people had applied for a Budgeting Loan when they could, in all probability, have applied for a Community Care Grant instead.

Around half of people had found the application process straightforward and quick; the other half did not, although health, literacy or language problems meant that they would have found it difficult to complete any application form without help. Some of these people were helped to apply by family or friends; others by a formal carer.

Community Care Grant applicants had generally applied for larger amounts of money than the Budgeting Loan applicants, but had received slightly smaller awards. Most people were awarded less than they had applied for, although many did not know why and some were even unaware that there had been a shortfall. Some Budgeting Loan applicants undoubtedly had their award reduced because they already had an outstanding loan, and a small number of others had applied for more than the maximum of £1,000. Some of the people who were aware that they had received less than they had applied for had anticipated the shortfall, which minimised its impact. The remainder had either gone without items that they needed or they had borrowed the additional money from commercial creditors or their family.

On average, the Budgeting Loan applicants who were interviewed were making repayments of £12.54 a week. Around half were making repayments that represented 15 per cent of their MIG. The majority were repaying their loans over 39 weeks or less, which is half the maximum term of 78 weeks for Social Fund loans.

Most Budgeting Loan applicants thought that their repayments were too high; those who did not tended to have the lowest rates of repayment. They could not understand why they could not be given longer to repay loans. This was partly because other creditors are prepared to lend over longer periods of time, making their repayments more affordable, and partly because repayments are deducted at source and are more or less guaranteed. Although they were unhappy about the repayment terms

only a minority of people was really struggling to meet them. None of those who were struggling had applied to have their repayments reduced.

Most applicants were willing to re-apply to the Social Fund, but some were reluctant to do so and would only apply for a Community Care Grant, not a Budgeting Loan. People who were willing to apply for either a loan or a grant saw the Social Fund as an entitlement, indeed a small number of people actively planned when they would apply and what they would buy with the money. Those who were reluctant to re-apply included Budgeting Loan applicants who were deterred by the high repayment levels and Community Care Grant applicants who would not consider applying for a Budgeting Loan because they were opposed to borrowing. Finally, a minority of people who were resistant to re-applying, even for a Community Care Grant, were all people who had had bad experiences with other parts of the Social Security system.

## Increasing take-up of the Social Fund by older people

Lack of knowledge of the Social Fund was the major barrier to take-up, especially for non-applicants but also for many applicants too. But increased publicity alone would not be enough. The stigma of applying, communication difficulties, the high rates of repayment for Budgeting Loans and a deep-seated opposition to borrowing also restrict use.

Both applicants and non-applicants thought that everyone should be sent details of the Social Fund as soon as they began to receive MIG and periodically thereafter. They wanted Benefits Agency staff to be more proactive in providing information about the Social Fund. Television advertisements were thought to be a good way of alerting older people to help they might get from the Social Fund, perhaps linked to a pre-recorded message on a freephone number. There was also a strong desire for closer links between the Department for Work and Pensions and Benefits Agency and other caring agencies.

Most people felt that the ambience of local offices, waiting times and, on occasion, the attitude of Benefits Agency staff contributed to the stigma of applying to the Social Fund. They wanted a separate Pension Service, like the one recently established, but with a separate Social Fund tailored to the needs of older people.

A significant minority of people had communication difficulties that would impede them applying to the Social Fund. This points to the need for the Social Fund to be promoted using non-print media and for a source of help with form-filling for people who are unable to do it themselves.

Levels of repayment of Budgeting Loans were a deterrent for some applicants – especially couples who were worried about leaving a partner with an unmanageable debt. Most were repaying their Budgeting Loans over 39 weeks or less although there was a strong case for applying the maximum loan term of 78 weeks.

All the people who took part in the research thought that grants should be automatically available to people who were moving into sheltered housing for health reasons – to cover the removal expenses as well as the cost of curtains and carpets where these were needed. There was also considerable support for grants to be payable in emergencies. The Winter Fuel Payment was greatly valued, and there was support for a second periodic lump sum payment as long as it did not replace the discretionary Social Fund.

In short, the research has identified the need for a separate well-publicised Social Fund for older people receiving MIG. This would be run as part of the new Pension Service with an enhanced budget to allow Budgeting Loans to be repaid over a longer term and an increase in the proportion spent on grants in specific circumstances.

# 1 Introduction

The incumbent Labour Government has introduced a number of measures that aim to meet its manifesto commitment to tackle poverty among pensioners, including the Minimum Income Guarantee (MIG), Winter Fuel Payments and free television licences for people aged 75 and over. In addition, the roll-out of the new Pension Service began in February 2002, with the aim of introducing an improved and integrated service for delivering benefits and information to pensioners.

Although the Social Fund already makes an important contribution to addressing pensioner poverty, take-up is lower among older people than it is among other eligible groups. This research was, therefore, commissioned by the Department for Work and Pensions to explore the reasons for take-up and non-take-up of the Social Fund among people over 60 years of age, and to consider ways of overcoming the barriers to take-up among those pensioners who are in need.

## 1.1 The Social Fund

The Social Fund was set up in 1988 to provide financial assistance predominantly to people living on low incomes. It has two key elements:

A *regulated* element, comprising Winter Fuel Payments, Cold Weather Payments, Funeral Payments and Sure Start Maternity Grants. The conditions for receiving these payments and grants are set down in regulations.

A *discretionary* element, comprising Community Care Grants, Budgeting Loans and Crisis Loans, where awards are made at the discretion of staff at the Benefits Agency.

*Community Care Grants* are non-repayable sums of money that are awarded to meet a need for community care – for example to help people to continue to live in the community or to set up home after living in residential care. They can also be awarded to help ease exceptional pressures on families. People are eligible to apply for a Community Care Grant if they are receiving Income Support, Minimum Income Guarantee or income-based Jobseeker's Allowance, or are likely to be in receipt within six weeks.

*Budgeting Loans*, in contrast, are repayable and made to help people with intermittent expenses that cannot be met out of their regular income. They can only be made to people who have been receiving Income Support, Minimum Income Guarantee or income-based Jobseeker's Allowance for at least 26 weeks.

*Crisis Loans* are similarly repayable and provide help to people who need to meet expenses in an emergency or because of a disaster. Unlike the other discretionary payments, Crisis Loans are available to anyone, whether or not they get any benefit.

Official statistics show that, although pensioners make use of the regulated Social Fund, they are very low users of all three types of payment in the discretionary element of the Social Fund. In May 2001, 37 per cent of all people eligible to apply to the fund were pensioners (National Statistics 2001), yet figures on Social Fund take-up show that pensioners accounted for only:

- ten per cent of expenditure on Community Care Grants;
- four per cent of expenditure on Budgeting Loans;
- one per cent of expenditure on Crisis Loans<sup>2</sup>.

**Table 1.1 Social Fund expenditure by claimant group**

	Percentage of expenditure in 2000/2001			Percentage of all receiving IS or income-based JSA (May 2001)
	Community Care Grants	Budgeting Loans	Crisis Loans	
Pensioners	10	4	1	37
Unemployed	10	12	37	15
Disabled	34	24	18	22
Lone parents	32	49	22	19
Other	12	10	21	7

Sources: Social Fund Annual Report 2000/2001; Quarterly Statistical Enquiry: Income Support, May 2001

Compared with other claimant groups, pensioners make low levels of use of all three types of payment, but their use of the two loan schemes is especially low (Table 1.1). They not only account for by far the smallest proportion of expenditure, but they are greatly under-represented relative to their proportion in the eligible population<sup>2</sup>.

## 1.2 Objectives of the research

The principal objective of this research was, therefore, to provide an understanding of the reasons for take-up and non-take-up of the discretionary Social Fund among pensioners receiving Income Support in the form of MIG. Additionally, the research explored ways of addressing the barriers to take-up among those pensioners who are in need.

<sup>2</sup> Applicants for Crisis Loans do not have to be in receipt of Minimum Income Guarantee, Income Support or income-based JSA, unlike Community Care Grants and Budgeting Loans.

More specifically, the research was designed to address the following issues:

- Awareness and knowledge of the Social Fund<sup>3</sup> among pensioners receiving MIG.
- Perceptions of eligibility for the Social Fund: sources of information; misconceptions; and response to possible entitlement.
- Perceptions of the Social Fund: positive and negative views; image and associations; attitudes towards Social Fund recipients.
- Perceptions of the Social Fund compared to other forms of credit.
- Whether the current Social Fund Directions for loans and grants meet the needs of pensioners.
- Key influences on attitudes towards using the Social Fund: upbringing; family; attitudes towards use of credit and debt; attitudes towards managing money and independence.
- Views about the Social Fund claim process and ways in which it could be improved for pensioners.
- How general perceptions of social security benefits affect perceptions of the Social Fund.
- The level of need for items covered by the Social Fund.

### 1.3 Previous research

Previous research indicates that a number of factors could well play a part in limiting the level of applications by pensioners, including:

- level of need, or perceived need;
- attitudes to borrowing in general;
- attitudes to the Social Fund in particular.

#### 1.3.1 Level of need, or perceived need

It is entirely plausible that people over retirement age will have less need to apply to the Social Fund than younger people. Indeed, there is some evidence that this may be the case.

The last national survey of the uses of credit (Berthoud and Kempson, 1992) showed that pensioners had below-average levels of purchase of major consumer durables in the past year (a car, television, fridge, washing machine, video or home computer). Eight in ten (80 per cent) of pensioners had bought none of these, compared with the average of 60 per cent. The average amount spent by pensioners who had bought something was £157, compared with the overall average of £605. Only two per cent of pensioners had bought any of these items using credit, while the overall proportion was 16 per cent (Berthoud and Kempson, 1992).

More recent research found that pensioners had much less need to borrow money than younger people as they had already purchased all the household items they needed (Whyley et al, 1997). In fact, a study of money management among pensioners found that many had replaced essential items, such as cookers and bedding, just before they retired (Finch and Elam, 1995). The same study also identified a number of strategies employed by pensioners who needed to replace household items. These included taking out insurance to cover repairs, having household equipment repaired by friends or relatives, using savings to buy replacement goods and going without.

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<sup>3</sup> References to the 'Social Fund' refer to the discretionary Social Fund unless otherwise stated.

Certainly, compared with other groups who are eligible to apply to the discretionary Social Fund, pensioners fare rather better in two key respects. First, the weekly sums paid to pensioners receiving MIG are rather greater than those paid to younger people in Income Support or income-based Jobseeker’s Allowance. Single pensioners, for example, receive a maximum of £98.15 a week, compared with disabled people who get £76.95 a week Income Support<sup>4</sup> and single people without children receiving Income Support or income-based Jobseeker’s Allowance, who get £53.95 a week. For couples the comparable amounts are £149.80 for pensioners; £117.45 for disabled people receiving Income Support and £84.65 for couples without children receiving Income Support or income-based Jobseeker’s Allowance<sup>5</sup>. At these income levels, the extra money received by pensioners is enough to make it more likely that they could afford to save and less likely that they would need to borrow.

Secondly, the capital disregard is more generous for MIG than it is for Income Support - £6,000 compared with £3,000 respectively<sup>6</sup>. This, coupled with the fact that pensioners are much more likely to have savings than younger people (*Family Resources Survey 1999/2000*) means that, almost certainly, some pensioners claiming MIG will have savings they can draw upon.

Even so, there is evidence that a minority of pensioners do need to replace household items but cannot afford to do so. Research on pensioners claiming Income Support (now MIG) showed that 36 per cent of them needed to replace at least one of a list of 12 household items. Most of these items are commonplace among Social Fund applications, yet none of the pensioners interviewed had actually applied to the Fund (Costigan et al 1999).

1.3.2 Attitudes to borrowing in general

Pensioners’ attitudes to credit are a good deal more negative than those of younger people. In the last national survey of credit use, 72 per cent of pensioners said that they believed ‘credit is never a good thing’ compared with the average 43 per cent (Berthoud and Kempson, 1992).

There is also clear evidence that the use of credit falls with age. The same survey showed a steep decline in the use of credit after the age of 59 – both in the proportion of people who had borrowed in the previous year, and in the number of sources of credit used by these borrowers (Table 1.2) (Berthoud and Kempson, 1992). Research currently being conducted for the Department of Trade and Industry will show the extent to which this trend has continued.

Table 1.2 Credit use by age

	Up to 29	30-39	40-49	50-59	60-69	70 plus
Percentage who had borrowed	80%	83%	76%	65%	33%	20%
Average number of sources per user	2.7	2.4	2.6	2.0	1.9	1.2

Source: Berthoud Kempson, 1992

<sup>4</sup> Although, like pensioners, they may also be eligible for other disability benefits as well.  
<sup>5</sup> Rates for 2002/2003.  
<sup>6</sup> There is also a higher *upper* limit - £12,000 for MIG compared with £8,000 for Income Support.

Comparison with two earlier surveys, in 1969 and 1979, showed that the pattern of credit use between age groups had changed very little over the previous 20 years. But all age groups were more likely to have credit agreements than people of the same age 10 or 20 years previously (Berthoud and Kempson, 1992).

Tracking age cohorts across the three surveys showed that for young people, aged 20 in 1969, there was a steep rise in their use of credit over the following 20 years. Whereas they had 0.3 credit agreements in 1969, this had risen to 1.5 by the time they were 40 in 1989. In contrast, people who were 60 in 1969 also had an average of 0.3 credit commitments at that time, which had risen to 0.5 when they were 70 but fallen to 0.2 by the time they were 80 (Berthoud and Kempson, 1992).

Moreover, it was shown that pensioners' low levels of use could not be explained by constrained supply of credit as the proportion of facilities (overdrafts and credit cards) that were not in use increased steeply with age (Berthoud and Kempson, 1992).

In other words, there is both a cohort effect and an age effect, with pensioners making less use of credit partly because they are a generation that grew up with constrained access to credit and partly because they are less inclined to use credit as they grow older.

This interpretation is borne out by qualitative research, which found two main factors explaining pensioners' dislike of credit. These were a 'traditional entrenched attitude' that credit is never a good thing and a belief that credit is inappropriate when you retire because post-retirement incomes are limited and opportunities for increasing that income are also limited (Finch and Elam, 1995).

Information on why some pensioners use credit can be gleaned from the sources they actually used. The most important source, by far, was mail order catalogues – used by 15 per cent of all pensioners to buy basic household goods. Their use of loans and instalment purchases was very low and tended to be associated with the need to buy household appliances in an emergency. Although many had credit cards (18 per cent) they tended not to use them (Berthoud and Kempson, 1992; Kempson 1997). A survey of customers of the home-collected credit market (or moneylenders) showed that pensioners account for a fairly significant proportion of their customers and, again, they tended to borrow for essentials, such as buying basic household goods, or to pay bills (Rowlingson, 1994).

A recent study of the Social Fund has shown that mail order catalogues and moneylenders are used for very similar reasons as Social Fund Budgeting Loans (Whyley et al, 2000). In the case of moneylenders, there was evidence that most pensioners had started to borrow in this way when they had young children and had remained customers for most of their life (Rowlingson, 1994).

Other recent research has specifically looked at credit use among pensioners receiving Income Support. Unfortunately, it did not include mail order catalogues, nor did it identify whether credit and store cards people held were actually used to obtain credit. It did, however, show that the main source of loans was 'finance houses', which are widely used to buy household items. It is also a term that many survey respondents use to cover home-collected credit, in preference to 'moneylender' which is often seen as pejorative (Costigan et al, 1999).

### 1.3.3 Attitudes to and knowledge of the Social Fund

While there is no previous research into the attitudes of pensioners towards applying to the discretionary Social Fund, a study into the barriers to pensioners applying for Income Support (now MIG) provides indirect evidence to explain why elderly people may be deterred from making an application. Of course, it is possible that people have different attitudes towards applying for different types of financial assistance; nonetheless the barriers to making an application are likely to be similar.

The research into the barriers to pensioners applying for Income Support showed that around a quarter of the people who applied were highly resistant to doing so. It also identified a range of factors that deterred people, including:

- the desire to retain independence;
- negative images of social security;
- lack of knowledge and misunderstanding;
- concern about the application process;
- concerns about privacy; and
- fear of refusal (Costigan *et al.*, 1999).

Similar barriers were identified in a study of people eligible to apply to the Social Fund (only a small number of whom were pensioners) (Whyley *et al.*, 2000).

Pensioners differed in the degree to which they had resisted applying for Income Support. Some were 'sanguine', believing state benefits to be an entitlement. At the opposite end of the spectrum, others felt that claiming Income Support undermined their independence and was a cause for shame. This was often linked to negative images about social security – with reference to the 'Poor Laws' and to 'scroungers'. (Costigan *et al.*, 1999; Finch and Elam, 1995). This attitude was clearly mirrored in the views of people eligible to apply to the Social Fund – both by some who had applied and by people who had never applied. In contrast to credit union loans, they did not feel that they had an entitlement to a Budgeting Loan from the Social Fund and, consequently, some felt it was demeaning to apply (Whyley *et al.*, 2000).

It has been found that older people (aged over 50) generally know little about the benefits system – including what benefits are available and who is eligible for them. And among this older age group, the people who were least knowledgeable were also the ones who were least independent (Hayden *et al.*, 1999).

On the whole, pensioners' levels of knowledge of Income Support were low and subject to misunderstanding (Costigan *et al.*, 1999); the same factors were also found to constrain use of the Social Fund (Whyley *et al.*, 2000).

Most people had found out about the Social Fund through word of mouth – mainly from friends who had applied themselves. The low levels of applications made by pensioners would, therefore, limit knowledge of the Fund. Even among applicants, knowledge of the rules and procedures was poor and one of the pensioners in the study was adamant that she was not eligible to apply even though she was claiming Income Support and her daughter had made a successful application (Whyley *et al.*, 2000).

This was mirrored in the study of Income Support, where some pensioners thought that, for example, owning a home or being in receipt of Housing Benefit would make them ineligible for Income Support (Costigan *et al.*, 1999).

Pensioners' perceptions of the Income Support claim process, and what it would entail, were barriers to making a claim. In particular, they did not want people asking about their personal affairs, they believed the application process would require too much effort and expressed a dislike of filling in forms. The more resistant people were to making a claim, the more they adhered to these views. Even so, reluctance to claim Income Support did not always preclude a claim being made (Costigan *et al.*, 1999).

In the same way, the Social Fund Budgeting Loan application process acted as a deterrent. Although most people were perfectly able to fill in the application form unaided, they had expected it to be far more complex. Some would have preferred Benefits Agency staff to help them with the form-filling but, at best, said that they found staff to be too busy to help and, at worst, felt them to be unhelpful and patronising. In many cases, they did not distinguish between their experiences of claiming Income Support from those of applying to the Social Fund. Each informed their view of the other (Whyley *et al.*, 2000).

In contrast, people were attracted to applying for loans from their credit union precisely because staff routinely helped them to apply (Whyley *et al.*, 2000). Similarly, elderly people who had borrowed from a weekly collected credit company really appreciated the personal help they received from the company's agent when they wanted to apply for a further loan. The application process was described as easy and non-bureaucratic and for many people this outweighed the additional cost of borrowing from that source (Rowlingson, 1994). Similar considerations would apply to buying on credit from a mail order catalogue run by an agent.

Fear of refusal was an important barrier to applying for Income Support and was linked both to a desire for independence and concerns about the application process (Costigan *et al.*, 1999). Similarly, uncertainty about the likelihood of success could undermine confidence about applying for a Social Fund Budgeting Loan at all (Whyley *et al.*, 2000). Again this was in marked contrast to borrowing from a credit union or a home collected credit company – in both cases the applicant knows the likelihood of success before making the application (Rowlingson, 1994; Whyley *et al.*, 2000).

Finally, privacy was a concern in relation to both pensioners claiming Income Support and applications to the Social Fund (Costigan *et al.*, 1999; Whyley *et al.*, 2000). Even the revised Budgeting Loan application form was seen as being too intrusive.

