

# Scope

## How do you think the poverty premium affects low income families?

Scope's recent research report "The Disability Price Tag" (<https://www.scope.org.uk/Scope/media/Documents/Publication%20Directory/The-disability-price-tag-Policy-report.pdf?ext=.pdf>) found that disabled people spend an average of £570 a month on costs related to their impairment or condition. This is on top of welfare payments designed to help meet these costs, such as the Personal Independence Payment (PIP). For one in five disabled people, extra costs amount to over £1,000 per month. After housing costs, disabled people spend 49 per cent of their income on disability-related costs. These are costs that non-disabled people don't experience and which represent an unfair financial penalty for disabled people. Extra costs mean that disabled people's money doesn't go as far: £100 for a non-disabled person is equivalent to just £67 for a disabled person.

This financial penalty of disability has a detrimental impact on disabled people's financial resilience. Disabled people have an average of £108,000 fewer savings and assets than non-disabled people (McKnight, A. (2014), Disabled people's financial histories: uncovering the disability wealth penalty, CASE paper 181), whilst households with a disabled person are twice as likely as households without a disabled member to have unsecured debt totaling more than half their household income (Scope (2013), Disabled people and financial well-being - credit and debt). It is therefore not surprising that an additional 275,000 families where someone is disabled have fallen into poverty (DWP, Household Below Average Income, 2014/15).

## What is the extent of the poverty premium, in which areas of service or goods provision does it exist, and why does it exist?

The extra costs disabled people face broadly fall into three categories:

- Paying for specialised goods and services. This may include one-off, but expensive purchases, such as assistive technology, wheelchairs and other mobility aids or adapted items of clothing.
- Greater use of non-specialised goods and services. For example, someone with multiple sclerosis may have to spend more on energy to maintain an optimum temperature to manage their condition, whilst a wheelchair user may have to use taxis more frequently if public transport is inaccessible.
- Spending more on non-specialised goods and services. This may include things such as higher tariffs for accessible hotel rooms, or having to pay higher premiums on insurance products like travel insurance.

The Extra Costs Commission, a year-long inquiry into costs faced by disabled people supported by Scope (<https://www.scope.org.uk/get-involved/campaigns/extra-costs-commission>), found that disabled people are often underserved by businesses across several markets, leading to increased costs for vital goods and services particularly in the energy and insurance markets.

### Extra energy costs

Many disabled people are faced with no choice but to consume more energy because of their impairment or condition. Disabled people with limited mobility have to use more heating to stay warm, and disabled people who rely on assistive technology need to use extra electricity to charge them. Scope's recent report, Out in the Cold

(<https://www.scope.org.uk/Scope/media/Images/Out-in-the-cold.pdf>), into disabled people's experiences as energy consumers found that:

- Over a quarter (27 per cent) of households with a disabled person, roughly 4.1 million households, spend more than £1,500 a year on energy. Of these, 790,000 households spend over £2,500 a year on energy.
- 55 per cent of disabled people have worried about paying their energy bills and households with a disabled person make up 38 per cent of all fuel poor households in England.

#### Access to affordable insurance

Standardised underwriting processes used in the mainstream insurance market will not always account for the specific circumstances of consumers deemed to be 'non-standard', such as those who are disabled. Consequently, disabled people may find they fall outside of the parameters of the algorithm that determines insurance eligibility. As a result, many disabled people are often charged a high price for insurance products or denied cover altogether. Scope research

([https://www.scope.org.uk/Scope/media/Documents/Publication%20Directory/Improving-access-to-insurance-for-disabled-people-\(August-2017\).pdf?ext=.pdf](https://www.scope.org.uk/Scope/media/Documents/Publication%20Directory/Improving-access-to-insurance-for-disabled-people-(August-2017).pdf?ext=.pdf)) found that:

- 26 per cent of disabled adults feel they have been charged more for insurance or denied cover altogether because of their impairment or condition.
- In the last twelve months, 35 per cent of disabled adults have worried about paying their insurance premiums.

#### **What steps have been taken by national government, local authorities, public bodies, business or investors to mitigate the poverty premium and how successful or otherwise have these been?**

##### Energy price cap bill

The Government has introduced a Bill, which aims to introduce a temporary price cap on standard variable and default tariffs. Scope welcomes the Government's intentions to tackle high energy costs through a temporary cap on standard variable and default tariffs. The cap is a necessary short-term measure, which will provide some help for disabled people who struggle with high energy costs. The price cap will go some way to bring down high energy bills for disabled consumers, but is not in itself sufficient to tackle the range of barriers disabled energy consumers face. The Government must, alongside the price cap, put in place a longer-term plan to create a fairer energy market for all disabled consumers.

