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End of the two-child limit – what next?

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The two-child limit

The two-child limit prevented families from receiving support through universal credit, child tax credit and housing benefit towards the cost of a third or additional child born since 6 April 2017. The UK government justified the policy by saying it meant families receiving benefits faced the same financial choices about having children as families supporting themselves through work. But this wrongly assumed that all children affected by the policy were the result of family planning and born while their parents were receiving benefits.

Fifty nine percent of families who were affected by the policy were in work, and the majority have three children. The two-child limit when fully rolled out in 2035 would have impacted 2.2 million children, 1.7 million of them in poverty.

There were limited exemptions to the two-child limit, one of which was if the child has been conceived non-consensually, either due to rape or coercive control. In that situation, the woman who has experienced this abuse had to disclose it in order to get vital support for her child. Since the two-child limit was introduced in 2017, this has been one of the most harmful, insidious aspects of an already deeply damaging policy. Early Warning System evidence highlights that not all exceptions were applied correctly or there could be difficulty ascertaining the circumstances to secure an exception.

CPAG's Strengthening Social Security project found that some families thought that the two-child limit applied to all benefits and were not claiming child benefit or Scottish child payment for their third or subsequent children, missing out on large sums of money that they were entitled to.[1]

Abolition

The abolition of the two-child limit in UC is set out in the Universal Credit (Removal of Two Child Limit) Act 2026 and The Social Security (Removal of Two Child Limit) (Consequential Amendments) Regulations 2026. These came into force on 6 April 2026 and amend the legislation to remove all references to the two-child limit and its exceptions from the statute books. It was not necessary to amend child tax credit legislation, as tax credits were abolished from 6 April 2025. The DWP has issued letters (addressed from 10 Downing Street and with the Prime Minister's signature) to claimants it expects to benefit, telling them their UC will increase by up to £303.94 a month (the rate of the child element). The inclusion of an additional child element is a supersession on the grounds of a change of circumstances. If the DWP is already aware that the claimant is responsible for a third or subsequent child, the change of circumstances is the change in legislation, and this takes effect from the assessment period starting on or after 6 April 2026.[2] Note this means that some families may not have felt the impact of the abolition of the two-child limit yet as it depends on the date their assessment period starts. For example, a claimant with an assessment period starting on the 5th of each month will only have the additional child element included in the assessment period starting on 5 May to 4 June, and the payment received up to 7 days later.

Claimants who did not report responsibility for a child

One of the effects of the two-child limit, as reported to CPAG's advice line and Early Warning System, is that some claimants have not declared the birth of another child to UC, as they did not see the point if they would not be any better off. If the DWP is not aware that the claimant has a third or subsequent child in the assessment period starting on or after 6 April, the supersession will not happen until the claimant reports this change, and responsibility for the child may have to be verified. If this happens in a later assessment period, it is likely that the DWP will only include the additional child element from the assessment period in which the change is notified, as this is a change of circumstances the claimant is expected to report.[3] In these cases, arguably the child element can be backdated to the assessment period starting on or after 6 April, if all the following conditions for late notification of a change of circumstances are met:[4]

1. The claimant must apply for an extension of time.
2. The application must contain details of the change of circumstances and the reasons for the failure to notify on an earlier date, and must be made within 13 months of the date on which the change occurred.
3. The DWP must be satisfied it is reasonable to grant the extension, and no account must be taken of the fact that the claimant or any person acting for them was unaware of, or misunderstood, the law.
4. The change of circumstances notified by the claimant must be relevant to the decision to be superseded.
5. The DWP must be satisfied that, due to special circumstances, it was not practicable for the claimant to notify in the assessment period in which the change occurred, having regard to the principle that the longer the amount of time, the more compelling the special circumstance must be.

If the change is the fact that the claimant has become responsible for another child, the date of change would usually be the child's date of birth, and if this is more than 13 months ago, condition 2 above would not be met. Arguably, the change is that the claimant is responsible for a child for whom a child element is payable, the date this change occurred was the start of the assessment period on or after 6 April and the 13 months could start from that date. However, in either case, under point 3 above, ignorance or misunderstanding of the law is not considered. There must therefore be some other compelling special circumstances, such as illness or disability, which meant the claimant could not report the change earlier. A further argument to try would be that the relevant change of circumstances is the change in the legislation, so should take effect from the date it comes into force, regardless of when the claimant notifies responsibility for the child, even if this is years later.[5]

Backdating exceptions or additional amounts?