## 1.4 About the research

The research was undertaken during winter 2001/2002 using a combination of depth interviews and focus groups with older people in receipt of MIG. In total 37 interviews were carried out in four rather different localities: two with high levels of use of the Social Fund by pensioners – one urban and one rural; and two with low levels of use – again one urban and one rural. Half of the interviews were with people who had not used the discretionary Social Fund; the other half had received at least one Budgeting Loan or Community Care Grant. The people interviewed ranged in age from 61 to 93, with half aged over 70. Approximately half were couples and in most cases a joint interview was held with both partners; the remainder were split between single women and single men. Many of the interviews were made difficult by ill-health and communication problems; four people needed a third party present to assist with the interview. Further details of the interviews, including a copy of the topic guide used, are given in Appendix A.

The depth interviews were supplemented by two focus groups – one with eight non-applicants and the other with nine applicants to the Social Fund. These were held in an area where use of the Social Fund by pensioners was about average. Again, further details are contained in Appendix A.

## 1.5 This report

This report begins with a chapter exploring the day-to-day living standards of older people in receipt of MIG and the factors that make it easier to make ends meet. We then, in Chapter 3, look at attitudes to saving and borrowing as well as actual patterns of saving and borrowing. Chapter 4 explores levels of knowledge of, and attitudes to, the Social Fund, and the factors that seem to influence these. Chapter 5 focuses on levels of need for the Social Fund, looking at how items of unexpected expenditure have been met in the past and levels of current needs that could be met by the Social Fund. Chapter 6 describes use of the Social Fund by older people. Finally, Chapter 7 draws together the factors that seem to determine the level of use of the Social Fund by older people and identifies possible ways of increasing its use.

## 2 Living standards

The Minimum Income Guarantee was one of a range of measures introduced recently by the Government in an attempt to alleviate pensioner poverty. Put simply, it is a higher rate payment that supersedes Income Support for people who are aged 60 or over (or have a partner aged 60 or over), who are on a low income and have savings of £12,000 or less<sup>7</sup>.

Among the people interviewed, most had started claiming Income Support/MIG either between one and three years ago, or 10 or more years ago. This was particularly the case for Social Fund applicants. A small number had started claiming within the past year; most of these were people who had not applied to the Social Fund.

This chapter begins by exploring the reasons why people were receiving MIG. It then goes on to examine their living standards and considers the factors that seem to determine why some people were managing better than others. Leading on from this, high and low priorities for expenditure are discussed. Finally, the chapter outlines people's views about lump sum payments.

### 2.1 Why were people receiving MIG?

Most of the people interviewed had been unable to make adequate provision for their retirement, either by saving or paying into a private pension, for a number of reasons that were often inter-linked. They can be broadly divided into four groups:

Two groups of people that had lived on low incomes for some considerable time:

- people with health problems that had led them to stop work before the statutory pension age;
- people who had always been in low-paid employment.

And two groups that had been better-off when they were younger:

- people who had not made adequate provision for their retirement; and
- people who had been unable to provide for their retirement due to a disruption in their lives.

Compared with those who had not applied to the Social Fund, applicants included slightly more people who had lived on low incomes for some time. The differences were not, however, that great (Table 2.1).

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<sup>7</sup> £16,000 or less for people who live permanently in a residential care home or nursing home.

Table 2.1 Previous financial circumstances

	Applicants	Non-applicants	Total
Long-term low income – health problems	8	5	13
Long-term low income – low-paid employment	5	4	9
Better off in past – insufficient put by	4	7	11
Better off in past – disrupted finances	2	2	4

2.1.1 Health problems

This was the largest of the four groups, comprising around a third of the people who were interviewed, most of whom were in their 60s.

Poor physical health had forced a high proportion of them to retire from work before the statutory pension age, and several had been made redundant on health grounds. Typically, they had stopped work in their fifties, although one man had been unable to work from the age of 36, another from the age of 44. In addition, the work that they had been doing was very likely to be low paid and to have no occupational pension scheme, for example, manual labour in the construction industry. Some, especially those interviewed in a former mining area, suffered from industrial illnesses.

Other circumstances could compound people’s health problems, making it almost impossible for them to put aside money for their retirement. One woman, for example, had struggled financially as a lone parent and then had to stop working for a local council at the age of 50 after suffering a stroke.

A small number of people had other health problems that affected their ability to work. Two men had learning disabilities that limited them to carrying out low-paid factory work. One of these men, now aged 61, had stopped work when he was 50. The other, aged 66, had lost his job at the age of 57 when the company he worked for went out of business. Finally, it is likely that one woman in her early sixties, who suffered from a severe long-term mental illness, had only ever worked for short periods in her life, if at all.

Case study: People with low incomes due to health problems

Mr Tucker<sup>8</sup> was a 63 year-old Community Care Grant applicant, who had applied for Budgeting Loans in the past as well. He suffered from serious health problems, including heart disease, diabetes and osteo-arthritis. He lived with his wife (his main carer) who also suffered from angina. After leaving the navy, Mr Tucker worked as a lorry driver, but had to give up this job in his early fifties, when he was diagnosed with angina. The break-up of two previous marriages further limited his ability to make any provision for his retirement. He had never been able to save more than small amounts over short periods of time.

2.1.2 Low-paid employment

Around a quarter of people were unable to provide adequately for their retirement because they had always worked in relatively low-paid jobs that were unlikely to offer occupational pension schemes. One woman in her 90s, for example, had worked from the age of eight until well into her eighties in low-paid jobs, usually as a cleaner.

<sup>8</sup> All the names used in the report are entirely fictitious.

Again, there were often other extenuating circumstances that limited people's ability to make provision for their retirement, such as lone parenthood, paying off debts, and having an alcoholic partner.

**Case study: People who had always been in low-paid employment**

Mr Norman was a non-applicant aged 83. He had been a low-paid mill worker for most of his life until he retired aged 65. His wife was 78 and had worked as a home help until she had a hip replacement some years ago. Consequently, they had never had any money to put into savings. When Mr Norman retired they had to move out of the tied furnished house that had gone with his job and into a socially rented flat. They borrowed extensively in order to furnish and carpet their new home.

**2.1.3 Better-off in the past but insufficient provision for old age**

This group comprised just under a third of the people who were interviewed, who were mostly in their seventies and eighties. Compared with the first two groups, these people had been relatively well-off during their working lives. Half had bought their own home, and most of them had some savings, a private pension, or both, but not enough to bring them up to the Government's minimum income standard. It is notable that, of the five people receiving income from a private pension, four were men. The fifth was a woman receiving income from her late husband's occupational pension. Although she had had three jobs, these were all part-time and in professions unlikely to offer occupational pension provision. A number of other women were in a similar position to this.

Two people in this group had neither a private pension nor any savings. Of these, one thought he had paid into an occupational pension scheme but had never received any payments from it; he was currently in dispute with his past employer about this matter. The second man and his wife did not have private pensions although they had both been in fairly well-paid employment, and bitterly regretted not saving when they were working.

**Case study: People who had been better-off in the past but made insufficient provision for retirement**

Mr Ormrod was 74 and a Community Care Grant applicant. He had worked as a self-employed driving instructor until the age of 68. He paid into a private pension while he was working, but this only provided an income of £13 per month. He and his wife had found it very difficult to save anything extra from his earnings, because they were also buying their home on a mortgage. The only savings they had were £1,000 in windfall shares from the demutualisation of their mortgage lender.

**2.1.4 Better-off in past, but insufficient provision due to disruption**

A small number of people had also been relatively better off when they were younger. They had, however, suffered some form of disruption to their lives that meant they were unable to make sufficient provision for their retirement.

One man had fallen into financial difficulty when he was self-employed; he subsequently attempted suicide and had been unable to work for some time due to mental ill-health. In the second case, a woman in her early eighties had been made bankrupt at the age of 75 after her husband died leaving her with considerable debts. As a consequence, she had lost all her savings and assets.

Another woman aged 60 had experienced a considerable drop in income following her divorce twenty years previously. Having received nothing in the divorce settlement, she brought up her daughter as a lone parent on her earnings as a cleaner.

Finally, a Sri Lankan couple had lost their home and pension rights, among other things, when they moved to the UK in the 1990s because of the civil war in Sri Lanka. Having worked as a doctor in Sri Lanka, the husband began to retrain as a GP in the UK, earning considerably less while he did so. Shortly after completing his training, he had a heart attack and was unable to work at all.

## 2.2 Living standards among people receiving MIG

Overall, the current living standards of Social Fund applicants and non-applicants were very similar. Around two-fifths of people were considered to be managing relatively well on a day-to-day basis.<sup>9</sup> In several cases, however, this was largely due to financial and practical help from family members.

**Table 2.2 Current financial circumstances**

	Applicants	Non-applicants	Total
Managing quite well	8	8	16
Just getting by	8	6	14
Struggling	3	4	7

A similar proportion of people seemed to be just getting by. This group was divided about evenly into those who had always needed to economise to make ends meet, and those who were experiencing a drain on their resources that made day-to-day money management more difficult.

Finally, around a fifth of people appeared to be struggling to manage financially, and in some cases this situation was in danger of becoming worse.

## 2.3 What factors determined people’s ability to manage?

The interplay between a number of key factors – the circumstances that led people to be in receipt of MIG, the level of other financial assistance received, and additional expenditure - seemed to explain why some people were managing better financially than others. Each of these factors is discussed in detail in the following sections.

Notably, the length of time people had been in receipt of Income Support/MIG and their personal circumstances (age, gender, marital status) seemed to have no effect upon their ability to make ends meet.

### 2.3.1 Circumstances that led to receipt of MIG

There was a link between people’s past financial circumstances and their current ability to manage financially, but it was not nearly as clear-cut as might have been expected. People who had been on long-term low incomes – through ill-health and/or low-waged employment - were less likely to be managing quite well than those who had been better-off in the past. Even so, half of those who were

<sup>9</sup> These assessments take into account not only people’s views about how well they were managing but also their personal, household and financial circumstances.

managing quite well had lived on low incomes for some considerable time. Likewise a third of those who were either just getting by or struggling financially had been better-off in the past.

### 2.3.2 Additional financial assistance

Overall, about half of people received disability benefits in addition to MIG<sup>10</sup>, spread fairly evenly across those who seemed to be managing, those who were just getting by, and those who were struggling. Although several people's situations had improved since getting these additional benefits, receipt of disability benefits on its own did not seem to explain why some people were managing better than others. Rather, it was the interplay between additional benefits and financial assistance from family members that appeared to distinguish those who were managing from those who were not.

A greater proportion of people who seemed to be managing received financial assistance from their family than those who were just getting by or struggling. So, while half of those who were managing were helped out financially by family members, this was true of only around a quarter of those who were having difficulty. Generally, this help was provided by sons and daughters, although in a small number of cases older grandchildren had given financial assistance. In addition, one man with learning disabilities lived with his sister, who managed his money and provided a great deal of financial as well as practical support. Without such help, this man would probably have been struggling rather than managing.

In three cases, people received financial help from their families to purchase their socially rented homes under the right-to-buy scheme. This involved children or grandchildren taking out a mortgage on the property and making the repayments on behalf of their older relative. The opportunity to take advantage of the right-to-buy scheme to invest in property probably accounted for some, if not all, of the relatives' motivation to offer this type of financial help.

Among those not receiving financial assistance from their family, the most common reason was because their children could not afford to help out.

Furthermore, those who were considered to be managing were more likely to be receiving disability benefits *and* getting financial help from their family. Around a quarter (four out of 16) were receiving both types of assistance, compared with one in 14 who were just getting by and one in seven who were struggling. On the other hand, those who were having the most difficulty managing were less likely to be receiving either forms of financial assistance.

### 2.3.3 Additional expenditure

There was a strong link between having additional expenditure and people's ability to make ends meet.

Only a quarter of those who seemed to be managing currently had additional drains on their income, and the amounts tended to be fairly small. In contrast, two-thirds of people who were just getting by had extra expenses, as did six of the seven people struggling financially. The additional amounts they were spending were often quite considerable. For example, one couple who were just getting by were still making repayments of £70 a month on their mortgage and had not applied for Income Support assistance with the repayments (ISMI). Although recent drops in interest rates had helped them, the repayments still made it hard for them to make ends meet. The expense of bringing up their adopted

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<sup>10</sup> Attendance Allowance, Disability Living Allowance, Incapacity Benefit or Severe Disablement Allowance.

15 year old grandson was the main financial drain for another couple. Moreover, their situation had recently worsened when the woman, who was the sole earner in the household, was forced to give up her part-time job because of ill health. As a consequence, they were struggling financially.

For most people, however, the additional expenditure was on consumer credit repayments, which in one case amounted to £127 a month. Some of the heaviest credit users had started to use credit cards and overdrafts to make ends meet following retirement, but this was a vicious circle. The more they borrowed the less easy it was to make ends meet. We explore credit use in more detail in Chapter 3.

Budgeting Loan repayments were another drain on people's income, with seven of the ten applicants repaying between £13 and £20 per week to the Social Fund. Even so, there was no obvious link between the amounts people were repaying to the Social Fund and their ability to make ends meet. Rather, people struggled to manage when relatively high Budgeting Loan repayments were combined with other drains on their income. Budgeting Loan repayments are discussed in greater detail in Chapter 6.

Cigarettes were a source of additional expenditure for around a third of the people interviewed and, notably, twice as many Social Fund applicants as non-applicants were smokers. But expenditure on smoking did not appear to have a significant impact on how well people were managing. Over half the people who smoked seemed to be managing to make ends meet. The remaining smokers were either just getting by or struggling, and several of them talked about smoking cheap brands or rolling their own cigarettes in order to save money.

*'I smoke roll ups... It's cheaper. It helps you because you don't smoke as much. It's habit now. I did finish three times, but I always start again. I always weaken. I got them patches. I had to buy them, but they didn't work.'*

(Man, aged 75, single, Budgeting Loan applicant, Barnsley)

A small number of people had other drains on their resources such as insurance policies and television rental.

### 2.3.4 Overview

Bringing this analysis together, it is clear that the ability to manage on MIG is determined by a number of inter-linked factors - previous circumstances, the level and type of additional financial resources available to people, and the drains on those resources.

Those who seemed to be managing fairly well were more likely to have been better-off in the past. Many of them received additional disability benefits and/or were often given financial help by members of their family. In addition, they appeared to have few drains on their resources, and in particular used little, if any, commercial credit.

A small number of people in this group, however, seemed to be managing against the odds. Although they did not receive any disability benefits and their family could not afford to help them out financially, they were able to make ends meet partly because they had no credit commitments, but more importantly because they were simply extremely prudent.

In contrast, those who were not managing so well had generally been low paid during their working lives, and so had been able to save little, if anything, towards their retirement. In addition, their families were often in no position to help them out financially, and as a result their overall pool of resources was small. Their position was made worse by the financial commitments they had to meet from within their limited means, with credit commitments being the most common. Indeed, for some, credit use was the underpinning cause of their financial difficulties.

Again, though, there were exceptions to this general picture. For three couples, being better-off in the past was no guarantee of being able to manage in retirement. In two cases, they had made insufficient provision for their retirement while they were employed, and had compensated for this by using commercial credit when they stopped working. The resultant financial drain of repaying these credit commitments meant that they were just getting by. The third couple's financial difficulties stemmed from the husband's recent and unexpected redundancy from a well-paid job. In particular, their reduced income made it increasingly difficult to repay the credit commitments they had taken on when he was working.

## 2.4 High spending priorities

Overall, people's highest spending priorities were food, heating and household bills and they generally tended not to cut back on these.

Around two-fifths of people said that they did, however, routinely economise on one or more of these items in order to make ends meet. Perhaps not surprisingly, most were people who seemed to be just getting by. Moreover, this is likely to be an underestimation of the number of people who actually *did* economise, as for some it was an integral part of their day-to-day money management strategy.

As Table 2.3 shows, Social Fund applicants were more likely to say that they cut back on food and household bills. The reason for this, however, was unclear. We examined a number of possible factors – age; how well people were managing; whether they gave greater priority to non-essential items of spending such as smoking and going out; previous circumstances; drains on their resources; and whether they had a Budgeting Loan or a Community Care Grant. None of these offered a satisfactory explanation for the difference between applicants and non-applicants.

**Table 2.3 Economising on areas of high spending priority**

	Applicants	Non-applicants	Total
Food	6	3	9
Heating	3	3	6
Household bills	4	2	6

### 2.4.1 Food

About a quarter of people said they economised when buying food. The strategies they used included shopping round for offers, such as 'two for the price of one'; buying food from 'no frills' supermarkets; and only buying basic necessities.

*'When I go shopping, I make a list and I'm so careful with my money that I'll use a calculator and if it's over what I think it's going to be, something has got to go and it's usually like the little luxuries of life really. A bit of chocolate, coffee, that's expensive now.'*

(Woman, aged 60, divorced, Community Care Grant applicant, Taunton)

A number of respondents said that they did not economise on their expenditure on food. However, when describing their attitudes towards their choice, purchasing patterns and consumption of food, it is clear that many were, in fact, incredibly careful shoppers.

*'I only buy the amount of food – if I want it for a week, I buy a pound of sausages, that's three days for me because I don't eat a lot now.'*

(Woman, aged 93, widowed, non-applicant, Harrow)

It seems that for some pensioners, thriftiness is such second nature that they cease to be aware of the economies they are constantly making.

### 2.4.2 Heating

All those interviewed had received the Government's Winter Fuel Payment. Most welcomed the additional money and had usually spent it on heating costs. Even so, a small number of people still needed to save money on their heating bills, for example by only heating one room at a time or turning the heating off in the evening.

*'I wear a coat at night-time when it gets cold, with padding in it. That keeps me warm. I just have it [the heating] on for so long and when it goes cold again, you know that it's ten o'clock.'*

(Man, aged 75, single, Budgeting Loan applicant, Barnsley)

In addition, to avoid large bills in the winter, some people overpaid for their heating during the summer months.

*'... you have to be logical about it. You couldn't stand to get heating bills in the wintertime if you didn't have it... So you have to be careful.'*

(Man, aged 87, married, non-applicant, Glasgow)

Two people had economised on their heating in the past because of concerns about the cost. These worries had been alleviated since they had switched to a 'Staywarm' scheme, which offered unlimited use for a fixed cost. Despite benefiting from this scheme, the underlying problem for one of these people was draughty windows that they could not afford to replace.

### 2.4.3 Household bills

Several people said they tried to cut back on other household bills, most commonly by limiting their use of the telephone. Typically, people only used the phone for incoming calls; some had pay-as-you-go mobile phones that they used sparingly for outgoing calls.

*'We used to be able to pay for the phone. We can't pay for that now. All we've got is incoming calls. We can't even call out... He's got a mobile phone I bought him when he was in work. He's had that a couple of years now, so he buys top up cards for it when he can afford it.'*

(Woman, aged 60, married, non-applicant, Barnsley)

### 2.4.4 Other spending priorities

In addition to the essential expenditure discussed above, over a third of the people interviewed stated that paying insurance policies was a high priority. In most cases, this was life insurance cover – some people intended the money to pass to their partners or children, while other expressed the wish to pay for their own funeral, rather than have their family bear the costs. Keeping up payments for insurance policies on domestic appliances was a priority for two people.

## 2.5 Low spending priorities

On the whole, buying new clothes, going out socially and holidays/day trips were considered by most people, applicants and non-applicants alike, to be either a low priority or simply beyond their means. Indeed for some people these things were considered a low priority precisely because they *were* unaffordable, and they either did without or sought cheaper alternatives. In addition, smoking was a low priority for all but a small number of people.

### 2.5.1 Buying new clothes

Most of the people interviewed spent very little on clothing – for two main reasons.

