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PRIME MINISTER

PAYMENTS TO MINERS FOR MORTGAGE PAYMENTS

Mr. Newton's office has sent the attached letter in response to the issues raised in the Panorama programme. Though it is of some comfort that the scale of the problem is limited, the letter is nevertheless unsatisfactory as it seeks to blame the building societies for allowing this abuse to continue. The Department should not be allowed to shuffle off its responsibilities for good management of its resources.

David Willett's note considers the options more fully. It indicates that the solution will probably have to involve legislation.

Agree a letter which: (unless this is overtaken at Cabinet)

- (i) points out that it is not acceptable to blame the building societies - the Department must also accept responsibility;
- (ii) stresses that a solution must be found quickly;
- (iii) asks what is being done about the £15 deduction and sick pay;
- (iv) seeks a fuller report within a week?

AT

17 October 1984

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rec'd 2220
16/10.**DEPARTMENT OF HEALTH AND SOCIAL SECURITY**

Alexander Fleming House, Elephant & Castle, London SE1 6BY
Telephone 01-407 5522

From the Minister of State for Social Security and the Disabled

Andrew Turnbull
Private Secretary
10 Downing Street

16. OCT. 1984

Dear Andrew,

You asked for information about the payment of mortgage interest to strikers under the supplementary benefits scheme, which came up in the Panorama programme last night.

The facts are as follows:

(i) Out of 138,000 miners on strike some 35,000 are receiving benefit for their families. (No miner gets benefit for himself - except in very exceptional circumstances. The benefit for his family is abated by £15).

(ii) Where supplementary benefit is in payment, any housing costs not met through housing benefit are included - in practice this mainly means mortgage interest (not capital). We estimate that about 9,000 strikers are receiving such payments - ie less than 7 per cent of those on strike.

(iii) By regulation, the mortgage interest can only be paid direct to the building society if arrears are occurring (amounting to two payments in a three-month period) and in the opinion of the Adjudication Officer it is in the claimant's interest to institute direct payment. (The Adjudication Officer acts in an independent judicial capacity, not subject to departmental direction.) There will have to be a change in the regulations if there is to be a general practice of making these payments direct to building societies, etc.

(iv) Normally these payments do not "go astray". Building Societies pursue their debts, and when the Department learns of arrears, direct payment can be instituted under the regulation mentioned above. The novel feature revealed by the Panorama programme is that some building societies (or local authorities, banks, etc) are deliberately not pressing for payment.

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We are seeking information from the building societies to establish why they have adopted their present undesirable stance, and how widespread it is. We are urgently considering whether there is any administrative solution available (eg by giving the claimant a cheque made out to the building society) or whether we need to amend the regulations to permit or require direct payment to building societies etc in these cases. We shall also need to settle whether any change should apply to strikers only, or be of general application in the supplementary benefit scheme.

It appears from the Panorama programme that banks - including the TSB - and other businesses were also helping miners, not only by not pressing debts, but also by offering loans. We have, of course, no standing in that wider issue.

I hope this is helpful. I am copying it for information to David Normington (Employment), Nigel Pantling (Home Office), Margaret O'Mara (Treasury), Janet Lewis-Jones (Lord President's Office) and Michael Ready (Energy).

Yours ever,

Colin Phillips

C A H PHILLIPS
Private Secretary

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17 October 1984

MR TURNBULL

MORTGAGE INTEREST PAYMENTS FOR STRIKERS

The current position, described in the DHSS letter to you yesterday, is not acceptable. What can we do about it?

There is no scope for tightening up the procedures under the existing regulations, because:

- i. The law states that payments have to be made to individuals, and can only be made to a specified third party with the agreement of that individual or when it can be shown that this is in the claimant's best interest (ie he is incapable of running his own budget).

- ii. Payments meet an accruing liability rather than actual payments by the recipient. And as the strikers' liabilities to building societies are genuinely increasing, there is unfortunately no scope for obliging them to pass the money on or prosecuting them for fraud.

So we have to change the social security regulations. There are two possibilities:

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- a. Specify that mortgage interest payments for strikers should be paid direct to the building society.

- b. Ceasing to pay the mortgage interest payments of strikers.

The drawback with the tougher option of getting rid of mortgage interest payments for strikers is that it means owner-occupying strikers are then treated more severely than strikers paying rent. Only if we could extend the new tough policy to rent as well would there be a case for ending mortgage interest payments.

The important thing is that the DHSS act fast. The social security regulations can be amended under the negative resolution procedure; so if the amendment is tabled on Monday, when the House reassembles, the new regulations could be in force by the end of November. The DHSS anyway have to amend the regulations to allow them to meet funeral expenses of the relations of strikers following the hard cases publicised in the press. It would be politically neat to bring out one amendment which both gave the concession for funeral expenses and tightened up the regime for mortgage interest rates.

I have been investigating where there are any similar benefits issues which the Prime Minister should be aware of. There are two.

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First, the £15 deduction from social benefit for strikers' families is due to be increased in line with the RPI. The current regulations would increase it by 5.1 per cent, which, given rounding, takes the deduction up to £16. DHSS Ministers, worried that this looks too tough, have been tempted by the option of changing the regulations so they can uprate by 4.7 per cent - the normal Supplementary Benefit index excluding housing costs. This puts the deduction up only to £15.50. The Prime Minister might wish to establish at Cabinet tomorrow that Mr Fowler will be going for the full £16 deduction.

Secondly, striking miners who fall sick go back onto full benefits if they have a doctor's note. There is obviously scope for abuse here if a sympathetic or intimidated doctor in a mining community issues sickness certificates. New legal advice suggests that whilst they should get contributory sickness benefit, striking miners should remain ineligible for Supplementary Benefit, even if they fall sick. The Prime Minister might want to ask Mr Fowler what he proposes to do in the light of this new legal advice.

David Willetts

DAVID WILLETTS

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