##### Consumer green paper

In April, the Government published the "Modernising consumer markets" green paper, which is looking at ways to improve how different markets work for consumers. We welcome the green paper, but we are concerned about its lack of focus on improving how markets work for disabled people. The green paper must lead to reforms which ensure disabled consumers' experiences are consistent and fair across different markets.

#### **What else could be done by local authorities, national government or public bodies to mitigate the situation?**

There is an urgent need to address the problem of extra costs, which requires action on two different fronts. Firstly, it means ensuring disabled people have the right financial support to help with extra costs, such as Personal Independence Payment (PIP) and secondly, looking at how the drivers of extra costs can be addressed through reform of markets.

PIP – and its predecessor Disability Living Allowance (DLA) – plays a key role in supporting disabled people to meet the extra costs of disability. It is not an income replacer like Jobseekers Allowance, or an income booster like tax credits, but serves to level the playing field between disabled people and non-disabled people by helping to tackle the financial penalty of disability. However, Scope research has found that even with support from PIP or DLA, disabled people face average extra costs of £570 a month.

Extra costs are unique to each person, varying according to the nature and severity of someone's impairment. Currently though, this is not reflected in the design of PIP. For example, the assessment for PIP would reflect that a wheelchair user may need a mobile shower chair to make it easier to get in and out of the shower. As a result of reduced mobility, that same person may consume more heating in order to stay warm, but this is something that the assessment would not identify clearly. All too often disabled people tell us that the PIP assessment isn't working and they aren't getting the support they need. This is clearly shown by the fact that over two thirds of claimants are successful in overturning a decision on their PIP award. A new PIP assessment is needed that more accurately identifies the barriers that can lead to extra costs for disabled people, and in turn, the level of support needed to help meet these costs.

The Government should use the recently published consumer green paper to set out a cross-department approach to tackle the extra costs disabled people face across different markets. To tackle the drivers of extra costs it is crucial that the Government takes the experiences of disabled consumers specifically into account and address the barriers they face.

We believe there are a number of ways the Government can improve the experiences of disabled consumers, including:

- Introduce a shared definition of consumer vulnerability across regulated markets that capture the extra costs disabled people face. This would help ensure disabled people receive a consistent level of support across different markets.
- Adopt a consistent approach to utilising data matching across regulated markets to ensure disabled people who struggle with extra costs are identified and provided with the support they need. Data provides an important opportunity, with the consent of individuals, for suppliers and businesses to get a stronger understanding of their disabled customers and their needs. This will help ensure that companies are able to accurately and proactively identify disabled and "vulnerable" customers and direct them to the support they need.
- Remove the barriers disabled people face to the consumer complaints process, by shortening and simplifying complaints procedures, making them more transparent and ensuring advice is in place to help disabled people challenge markets that don't work for them.

### **What else could be done by business and investors to mitigate the situation?**

Businesses and regulators need to do more to understand and address the challenges faced by disabled consumers. Businesses should put in place processes to identify and understand the needs of their disabled customers, developing goods and services that help reduce costs. And ensure disabled customers are aware of any support that could help with reducing extra costs, for example grants to support with energy bills.

## **Case studies: experiences of paying a premium for goods and services.**

### Marie's story

I have osteogenesis imperfecta and need quite a complex wheelchair. I need a new one but this will cost me £9,000. Where do you get that sort of money from? The last time the suspension broke on my wheelchair it was so bad that I couldn't go out anywhere. It just wouldn't move. In the end, I had to hire a powerchair while I waited for mine to be fixed, but this cost me a couple of hundred pounds a week. We've got an adapted kitchen so I can use it, but we had to pay for that ourselves. I get Disability Living Allowance but it doesn't cover my extra costs – I get about £80 a week but the kitchen alone cost four or five thousand pounds.

### Lynda's story

I've had rheumatoid arthritis since I was two years-old. Because of my arthritis I need to keep warm. I need to have the heating on to keep the house warm. So, heating costs are expensive, maybe £70 a month. I can't go to the toilet unless I've got a bidet toilet, and mine cost over £4,000. Some of my friends see it as a luxury, but I need it so I can be fully independent. Another cost for me is my electric powerchair, which cost £5,500. I also need to service and maintain my chair, and recently I had a fault which cost me £140 to fix.