About a third of people did not consider buying clothes to be a priority. Almost all of them were people who seemed to be managing fairly well. Most said they did not need many new clothes, either because they already had plenty, or because they were housebound for most or all of the time. In some cases, family members bought clothing for them, usually as Christmas and birthday presents.

*'I've got plenty of clothes. I don't need any clothes...I bought a lot of clothes when I was working... even now a lot of friends... they bring me shirts... And my daughter sends me shirts from America.'*

*(Man, aged 72, separated, Budgeting Loan applicant, Harrow)*

For an equal number, however, buying new clothes came low on their list of spending priorities for reasons of affordability. As we might expect, these were generally people who seemed to be just getting by, or who were struggling to manage. Several people bought any clothes they needed second-hand from charity shops. Some bought cheap clothes and shoes, for example from local markets or low-cost retailers. One couple who were caring for their adopted grandson economised on their own clothing but tried very hard to buy the 'designer' clothing and shoes that their teenage grandson wanted.

*'Basically, I think what we really cut back on is our clothing... We never seem to be able to go out and say we're ready for a new suit or a new outfit like that. You know, if I want a pair of shoes, we can't go out and get a pair at, say, £40 or £50. You're looking at a tanner or something like that... But we've got to keep him [grandson] up with the other kids... I mean, a teenager now, they'll not look at a £10 pair of trainers. They're £40 a time.'*

*(Man, aged 65, married, non-applicant, Barnsley)*

A small number of people had needs for clothing, underwear and shoes related to physical health problems that they could not afford to meet. Three of these people were considered to be either just getting by or struggling.

### 2.5.2 Going out socially

Most people spent very little on socialising and were simply not interested in going out socially. Some of these were not able to do so because of physical health problems that largely prevented them from leaving the house. For a small number, going to play bingo was the only time they or their partner went out socially.

About a quarter of people interviewed, all of whom were either just getting by or struggling to manage, said that they could not afford to go out. For the most part, these people did not go out socially at all.

*'I always used to go out for a drink at the weekend. And have a meal and that out now and again. I mean now we just don't. We just can't afford to.'*

(Man, aged 65, married, non-applicant, Taunton)

Among the small number who socialised on a fairly regular basis, the tendency was to go to events that were subsidised and run by organisations such as the Naval Association, or by clubs targeted at older people.

### 2.5.3 Holidays and days out

Most people did not go on holidays or day trips at all. For some, this was because of physical health problems. A small number of others had lost interest in going on holiday since the death of their partner.

About a quarter of people, however, would have liked to go on holiday but could not afford to do so. They were all judged to be just getting by or struggling and, not surprisingly, most of them said they could not afford to go out socially either. For several people, this was nothing new. One couple had never had enough money to pay for a holiday.

*'Never go on holiday... Never... We would never be able to afford it... No, we work out that if you go on holiday, you still have your debts to pay at home.'*

(Man, aged 69, married, Budgeting Loan applicant, Taunton)

Some had only been on holiday once or twice in their lives, and this was usually only possible with the financial help of their family.

Similarly, the small group of people who did go on holiday mostly received some form of financial assistance. In several cases, holidays were subsidised by a voluntary or benevolent organisation. In other cases, family members (usually children) helped out. One man's holidays, for instance, consisted of occasional trips to family events such as weddings and christenings, and his children paid for these trips.

In addition, a small number people saved up during the year to go on holiday and one woman borrowed from a credit union to pay for her holidays.

Organised day trips were the closest that some people got to a holiday. Even then, these could only be considered if the cost was fixed and known in advance. Outings that involved additional expenditure, such as lunch at a pub, was beyond their means.

### 2.5.4 Smoking

Cigarettes or tobacco were a low spending priority for two-thirds of the people interviewed, simply because they were non-smokers.

For a small number of people, however, smoking came fairly high on their list of spending priorities. Two of these people, both heavy smokers, were managing to make ends meet. The other two were just getting by. For one, smoking was a way of relieving the boredom of being almost housebound. Another woman who was confined to a wheelchair said that, for her, smoking was a means of relieving stress. As she put it, it was 'that or Valium!'

## 2.6 Lump sum payments

The provision of regular lump sum payments to help low-income households make ends meet has been proposed by some organisations as a possible alternative to the discretionary Social Fund. Older people were asked about these types of payments in both the interviews and the focus groups.

The regulated Social Fund comprises a number of lump sum and one-off payments including the Winter Fuel Payment, which is made to all pensioners. As mentioned above, all the people interviewed had received the Winter Fuel Payment, and most welcomed the financial assistance that it offered. Just over half had earmarked most or all of the money to pay for heating costs. The remaining people had either spent it on other things, such as food, other household bills or items of furniture, or had put the money into a savings account. In several cases, this was because they used a pay-as-you-go method to spread the cost of heating their home; similarly a small number of people paid for their heating with their rent. Nobody mentioned spending the payment on non-essential items such as a holiday or going out.

When asked how they would spend an additional lump sum of money<sup>11</sup>, half the people interviewed said they would spend it on items they might otherwise be able to apply to the Social Fund for. They comprised similar numbers of applicants and non-applicants. Some (mostly homeowners) mentioned decoration and repair to their homes, including fitting new carpets, replacing windows, roof repairs, and in one case repairing the flood damage caused by a burst water main. Others said they would buy clothing and/or shoes; household items, such as a new bed, a suite of furniture, or a new television; or repay existing credit commitments.

A third of people interviewed mentioned items of non-essential spending such as holidays, and eating out, that they otherwise could not afford. A small number could not think of a use for the money, and said they would keep it until it was needed.

Most of the focus group participants liked the idea of a periodic lump sum payment, but only if they still had the Social Fund to fall back on in an emergency. The main problem, as they saw it, was that household appliances do not wear out often and, in any case, several appliances might need replacing at once. If they received an additional annual lump sum they might be tempted to spend the money on other things rather than save it for emergencies. Both groups therefore suggested that older people on MIG might automatically be eligible for a lump sum payment in the form of a grant, say, every three years and, in the meantime, they could apply to the Social Fund for loans.

*'We've got the Social Fund to drop back on, but it would be nice if we did get a grant every so often that we didn't need to pay back... It would be nice if they said 'All right, you don't have to pay this off'.'*

(Applicants' Focus Group)

*'Every so many years give them a handout, or whatever you want to call it. And if they want a washing machine, or a fridge, they can have one.'*

(Non-applicants' Focus Group)

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<sup>11</sup> People could mention more than one item.

Bringing this together, it seems that an additional lump sum payment would help older people meet the costs of household items such as beds and carpets as well as household and other bills. However, this would preferably be in addition to, rather than instead of, the Social Fund, which offers them a degree of flexibility to apply for financial assistance when the need arises.

## 2.7 Summary

Most people had been unable to make adequate provision for their old age because of ill-health, low wages, or the costs of buying a home. A minority had made adequate provision but lost it following a disruption in their lives. There was little difference in the past circumstances of Social Fund applicants and non-applicants. Similarly, there was no obvious difference in the current living standards of applicants and non-applicants. Overall, two-fifths of the people interviewed were managing relatively well financially, a similar number were just getting by, but a fifth were struggling. Just about everyone considered food, heating and other household bills to be top priorities in their household budget. Even so, two-fifths of the people interviewed cut back on one or more of these essential items.

People's ability to make ends meet was determined by three, inter-linked, factors: their previous circumstances; whether or not they had additional financial resources (mainly help from relatives or disability benefits); and whether or not they had additional drains on their income (mainly credit commitments).

The Winter Fuel Payment was widely welcomed and just over half of the people interviewed had spent it on heating costs; the remainder had either spent it on other essentials or they had put it into savings. There was a good deal of support for a second lump sum, but not if it entirely replaced the discretionary Social Fund. Half would spend the money on items for which they could apply to the Social Fund. There was no difference between applicants and non-applicants in this respect.

## 3 Saving and borrowing

Potentially, both saving and commercial borrowing could impact on people's use of the Social Fund and may well offer an explanation of the low levels of use by older people.

People with money saved may, if they are willing to draw on it, have less need to apply to the Social Fund. And, if they have more than £1,000 in savings, the amounts they would be eligible to apply for would be reduced. Attitudes to borrowing will clearly be important – some people might find the Social Fund more acceptable than using commercial credit while others might well see it as the same as any other kind of borrowing. At the same time, people who have other tried and tested sources of credit may prefer to use these instead of borrowing from the Social Fund. On the other hand, if they have reached their credit limits on these sources or fallen behind with their repayments, they may need to turn to the Social Fund for future loans.

This chapter begins by looking at patterns of saving over people's life-time, their current level of savings and changes in their savings behaviour since retirement. It then turns to attitudes to borrowing, current use of commercial credit and changes in commercial credit use since retirement. It concludes with an overview of saving and borrowing, identifying the types of people who saved but used no credit; who borrowed but had no savings; and those that both borrowed *and* saved or did neither.

### 3.1 Saving

Although few people had never saved any money at all over their lives, most had not been able to save very much or to do so for extended periods of time.

[Saving?] *'You're joking aren't you? You've got to be joking! ... we used to save bits and bobs but we've never had a lot of money.'*

(Woman, aged 61, married, Crisis Loan applicant, Taunton)

*'Not a bean I'm afraid... I've been on my own with two children. Now, I've worked, I wasn't one of those that sat back and let the country look after me. But, I mean, I couldn't earn that much and by the time I'd paid the rent, council tax, kept a roof over our head and fed and clothed us all, there was no chance to save.'*

(Woman, aged 60, divorced, Community Care Grant applicant, Taunton)

Indeed, about a quarter of people had never had a savings account and had only ever saved informally.

The most common pattern of saving, by far, was *instrumental saving*, where people saved up for specific purposes and then spent all the money they had put by. This is consistent with earlier research on approaches to saving by people on low-to-moderate incomes (Whyley and Kempson, 2000). The amounts they had saved tended to be relatively modest and most had only ever saved sporadically over their life-time.

About a quarter of the people interviewed were clearly *rainy day savers*, that is, they had always tried to have money put by for emergencies and rainy days. As other research has shown, this is an enduring pattern of saving that starts in early life and continues beyond retirement (Whyley and Kempson, 2000). In fact half of the rainy day savers were still saving, including some people who were well into their eighties.

Finally, there were a small number of people who had savings but had never actually saved themselves – *passive savers*. They included two people who had received modest windfalls, along with one man who was incapable of managing his own money. His sister had taken charge of his financial affairs and was regularly putting money into a savings account in his name.

The three people who appeared never to have saved had all had very hard lives indeed. They included, for example, a 71-year-old Bangladeshi woman, living with her extended family in temporary accommodation. Her husband had died around 20 years ago leaving her to bring up five children on her own and she had always struggled financially.

The approaches to saving did not differ between Social Fund applicants and non-applicants. Nor was there an obvious link with people's financial circumstances over their lifetime. The rainy day savers included people who had had a low income throughout their life as well as those who had been slightly better off. They also included people whose finances and lives had been severely disrupted. Likewise, there were people who had never really saved very much, even though they had been in a position to do so when they were younger.

The rainy day savers included many more people aged over 70 than there were among the instrumental savers. At first sight this seems to support the view that older people are of a generation that was brought up to save. Equally plausibly, there could be fewer rainy day savers among the younger pensioners in the sample because, by nature, they would be more likely to have private pensions; they would also have had greater opportunities to make private pension provision than their older counterparts. This could make them ineligible for MIG and consequently they would not have been included in this study.

### 3.1.1 Current savings

About half of the people who were interviewed had some money in formal savings. Most commonly, this comprised money saved in a bank or building society account. A small number of people had other forms of savings, such as money in a credit union account, windfall shares obtained following a building society conversion, and premium bonds. Formal savings were about as common among Social Fund applicants as they were among non-applicants (Table 3.1).

**Table 3.1** Current savings

	Applicants	Non-applicants	Total
Both formal and informal savings	4	4	8
Formal savings only	5	5	10
Informal savings only	6	5	11
None	4	4	8

The amounts of money people had in formal savings ranged from £40 to £3,000. Only four people had more than £1,000 in savings – the level at which savings begin to affect eligibility for assistance from the Social Fund for those aged 60 or more. Three of these people were non-applicants - two had approximately £2,500 saved and the third had £3,000. The fourth was the couple with £1,000 in windfall shares who had recently applied successfully to the Social Fund for a Community Care Grant.

All the rainy day savers had money in formal savings accounts, compared with just a third of the instrumental savers. On the whole, the rainy day savers had larger sums of money put by – most had more than £500 while the instrumental savers typically had less than £300 in a savings account.

The people who had money in a savings account were not necessarily those who had been better-off in the past, although the majority of them were managing quite well at the time of the interview. As might be expected, however, the largest amounts of savings were held by people who had been both better off in the past and were managing quite well financially when they were interviewed.

### Planned use of savings

As indicated above, some of the people who had money saved were planning to use it for a specific purpose, such as buying carpets, clothes or household goods; decorating; paying bills; or going on holiday. They all had small amounts saved – typically less than £300.

Most people, though, were reluctant to draw on their savings, which they were keeping for emergencies or to meet the cost of their funeral. Everyone with savings was asked if there was a floor below which they did not want their savings to fall. For most people the sum they had was already so small that they did not want it to fall any lower. But even among those with larger amounts, there was a real reluctance to let the amount fall to less than £2,000.

### 3.1.2 Informal saving

Informal savings were commonplace – about half of the people interviewed, applicants and non-applicants alike, saved money informally (Table 3.1). Most saved loose change in jars, piggy banks or other containers but some bought savings stamps to meet the costs of bills and some gave money to sons or daughters to hold for them because they were worried about keeping cash in their home. The dangers inherent in saving loose change at home were illustrated by a 93 year old woman who had saved up to cover the costs of travelling to stay with her daughter for Christmas. The £50 she had saved up was stolen, along with her pension, when she was burgled. As a result, she had to spend Christmas alone.

Almost all the informal saving was instrumental, with money being saved for future household bills, for holidays or outings or, in a small number of cases, to buy household items for which they might have applied to the Social Fund for a loan or a grant. One non-applicant and her daughter, for example, were paying £10 a fortnight between them into a ‘wallpaper club’ run by a local shop selling household goods and decorating materials. They saved in 20-week cycles and described their savings

as 'credit for the future'. While a couple who were repaying a Social Fund Budgeting Loan regularly saved coins in a 'penny jar' and had recently used the money saved to buy a carpet.

There was some overlap between formal and informal saving but, on the whole, people either did one or the other (Table 3.1). Those who were managing quite well tended to have formal savings, while those just getting by were much more likely to save informally. The small number of people who did both included three who saved formally and informally for the same purposes; three who were keeping formal savings for emergencies and saved informally to spend; and two who saved informally and then paid the money into their savings account.

### 3.1.3 Active savers

About a quarter of the people interviewed were actively adding to their savings at the time of the interview. These tended to be people who had larger amounts of money saved and who were rainy day savers by nature. There was, however, no obvious link with age, so they included people aged between 62 and 83. Moreover, Social Fund applicants were just as likely to be adding to their savings as non-applicants.

They were also all people who were able to manage quite well financially and in two cases were helped to save by a relative. One woman had been a mail order catalogue agent for a number of years and had always put her commission into a savings account. She had passed the agency on to her daughter, who continued to pay the commission into her mother's savings. The other case was the man whose finances were managed for him by his sister, who regularly put money into a savings account for him.

### 3.1.4 Changes in saving behaviour since retirement

For the most part, people's pattern of saving had not changed much after they had reached retirement. A small number had been running down their savings, mostly using them to meet one-off items of expenditure. All of these were people who had not applied to the Social Fund.

Less expected, a similar number had begun saving since they had retired. In all cases, they were saving up for something in particular but, unlike in the past, this had now become a matter of routine. For example, one non-applicant had never really managed to save when he was younger. At the age of 66 he had been helped by his support worker 'to get all his benefits sorted' and started to receive MIG earlier that year. As a consequence, he was now able to save regularly and had built up savings of £200 in five months, which he planned to spend on new clothes. The others, all of whom were Social Fund applicants, had started to save for a range of things: to buy a carpet; to have money in hand for bills; and for holidays. One woman had joined a credit union and saved regularly in order to get loans to cover the cost of holidays.

In addition to these people, an 81 year-old widow had lost her home and all her life's savings when she was declared bankrupt after her husband had died about six years previously, leaving her with debts she knew nothing about. She had since managed to stabilise her finances and, despite having Budgeting Loan repayments of nearly £14 a week, had recently joined a local credit union and started to save £5 a week.

### 3.1.5 Could people have saved more over their lifetime?

As we saw in Chapter 2, a minority of people had been better-off at some stage in their life which raises the question, why hadn't they set more money aside for their old age? They fell into three fairly distinct categories.

The first group comprised owner-occupiers. Even when in work, they had only had low-to-middle incomes and they had invested as much as they could afford – mostly in buying their homes.

The second group had been a good deal better off at some stage in their lives but had faced a major disruption to their finances that meant that they lost all or most of the assets they had built up. These disruptions included bankruptcy, divorce, financial difficulties related to self-employment and emigration.

Finally, there were some people who had not saved, had not bought a home, and had not paid into an occupational pension. They had spent freely over their life; while several now regretted not having saved for their old age, others did not.

Overall, only three of these people had applied to the Social Fund, two for a Budgeting Loan, and one for a Community Care Grant.

## 3.2 Borrowing

Attitudes to borrowing were quite negative and only a minority of people felt comfortable about using commercial credit. Most people considered themselves part of a generation that had been brought up not to borrow but to save instead.

*'Same as all us oldies, we don't like it do we? No, we were all brought up, if you can't afford it, can't pay for it, you don't get it do you?'*

(Woman, aged 61, married, Crisis Loan applicant, Taunton)

Indeed half of the people interviewed had never used any form of commercial credit in their lives and were adamant that they would never do so. Almost all of these were people who had either not applied to the Social Fund at all or they had applied and received a Community Care Grant. Only one of them was a Budgeting Loan applicant.

Four main reasons were given by these confirmed non-users for not using any form of commercial credit. Some said that they would far rather wait and save up to buy the things they needed.

Others said that they would not borrow because they could not afford the repayments from their income and would be worried about being unable to pay the money back.

*'We couldn't. We've got our money worked out so that each one is spoken for, if you know what I mean. Any savings has got to go for things such as water rates, things like that.'*

(Man, aged 74, married, non-applicant, Barnsley)

A number of couples were unwilling to borrow because they were concerned that if one partner died the other would be left commitments that they could not afford to repay on their own.

Other people expected to have their applications for commercial credit turned down because of their incomes and age.

*'They wouldn't let you have it... If we haven't got the wages coming in, you know, we're not working. I don't think so, anyway.'*

(Man, aged 67, married, non-applicant, Barnsley)

In fact, three people had been refused credit. Two of them (both Social Fund applicants) had a history of bad debt. And a non-applicant couple in their early sixties were refused an overdraft facility by their bank.

*‘... they turned me down. I wasn’t earning enough. It surprised me when I asked for one, I asked if I could have a £200 overdraft, ‘Sorry, no. If you haven’t got it in your bank, you can’t have it.’ I thought, if I had £200 in I’d not want one. It was stupid.’*

(Man, aged 63, married, non-applicant, Barnsley)

The most acceptable form of credit was buying from a mail order catalogue. Revolving credit, such as overdrafts and credit cards, were considered the least acceptable because of the risk of losing financial control.

Indeed, one couple had declined the offer of a large overdraft facility from their bank, believing it was irresponsible.

*‘I can have a £3,000 overdraft but I don’t want it... I wouldn’t intend having a tenner overdraft... I’ve never been used to it. I’ve always been used to ‘pay as you go’. If you can’t afford it, then you don’t have it.’*

(Man, aged 65, married, non-applicant, Taunton)

Another married man considered credit cards ‘more trouble than they’re worth’ – based on bitter experience. He had cut up their card after they ran up a balance that they had struggled to repay.

