



# Survey of Child Maintenance Service Direct Pay Clients

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## Background

The Government launched a new child maintenance system in 2012 and is closing all Child Support Agency (CSA) cases over a period of approximately three years. The new system is designed to support and encourage parents to make family-based arrangements (FBAs<sup>1</sup>).

Parents unable to make a FBA can access the new statutory service, the Child Maintenance Service (CMS) by paying a £20 application fee.

There are two types of maintenance arrangement available through the CMS:

- Direct Pay – the CMS calculates the amount payable and parents make the payments directly between themselves.
- Collect and Pay – the CMS calculates the amount payable, collects payments from the Paying Parent and pays them to the Receiving Parent<sup>2</sup>. To incentivise parents to use Direct

Pay or make a FBA, Collect and Pay involves an additional ongoing charge of 20 per cent to the Paying Parent and four per cent to the Receiving Parent.

This research aimed to fill gaps in knowledge about whether Direct Pay payments are made after the maintenance calculation is received and whether the arrangement is effective. It considered outcomes for both new CMS clients and former CSA clients who had applied to CMS.

It included a survey of Receiving Parents with a Direct Pay calculation, at three and 13 months after the calculation, and qualitative interviews with 30 Paying Parents.

## Key findings

### Child maintenance outcomes at three and 13 months

Most parents were able to establish an arrangement after receiving a Direct Pay calculation from the CMS:

- At three months, two-thirds (68 per cent) of Receiving Parents reported having a child maintenance arrangement of any type in place. Ten months later, this proportion had increased slightly, with three quarters (75 per cent) having an arrangement of any type in place.

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<sup>1</sup> A FBA is a child maintenance arrangement made between the two parents without any involvement of the CSA or CMS, sometimes known as a private or voluntary arrangement. A FBA could involve regular financial payments, or could be other support for the child such as buying clothes. It could be formal or informal.

<sup>2</sup> The Paying Parent is the parent who is responsible for paying child maintenance, sometimes called the Non-Resident Parent. The Receiving Parent is the parent who should receive child maintenance, sometimes called the Parent with Care.

Some parents initially had a Direct Pay arrangement but later moved on to Collect and Pay because their Direct Pay arrangement was not working as intended:

- At three months, almost seven in 10 Receiving Parents had the Direct Pay arrangement in place (68 per cent) and only a small proportion had a Collect and Pay arrangement or had changed to Collect and Pay (five per cent).
- The situation changed over time and at the 13-month interview a lower proportion of Receiving Parents had a Direct Pay arrangement (59 per cent) and a greater proportion had a Collect and Pay arrangement (16 per cent).

Once established, most Direct Pay arrangements tended to work reasonably well:

- At both three and 13 months, of those Receiving Parents who had started to receive any payments, seven out of 10 had an effective arrangement (three months: 69 per cent; 13 months: 70 per cent), meaning that payments were being made on time, in full and the Receiving Parent perceived the arrangement to be working well.

However, a substantial group of Receiving Parents were unable to set up an effective Direct Pay arrangement. The fact they had not moved on to Collect and Pay indicates that this should be an area of focus for the CMS:

- Half of all those who had received a Direct Pay calculation either had no arrangement or had an arrangement that was not fully effective (51 per cent at three months and 47 per cent at 13 months). In those cases where there was an arrangement in place but it was not fully effective, often some maintenance was being paid by the Paying Parent but not the full amount stipulated by the CMS.

Most Receiving Parents whose Direct Pay arrangement did not work (i.e. started then stopped, or never started) were aware that the CMS could have chased payments for them

(86 per cent), and went back to the CMS to tell them that payments had stopped (82 per cent).

Of those whose Direct Pay arrangement had not worked and who had not made an alternative arrangement, 15 per cent were not aware of the option to move to Collect and Pay.

For Receiving Parents who said their Direct Pay arrangement was not working well three months after calculation, when asked why arrangements were not working, the most common reasons given were that:

- the Paying Parents did not want to pay (58 per cent),
- they themselves were unhappy with the amount of maintenance received (56 per cent), and
- there had been changes to when or how much the Paying Parent paid (56 per cent).

Paying Parents whose arrangements were not working noted that they had difficulties making payments due to fluctuations or instability in their incomes and personal circumstances, while others mentioned difficulties obtaining Receiving Parents' bank details. Some Paying Parents also expressed a sense of reluctance to pay maintenance if they felt contact with their children was being withheld.

Receiving Parents who had no contact with the ex-partner and experienced domestic violence, and those in the 'not married, short relationship, no contact' group, appeared to face the most barriers to establishing a maintenance arrangement.