A further complication may come to light if an exception, disabled child addition or childcare costs should have applied to a child who has not been reported to UC. For an exception to be backdated for a period before 6 April 2026 when the two-child limit was in effect, the conditions for late notification of a change must be met. If the claimant did report the change, and was notified by the DWP that a child element was not payable due to the two-child limit, when an exception should have applied, this would be an official error and the decision can be superseded at any time. For the disabled child addition, backdating is usually possible on qualifying benefit grounds regardless of when the disability benefit is notified to the DWP.[6] However, the disabled child addition is only payable for a child for whom the claimant is responsible[7], so it is not clear whether this can be backdated for a period when the DWP had not been notified that the claimant is responsible for the child. For childcare costs, these must be notified also be in respect of a child for whom the claimant is responsible, and after the assessment period following the one in which costs were paid, the conditions for late notification must be met.[8]

Erosion of transitional element

Some claimants on UC are entitled to a transitional element in UC following migration from legacy benefits and tax credits. The inclusion of a child element for the first time is a "relevant increase" which will reduce the transitional element.[9] If the additional child element (or elements) combined with the inflation uprating of other UC rates adds up to more than their transitional element, that will be reduced to nil and the claimant will only be better off by any increase in excess of the transitional element. If their transitional element is more than the relevant increases, it will be reduced by the additional child element (or elements) and uprating in full, so the claimant will be no better or worse off.

Previous legal challenges to the erosion of the transitional element on human rights and discrimination grounds have been successful in cases where claimants were left worse off as a result, but that does not apply in this case. It may be arguable that erosion is contrary to the Parliamentary intention in abolishing the two-child limit: *"As a result of this measure, an amount will be included in the UC calculation for all children or qualifying young people in the household, increasing the amount of welfare support available to families on UC with three or more children or qualifying young people."* [10]

Benefit cap

There have been two separate policies over the past decade that targeted children in larger families. The two-child limit affected children born on or after 6 April 2017, but the benefit cap, introduced in the Welfare Reform Act 2012, affected children in some families, regardless of when they were born. The benefit cap limits the total amount of UC (including the housing costs element), child benefit and certain other benefits such as ESA, JSA, MA to £1,835 a month for couples or lone parents outside Greater London. It is only the two-child limit that has been abolished, the benefit cap remains in place and has been frozen for the third consecutive year.

The table below shows when entitlement to UC plus child benefit exceeds the benefit cap in different circumstances. For housing costs, the local housing allowance (LHA) is used for the lowest and highest private sector rents broad rental market areas in Scotland. The figures in red exceed the benefit cap. Many families with two children plus housing costs may be affected by the benefit cap, and all families with three children plus housing costs. Even with no housing costs, some families with three children, and all families with four or more children would be exceed the benefit cap.

Number of children*	No housing costs	Lowest LHA – Dumfries & Galloway	Highest LHA - Edinburgh

Lone parent under 25 + 2 children	£1,141.24	£1,590.00	£2,108.57
Lone parent 25+ + 2 children	£1,227.56	£1,676.32	£2,194.89
Couple under 25 + 2 children	£1,331.00	£1,779.76	£2,298.33
Couple 25+ + 2 children	£1,469.63	£1,918.39	£2,436.96
Lone parent under 25 + 3 children	£1,522.75	£2,021.39	£2,893.99
Lone parent 25+ + 3 children	£1,609.07	£2,107.71	£2,980.31
Couple under 25 + 3 children	£1,712.51	£2,211.15	£3,083.75
Couple 25+ + 3 children	£1,851.14	£2,299.90	£3,222.38

*All children born after 6 April 2017 – if one child is born before that date, add £47.94

Exemptions to the benefit cap

The exemptions to the benefit cap are completely different to the exceptions to the two-child limit, and apply in wider circumstances:

- Earning at least 16hrs x minimum wage = £881 in a UC monthly assessment period, or
- Earning at least 16hrs x minimum wage for one year, the benefit cap is not applied for a grace period of nine months,
- Or getting a disability or carer benefit:
    - UC limited capability for work-related activity element in UC; or
    - new-style ESA that includes the support component; or
    - carer's allowance, carer support payment, guardian's allowance or UC that includes the carer element; or
    - attendance allowance or pension age disability payment (including if it is not paid because of being in hospital or a care home); or
    - disability living allowance, Scottish adult disability living allowance, child disability payment, personal independence payment, adult disability payment or armed forces independence payment. This exemption also applies if the person entitled is a child for whom you or your partner are responsible. The exemption continues if the person entitled is not paid benefit while they are in hospital or a care home; or
    - industrial injuries disablement benefit, reduced earnings allowance or retirement allowance; or

- a war pension, or a guaranteed income payment or survivor's guaranteed income payment under the Armed Forces Compensation Scheme (including if it is not paid because of being in hospital or a care home).

If the claimant meets the condition for an exemption, the benefit cap does not apply, and total UC plus child benefit and other benefits may exceed £1,835 a month.

Discretionary housing payments (DHPs)

When the benefit cap exceeds the rent

The Scottish government has been funding local authorities to mitigate the benefit cap as fully as possible since the beginning of 2023. When the first Scottish Discretionary Housing Payment guidance manual was published in 2024 and revised in 2025, it included further detail about using DHPs to mitigate the benefit cap.

Prior to this manual being published, DHPs could not exceed the housing benefit or housing element of universal credit. However, the new guidance states that other housing costs can be taken into account in addition to the rental liability to allow the benefit cap to be mitigated in full.