Moreover, most people were only prepared to use credit to spread the cost of buying costly but essential items such as household goods or expensive items of clothing or shoes. Only a small number were willing to borrow either to buy non-essentials or for day-to-day living expenses and they tended to be the heaviest users of credit (see below).

### 3.2.1 Current credit use

Just over half of the people interviewed had current commercial credit commitments (Table 3.2), with the amounts outstanding ranging from a modest £40 to £5,500. Indeed, half of these people were borrowing despite expressing negative views of commercial credit. This was for one of two reasons. Some felt that, in their present circumstances, they could not always avoid borrowing even though they would prefer not to do so.

*‘If you really can’t afford it, you can’t have it. Yes, but if you need it, you’ve got to have it, so long as you keep up the payments.’*

(Woman, aged 60, divorced, Community Care Grant applicant, Taunton)

Others did not consider the type of credit they used as borrowing. Mostly this applied to people who bought on credit through mail order catalogues but it also included some who had bought household items on interest-free credit deals.

Table 3.2 Current credit use

	Applicants	Non-applicants	Total
None at all	8	9	17
Modest use only	7	6	13
Heavy use	3	4	7

On the whole, credit use was fairly modest (Table 3.2). Most of the users had only one commercial credit commitment, taken out to spread the cost of household appliances or clothing. Many of these were people who used mail order catalogues from time to time, including two people who had bought stout shoes recommended by a physiotherapist and a third who had bought bras, which she could no longer get locally after the only clothing shop had closed. They also included people who had taken advantage of interest-free commercial credit offers to replace household equipment.

There was, however, a small group of heavy credit users – people with three to six commitments who owed between £700 and £5,500. They stood out from others as being people who had used credit not only for non-essentials, such as holidays, but also to meet the costs of bills or even to buy food. These people were not drawn disproportionately from either applicants or non-applicants. Nor were they drawn from the younger people interviewed: their ages ranged from 60 to 80.

### 3.2.2 Changes in commercial credit use

Many of the modest credit users said that they had used rather more commercial credit when they were younger and had dependent children. A minority of the people interviewed said that they had cut back their use of commercial credit since retiring – with credit cards being the most common source that they had stopped using. For example, a non-applicant couple in their early sixties who had used credit cards freely when they were both in work but now kept their credit card for emergencies only and occasionally bought clothes from a mail order catalogue.

But a similar number said that their use of commercial credit had *increased* since they had retired – with credit cards and overdrafts often being used to make ends meet. A couple in their late seventies, for example, had built up balances of £5,500 on four different credit cards since they had retired. They were repaying £127 a month to try and clear the money they owed - £54 more than the minimum payment. They had calculated that it would take about ten years to repay the money they owed.

Although most of the heavy credit users had built up their commitments to meet day-to-day expenses, one woman had done so to cover the cost of a move into sheltered housing. She only discovered that she was eligible for a Community Care Grant by chance a fortnight before moving home. By then she had already spent on her credit card and two mail order catalogues. She owed about £700 in total and was very worried about owing so much. As there was a large shortfall in her Community Care Grant she planned to use her credit card to make up the difference in the price to fit carpets in her new bungalow and to meet the removal bill.

## 3.3 Overview of saving and borrowing

The people interviewed fell into three groups of roughly equal size that included similar numbers of applicants and non-applicants:

- People who had savings and used no credit at all.
- People who had commercial credit commitments and nothing saved.
- A group of very similar people who either had no savings and no commercial credit commitments or they had very small amounts of both.

Most of the people who had money saved and used no commercial credit were managing quite well financially. Most of them were also rainy day savers by inclination. They included all the people with large amounts of money put by. They were drawn from people of all ages and a diverse range of financial histories – some had been better-off while younger, while others had lived on very low

incomes all their lives. Although they divided equally into Social Fund applicants and non-applicants, all but one of the six applicants had received only a Community Care Grant.

**Case study: People who saved but used no commercial credit**

Mrs McIntosh was a non-applicant, aged 83, who had started to claim Income Support/MIG when she was widowed eight years ago. The State Retirement Pension, supplemented by MIG was her only source of income although her family helped out financially if she needed it. She had £2,500 in savings, built up over a number of years, and was still adding to it. She saved whatever she could afford in loose change and when she had got £50 she paid it into her instant access savings account. It normally took her about a month to save this amount. She kept her savings for household maintenance or emergencies and 'won't touch that unless absolutely necessary'. She was particularly concerned to keep enough in her account to cover her funeral and would not let it fall below £2,000. She had never used any commercial credit and she would rather go without or turn to her family or friends for help than borrow money commercially.

In contrast to the 'savers', the group of people who had credit commitments but nothing saved were all either struggling financially or just getting by. In fact, they included all the people who were struggling to make ends meet. They also included all the heavy credit users and all those who had started to use credit more heavily since they had retired. Once again, this group comprised people of all ages and with a diverse range of financial histories. They were divided into roughly equal numbers of Social Fund applicants and non-applicants.

**Case study: People with no savings who used commercial credit**

Mr and Mrs Demirchyan were a non-applicant couple aged 71 and 66, who had been receiving MIG for a little under two years. They, too, relied on the State Retirement Pension and MIG for all their income but, unlike Mrs McIntosh, they had no family in this country that they could call on for help. They had been better off in the past but had always spent freely when they were in work. They regretted not saving when they were in a position to do so. They struggled financially partly because their outgoings were high. Mr Demirchyan had a life insurance policy to cover funeral expenses and they rented a television because they could not afford to buy a replacement for one that broke down. Together these two items added £27.50 a month to their expenditure. They had also taken out extended warranties on several items of household equipment. At the same time, they could not economise on heating as they paid a fixed amount (£16 a month) in their rent but still needed supplementary heating to keep warm. Nor could they save on food bills, as Mr Demirchyan needed a special diet for health reasons. They owed several thousand pounds on consumer credit commitments but did not know exactly how much. They used three credit cards – mostly for food and other items of day-to-day expenditure – which they had only acquired since they had retired. They also used mail order catalogues and store card for clothing. Finally, they were repaying money they had borrowed from moneylenders in their Armenian community to buy a carpet.

The third group of people was rather similar despite the fact that half of them neither had a savings account nor any commercial credit commitments, while the other half had small amounts in savings and were also modest users of commercial credit. Some of the people not currently using commercial credit did, occasionally, buy items on credit from mail order catalogues and some of them saved informally. For the most part, this group of people was either managing or just getting by and they had always lived on low incomes. Like the other groups they were of all ages, from 61 to 93. They included seven of the ten people who were Budgeting Loan applicants – a finding that is consistent with earlier research, which found that younger users of the Social Fund were people who had lived on low incomes for extended periods of time (Whyley et al, 2001).

**Case study: People with no formal savings and no credit commitments**

Mr and Mrs Hembrow were Budgeting Loan applicants. They were in their very early sixties, but neither of them had worked since Mr Hembrow had had his leg amputated 20 years ago. Prior to that he had a low-paid job in the building trade and she was caring for their children full-time. One of their children still lived at home but was in insecure low-paid work and only paid an occasional £10 towards his board and lodging. Mr Hembrow was bed-bound and, in addition to the State Retirement Pension and MIG, they also received Severe Disablement Allowance, Disability Living Allowance, Invalid Care Allowance and Mobility Allowance. They seemed to be managing financially although they could only afford to run the central heating from October to February. Mrs Hembrow was a committed informal saver – putting loose change in a variety of places, including into jars and under beds, until it was needed. They had, however, never been in a position to open a savings account. When they had wages coming into the house they used no credit at all but saved informally until they had enough cash to buy the items they needed. Since living on benefits they occasionally used mail order catalogues for clothing but owed nothing at the time of the interview.

### 3.4 Summary

Most people had been able to save very little over their lifetime and, as a consequence, only a small number of people had more than £1,000 put by.

There was very little difference between applicants to the Social Fund and non-applicants in their pattern of saving. The only exception was that the small number of people with more than £1,000 in savings were almost all non-applicants and this would affect the amount they could receive from the Social Fund. However, they would have been very unwilling to run down their savings and £2,000 was the minimum they wanted to keep on one side. Often this money was earmarked to cover funeral expenses or emergencies, such as house repairs.

Most people were negative about borrowing and credit use was generally modest. A small number of people, however, had substantial credit commitments relative to their income. In addition, while many people had cut back on their use of commercial credit as they got older, a small number said that their borrowing had actually increased since they retired. On the whole, people's attitudes to borrowing and their use of commercial credit did not seem to be related to age, nor were there any real differences between Social Fund applicants and non-applicants. However, it was clear that Budgeting Loan applicants were more inclined to borrow than those who had received a Community Care Grant. In general, loans were considered more acceptable than revolving credit and most people were only really willing to borrow to buy essentials that they could not afford out of their regular income.

## 4 Social Fund needs

A possible explanation of the low use of the Social Fund by older people may well be that they have fewer needs than others receiving Income Support or income-based Jobseeker's Allowance. Certainly, there is evidence from previous research that pensioners as a whole tend to replace fewer of the items for which others would normally apply to the Social Fund. However, earlier chapters on the living standards of older people on MIG and their level of savings suggests that this may well not be the case for those who are poorer.

This chapter, therefore, looks at past needs and how they were met, as well as current unmet needs for which people might be eligible for a Budgeting Loan or Community Care Grant from the Social Fund. It then compares the health of applicants and non-applicants and draws out the implications of this for use of the Social Fund and also potential eligibility for Community Care Grants. It concludes with a section on how people decide how best to meet needs, drawing on focus group discussions of three real-life needs that could be met by the Social Fund.

### 4.1 Past needs and how met

In Chapter 1 we suggested that older people may make less use of the Social Fund because they replaced things before they retired. In fact, only one in six of the people interviewed had done so and they included equal numbers of Social Fund applicants and non-applicants. Two of these were couples in their early sixties, and neither of them had any current needs. The others were a good deal older and the items they had replaced were beginning to wear out. A couple in their late seventies, for example, had renovated their kitchen and replaced the white goods 18 years previously while the husband was in work. At the time they were interviewed both their cooker and their fridge had become unreliable and needed replacing.

Most people, however, had not been able to replace household items in this planned way. There were a number of reasons for this. The most common one was that people had been forced to retire early, and usually unexpectedly, through ill-health. Some of these people had, in any case, always lived on a low income. Others had simply been too poor all their life.

As a consequence, almost all of the people interviewed had needed to replace items since retiring. The most common need was to replace white goods, such as cookers, fridges and washing machines, with two-thirds of the people interviewed needing to replace at least one of these items (Table 4.1). Floor coverings, decoration and repairs and furniture were also common requirements, and many had needed to replace beds or bedding. Beyond this there was a diverse set of needs, including replacing or repairing a television set (five people), small household appliances such as kettles or vacuum

cleaners (two people) and curtains (four people).

Table 4.1 shows how these items had been replaced by both Social Fund applicants and non-applicants. One striking finding is the high proportion of needs the applicants had met through the Social Fund – especially for white goods, beds and bedding and carpets.

**Table 4.1 Needs since retirement and how these were met**

	Social Fund	Saved	Commercial credit	Relatives	Windfalls	Total
White goods						23
Applicants	6	1	3	0	1	
Non-applicants	0	4	4	3	1	
Beds and bedding						11
Applicants	6	0	0	2	0	
Non-applicants	0	2	1	0	0	
Other furniture						16
Applicants	2	0	2	3	2	
Non-applicants	0	1	3	2	1	
Carpets and lino						18
Applicants	8	1	1	2	0	
Non-applicants	0	2	3	0	1	
Decorating and repairs						17
Applicants	3	2	0	3	0	
Non-applicants	0	4	0	4	1	
Other						16
Applicants	6	0	3	3	0	
Non-applicants	0	1	0	3	0	

The other notable finding is that the non-applicants were much more likely to have saved up to buy the things they needed even though they had often found this a struggle. One woman, for instance, who had always lived on a low income, saved up her loose change to buy a new carpet in a sale.

*'I got this carpet... quite reasonable and it was on offer, only £185 and I paid cash... [I save] a bit here and a bit there, whatever is left of my pension in my purse before my next pension I empty it into the dish.'*

(Woman, aged 93, widowed, non-applicant, Harrow)

Few, however, were able to save up all the money to cover the costs of buying in the high street with cash. Instead most combined saving with another strategy. Some bought second-hand goods, including one couple who bought a washing machine at a car boot sale. Two people used interest-free credit, saving up for a deposit and then saving to meet lump sum payments at three-monthly intervals. Commonly, saving was coupled with assistance from their family or friends. This pattern was most marked for decorating, where people saved up to buy the materials and their family actually did the painting and wall-papering. But people were also helped to meet the costs of white goods and furniture, having saved some of the money themselves. Family help was sometimes accepted as a gift but just as often it was part of a reciprocal arrangement, with older people looking after their grandchildren or providing other help in kind.

Quite a number of people had used commercial credit to buy the items for which they could have applied to the Social Fund. But, as we saw in Chapter 3, there was little difference in commercial credit use by Social Fund applicants and non-applicants.

A small number of people had had 'windfalls' that they had spent on replacing household items. These 'windfalls' came from a range of sources: bingo winnings; cashing in a life insurance policy; the surplus when a mortgage endowment policy matured; and compensation for accidents.

#### 4.1.1 Meeting the costs of moving into sheltered housing

In total, six of the people interviewed and three people in the focus groups had moved into sheltered housing in the past year. Most had made applications to the Social Fund for furniture and/or carpets – five for a Community Care Grant and one for a Budgeting Loan. Only one seems to have received help with her removal expenses. All of them had had to find extra money to cover the move as, with only one exception, they received £300 or less. (The impact of shortfalls on payments is covered in more detail in Chapter 6).

Despite the fact that they were all being re-housed for health reasons, only one of the applicants had been told about the Social Fund by a health or social services professional. The exception was a woman with severe mental health problems who was leaving psychiatric hospital after a six month stay. Others had found out about the Social Fund in a variety of ways. The haphazard way that people find out about the Social Fund is covered in more detail in Chapter 5.

A further three people had also moved into sheltered housing for health reasons, but were quite unaware of the help they might have had from the Social Fund. Despite ill-health, they had had to move their possessions themselves as they could not afford to employ a removal company.

## 4.2 Current needs

Only a third of the people interviewed had no current needs that might be met by a Budgeting Loan or Community Care Grant from the Social Fund. They included equal numbers of Social Fund applicants and non-applicants.

Some of those who said they needed nothing at present were in their eighties, were frugal and expected the things they had to 'see them out'.

*'When you get to our age, your needs are kind of short. You don't need this, you don't need that.'*

(Man, aged 83, married, non-applicant, Glasgow)

Others either lived in a carer's household or had their affairs managed by their children. These people's needs were all met by their relations.

The rest had all recently replaced the items they needed. Some had done so before they retired and so needed nothing at present. Even so, one couple in their very early sixties expected it to be a struggle in the future when the things they had when they retired began to wear out.

*'Everything that's in here now is what I bought when we were working. In future years, we'll be struggling to keep things. I'm not going to get into any more debt. We can't afford it.'*

(Man, aged 63, married, non-applicant, Barnsley)

Others had used the Social Fund to replace the items they needed.

4.2.1 Unmet needs

The majority of people interviewed, however, did need items for which they might apply to the Social Fund – with Social Fund applicants and non-applicants having similar levels and types of need (Table 4.2). Most people needed more than one item at the time they were interviewed. White goods, carpets and beds or bedding were the main items mentioned and, in some cases, these needs were quite pressing, especially among the non-applicants.

Table 4.2 Current needs that might be met by the Social Fund

	Applicants	Non-applicants	Total
No needs	6	7	13
White goods	5	4	9
Beds and bedding	5	3	8
Other furniture	1	1	2
Carpets and lino	5	4	9
Decoration and repairs	1	4	5
Other	4	7	11

For example, a non-applicant couple in their late seventies had replaced a lot of the items they needed before they retired, but most of these were beginning to wear out. When their fridge freezer broke down they replaced it with a smaller fridge bought second hand. But they could not afford to replace their twin tub washing machine when it broke as well, partly because they would need new plumbing if they replaced it with a more manageable automatic machine. They had been using the launderette instead.

Another non-applicant couple, in their early sixties, lived in a small old terraced cottage with a stone winding staircase to the only bedroom upstairs. The husband had severe arthritis and spondylosis (degeneration of the spine) which meant that he often could not climb the stairs to go to bed; moreover, the staircase was unsuitable for a stairlift. Consequently, he regularly slept on the sitting room floor and said he really needed a mattress he could put on the floor but they could not afford one.

*‘He really could do with a good mattress... he has fallen down the stairs three times and been in an awful state because he is on loads of medication and some nights he is so zombie-like he does sleep down here on a duvet on the floor because he is so unsteady.’*

(Woman, aged 62, married, non-applicant, Taunton)

A 75-year-old woman who lived alone had had a brain haemorrhage earlier in the year and relied heavily on her home help and daughter to continue to live independently. She urgently needed new carpet in the hallway as it was worn and kept tripping her up. She knew nothing at all about the Social Fund and as she could not afford to replace the carpet she planned to stick it down in the meantime.

In addition to white goods, beds and carpets, a number of people mentioned things that they needed as a result of medical conditions from which they suffered. Some needed gas or electric fires for additional heating. Several people who had arthritis needed armchairs they could get in and out of.

*‘That chair’s really too low. I’ve got raisers for the armchair but I mean you go [he sinks into the chair]. There’s a place down the road called Furnicare and if you’re on Income Support you can*

*get cheap stuff from them in there. But I've always had that feeling about if you go for second-hand, it's someone else's stuff you've got, you know.'*

(Man, aged 63, married, Community Care Grant applicant, Taunton)

Others needed new or firmer mattresses.

*'I could do with a new mattress for my single bed... I've got a double bed but I can't sleep in it because of the stroke. If I get into the middle I can't get out... the old single bed, I mean the mattress is like this [concave], and it does hurt.'*

(Woman, aged 60, divorced, Community Care Grant applicant, Taunton)

A major worry, especially for those who knew little or nothing about the Social Fund, was that their white goods might break down. As a consequence people continued to use cookers, fridges and washing machines until they were beyond repair.

*'We run them and run them until they conk themselves out completely.'*

(Woman, aged 85, married, non-applicant, Glasgow)

For the small number of homeowners, another concern was that their homes might need to be repaired. Without a grant of some kind, anything other than minor repairs were quite beyond their means.

### 4.3 Health and potential eligibility for Community Care Grants

Health problems were fairly widespread, as might be expected among a sample of older people. Only five of the 37 people interviewed did not have any health problems (Table 4.3) – all of whom were non-applicants and aged over 70.

There is always a danger in conducting research of this kind that the people most willing to be interviewed are those who have limited mobility and little social interaction. In fact, this seems not to have been the case as health problems were a common reason why people did not take part in the study, cited by a quarter of those who opted out. For this reason, it proved impossible to interview anyone in residential care.

Although many of those who did *not* take part were so confused or ill that they could not have been interviewed, eight of the 37 people we did interview were in similar situations. In four cases, the interview was conducted through a carer – three with a relative and one with a support worker.

**Table 4.3 Current health problems**

	Applicants	Non-applicants	Total
No problems	0	5	5
Both physical and mental health	3	4	7
Physical health only	15	8	23
Mental health only	1	1	2

In a further four cases, the interview was conducted with the person themselves, but the interviews were very difficult to conduct. They included: a woman with serious and long-term mental health

problems; a woman who had had a stroke, was deaf and had a very bad speech impediment; a woman who had had a brain haemorrhage earlier in the year, resulting in severe memory loss; and, finally, a woman who was very ill with long-term multiple health problems that affected her speech as well as her mobility.