## **Influence of charging**

Among Receiving Parents who paid the £20 fee to apply to the CMS, three in five (61 per cent) reported that the fee was easily affordable. Unsurprisingly, those on very low incomes (i.e. with a gross annual household income below £15,600) were least likely to report that they could afford the fee (14 per cent), indicating that the application fee may be acting as a barrier to some low-income families accessing the service.

There is some evidence that collection charges may be contributing to the policy objective of encouraging people to use Direct Pay:

- A third of Receiving Parents who made the decision to use Direct Pay (33 per cent), and also some Paying Parents, cited the desire to avoid charges as a contributing factor for choosing Direct Pay over Collect and Pay.
- Just under half (47 per cent) of Receiving Parents who chose Direct Pay stated they had been influenced a lot or to some extent by the charges.

However, the collection charges also appear to be deterring at least some parents who could benefit from Collect and Pay from accessing this service:

- Ten per cent of those whose arrangement did not work (never started or started then stopped) reported that wanting to avoid charges was one of the reasons they had not moved to Collect and Pay.

## **Decision-making processes behind the Direct Pay arrangement**

Some Receiving Parents were obliged to use Direct Pay despite reservations about whether or not it would work:

- Over a quarter of Receiving Parents were not involved in the decision to use Direct Pay (28 per cent).

A range of reasons were provided by Receiving and Paying Parents for why they chose to use Direct Pay over a FBA.

- The reasons most commonly cited by Receiving Parents were that they felt the Paying Parent was more likely to pay with the involvement of the CMS (71 per cent) and/or they had tried to make a FBA in the past which had not worked (61 per cent). This suggests that for many parents, using the CMS was not their preferred option and they had tried to make private arrangements in the first instance.

- Paying Parents described reasons such as the official calculation helping to overcome uncertainty about what they should pay and the need for an intermediary because they had no contact or means of contacting their ex-partner. There was also a perception that Direct Pay gives better proof of payment than a FBA, which could help avoid disputes.

## **Setting up Direct Pay**

Receiving Parents with an arrangement in place reported relative ease in setting up the arrangement:

- Parents who had started to receive payments at three months tended to report that they began relatively promptly after the calculation (within two months) (88 per cent) and that it was very or quite easy to set up the payments (79 per cent) once the CMS told them how much they should be paid.

The most frequently cited reason given by Receiving Parents for Direct Pay arrangements being difficult to set up, for not starting at all, and for starting then stopping was a perception that the Paying Parent did not want to pay.

Other reasons given for the Direct Pay arrangement being hard to set up were:

- difficulty talking about money (47 per cent),
- the Paying Parent disagreeing with the amount the CMS said they should pay (36 per cent), and
- domestic violence (22 per cent).

Overall, just two per cent of Receiving Parents whose Direct Pay payments had started reported using a bank account with a central or national sort code. This payment option is particularly important for those who have experienced domestic violence. Consequently, there could be value in the CMS focusing on understanding why so many Receiving Parents have accounts that are linked to a specific geographic location rather than an account that is not, and considering increased promotion of the latter.

From the Paying Parents' perspective, difficulties with the set up and calculation of Direct Pay arrangements were grouped into two categories:

- Dissatisfaction with the criteria used to determine the level of maintenance.
- Dissatisfaction due to perceived inaccuracies in how the maintenance was calculated.

### **Longer-term experiences for parents with Direct Pay calculations**

The reason most frequently cited by Receiving Parents for a Direct Pay arrangement being sustainable was that the Paying Parent could afford to pay the maintenance agreed (62 per cent of those whose Direct Pay arrangement was still in place 13 months post-calculation).

Other reasons included:

- the Paying Parent was happy with the amount the CMS said they should pay (37 per cent),
- the Paying Parent and child/children have regular contact (31 per cent), and
- the desire to avoid Collect and Pay charges (33 per cent).

Around a tenth of Receiving Parents gave reasons centred around the quality of the relationship with the Paying Parent, such as regular contact (11 per cent) and being able to

talk about money (12 per cent). Paying Parents mirrored this view, citing communication between the ex-partners as one of the key factors in sustaining a Direct Pay arrangement.

Additionally, some Paying Parents felt that commitment by the Paying Parent to financially support their children and the possibility of enforcement action (fines and court action) and the potential to be moved onto Collect and Pay if payments were missed were key facilitators to the longevity of the arrangement. This latter view was not universal however – some viewed enforcement action as irrelevant because they were committed to making the maintenance payments anyway.

### **Methodology**

The study included two telephone surveys of Receiving Parents. The first interview took place approximately three months after a Direct Pay calculation had been given by the CMS and the second took place at around 13 months after the Direct Pay calculation and shortly after clients had received their first annual review. Fieldwork took place on a rolling basis between June 2015 and July 2016. A total of 1,691 interviews were completed for the three-month survey and 877 interviews for the 13-month survey. In addition, 30 depth interviews with Paying Parents were conducted.

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