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Crackdown on Crisis Loans Will Cause Misery for Vulnerable Families

Commenting on news today that the Department for Work and Pensions is restricting crisis loans Family Action Chief Executive Helen Dent said: “Cracking down on crisis loans is another nail in the coffin of the welfare safety net for families in crisis. We know from our welfare grants scheme that cookers and beds are vital for women fleeing domestic violence or patients waiting in a hospital bed so that they can move to safe independent living.”

“Vulnerable families turn to the Social Fund in times of crisis. Crisis loans help families when cheques haven’t arrived or parents have no money to feed their children. And when the Social Fund turns them away, often because people cannot afford to repay the loan, they have to turn to charities like Family Action. These changes will hurt those who need it most who have nowhere else to turn. Far from being the sticking plaster the Minister proclaims, these loans are a vital part of the welfare system for those in desperate situations. They are a smart intervention – crisis loans help prevent places in hospitals refuges and hostels being blocked, funding cookers means families do not resort to takeaways or handouts from food banks. This is a dismal decision and the cost will be more misery for families close to breaking.”

Ends

The planned changes to the Crisis Loan system from April 2011 are:

- No longer paying Crisis Loans for items such as cookers and beds. There will be some residual support for people following a disaster such as flooding.
- We will reduce the rate paid for living expenses from 75 per cent down to 60 per cent of benefit rate. This will align with the position for Jobseekers Allowance cases paid at the hardship rate.
- We will implement a cap of three Crisis Loan awards for general living expenses in a rolling twelve month period. This policy was tested by Jobcentre Plus in 2009-10.