### 4.3.1 Physical health

Physical health problems were very widespread among both Social Fund applicants and non-applicants. Heart disease – heart attacks, angina and thrombosis – was the most common complaint, followed by arthritis and strokes and brain haemorrhages. Respiratory problems were common in one of the four research areas, where a number of the people interviewed had worked in the local coal mines. Other physical health problems included diabetes, osteoporosis and bone fractures, blindness and deafness.

Of course, some people were more debilitated by illness than others. Some people had, for example, suffered relatively minor consequences of strokes and continued to live independently, while others remained permanently paralysed or had severe memory loss and speech impediments and needed constant care. Many had more than one illness, such as a 68-year-old woman who suffered from osteoporosis, angina, diverticulosis, diabetes and glaucoma.

On the whole, the people who were least debilitated by physical illness were Social Fund Budgeting Loan applicants, so that, overall, serious physical health problems were about as common among people who had not applied to the Social Fund as they were among the applicants.

### 4.3.2 Mental health and learning disabilities

About a quarter of the people interviewed had either mental health problems or, in two cases, learning disabilities. The mental health problems were predominantly depression or mental confusion, although one woman was a diagnosed schizophrenic who was taking large amounts of medication and was under the care of social services.

Most of the people with mental health problems and both of those with learning disabilities also had physical health problems too. One 63-year-old man, for example, had severe arthritis and spondylosis, which greatly limited his mobility. He was also being treated for depression and had tried to commit suicide. He described how he was in a downward spiral, with his physical and mental health problems exacerbating one another.

*'It goes around in a circle. The mental illness is affecting the pain and the pain is affecting the mental illness. You know, one is not helping the other.'*

(Man, aged 63, married, non-applicant, Taunton)

Without exception, the people with both physical and mental health problems were among the most dependent of the people we interviewed, and included equal numbers of Social Fund applicants and non-applicants.

### 4.3.3 Potential eligibility for Community Care Grants

Overall, the severity of health problems was least among people who had not applied to the Social Fund, and all those who had no debilitating illness were non-applicants. Levels of relatively minor health problems were greatest among the Budgeting Loan applicants while Community Care Grant applicants all suffered quite debilitating health problems of one kind or another.

Even so, there were people among the non-applicants who were every bit as debilitated as the Community Care Grant applicants – such as the man, described above, with severe arthritis and spondylosis. Many of the Budgeting Loan applicants, too, would almost certainly have qualified for a Community Care Grant had they applied for one instead, such as the woman described earlier who suffered from osteoporosis, angina, diverticulosis, diabetes and glaucoma.

In fact, three of the Budgeting Loan applicants and four of the non-applicants did not expect to be able to remain where they were living for much longer. At least two of them were currently waiting for re-housing.

## 4.4 Deciding how best to meet needs

The two focus groups (one of Social Fund applicants and one of non-applicants) were each asked to consider three different scenarios where an application to the Social Fund would be appropriate, and discuss how they thought the person concerned should raise the money they needed. The discussion took place after participants had had the discretionary Social Fund explained to them. The three scenarios were:

- A family emergency - visiting a relative who is very ill.
- Moving into sheltered housing.
- Replacing a washing machine.

### 4.4.1 A family emergency

#### **A family emergency**

Mrs A has a phone call from her brother to say that her mother in Ireland is very ill. She wants to go to Ireland straight away to see her mother but does not have the money for the fare.

The Social Fund applicants' group all thought that Mrs A could apply for a Crisis Loan in this situation, and that her application was likely to be successful. Indeed, one of the participants had, herself, received a £500 Crisis Loan to travel to her brother-in-law's funeral in Australia.

Some people, though, doubted whether a Crisis Loan application would be processed quickly enough, and others said that Mrs A would not get one at all if she had already borrowed up to her Social Fund limit. These people suggested trying to borrow the money from other relatives or friends, where that was possible.

*'Well, if you have a loan off them already, they are going to refuse you if you go and ask for another one. So you borrow it off your friends and pay them back instead.'*

*'The time element would also come in there.'*

*'Yes, if you've got to go to a funeral, you've got to go on the date of the funeral. So if it's going to be a long process ... then you would need to go to your friend.'*

The non-applicants, too, thought that Mrs A ought to be able to apply to the Social Fund but, failing that, they also thought that family or friends would be the next port of call. Several people, however, did not know anyone who would be in a position to lend them any money. They would:

*'...go to the Income Support people and find out. If they can't help, if they could recommend somewhere.'*

Unlike the applicants, though, most of the non-applicants had no idea whether an application to the Social Fund would be successful. Others thought it was really quite unlikely.

*'I just don't think that the benefits office, social security, would cover that. You know they're mainly dealing with your circumstances, and if your mother's ill and in a different country then basically they'd say 'Hard luck, you should have budgeted for that.'*

In an earlier study of predominantly younger people on Income Support, asking relatives or friends for a loan was overwhelmingly the preferred option under these circumstances (Whyley et al, 2000). Even the Social Fund applicants among them would not have suggested applying to the Social Fund – citing the same potential problems as the older applicants above. They believed that the application would most likely be turned down and, in any case, they did not think that the application would be processed quickly enough.

#### 4.4.2 Moving into sheltered housing

##### **Moving into sheltered housing**

Mr B can't manage in his own home any more, and so is moving into sheltered or more suitable accommodation. He has to pay removal costs and needs to buy carpets and curtains for his new home, but doesn't have any savings.

Again, most of the people in the Social Fund applicants' group thought that Mr B should apply to the Social Fund. Two of the group members had applied when they moved home themselves: one had been successful and got a Budgeting Loan the other had not. Two others had also moved into sheltered housing but had not known that they could have applied to the Social Fund.

Most of them thought that Mr B should apply for a Budgeting Loan, but two thought that a Crisis Loan might be given under these circumstances. None of them, however, mentioned Community Care Grants, although they did agree that a grant ought to be available.

There was a good deal of discussion among the applicants about using commercial credit if a Social Fund application was unsuccessful or Mr B had already borrowed up to his limit. None of them thought that they, personally, would be able to get a bank loan.

*'What collateral have you got to apply to the bank for a loan?'*

*'Yes, quite.'*

*'My husband hasn't even got a bank account.'*

The only options that would be open to them were either borrowing from a licensed weekly collected credit company or from an unlicensed loan shark. Both were ruled out on grounds of cost.

*Yes, I did go to a loan shark, [I borrowed] £110 and you know how much I had to pay back?... I would have been paying them back for the rest of my life. I rang them and give it them all and he offered me more money. They will rob you... [I paid back] £300, or maybe more.*

The non-applicants also thought it would be worth applying to the Social Fund, although again they had no idea if an application would be successful or how much Mr B could apply for. Like the applicants, they expected he would be given a loan.

Some thought that their family might help out, at least with the removal, but they would not want to ask family members to lend them any money.

One woman had thought through what she would do when her husband died – he had both Alzheimer's and Parkinson's Disease and she had already put her name down on the waiting list for re-housing. She had been putting some of his disability benefits into savings to cover the costs of moving to live nearer her family. Others thought that it would be appropriate for her to spend her savings on things for the new home but not on the removal costs, especially if she were being re-housed in sheltered accommodation – that ought to be covered by either social services or the Social Security system.

*'I don't think you should touch your savings... Because, when you move you're going to need things, which are going to come out of your savings. If you've already paid for the move, which is going to cost you a lot of money, then that money is gone. I mean nobody has any qualms about accepting a pension, because they've paid into it, or Income Support, because they've paid into it. You've also paid into these funds. There are millions and millions of pounds not claimed each year. That is money that has been taken from us, over the years. So, why shouldn't you have it.'*

None of them thought it would be appropriate for Mr B to borrow the money for the move.

#### 4.4.3 Replacing a washing machine

##### Replacing a washing machine

Mrs C's washing machine has broken down and is beyond repair. She needs to replace it but does not have the money to buy one.

Neither of the two groups was particularly keen to apply to the Social Fund to replace a washing machine. This was in clear contrast to an earlier study of the Social Fund among younger Income Support recipients (Whyley et al, 2000). It also contrasted with their responses to the family emergency or move into sheltered housing.

The Social Fund applicants' group was divided about applying to the Social Fund - some would and some wouldn't. Some people thought that it would depend on whether Mrs C wanted to buy a new or a re-conditioned washing machine, as it might be possible to save up and buy a second-hand one from a furniture and household appliance warehouse run locally by Age Concern.

*'If you can get one for £50, why pay back the Social £200 loan?'*

Several people had already bought electrical appliances this way.

If, however, she wanted a new washing machine, or could not save up the money to buy second-hand, then she had a range of choices: applying to the Social Fund, renting, buying on rental purchase

or using commercial credit. Each of these suggestions had its proponents and opponents – usually drawing on personal experience.

The non-applicants favoured doing without a washing machine altogether, either washing the clothes by hand or taking them to the launderette. The other main option for many of them was buying on credit through a mail order catalogue. Weighing up the costs versus the repayment levels, they recognised that it might cost more to buy a washing machine through a mail order catalogue but, at the same time, the repayments could be spread over two years, making them a lot more manageable. There was little support for asking relatives to help with the cost of buying a replacement washing machine and they did not think it would be easy to save up to buy one second-hand.

*‘Yes, but you can save up and then something else will happen before your washing machine comes.’*

## 4.5 Summary

Only a handful of people had replaced essential household items before they retired and, in most cases, this had been 10 or 20 years ago. Consequently, almost everyone (applicants and non-applicants alike) had needed to spend money on items that would be covered by the Social Fund since they had retired. Applicants had met a high proportion of these needs with Budgeting Loans or Community Care Grants; while non-applicants had more often saved up or received practical help from relatives with things like decorating.

A small number of people had moved into sheltered housing for health reasons in the past year. Many of them had applied to the Social Fund but only one had been told about it by a member of health or social services staff.

Two-thirds of both applicants and non-applicants had current needs for which they could make an application to the Social Fund. The main needs were for white goods, beds and bedding and floor coverings.

Physical and mental health problems were widespread. Overall, the incidence and severity of these problems was greatest among the Community Care Grant applicants and least among the non-applicants. Even so, a number of non-applicants were every bit as ill as those who had successfully applied for a Community Care Grant.

Among the focus group participants, both applicants and non-applicants thought that it would be appropriate to apply to the Social Fund for help with the costs of visiting a sick relative or a move into sheltered housing. They thought that a Crisis Loan might be appropriate for the visit, but a Budgeting Loan for the house move. Non-applicants, however, had no idea whether an application would be successful in either case. Half of the applicants and all the non-applicants were opposed to the idea of applying to the Social Fund to replace a washing machine that had broken down. The non-applicants suggested doing without or buying a replacement through a mail order catalogue; the applicants suggested saving up to buy one second hand at a local warehouse run by Age Concern.

## 5 Knowledge of, and attitudes to, the Social Fund

Earlier research has shown that take-up of Income Support by older people was constrained by their attitudes to claiming social security benefits and their negative perceptions of the claims process, which were both underpinned by lack of knowledge (Costigan et al, 1999). Similarly, research on the use of the Social Fund by younger people showed that it, too, was constrained by lack of knowledge (Whyley et al, 2000). In view of this, it seems highly likely that knowledge and attitudes will also play an important part in the low use of the Social Fund by older people.

This chapter begins with an analysis of respondents' knowledge of the Social Fund and attempts to identify those factors that help to account for people's awareness and understanding of Budgeting Loans and Community Care Grants. It examines the ways in which pensioners find out about the Social Fund – through both formal and informal channels of communication. It then analyses respondents' feelings about applying to the Social Fund, looking separately at the views of non-applicants and applicants.

### 5.1 Knowledge of the Social Fund

Knowledge of the Social Fund was very limited. And, although Social Fund applicants' levels of awareness were higher than those of non-applicants, only half of them had any real understanding of the Fund. In fact, the people interviewed could be divided into three broad groups:

- Those with a high level of knowledge of the Social Fund.
- Those with a vague awareness of the general purpose and function of the Social Fund.
- Those who had no idea at all about the Social Fund.

**Table 5.1 Levels of knowledge of the Social Fund**

	<b>Applicants</b>	<b>Non-applicants</b>	<b>Total</b>
Knowledgeable	8	0	8
Vague awareness	6	3	9
No knowledge at all	5	15	20

### 5.1.1 People with a high level of knowledge

'Knowledgeable' respondents were the smallest group – less than a quarter of the people interviewed – and all of them had applied to the Social Fund (Table 5.1). They comprised equal numbers of Budgeting Loan and Community Care Grant applicants.

These people proffered a range of information about the Social Fund – not all of which was entirely accurate.

They said that Community Care Grants are 'harder' to obtain than Budgeting Loans; indeed some Budgeting Loan applicants had also made unsuccessful applications for Community Care Grants. There was also a fairly widely-held belief that applicants are steered away from Community Care Grants, towards Budgeting Loans.

*'I applied and on the form you can apply for the one you don't pay back... Now they push you away from the one that you don't have to pay back... The people in the DSS, they don't encourage that... It was 'no you can't have it' and I said 'but why can't I have it?' 'Because we have these loans'.'*

(Woman, Budgeting Loan applicant, Focus Group)

They also believed that Community Care Grants are only available for crucial household items, although the precise criteria for the award of a grant were unclear even to these people.

*'Mostly you can get it for a cooker or a washing machine, something that's really essential. They won't give you that you know, because you don't pay that back.'*

(Man, aged 61, married, Budgeting Loan and Community Care Grant applicant, Taunton)

They knew that Budgeting Loans are interest-free, but also said that repayments can amount to a significant proportion of a claimant's weekly income. Most also knew that a maximum of £1,000 can be borrowed at any one time.

They were aware that the Social Fund is cash limited and there was a belief that payments can be easier to obtain in certain parts of the country and at particular times of the year (the start of the financial year). Often this had been explained to them by Benefits Agency staff.

*'... apparently they work on the basis that they have got a budget of so much and whatever pressure is on that once it is used it is used, so it is not done according to need, it is done according to what budget they have got, it left me in a terrible mess...'*

(Woman, aged 60, divorced, Community Care Grant applicant, Harrow)

There was a widespread belief that Budgeting Loan applicants are never awarded the full amount they request – most thought that awards were between half and two thirds of the amount applied for.

*'... they have a funny way of working the DSS. You will go and you will price the three seater and the two seater. And you will take the bill from the shop, well not the bill, you would take the estimate from that to the DSS. Now for argument's sake, if you're asking for £600 they'll give you £400. They never give you the full amount.'*

(Man, aged 63, married, Budgeting Loan applicant, Taunton)

### 5.1.2 People with only vague awareness

A similar number – about a quarter of people – had only a very vague awareness of the Social Fund. The

majority of these were people who had made an application – either for a Community Care Grant or a Budgeting Loan.

Applicants tended to extrapolate from their own circumstances, both in terms of the types of people who were eligible for a Social Fund payment, and the types of items that could be obtained. For example, it was suggested that people on Income Support; people with disabilities; or elderly people could apply to the Social Fund. Likewise people thought that applications could be made for the types of things they, themselves, had applied for.

Beyond this, they knew very little. There was, for example, considerable confusion among applicants about who operates the Social Fund and who had given them their loan or grant. Some applicants were adamant that they had had no contact with the Social Fund, believing that they had received help from 'the Council' or 'Social Services'. This was particularly common where someone else had applied to the Social Fund on their behalf. In addition, Budgeting Loan applicants were often completely unaware of the existence of Community Care Grants.

The small number of non-applicants who had some knowledge of the Social Fund had generally picked it up by word of mouth. Sometimes this amounted to little more than hearsay; in other cases, it had been gleaned from conversations people had had (or overheard) with neighbours or friends.

*'I go down to a family support group to answer phones and that, and some of the kids come in and talk to you, they're all talking about their loans.'*

(Woman, aged 69, widowed, non-applicant, Glasgow).

*'About five or six years ago I heard people saying that they had had 'this' from the Social and that they had had 'that' from the Social... Well they talk about things like that up at the allotment... They get help with the furniture and all that'.*

(Man, aged 80, married, non-applicant, Taunton)

Again, their understanding of entitlement to Social Fund, and the types of payments available, was extrapolated from these individual circumstances.

### 5.1.3 People with no knowledge at all

Over half of the people interviewed, however, knew nothing at all about who can apply to the Social Fund and the sort of help they could get. The majority of these were people who had never made an application, most of whom had never even heard of the Social Fund. But they included some applicants as well (Table 5.1). Surprisingly, these people had made the application themselves but, despite this, knew nothing at all about the Social Fund. For example, one woman had been given a telephone number by her neighbour, who told her to ring and ask for a Crisis Loan form. He had then helped her to fill the form in.

[Interviewer] *'What do you know about the Social Fund?'*

*'Not a thing. No, not a thing.'*

[Interviewer] *'Do you know what sort of payments are available from it?'*

*'No.'*

[Interviewer] *'Do you know who it's available to?'*

*'Nothing at all, no.'*

(Woman, aged 61, married, Crisis Loan applicant, Taunton)

## 5.2 Explanations of levels of knowledge

It was difficult to find any obvious features that distinguished the 'knowledgeable' group from others that may help to explain their high level of awareness. Like those with less knowledge, they included people of all ages. Some were long-term Income Support claimants, others had claimed only recently. There was also no link with how easy they found it to make ends meet financially.

At first glance, it seemed that the more applications people had made, the more they knew about the Social Fund. But this was by no means clear-cut. In fact, four repeat applicants to the Fund had no more than a vague awareness of its purpose and function.

Importantly, it appears that awareness of the Social Fund was not necessarily related to need. Some of the people who knew nothing about the Social Fund were in urgent need of items for which they could have applied, while others who knew a lot about the Fund had no current needs at all.

Contact with caring agencies (such as social workers, voluntary organisations, home helps) was also not linked to people's levels of knowledge. About a third of people had regular contact with a paid carer, but most of them knew little or nothing about the Social Fund.

In some cases this was because the carers, themselves, seemed to know little about the Social Fund. In other instances, the carer had played such an important role in the application process (often completing the forms and sending them off), that people who were confused or unwell had little or no idea about the detailed operation of the Social Fund.

[Interviewer] *'Do you know anything about the Social Fund?'*

*'Well, like I said, Edna [from the RNIB] looks after us and if there was anything that we really wanted, then she would look after it for us.'*

(Man, aged 76, married, Community Care Grant applicant, Barnsley)

## 5.3 Sources of information

Those who were aware of the Social Fund had obtained their information from a wide range of sources. These channels of communication can be divided into two broad types: informal – through friends, neighbours and local networks; and more formal channels – Social Security staff, support workers, etc.

Information gathering through friends or neighbours was common where respondents lived in close-knit areas, surrounded by extended family, friends and long-standing neighbours. Occasionally, friends and family had some quasi-professional status (e.g. walk-in wardens, home helps, community workers) that helped to account for their knowledge of the Social Fund and, sometimes, their willingness to complete the application forms for friends and family.

*'A friend of mine told me. Well told my daughter in fact. She used to be a warden and she got to know a lot of things...'*

(Woman, aged 67, married, Community Care Grant applicant, Barnsley)

Most people, however, did not live in these types of communities, even some that did have mobility problems that meant they had little social interaction with those living around them. As a result, they had little or no opportunity to pick up information from people who might be more 'clued up' about the Social Fund.

The range of more 'official' information sources through which people had found out about the Social Fund was diverse. It included: Benefits Agency staff; local authority social workers, home helps and a welfare rights officer; and staff from various voluntary bodies and charities, including the Citizens Advice Bureau. Rarely, however, had people actively sought out information about the Social Fund from these 'professional' sources. Indeed, the information had usually been obtained in passing, almost by accident, in the course of a meeting about another issue such as an annual disability review; a spell in hospital; or a needs assessment by a voluntary body.