8.2 In benefit cap cases a DHP award can be made above the eligible rent up to either the total amount removed by the cap, or total housing costs, whichever is lower. Housing costs are those which can be reasonably incurred in connection with housing.

3.2 Specifically in cases where individuals have been affected by the benefit cap, and have had their benefits reduced by more than their rent, further discretion should be exercised to take in to account other costs associated with housing. Any costs considered to be reasonably incurred in connection with housing to ensure the accommodation is habitable can be considered. For example, but not limited to, housing costs such as electricity, gas, heating bills, and service charges may be paid, in combination with rent, up to the level of the capped amount. LAs may make local policy decisions on what evidence of other housing costs they are willing to accept in support of a claim.

For example:

Lyra is a lone parent of four small children and subject to the benefit cap.

Her maximum UC is £2240 including a housing element of £600 for rent.

She gets £350 child benefit (CB), so her UC is reduced to £1485 (£1835 - £350).

If she was not subject to the benefit cap she would get £2240 UC + £350 CB = £2590

Under the old scheme her maximum DHP would be £600 (the equivalent of the housing element) but this would still leave her £155 short of £2590.

Under the new guidance she applies for a DHP citing her £600 rent and £155 utility bills allowing a DHP to be awarded for £755, fully mitigating the benefit cap.

Who misses out?

DHPs can only be awarded to people who are getting housing benefit or the housing element of UC. There will be some people who are subject to the benefit cap, but who cannot get DHPs because they do not have housing costs, for example living with friends or family, or homeowners – including those with a mortgage.

For example, if Lyra, our lone parent of four small children had a mortgage instead of rent, she would still be subject to the benefit cap, but she would not be eligible for a DHP.

Her maximum UC would be £1640.

She would get £350 child benefit, so her UC would be reduced to £1485. (£1835 - £350)

If she was not subject to the benefit cap, she would get £1640 UC + £350 = £1990

The benefit cap means she loses £155 a month, and this cannot be mitigated by a DHP.

Council tax reduction

The council tax reduction scheme in Scotland has never had a two-child limit. The calculation is based on a comparison of the claimant's applicable amount according to their circumstances, and their income. If their income exceeds their applicable amount, the council tax to pay is 20% of the excess, up to the maximum liability depending on band, discounts, etc. When calculating the applicable amount, all children should have been included throughout the period the two-child limit was in force, and child elements in council tax reduction are substantially higher than the UC child element, which adds further protection for families with children. However, when income is calculated, "relevant UC payments" are included as unearned income, and this is defined as child elements of UC, or the total UC payable if this is less.[11] For claimants whose income exceeds their applicable amount, this means they have more council tax to pay when the additional child elements are included in their UC. They are still better off overall but this may be an unexpected consequence. There are no grounds to review this change, as it follows the regulations, so a change in legislation would be required.

What next?

UK government

CPAG will continue to campaign for the abolition of the benefit cap. Whilst the Scottish government is committed to mitigating the cap as fully as possible, some families will miss out, either because they did not apply for a discretionary housing payment or because they were not entitled. Across the rest of the UK support for families affected by the cap is on a more arbitrary basis.

CPAG will also campaign for an improvement in the adequacy of the social security system, for example increasing the value of universal credit and child benefit.

Scottish government

In Scotland, we are campaigning for an immediate increase of Scottish child payment to £40 per week for all eligible children, then to £55 per week by 2030.

At the beginning of this year, we published our findings from a two-year project, Strengthening Scottish Social Security, that explored why some families on a low-income are excluded or are not benefitting fully from Scottish child payment. We will be promoting the recommendations in the report, which are designed to widen eligibility to Scottish child payment and allow Scottish child payment to become a reliable source of income to low income workers whose earnings or benefit entitlement fluctuates.

[1] Children's benefits in Scotland: clearing up confusion to maximise take up, CPAG, February 2025
[2] The Universal Credit, Personal Independence Payment, Jobseeker's Allowance and Employment and Support Allowance (Decisions and Appeals) Regulations 2013 Schedule 1, para 32
[3] Written questions and answers – Stephen Timms 30 March 2026 UK Parliament & Universal Credit if you have children - GOV.UK 'Add a child to your claim'
[4] The Universal Credit, Personal Independence Payment, Jobseeker's Allowance and Employment and Support Allowance (Decisions and Appeals) Regulations 2013 Reg 36
[5] The Universal Credit, Personal Independence Payment, Jobseeker's Allowance and Employment and Support Allowance (Decisions and Appeals) Regulations 2013 Schedule 1, para 32
[6] The Universal Credit, Personal Independence Payment, Jobseeker's Allowance and Employment and Support Allowance (Decisions and Appeals) Regulations 2013 Schedule 1, para 31
[7] The Universal Credit Regulations 2013 Reg 24
[8] The Universal Credit Regulations 2013 Reg 33(1)(a)
[9] The Universal Credit (Transitional Provisions) Regulations 2014 Reg 55
[10] The Universal Credit (Removal of Two Child Limit) Bill Explanatory Notes
[11] The Council Tax Reduction (Scotland) Regulations 2021 Reg 57(2)(d)