Again, contact with caring agencies was no guarantee that people would find out about the Social Fund, even if they had needs that could have been met by a Budgeting Loan or a Community Care Grant. One woman, who had had a stroke in her early fifties, was being moved into a sheltered bungalow because she was effectively housebound in her current home. Despite the fact that she had carers visiting her twice a day and her social worker had arranged the house move, none of them had told her about the Social Fund. She found out by chance when a Citizens Advice Bureau worker visited her at home to sort out a problem she was having with her Housing Benefit payments.

This seemingly haphazard acquisition of information almost certainly explains why there were no obvious distinguishing characteristics of the people who had a detailed knowledge of the Social Fund.

## 5.4 Attitudes to the Social Fund

Roughly equal numbers of people held positive views, negative views or were neutral about the Social Fund (Table 5.2). On the whole, non-applicants were slightly more negative than people who had applied for a Budgeting Loan or Community Care Grant.

### 5.4.1 Applicants' views

Applicants who were positive about the Social Fund typically saw it as an entitlement, something they had paid into all their working lives.

*'I thought it were a good thing. I thought it were there to help us, so I used it.'*

(Man, aged 75, single, Budgeting Loan applicant, Barnsley)

**Table 5.2 Attitudes to the Social Fund**

	Applicants	Non-applicants	Total
Positive	7	6	13
Neutral	8	4	12
Negative	4	8	12

Some of those who held neutral views talked about 'feeling strange' or 'having to swallow their pride' when they applied, but most had no views one way or another.

On the other hand, the minority of applicants who were negative about the Social Fund referred to the stigma of applying, which had not diminished over time.

*'Every time you write to the Social you're begging, that's the way I look at it.'*

(Man, aged 80, widowed, Budgeting Loan applicant, Barnsley)

*'It's like begging isn't it? It's degrading, isn't it, when you've worked all your life. I think it is anyway.'*

(Woman, aged 61, married, Crisis Loan applicant, Taunton)

Third parties had played an important role in helping these people to overcome the stigma they felt. Some had been persuaded to apply by a friend or neighbour who convinced them that they were entitled to do so and helped them with the form-filling. Others had had the application made on their behalf by a third party - usually a social worker or carer - and were not even aware that they had applied.

#### 5.4.2 Non-applicants' views

In contrast to the applicants, non-applicants had had little time to consider their views of the Social Fund, since most of them had known almost nothing about it and they were reacting to the explanation given to them by the interviewer. Despite this, the non-applicants who expressed positive views echoed those of the applicants. They saw it as an entitlement.

*'I would, with the Social, because that's what you pay your insurance for, to get it back, don't you?'*

(Man aged 76, married, non-applicant, Barnsley)

In contrast, those who were negative mostly spoke about protecting their independence.

*'As I say, independence... I've got my pension, and that's it. It would be taking maybe something that somebody is more in need of...'*

(Woman, aged 83, widowed, non-applicant, Glasgow)

It was precisely this sense of independence that led some of the applicants to feel like they were begging when they applied to the Social Fund. More generally, some non-applicants had delayed making a claim for MIG because they wanted to retain their independence. This is consistent with earlier research (Costigan et al, 1999).

#### 5.4.3 Non-applicants' willingness to apply to the Social Fund

Everyone who was interviewed was asked whether they thought they might apply to the Social Fund in future. In addition, both the interviews and the two focus groups sought people's views of Community Care Grants as compared with Budgeting Loans.

A high proportion of the people interviewed said that they might make an application to the Social Fund in the future (Table 5.3). In general, non-applicants were much less disposed to doing so than applicants<sup>12</sup>.

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<sup>12</sup> Applicants' views of re-applying to the Social Fund are discussed in the next chapter.

**Table 5.3** Willingness to apply to the Social Fund in future

	Applicants	Non-applicants	Total
Will or might apply	11	1	12
Will only apply for a CCG	4	8	12
Will not apply	4	9	13

**People unwilling to apply**

In fact, half of the non-applicants would not consider applying to the Social Fund under any circumstances – not even for a Community Care Grant. Above all, they disliked the prospect of dealing with officialdom, of making an application, and particularly of filling in the application form. This attitude was by no means restricted to people who were managing quite well financially - it was also expressed by some who were really struggling.

Some of those who were unwilling to apply felt that it was simply 'not right' to seek help from the Social Fund for household items – this was something you should manage yourself.

*'But we're not ones to put on anybody. Not like some who say, 'I want this and I want that and I want the other'. We're not like that.'*

(Woman, aged 84, married, non-applicant, Barnsley)

*'I wouldn't go to the Social to look for money to do my house.'*

(Man, 87, married, non-applicant, Glasgow)

Others appeared to be mistrustful even about Community Care Grants, assuming that there must be 'a catch' and that it might have to be repaid one day.

Finally, one of the non-applicants had applied to the Social Fund in the past and been turned down. This had clearly deterred her from applying again.

[Interviewer] *'Is that worn out carpet something that Social Security could help you with?'*

*'I don't know. I'm frightened to ask them in case they turn me down every time. I asked them once if they could help me before I had injuries, to get a winter coat, I couldn't even get that... That's put me off asking them if they'll help me with anything. I was going to ask them if they could help me get a little fire for in the bedroom to try and help, because it's absolutely freezing in there. But when they turned me down for that, I've not got the confidence to ask them for anything else.'*

(Woman, aged 75, widowed, non-applicant, Glasgow)

**People willing to apply**

Among non-applicants who were willing to apply to the Social Fund, Community Care Grants were a much more acceptable proposition than loans. Indeed, only one non-applicant was willing to consider applying for a Budgeting Loan. Even those who were struggling financially and in need of items that could be obtained through the Social Fund were unwilling to apply.

Given adequate knowledge, about half of non-applicants would consider applying for a Community Care Grant; it was clearly the lack of information that had stopped many from doing so. Indeed, some non-applicants were extremely annoyed that they may have 'missed out' on a Community Care Grant

in the past, as the following exchange between focus group participants illustrates:

*'There's a lack of information, for instance I didn't know any of this [about Community Care Grants]...'*

*'Neither did I honestly...'*

*'Nobody tells you...'*

*'Which makes me mad...'*

*'The fault is with them, I'm afraid. It's not so much with us. If they don't give us the relevant information then how can we apply?'*

(Non-applicants' focus group)

Even those who had felt uncomfortable about applying for Income Support were willing to apply for a Community Care Grant, provided that they were 'entitled' or 'eligible' for it. Like their entitlement to the State Retirement Pension, they felt that applying for a grant was justified because they had paid into 'the system' while they were in work.

*'...That's what you pay your insurances for, to get it back, don't you?'*

(Woman, aged 84, married, non-applicant, Barnsley)

Budgeting Loans were quite another matter. For those who were opposed to using commercial credit, a Budgeting Loan was viewed in the same way as any other loan. The fact that it was interest-free made no difference to these people – it was still a real financial and psychological drain, to be avoided at any cost. Many of them were extremely worried about getting into debt and saw any form of borrowing – even a Budgeting Loan – as the start of a slippery financial slope.

*'I think if you start doing it [taking a Budgeting Loan], you're working on that all of your life. Once you get in that habit, you've got it all your life... I'd go to the bank and [withdraw cash for a cooker]. I know I'm straight then. I haven't got to worry about paying it.'*

(Man, aged 66, single, non-applicant, Harrow).

Some of the non-applicants felt that they had no slack in their budget to allow for any Budgeting Loan repayments, even if they were in urgent need of some essential household items.

*'We wouldn't do it [take out a Budgeting Loan]...because we couldn't afford to. I mean out of a hundred and thirty-seven, we've got, how much mortgage is it? ...it's sixty-eight a month. Then you've got water rates, twenty-seven a month. So you can see we couldn't afford to do that...No...Not five pounds a week.'*

(Man, aged 65, married, non-applicant, Barnsley)

Others who did have a small financial surplus each week were unwilling to commit this to repayments on a Budgeting Loan, because they saw their surplus as an emergency fund to cover unexpected repairs to household goods or to their home.

Among couples, there were also concerns about leaving their partner (or other family members) with a debt should they die. Repayments that might be manageable with an income for two people would be unaffordable if part of that income were lost.

*'Well, it would worry me having a loan, we would be paying it back, you know, say if one of us dies or something and we are on one pension, it would be an awful struggle to pay it back, it*

*really would. While there are two of us you get that extra bit of money, when there is only one of you, you know, if he died I would only be on £53 a week. So while we are together it is easier.'*

(Woman, aged 62, married, non-applicant, Taunton)

The range of strategies non-applicants said they would use rather than borrow from the Social Fund mirrored the ways in which they had met needs in the past.

Those who used commercial credit saw the value of interest-free credit compared to the rates they were currently being charged by commercial borrowers. But they preferred to maintain their 'independence' by using the sources of credit they were familiar with.

The people who had savings, on the other hand, would prefer to draw on these than take out a loan. And others said that they would rather try and save up to buy what they needed – even if they could only afford to buy second-hand goods. In the meantime they would simply do without.

*'I know people who have got different loans and one thing and another. But I feel, maybe I am wrong in saying this, I think you can make the sacrifice yourself to gather that little bit together, so you're not dependent on the Social.'*

(Man, aged 87, married, non-applicant, Glasgow)

Indeed, this was exactly what some people were already doing. Two non-applicants – a couple who were interviewed and a man who took part in the focus group – could not afford to replace their washing machine and were making do without. Another woman's television needed repairing but she lacked the money to have this done.

Finally, although they were reluctant to ask their relatives for help, some people would consider this as a last resort.

## 5.5 Summary

Levels of knowledge of the Social Fund were extremely limited. Hardly any of the non-applicants had heard of the Social Fund, and even the small number that had, knew very little. Levels of knowledge were also surprisingly low among applicants. Around a quarter of them had only sketchy knowledge that did not go beyond their own circumstances, and a quarter said that they knew nothing at all. Most people had found out about the Social Fund by word of mouth – some through neighbours or friends, others through caring agencies. But being in contact with caring agencies was no guarantee that people would be told about the Social Fund when they needed money and could have applied.

Overall, attitudes to the Social Fund were relatively favourable. A third of people were quite positive and saw it as something to which they were entitled, a third were neutral and only a third were negative. Those who were neutral were most likely to be applicants, while those with negative views were predominantly non-applicants. The applicants who disliked the Social Fund spoke about the stigma of applying, while non-applicants more commonly referred to their preference for independence. Applicants who had been resistant to applying were either persuaded to apply by a third party or an application had been made on their behalf.

About half of the non-applicants thought that they might apply to the Social Fund in the future. But, with the exception of one person who was willing to consider a Budgeting Loan, they would only apply for a Community Care Grant.

## 6 Use of the Social Fund

In previous chapters we have looked at the factors that distinguish applicants from non-applicants and which might, therefore, begin to explain the low take-up of the Social Fund by older people. One of the other key objectives of the research was to see how well the Social Fund meets the needs of older people and, in particular, to explore their experiences when they make an application. Levels of satisfaction – and hence repeat use – may also play a part in the take-up by older people.

Using information from the depth interviews, along with analysis of the sample from which these cases were drawn, this chapter moves on to examine people's use of the Social Fund. It looks at the number of applications they had made; what they had applied for most recently; and their views and experiences of the application process. We compare the amounts of money that people had applied for with the awards that they received, and discuss the strategies that people used when they received a reduced award. Finally, we consider the repayment of Budgeting Loans – both the weekly repayment amounts and the length of time over which people repaid their Budgeting Loans. Notably, there did not seem to be any significant differences between Social Fund applicants and non-applicants in terms of age; the length of time they had been receiving Income Support/MIG; or their patterns of saving and borrowing.

### 6.1 Number of applications

Just under half of the Social Fund applicants who were interviewed had only applied once; the remainder had made a number of applications in recent years, although not all of them were necessarily successful.

There was no obvious link between the number of applications people had made and the length of time they had been receiving Income Support. Nor was there a clear link with levels of saving or how well they were managing to make ends meet, except that all three applicants who were struggling financially had made more than one application. The multiple applicants *were* more likely to be in contact with social workers or caring agencies, but they did not differ from single applicants in the level of support they got from their families.

It should, however, be noted that many people were confused about the number of applications they had made and often what they said in the interview did not tally with administrative records. In particular, three Community Care Grant applicants were unaware that they had applied to the Social Fund at all. Understandably, these three people were able to tell us nothing about their application to the Social Fund and, for this reason, are omitted from most of the sections below. Where we were able to obtain information from administrative details – on amounts applied for and received and repayment levels – this has been included.

## 6.2 What items did people apply for in their most recent application?

As Table 6.1 shows, the most common reasons why people had recently applied to the Social Fund were to buy either carpets or beds and bedding. Others had applied for Budgeting Loans to buy white goods or furniture other than a bed, or for help with decoration and repairs. Applications had also been made for clothing, car repairs, removal expenses and money to repay commercial credit commitments.

**Table 6.1 Reasons for most recent Social Fund application**

	All applicants	Loan applicants	CCG applicants
White goods	4	4	0
Carpets	7	4	3
Beds and bedding	6	2	4
Other furniture	3	1	2
Decoration and repairs	3	2	1
Other	4	3	1
Can't remember*	1	0	1

Source: depth interviews, excluding three people who did not know they had applied

\* one man had applied for a number of loans and grants and he could not remember what he had applied for in his most recent application for a Community Care Grant – although he said he was currently repaying a Budgeting Loan for a new carpet.

Overall, people tended to apply for Social Fund loans and grants for a similar range of items. There are two possible explanations for this. First, there is some degree of overlap between the items that people can apply for. So, for example, while one person may apply for a loan to replace their old carpet, another may apply for a grant in order to carpet their new home.

Secondly, the poor lack of knowledge and understanding of the different elements of the Social Fund even among applicants (as discussed in Chapter 5) meant that some people applied automatically for a loan, because they were unaware of Community Care Grants. This was the case for one person who had applied for a Budgeting Loan to buy a new bed on health grounds although she could almost certainly have applied for a Community Care Grant instead. However, she and her family knew nothing at all about Community Care Grants, but had applied for Budgeting Loans in the past. Similarly another woman had applied for a Crisis Loan to pay for repairs needed to get their car through its MOT test, on the recommendation of her neighbour. As her husband was housebound and claiming Mobility Allowance, they might well have been eligible for a Community Care Grant.

## 6.3 The application process

Previous research has indicated that, on the whole, Social Fund applicants found the process of making a claim relatively straightforward (Whyley et al, 2000). For some older people, however, the process proved to be more problematic, even though they had all applied since April 1999, when the Social Fund was revised and the application process simplified.

When asked about the application process, people largely fell into two groups of roughly equal size: those who had found it straightforward and those who were unable to make an application without

help. There were no significant differences between Budgeting Loan and Community Care Grant applicants in this respect.

### 6.3.1 People who found the application process straightforward

Most of the people who said that they had found the application process straightforward had had little or no difficulty completing the application form themselves. One man found the questions in the application form rather intrusive, another commented on the need to read the application thoroughly before filling it in.

*'You've got to spend a bit of time reading and studying and then filling them in, but it got me a cooker.'*

(Man, aged 75, single, Budgeting Loan applicant, Barnsley)

But this did not seem to have deterred either of them from using the Social Fund, although they thought that others might be put off.

Two people had received some help filling in the form from the advice workers who had told them about the Social Fund in the first place. This seemed to be for the sake of expediency rather than an inability on the part of the applicants to complete the form themselves.

Almost all the applicants who found applying straightforward also mentioned the speed of the process - they had received the award soon after submitting their application, and in one case this was within two or three days.

### 6.3.2 People unable to make an application to the Social Fund without help

Poor physical health, mental health problems and language difficulties made it almost impossible for half of the applicants to complete a form of any kind. Some were helped by family or friends, while an equal number were assisted by social workers or other formal carers.

Most of these people suffered from physical ailments that meant they needed help to apply to the Social Fund. Some had multiple health problems that left them too ill to complete a form, while others had difficulty communicating either in writing or orally because they had suffered a stroke.

A minority had been unable to apply personally as a result of poor mental health. They included a woman with severe long-term mental ill-health problems; an elderly man who was senile and confused; and a woman suffering from memory loss.

Lastly, a friend had helped a Bangladeshi family apply for a Budgeting Loan on behalf of their mother, as their command of English was poor.

Given their limited involvement in the application procedure, it is hardly surprising that this group of people did not have many comments to make about it. But one woman, who had applied for a Community Care Grant on behalf of her parents, raised a number of issues. First, she felt that the application form could be difficult for an elderly person to complete, particularly if they had poor eyesight<sup>13</sup>. Second, she thought it would be helpful if a telephone number was printed on the form, for people to ring if they had any queries about their application. Third, she felt that older people should be given more 'hands-on' help to claim.

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<sup>13</sup> Application forms in Braille and large print can be ordered if requested by an applicant.

*‘We need to get more people out, coming like yourself, and saying, ‘Look do you get this benefit, that benefit, no, well I will help you get it’ and go to their house to do it because a lot of them are housebound, they can’t get out.’*

(Daughter of a couple in their 60s, Community Care Grant applicants, Glasgow)

Finally, she objected to the attitude of Benefits Agency staff, who she felt tended to ‘fob off’ older clients with poor or incomplete information.

### 6.4 Amounts applied for

Administrative data for the areas in which the interviews were held show that the average amount applied for by a Community Care Grant applicant was considerably higher than their Budgeting Loan counterparts - £743 compared with £624. This was also the case among the applicants who were interviewed in depth - the average request among Community Care Grant applicants was for £872 compared with £599 among those applying for a Budgeting Loan.

In part, these differences are explained by the fact that there is no maximum award for Community Care Grants, while the maximum Budgeting Loan is £1,000. Consequently, administrative data show that Community Care Grant applicants were three times as likely as Budgeting Loan applicants to have requested more than £1,000 (Table 6.2).

**Table 6.2     Amounts applied for**

	Column percentage		
	All	Loans	CCGs
£200 or less	19	14	27
£201-400	24	26	20
£401-600	20	27	10
£601-800	9	10	7
£801-1,000	15	15	15
More than £1,000	13	8	21
Base	260	160	100

Source: DWP administrative data in the four research areas

According to the statutory directions in relation to the Budgeting Loan scheme (and printed on the front of the application form), the maximum that may be awarded is the difference between any sum already repayable to the Social Fund by the applicant and his/her partner and £1,000. The fact that eight per cent of Budgeting Loan applicants in the administrative data sample had requested more than £1,000 gives a clear indication that they had misunderstood the rules governing the scheme.

Among the 10 Budgeting Loan applicants who were interviewed, two requests had been made for more than £1,000. The Bangladeshi family mentioned above had applied for £1,500 on behalf of their mother. They themselves had very scant knowledge of the Social Fund, and it appears that the friend who helped them with their application was not aware of the maximum amount they could apply for either.

Another couple, who were fairly knowledgeable about the Social Fund, had applied for £1,400 because:

*'They generally give you about half... we always ask for a bit more.'*

(Man, aged 61, married, Budgeting Loan applicant, Taunton)

Two other applicants had also anticipated a shortfall and so applied for more than they needed. This is consistent with earlier research of mostly younger applicants (Whyley et al, 2000).

## 6.5 Amounts awarded

In terms of the amounts awarded, Budgeting Loan applicants seemed to fare rather better than those people who applied for Community Care Grants, even though they had actually applied for less money.

When we look at the average amounts awarded in the administrative data, Budgeting Loan applicants typically received £389, equivalent to around 60 per cent of the average amount applied for. In contrast, the average award for Community Care Grant applicants was £327, or around 40 per cent of the average amount applied for (Table 6.3).

This picture was mirrored among the applicants who were interviewed in depth. Among those who had applied for a Budgeting Loan the average award was £368, again equivalent to around 60 per cent of the average amount applied for. In contrast, the average award for Community Care Grant applicants was £411, just under half the average amount applied for.

**Table 6.3 Amounts awarded**

	Column percentage		
	All	Loans	CCGs
<b>Amount awarded</b>			
£200 or less	29	20	44
£201-400	31	34	26
£401-600	28	36	17
£601-800	7	7	6
£801-1,000	3	4	1
More than £1,000	2	0	6
<b>Proportion received</b>			
Less than 50%	24	19	34
50-99%	38	40	36
100%	37	41	30
<i>Base</i>	<i>260</i>	<i>160</i>	<i>100</i>

Source: DWP administrative data in the four research areas

### 6.5.1 Shortfalls in awards

In fact, administrative data for the research areas show that only a minority of people received the full amount they had applied for. Around four in ten Budgeting Loan applicants had received the full amount; among Community Care Grant applicants it was only three in ten (Table 6.3). Moreover,

Community Care Grant applicants were almost twice as likely to receive under half the amount they had requested (Table 6.3). The most probable explanation for this difference is that Community Care Grant applicants tended to apply for larger amounts in the first place.

Altogether, about three-quarters of the Social Fund applicants interviewed in depth were awarded less than they applied for – with shortfalls ranging from £28 up to £1,600. This is a slightly higher proportion than in the administrative data for the research areas. In addition, Community Care Grant applicants were considerably over-represented among those who received a reduced award. So, while six out of the 10 Budgeting Loan applicants who were interviewed received less than they requested, this was the case for eight of the nine Community Care Grant applicants.

On the whole most people did not seem to know *why* they had got less than they had applied for. Indeed some were not even aware that this was the case.

Some people had undoubtedly received less because they already had an outstanding Budgeting Loan. But, given the high level of confusion in some people's minds about the numbers of applications they had made, it was difficult to identify where this was the case.

As noted above, a small number of repeat applicants had *expected* to receive less and had, therefore, increased the amount they had applied for. Several of the others were unhappy about the shortfall in their award.

*'I didn't think it was fair because what was stated on the form was what they [her parents] needed. I mean they are not going to ask for anything that they don't need, the elderly don't work that way, you know, they just don't.'*

(Daughter of a couple, aged 64, Community Care Grant applicants, Glasgow).

Even though they were unhappy, all of them had accepted the amount they were offered.

### Dealing with shortfalls

As mentioned above, some people had anticipated a shortfall and applied for more than they needed. Even so, one of them had had to buy the washing machine they needed second-hand because they could not afford a new one.

Others either did not know that they had applied to the Social Fund or believed (wrongly) that they had received the full amount.

The remainder said that they had used a range of strategies to make up the shortfall in their award. Some went without items they needed; others used commercial credit, got help from their family or, in one case, applied to a charity.

## 6.6 Budgeting Loan repayment levels

Administrative data for the survey areas show that weekly Budgeting Loan repayments ranged from £3.92 to £33.55, the average being around £13.

As Table 6.4 indicates, two-thirds of people were repaying between £5 and £14.99 per week. Around three in ten (28 per cent) were repaying £15 or more, that is, they were repaying more than the average amount.

As we might expect, there was a link between the amount awarded and the repayment amount. So, among those people who received an award of £400 or less, about half were repaying less than £10

a week, while the other half were repaying £10 or more. In contrast, of those people who had been awarded more than £400, around a quarter (26 per cent) were repaying less than £10 a week, while the other three-quarters (74 per cent) were repaying £10 or more.

**Table 6.4 Weekly repayment amounts**

	<i>Column percentage</i>
<b>Amount</b>	
Less than £5	6
£5-£9.99	34
£10-£14.99	32
£15-£19.99	10
£20 or more	18
<i>Base</i>	<i>160</i>

Source: DWP administrative data in the four research areas

A broadly similar picture emerged from the Budgeting Loan applicants who were interviewed. The repayment amounts for them ranged between £4.30 and £21.08, the average being £12.54. Of the four people who received £400 or less, two were repaying less than £10 and the other two were repaying £10 or more. Among those awarded more than £400, only one out of six was repaying less than £10 a week, the remaining five were repaying £10 or more.

Published guidance on the Social Fund indicates that there are three rates of repayment that normally apply: 15 per cent, 10 per cent and five per cent of MIG payments. Repayments are normally 15 per cent of the applicable benefit amount (excluding housing costs) where the applicant has no other credit commitments or arrears to be repaid. If the applicant has other direct deductions made from their benefit, for example for rent or fuel arrears, the repayment rate may be lowered to 10 per cent. If these direct deductions are high, the rate of repayment could be reduced to five per cent.

Among the Budgeting Loan applicants who were interviewed, half were making repayments to the Social Fund that were equivalent to 15 per cent of their MIG. One was paying 10 per cent and two were paying five per cent. These were all people who were repaying arrears on household bills or credit commitments. That left two people paying non-standard amounts – one of whom paid seven per cent and the other 22 per cent.

## 6.7 Budgeting Loan repayment terms

According to administrative data, the average Budgeting Loan repayment term across the research areas was 35 weeks. Notably, seven in ten applicants (70 per cent) were repaying their loans over a period of 39 weeks or less, that is, in half the maximum time allowed or less (Table 6.5). Only 10 per cent were repaying their loan over the maximum term of 78 weeks.

The applicants making repayments equivalent to more than 10 per cent of their income were almost all repaying their loans over 39 weeks or less; nobody was repaying a loan over the maximum term of 78 weeks.

Table 6.5      Repayment terms

	Column percentage
	Amount
Up to 10 weeks	4
10-19 weeks	14
20-29 weeks	29
30-39 weeks	23
40-49 weeks	9
50-59 weeks	4
60-69 weeks	1
70-79 weeks	16
Base	160

Source: DWP administrative data in the four research areas

This pattern of repayment was reflected among the Budgeting Loan applicants who were interviewed. Nine of the 10 applicants were repaying their loans over less than 39 weeks. The remaining person was repaying a £500 loan over 78 weeks at about £6 per week.

6.8      Views about repaying Budgeting Loans

The high level of Budgeting Loan repayments has been a long-standing complaint among applicants (Huby and Dix, 1992; Kempson et al, 1994; Whyley et al, 2000), and older applicants were no exception.

A minority of the Budgeting Loan applicants who were interviewed in depth did not consider their repayments to be too high. Two of these were repaying relatively small amounts that they considered to be reasonable - one person was repaying £6.06 per week, the other £4.30. In the third case, a male applicant did not have any particular opinion about his weekly repayment of £21.08 because his wife dealt with the household budget.

*‘Sometimes I notice it and sometimes I don’t, because I don’t handle the money. The wife does all that, so it don’t make no difference to me.’*

(Man, aged 61, married, Budgeting Loan applicant, Taunton)

Most, however, felt that the repayments they were making were too high. All but one of them was repaying more than £13 per week, and in most cases it represented 15 per cent or more of the MIG they received.

Although they were unhappy about the amounts they had to repay, only a small number were really struggling to make the repayments.

*‘...thirteen pounds ninety eight, it was quite a big chunk, you might not think so, but it’s quite a big chunk of your money. If they had spread that over twelve months it would only have been about seven pounds fifty a week. That wouldn’t have been too bad.’*

(Man, aged 74, married, Budgeting Loan applicant, Taunton)

Given that repayments were more or less guaranteed, because they were deducted directly from their benefits, people did not understand why the payments could not be spread over a longer period.

*'... what I'm saying is this, Why should they take £20.06 off you? I mean they know they've got the money because they give you it first place.'*

(Man, aged 80, widowed, Budgeting Loan applicant, Barnsley)

Moreover, they felt that the Budgeting Loan scheme compared unfavourably with commercial credit companies that offered smaller repayment amounts over a longer period of time on loans of a similar size.

*'Believe it or not for £6.00 I can get £200 from one of the loan companies, for £6.00 a week. And even double it is £8.00 less than what the Social is charging me.'*

(Man, aged 80, widowed, Budgeting Loan applicant, Barnsley, who was repaying £20.06 per week on loan of £500)

Even so, none of the applicants who found the repayments a struggle had applied to have the amount reduced.

## 6.9 Willingness to re-apply

Most applicants were willing to apply to the Social Fund again (Table 5.3 in Chapter 5), although not all of them were entirely happy about the prospect and some would only ever apply for a Community Care Grant.

Just under half of applicants were quite willing to apply again, either for a grant or a loan, and described the Social Fund as a useful way of meeting the costs of expensive items that they had needed. All of them had, at some time, applied for a Budgeting Loan and they were also people that had made the largest number of applications to the Social Fund and who had the highest levels of knowledge.

*'Over the years, yes. I mean when we got the house to come in, I got a few hundred for carpets and some what-nots, you know. We didn't do bad really. We can't grumble. Yes, well I had some for bedding last year. It might have been the beginning of this year, I don't know. I forget you know. You don't remember them all.'*

(Woman, aged 67, married, Community Care Grant applicant, Barnsley)

Indeed, for a small number, Social Fund loans or grants were more or less factored into their household expenditure plans. They had planned when they would re-apply and what they would spend the money on.

*'I took a social loan... interest free. I took that out in April and I just paid it back now about a month ago. They take it out of your money... That is how I managed to pay for the carpet and the decorating of the kitchen, but I still have got to get lino. I might still have to go in for a loan again to pay for the lino because we can't afford it all at once. But the social loan is all right but like they say they have it back. They are not giving you nothing but it's just interest-free which is handy.'*

(Man, aged 74, married, Budgeting Loan applicant, Taunton)

These were people who described the Social Fund as being 'there to help you' and as their 'right'.

A number of Budgeting Loan recipients who had only applied once said that they might be willing to re-apply, although the level of repayments was a deterrent – all were single people repaying £13 to £14 a week and had found it a struggle.

A further group, all of whom had received a Community Care Grant, were willing to re-apply to the Social Fund, but not for a Budgeting Loan. They were all strongly opposed to borrowing money and never used any form of commercial credit.

But that still left a minority of applicants who were unwilling to re-apply, most of whom were Community Care Grant recipients. They were very resistant indeed to ever applying again and said that they would not do so unless they were desperate. All of them had had bad experiences with other parts of the Social Security System, including a heavy-handed fraud investigation; lost case papers that resulted in a suspension of benefit payments for several weeks; and an unsuccessful application for Disability Living Allowance that was granted following an appeal.

Most applicants, in fact, said that they felt some degree of discomfort about applying to the Social Fund, either for a Budgeting Loan or a Community Care Grant. There was sometimes unease even among those who were both willing to reapply and saw no shame in applying for Income Support. As mentioned in the previous chapter, they used words like 'begging', 'demeaning' and 'scrounging' to describe their feelings about applying.

However, there was an acknowledgement that, no matter how demeaning, it was sometimes necessary to ask for help - assistance would never be offered, it had to be sought out.

*'There's a time when you've got to stop being so proud, isn't there? If you need help, you've got to ask for it. That's what the world's all about, you've got to ask for help.'*

(Woman, aged 67, married, Community Care Grant applicant, Barnsley)

## 6.10 Summary

Just over half of Social Fund applicants had applied more than once and these people tended to have a higher level of contact with care workers. There was, however, no link between the number of applications and the length of time on Income Support, ability to make ends meet, level of savings or extent of family support.

About half of people had found making an application to the Social Fund straightforward and commented on how quickly the money had come through. Poor physical or mental health and language difficulties made it impossible for the others to complete a form of any kind. Some were helped to apply by family or friends; an equal number of people were helped by formal carers.

Their most recent applications had been made to meet the costs of a range of items but beds and bedding and carpets were the most common ones. Although Community Care Grant applicants had applied for larger sums of money than people who had applied for a Budgeting Loan, the amounts they were awarded were smaller. Most people (and especially Community Care Grant applicants) were awarded less than they had applied for, but they usually did not know why. A small number of repeat applicants had anticipated a shortfall and deliberately applied for more money than they needed. Others had used commercial credit to make good the shortfall or they had not bought all that they needed.

The most common rate of repayment of Budgeting Loans among the applicants who were interviewed was 15 per cent of MIG – approximately £14 a week for single people and £20 a week for couples. This meant that the majority of loans were being repaid in 39 weeks or less. Consequently, most people thought that the repayments were too high and should have been spread over a longer period.

On the whole, applicants were willing to re-apply to the Social Fund. Some saw it as an entitlement, like the State Retirement Pension or MIG, that they had earned by paying income tax and National Insurance while in work. Others felt a degree of discomfort about applying. Most, however, would only consider applying for a Community Care Grant - either because they were opposed to borrowing or because they had found the repayments on their past Budgeting Loan too high. A minority of people said they would only re-apply if they were 'desperate'. They were all people who had had very bad experiences with other parts of the Social Security system.

## 7 Increasing take-up of the Social Fund by older people

The principal objective of this research was to provide an understanding of the reasons for take-up and non-take-up of the Social Fund among older people receiving Income Support in the form of MIG. It was also designed to explore ways of addressing the barriers to take-up by this group.

Earlier chapters have explored a range of possible barriers, of which the most significant by far was knowledge of the Social Fund. Most non-applicants had never heard of the Social Fund, and the minority that had knew so little that it was unlikely they would ever apply. Even among applicants knowledge of the Social Fund was patchy and mainly obtained in a hit and miss way. So whether people had applied or not was mainly a matter of chance.

Attitudes to the Social Fund were also important. Many non-applicants felt that they should rely on their own resources and so were unwilling to apply for assistance from the Government. Moreover, it was clear that levels of take-up of the Social Fund by older people could well be lower than among other eligible groups because many older applicants were reluctant to re-apply. For some applicants, levels of repayment were a deterrent to taking out a Budgeting Loan. And a small number of applicants had had bad experiences with other parts of the Social Security system in the past that deterred them from asking for any further assistance.

A sizeable minority of both applicants and non-applicants had communication problems that would act as a barrier to them applying to the Social Fund. They included people who were functionally illiterate, and people who were confused mentally as a result of strokes or chronic mental illness. But while the applicants knew someone who could help them find out about the Social Fund and make an application, the non-applicants did not.

In contrast, most other factors seemed to play little part in explaining why some people had applied to the Social Fund while others had not.

For example, there was very little difference in the circumstances of people who had applied to the Social Fund and those who had not. Their current living standards were remarkably similar, as were their financial circumstances in the past. Applicants and non-applicants alike had been unable to make adequate provision for their old age. Consequently, non-take-up was not explained by a greater ability to replace essential items prior to retirement nor was it linked to having relatives who could help out financially.

Greater access to savings among non-applicants also proved to be an improbable explanation for non-take-up. Most people had been able to save very little over their lifetime and only a small number had more than £1,000 in savings or investments. Moreover, applicants and non-applicants had similar amounts saved.

The majority of people were opposed to the idea of borrowing. People who had borrowed from the Social Fund tended to be those who were most prepared to borrow, although there were some heavy credit users among the non-applicants too. In other words, lack of use of the Social Fund in the past could not adequately be explained either by non-applicants' greater resistance to borrowing on the one hand, or by a preference for using commercial credit on the other.

Almost everyone (applicants and non-applicants) had needed to replace essential items since they had retired, and they had used much the same range of methods to do so. But while applicants had met a number of their needs by applying to the Social Fund, non-applicants had more often saved up to buy the items they needed. Likewise the current unmet needs of applicants and non-applicants were remarkably similar and this, too, did not explain take-up of the Social Fund. Indeed, some of the most pressing needs were found among the non-applicants, and a number of them had health problems that were every bit as severe as those experienced by Community Care Grant applicants.

## 7.1 Identifying the barriers to take-up

Bringing all this together it is possible to identify the key barriers to take-up – for applicants as well as non-applicants.

Taking non-applicants first, the main barrier to their use of the Social Fund was, undoubtedly, their lack of knowledge. For about half of them this was the *only* barrier to their use of the Fund, although most of them would not be willing to apply for a Budgeting Loan, only a Community Care Grant. They were either opposed to borrowing of any kind or they preferred to use another source of credit with which they were familiar.

For the remaining half of non-applicants, however, there were additional hurdles that would prevent them applying to the Social Fund, even for a Community Care Grant. These included:

- independence and stigma;
- perceived lack of need, including a small number of people who had savings of more than £1,000 that would, in any case, limit their ability to apply;
- bad past experiences with the Social Security system.

Most of the people who *had* already applied to the Social Fund were willing to re-apply. It was clear that the more they knew about the Fund, the more likely they would be to make another application. But well over half of applicants knew little or nothing about the Social Fund, and the little they knew was extrapolated from their own circumstances when they had made an application. Consequently, Community Care Grant applicants generally knew nothing about Budgeting Loans and vice versa. If they did re-apply, therefore, it would be probably be for the same type of payment as they had already received

At the same time, about half of those who were willing to re-apply were resistant to having a Budgeting Loan either because they were opposed to any form of borrowing or because they considered the repayment levels too high. That left a minority of applicants who said that they were very unlikely to re-apply, most of whom would be deterred by the stigma of doing so, and preferred

to remain independent. In some cases this was because they had had bad experiences with other parts of the Social Security system. Others had previously applied to the Social Fund against their own judgement because they needed the money in an emergency or someone else had applied on their behalf.

## 7.2 Overcoming the main barriers

There are, then, four key barriers that could potentially be addressed in order to increase take-up of the Social Fund by older people:

- Increasing awareness and knowledge.
- Overcoming the stigma of applying.
- Overcoming communication difficulties.
- Reducing the repayment levels on Budgeting Loans.

The fifth barrier – opposition to borrowing – could only be overcome by a more fundamental change to the Social Fund which made grants more widely available.

### 7.2.1 Improving awareness and knowledge of the Social Fund

Both applicants and non-applicants made broadly similar suggestions for disseminating information about the Social Fund to older people.

First, they thought that more information should be provided as soon as someone starts to receive MIG and at regular intervals thereafter.

*‘If there is a special package that comes with your first pension or whatever that could be reviewed every five years or three years to represent any changes that might have incurred since.’*

(Applicants’ Focus Group)

They thought that this information should include commonplace case studies, or scenarios, such as the ones used to stimulate discussion in the focus groups. So, as people’s circumstances change, they can check to see if they can get any help. In fact, they could not understand why, with all the information already held about them by the Department, they had not been told about additional financial help that was related to their circumstances.

Secondly, they thought that Benefits Agency staff should be more proactive in disseminating information as part of their day-to-day work. Focus group participants thought that front-line enquiry staff at the Benefits Agency should be prepared to volunteer information, rather than wait to be asked for it. They also suggested that investigating officers should tell people about the things to which they might be entitled.

Thirdly, television advertisements were generally considered to be a good way of alerting older people to the help they could get from the Social Fund, because most of them had the television on throughout the day. The non-applicants’ focus group suggested that this might be supplemented by a pre-recorded message, on a free phone number, giving more information about the Social Fund. Both these suggestions found particular favour with participants who had limited literacy skills (see below).

Finally, there was a desire for much closer links between the Department for Work and Pensions and Benefits Agency and other caring agencies. One practical suggestion was that factsheets should be produced for staff in caring agencies that work with older people, outlining the types of help that people might be able to get, for example if their partner died or they were moving house. Indeed, in both the interviews and the focus groups there was considerable anger among those who were in regular contact with social workers or home carers but had been told nothing about the Social Fund. This was particularly the case among people who had been re-housed in sheltered housing but had not been told about Community Care Grants.

### 7.2.2 Overcoming the stigma of applying

On the whole, both the people interviewed and the focus group participants felt that there was less stigma attached to claiming social security nowadays. There was a feeling that MIG, like the State Retirement Pension, is an entitlement, albeit one that people would rather not need to use. Moreover, any stigma that people had felt when they first applied generally diminished the longer they were in receipt of Income Support or MIG.

Even so, they clearly felt that there was some stigma attached to seeking financial assistance from the Government, and in particular they greatly disliked having to visit local offices to find out about the help that might be available to them. There were a number of reasons for this – first, the ambience of local offices:

*'I find the worst thing ever is to go up and sit in that Social Security Office with all the down and outs, I think that is the worst thing.'*

(Non-applicants' Focus Group)

Secondly, they complained about the length of time they had to wait in this environment before seeing a member of staff. Finally, although they appreciated that the front-line staff in the Benefits Agency had a difficult time dealing with some customers, a number of people in both the focus groups felt that their attitude could add to the stigma of applying.

*'... and perhaps a nicer attitude from those that are distributing the money. Yes, anyone would think it was coming out of their own pockets.'*

(Applicants Focus' Group)

As noted above, a number of the people interviewed who would not re-apply to the Social Fund had had bad experiences in their dealings with the Social Security system, which included heavy-handed staff and insensitive handling of benefit claims.

In order to overcome this stigma, participants in both focus groups identified the need for a separate agency or office for older people that would include the Social Fund. In particular, they wanted to be treated as people with genuine needs who were not 'scroungers' but asking for help to which they had an entitlement. In other words, there was a good deal of support for the type of service envisaged for the new Pension Service, especially if it had separate local offices or at least separate counters for older people. Moreover, people felt that this service should continue to be provided by the Government.

There was some discussion about whether the Social Fund should be renamed. A small number of the applicants – all of whom had been better-off in the past – felt that the name had negative connotations of the 'workhouse' and being 'needy'. Despite their views, the critics were unable to suggest a better name. And most people thought that renaming the Social Fund was much less important than having a separate service and fund for older people.

Finally, third parties also have an important part to play in overcoming the stigma of applying to the Social Fund. Many of the applicants who were interviewed had, initially, been reluctant to apply. Some had been persuaded to apply by a carer, a friend or a neighbour who convinced them that they were entitled to do so and helped them with the form-filling. Others had had an application made on their behalf by a third party - usually a social worker or carer - and were not even aware that they had applied. Again this points to the need for closer ties with caring agencies.

### 7.2.3 Overcoming communication problems

Altogether, about a third of the people interviewed had communication problems that would limit their ability both to find out about the Social Fund and to make an application. Between them they faced a range of difficulties relating to mental health, literacy and poor command of English.

In fact, all of the applicants among them had been helped to make their applications by the people who had told them about the Social Fund. About half of them were helped by social services staff – three by social workers and one by her home help. The others were helped by a relative or friend who had, themselves, applied to the Social Fund.

In contrast to the applicants, non-applicants with communication difficulties were not in contact with anyone who knew about the Social Fund, who might also help them with an application. Most of them relied for care on relatives who knew nothing about the Social Fund themselves, and they included an isolated Armenian couple who spoke very little English indeed.

This points to a need for information about the Social Fund to be promoted using non-print media. But it also highlights a need for the Benefits Agency to ensure that people who have literacy problems or suffer from mental confusion can get personal help with form-filling.

### 7.2.4 Repayment levels for Budgeting Loans

There have been repeated criticisms of the levels at which applicants are expected to repay their Budgeting Loans and these were echoed in Chapter 6. Older people were happy with just about every aspect of their Budgeting Loan application, except the level of their repayments. Half of them were repaying 15 per cent of their MIG to the Social Fund and most were repaying their loans over 39 weeks or less. Indeed, repayment levels would deter some applicants from applying for a Budgeting Loan in future. Couples were especially worried about leaving their partner with an unmanageable commitment – and this applied to non-applicants as well as applicants. Budgeting Loan repayment rates were also compared unfavourably with commercial credit rates, which were considered to be more manageable.

Given the fact that older people are quite unlikely to stop receiving MIG, there is a strong case for applying the maximum repayment term of 78 weeks to their loans. The size of the loan fund would clearly have to be increased for this to happen. In addition, applicants would have to wait longer before they could apply for further loans, which might be a drawback for some people.

### 7.2.5 Grants or loans?

As we have noted above, most non-applicants, and a number of applicants, would only be willing to use the Social Fund for a grant. Indeed, this is reflected in the higher take-up of Community Care Grants.

All the people who were either interviewed or who took part in the focus groups thought that grants should be available for people who were moving into sheltered housing, to cover the removal expenses and the costs of curtains and carpets where these were needed. Moreover, there was a

strong feeling that these grants should be triggered automatically with the tenancy. In addition, most of the people who took part in the research thought that grants should automatically be available for emergency needs – such as visiting a very sick relative. Other urgent needs they felt should be treated in the same way included repairing or replacing absolutely essential household items, such as a washing machine in a household with an incontinent person.

Chapter 2 showed that the Winter Fuel Payment was especially valued, and that most of the people interviewed would either save an additional lump sum or spend it on items for which they could currently apply to the Social Fund. This point was discussed further by the two focus groups, most of whom liked the idea of a periodic grant, but only if they still had the Social Fund to fall back on in an emergency. They suggested that older people on MIG might automatically be eligible for a grant every few years but still be able to apply the Social Fund for a loan or a grant if the need arose.

Linked to this was the suggestion that the Department for Work and Pensions might offer financial support to schemes, like one run by Age Concern in the town where the focus groups were held, that refurbish and recycle second hand goods. This would enable more people to be given grants instead of Budgeting Loans, as the cost of goods bought from these outlets would be less than those in the high street.

### 7.3 Meeting the needs of older people: an overview

Whether they had prior experience of applying to the Social Fund or not, older people faced similar barriers to meeting needs that they could not afford out of their regular pension payments. They were also broadly supportive of the same solutions to meeting those needs.

The Pension Service will, undoubtedly, help combat the stigma many older people feel in their dealings with the Social Security system. Both applicants and non-applicants wanted a separate service for older people, with its own Social Fund. The name is unimportant for all but a minority, but the service should be proactive in telling people what help they are entitled to receive from the Social Fund – both directly and through closer links with other caring agencies.

There will, however, need to be much greater promotion of the Social Fund to older people if take-up is to be increased. In addition to the proactive dissemination of information, there was a lot of support for television advertisements aimed at older people, a free phone information line and for information being sent to everyone both when they start to receive MIG and at regular intervals thereafter.

Important though the new Pension Service and increased publicity are, changes will also be needed to the Social Fund itself before older people will use it to the same extent as other eligible groups. First, use is being constrained by the current levels of repayment of Budgeting Loans – smaller repayments spread over a longer period of time would encourage more older people to apply and, more importantly, to re-apply.

Secondly, this research points to a need to consider widening the availability of grants from the Social Fund for older people claiming MIG. Most older people find grants more acceptable than loans; indeed most non-applicants would not be prepared to borrow from the Social Fund at all. In particular, there was a good deal of support for automatic grants to older people on MIG facing an emergency or the costs of moving into sheltered housing for health reasons. There was also support for a periodic grant (once every few years, for example) to help people with the costs of replacing household items.

In short, the research found a good deal of support for the Pension Service and, within this, for a separate and well-publicised Social Fund for older people receiving MIG, which has a greater proportion of its budget allocated to grants.

## Other research reports available

<i>No.</i>	<i>Title</i>	<i>ISBN</i>	<i>Price</i>
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Department for Work and Pensions  
Attn. Paul Noakes  
Social Research Division  
Analytical Services Directorate  
4-26 Adelphi  
1–11 John Adam Street  
London WC2N 6HT

# Research methods

## Depth interviews

The sample for the depth interviews was selected from official records of people aged 60 or over who were in receipt of Income Support/MIG, and comprised a mixture of Budgeting Loans applicants, Community Care Grant applicants, and people that had never applied to the discretionary Social Fund. It was drawn from four localities:

- two areas with high Social Fund use by pensioners, one of which was urban, the other non-urban;
- two areas with low Social Fund use by pensioners, again one urban and one non-urban.

Each person in the sample was sent a letter giving them the opportunity to opt-out of the research. Of the 397 people who were sent letters, 106 opted-out, 27 because of health problems. The interviewers contacted 58 people in total, from which:

- 37 people were interviewed;
- eight people refused to be interviewed;
- seven people were unable to take part in an interview because of ill-health, and in two cases this was because of mental health problems;
- six people agreed to be interviewed but subsequently broke the appointment (they were not pursued by the interviewer as the quota had been filled).

Of the 37 people who were interviewed in depth:

- 19 had applied successfully to the Social Fund since October 2000 (10 for Budgeting Loans and nine for Community Care Grants); and
- 18 had never applied to the discretionary Social Fund.

They comprised equal numbers of single people and couples, and broadly similar numbers of people aged under 70 and over 70. Of the 18 single people interviewed, 12 were female and 6 were male. The interviews were conducted using a topic guide, a copy of which is given below. The interviews were tape-recorded, fully transcribed and analysed using thematic qualitative grids.

**Focus groups**

Two focus groups were recruited in an area with about average Social Fund use by pensioners. All the focus group participants were receiving Income Support/MIG, and each group comprised pensioners of different ages and circumstances.

The two groups were selected to give:

- a group of eight non-applicants; and
- a group of nine applicants to the discretionary Social Fund.

The focus groups were carried out with the aid of a topic guide, a copy of which is included in the Appendix. Both groups were tape-recorded, fully transcribed and analysed thematically.

## Depth Interview Topic Guide

### Background information

Household circumstances: *can I start my asking you who lives here with you...And how long have you lived here...*

How long since last worked? ie *were they working just before they retired or claiming benefits.*

Housing tenure.

Likely to continue living independently?

Explore needs for Community Care Grants (*see criteria sheet*)

### Expenditure and money management

*Can we start by talking about money management generally...*

- *We've heard a lot about pensioners' finances...How easy is it to make ends meet?*
  - *Ever need to cut back on items?* Then use shuffle/show cards to sort items into high and low priority.
  - *Any items you need but can't afford now?* Spontaneous, then use prompt card. In the future can you see yourself needing something?
  - *Did you replace any of these sorts of items before you retired? Have others bought them for you?*
- *If you had extra money how would you use it?*
- Impact and use of Winter Fuel payment.
- Sources of income (using show card).
- Details of any regular help from families and friends
- Details of any other social security payments in addition to the State Retirement Pension and the Minimum Income Guarantee?
- *How do you feel about applying for social security payments?*
  - Info?
  - Ease/difficulty?
  - Help?

### Credit

- *What about your overall attitudes to borrowing...*
- *Are you using any credit currently?*

#### For users:

- Types of credit currently used. Spontaneous, own words, then read out card.
- Items bought on current credit agreements (essentials or 'luxuries'?)
- All in all, about how much do you owe (show card)?
- FOR COUPLES ONLY Whose name? Who decides when to borrow?

#### For non-users:

- Reasons.
- Use in the past (*i.e. pre-pensioner*).

#### All

- Changes in pattern of credit:
  - Over whole life span (when family was young, pre-retirement...)
- Limitations placed on current use:
  - *Types of credit you would never use now?*
  - *Things you would not be prepared to borrow money for now?*

### Savings

And what about savings...

- *Do you currently have savings?*

#### Those with savings

- *What types of savings do you currently have (Liquid assets? How easy is it to get access? Do you have to give notice? – prompt on premium bonds, stocks and shares, informal – jar/envelope/loose change, saving stamps...)*
- *And have you always been a saver? (how long to build up these savings?)*

- *How much* (Show card):
  - How long to build this up?
  - Adding to your savings or drawing on them? saving regularly?
  - Any major changes? Effects of this?
- *Sort of things have you have spent your savings on:*
  - *What willing to spend them on?*
  - *What unwilling to spend them on?*
  - *Are sums earmarked for anything?*
- *Level below which you will not let their savings go?*

#### Those without savings

- Ever had?
- Details of amounts, when and how spent

#### Awareness and knowledge of the Social Fund

- *What (if anything) do you know about the Social Fund?*
  - *Do you know the types of payment that are available?*
  - *Do you know who is eligible to apply... people like you?*
  - *Where did you get your information?*
  - *Know anyone else who has applied?*
- Views about applying for:
  - Grants v loans.
  - Budgeting Loans v Crisis Loans.
  - *How would you feel about applying for a Social Security grant, rather than borrowing money from Social Security?*
  - *How would you feel about applying for a grant to enable you to stay in your own home (i.e. out of residential care) (or to ease pressure on family)?*
  - *How would you feel about applying for a loan to replace something in your home?*

- *Ever applied to the Social Fund?*

#### Social Fund users

- Overall use:
  - Number of applications.
  - Types of payment (generally).
  - Why applied (generally)
- Most recent application:
  - Why applied?
  - Other options considered
  - How felt about applying?
    - Barriers? *How did you get over these?*
    - Encouragement/help?
  - Experience of the claim process
  - Amounts expected and received and what did if less than amount applied for
  - Views of level of repayments
- *Would you apply again?/recommend a friend or relative to apply?*

#### Barriers to using the Social Fund (for non-users)

- *Why have you never applied?*
- Explore barriers like:
  - no need;
  - lack of awareness/knowledge, of the Fund itself and how to apply;
  - general opposition to borrowing/other strategies used;
  - preference for other forms of credit;
  - their perception of the Social Fund;
  - whether specific aspects of the Social Fund deter them.

- Do you think you might apply to the Social Fund in the future?
  - If so, for what purpose?
  - What would need to change to encourage you to use the Social Fund?

Anything else to add...

Thanks and close

Background Information Sheet

Age

Gender

Household details

Single

Couple

Others in household?

Housing tenure

Own home as

Outright owner

Mortgagor

Social tenant

Private tenant

Lives in someone else's household

Lives in residential home

Health (except those in residential care)

Able to live independently

At risk of being unable to live independently

**Show Card: Sources of income**

State retirement pension + MIG only

IS/MIG only

Occupational pension

Employment

Savings

Income from lodgers

Regular contributions from family/friends

Other social security benefits

Housing Benefit

Council Tax Benefit

Disability Living Allowance

Attendance Allowance

Incapacity Benefit

Severe Disablement Allowance

Widows/Bereavement Benefit

Child Benefit

Any other Social Security benefits

Anything else?

**Show card: need for key household items covered by budgeting loans**

Bed

Other furniture

Bedding

Carpets

Cooker

Fridge

Other household equipment

Clothing and footwear

Improvement, maintenance or security of home

Rent in advance and/or removal expenses to new accommodation

**Show Card: Credit**

Nothing

Less than £500

£500-£2,500

**Show Card: Savings**

Nothing

Less than £500

£500-£2,500

More than £2,500

### Types of credit: Read Out

#### Credit

##### Cash Loans

Loan from a company that collects the repayments at your home (*like Provident*)

Bank or building society loan (but NOT a mortgage)

Loan from a pawnbroker

Loan from a company, *like Cash Converters*

Loan from a finance house or other loan company

##### Goods or services bought on credit

Repayments on things bought from a mail order catalogue

Repayments on things bought from a company that collects the repayments at your home *e.g. Shopacheck*

Loan or hire purchase that was provided by a shop that sold you goods on credit *e.g. through a company like Crazy George's (= a rental – can repossess at any stage)*

Loan provided by a supplier of services (e.g. double glazing, dentist)

#### Revolving credit

Credit cards – how many? For each:

- used and settled in full each month;
- used but not settled in full each month;
- not used/used only for emergencies.

Store cards – how many? For each:

- used and settled in full each month;
- used but not settled in full each month;
- not used/used only for emergencies.

Overdraft facilities:

- used (*bank provides, or specifically set up*)
- not used/used only for emergencies

Any other loans or credit?

Spending on food

Paying your  
rent or mortgage

Paying household bills  
(gas, electricity, water,  
Council Tax, telephone)

Spending money on  
yourself,  
e.g. clothes and shoes

Heating

Repaying loans  
or other credit

Going out for  
the evening

Holidays

Putting money  
into savings

Cigarettes

Paying insurance  
policies

Replacing furniture,  
carpets, etc.

Replacing household  
equipment  
e.g. cooker, fridge etc.

Decoration, home  
repairs, security

## Use of the Social Fund among older people Focus group topic guide

### Introduction

PFRC – independent research centre at Bristol University, have done a lot of earlier research on people's use of financial services, such as bank accounts and credit cards.

**Completely confidential** no information will be passed to anyone else, nobody else will know who has taken part in the research and they won't be identifiable in any reports that are produced.

Research aims to find out more about older people's views and experiences of different methods of saving and borrowing, including the Social Fund scheme

- Funded by Department for Work and Pensions (formerly Department for Social Security)
- **Report to be published Summer 2002**

### 1. Introductions

Name, age, household circumstances.

### 2. Views and experiences of claiming benefits

How do you feel about applying:

- For Income Support/Minimum Income Guarantee?
- For disability benefits?
- Aspects that encourage/discourage you from applying?
- What would make it easier/more acceptable?

### 3. Views and experiences of using the Social Fund

Outline the basic idea of the Social Fund

- *Additional payments that anyone on IS/MIG can get from the Benefits Agency.*
- *Interest-free loans, e.g. if your washing machine breaks down and can't be repaired, or if your cooker blows up.*
- *Grants for a specific purpose, e.g. to cover costs of moving to a new home.*

### Non-applicants:

Check for awareness/knowledge/experience of the Social Fund.

Know anyone that uses? What type of person, e.g. similar/dissimilar to them? Views of them?

How would you feel about applying:

- for a Budgeting Loan? aspects that encourage/discourage you from applying?
- for a Community Care Grant? aspects that encourage/discourage you from applying?
- what would make it easier/more acceptable?

### Applicants:

Check for experience of the Social Fund

- what types of help received, how often?

How do you feel about applying:

- for a Budgeting Loan? aspects that encourage/discourage you from applying?
- for a Community Care Grant? aspects that encourage/discourage you from applying?
- what would make it easier/more acceptable?

### All:

How would you feel about getting a one-off payment from the Government (like the Winter Fuel Payment) to help you manage?

- advantages/drawbacks compared with the Social Fund
- minimum amount?
- how often?

If one-off payments not popular, what would be better?

### 4. Uses of different types of credit

(mention that in scenarios the people live in the local area)

### Scenario A – Emergency

Mrs C has a phone call from her brother to say that their mother in Ireland is very ill.

She wants to go to Ireland straight away to see her mother but does not have enough money for the fare.

- What should she do?
  - Why?
  - Chances of success?
- Best and worst things she could do?

PROBE FOR EACH TYPE:

- Comparative importance of access, cost and repayment?
- What if she was turned down for that type of credit?
- What if she already had a loan from that source?
- Could she apply to the Social Fund for help? Advantages and disadvantages?

### Scenario B – Planned events

Mr D can't manage in his own home any more, and so is moving into sheltered or more suitable accommodation. He has to pay removal costs and needs to buy carpets and curtains for his new home, but he doesn't have any savings.

- What should he do?
  - Why?
  - Chances of success?
- Best and worst things he could do?

PROBE FOR EACH TYPE:

- Comparative importance of access, cost and repayment?
- What if he was turned down for that type of credit?
- What if he already had a loan from that source?
- Could he apply to the Social Fund for help? Advantages and disadvantages?

### Scenario C – Essential goods

Mrs A needs a new washing machine but hasn't got the money to buy one:

- What should she do?
  - Why?
  - Chances of success?
- Best and worst things she could do?

PROBE FOR EACH TYPE:

- Comparative importance of access, cost and repayment?
- What if she was turned down for that type of credit?
- What if she already had a loan from that source?
- Could she apply to the Social Fund for help? Advantages and disadvantages?

### 5. Designing a Social Fund for older people

If you were asked to design a new scheme to provide financial help for older people, like grants and loans, what would it look like?

- what type of service? (e.g. grants, loans, other)
- how would information be provided?
- what type of help (if any) would be available to help people use the scheme?
- who would administer it? (e.g. Benefits Agency, private company, voluntary organisation)
- what should it be called? Social Fund or another name?

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