



UNIVERSAL CREDIT

January 2021

Child Poverty Action Group works on behalf of the more than one in four children in the UK growing up in poverty. It doesn't have to be like this. We work to understand what causes poverty and the impact it has on children's lives, and how it can be prevented and solved – for good.

We provide training, advice and information to make sure hard-up families get the financial support they need.

Introduction

Universal credit is replacing means-tested benefits and tax credits for working age people. The only means-tested benefit for working age claimants who need to make a new claim is universal credit.

Who can get universal credit?

You can get UC if you meet the following basic conditions.

- You must usually be at least 18 years old (16/17 year olds can claim in special cases such as parents, disabled people or if you are estranged from your parents).
- You must be under pension age (one member of a couple may be over pension age).
- You must usually not be receiving education, although some students can claim (mainly parents, disabled students or young people without parental support).
- You must accept your claimant commitment.

You must not have more than £16,000 in capital and your income must be low enough. If you have between £6,000 and £16,000 in capital (savings, property other than your home), you are treated as having an income of £4.35 a month for every £250, or part, above £6,000). Some income is disregarded – eg, child benefit, while other income is taken into account in full, e.g. pensions. Some of your earnings are ignored (see below).

Which benefits are going?

The following, known as 'legacy benefits', are being abolished and replaced by UC:

- income support (IS);
- income-based jobseeker's allowance (JSA);
- income-related employment and support allowance (ESA);
- housing benefit (HB) – except for people in temporary or supported accommodation;
- child tax credit (CTC);
- working tax credit (WTC).

You cannot make new claims for these benefits. You can still claim CTC if you already get WTC, and you can claim WTC if you already get CTC.

Benefits other than those listed above are not being replaced by UC. You can continue to claim other benefits such as contribution-based JSA, contributory ESA, child benefit, carer's allowance, bereavement support payment and personal independence payment.

What happens to existing claimants?

If you are currently getting legacy benefits you can continue to get them. However, a change of circumstances may mean you have to claim universal credit instead, for example:

- becoming responsible for a child for the first time;
- a couple with children separating;
- a lone parent becoming part of a couple;
- becoming liable for rent for the first time;

If you claim UC your existing legacy benefits will end (after a two-week run-on of IS/ESA/JSA and HB) – even if you don't get UC. Eventually, existing claimants will be moved onto universal credit even if there has been no change of circumstances. This process is referred to as 'managed migration' and is planned to happen for most claimants between 2021 and 2024. There are rules intended to ensure that claimants do not lose out in this process.

How much is universal credit?

Universal credit is made up of a standard allowance for a single or couple and elements for:

- children;
- additional amounts for disabled children;
- rent or certain service charges for unemployed owner occupiers;
- limited capability for work-related activity;
- regular and substantial caring responsibilities for a severely disabled person;
- 85 per cent of registered childcare costs, within limits.

UNIVERSAL CREDIT RATES 2020/21	
Standard allowance	Amount for each monthly assessment period
single claimant aged under 25	£342.72
single claimant aged 25 or over	£409.89
joint claimants both aged under 25	£488.59
joint claimants where either is aged 25 or over	£594.04
LCW and LCWRA elements—	
limited capability for work (<i>pre-3 April 2017 claims only</i>)	£128.25
limited capability for work-related activity	£341.92
Carer element	£162.92
Child element—	
first child or qualifying young person (<i>born before 6 April 2017 only</i>)	£281.25
Other child/ qualifying young person (<i>subject to two child limit</i>)	£235.83
Additional amount for disabled child/ qualifying young person—	
lower rate	£128.25
higher rate	£400.29
Childcare costs element—	85% of actual costs up to:
maximum monthly amount for one child	£646.35
maximum monthly amount for two or more children	£1,108.04
Housing costs	Variable
Housing costs contribution	Deduct £75.15
Work allowance – claimants responsible for a child or with limited capability for work only	
Housing costs element included	£292
No housing costs element included	£512
Taper (applies to earned income)	63%

Employed or self-employed earnings

Universal credit uses HMRC's 'real-time information' system to identify earnings when they are paid. If you are paid through PAYE you don't need to report changes in these earnings, but you should check the amount shown.

However, if the amount received in an assessment period is not an accurate reflection of your actual earnings in that period (for example if you had two paydays in one assessment period because of a bank holiday), you can ask for your UC calculation to be adjusted.

If you are self-employed and on a low income, you may be assumed to have a certain level of earnings, equal to the minimum wage for the hours you are expected to work. This does not apply during the first twelve months of starting a new business, and may be waived during the coronavirus pandemic. Self-employed people have to report profits every month.

What are the work allowance and taper?

The work allowance is the amount people with children and people with limited capability for work are allowed to earn before universal credit is reduced.

The taper is the rate at which maximum universal credit is reduced by earnings. Maximum UC is reduced by 63 per cent of earnings above the work allowance. If you are not eligible for a work allowance, maximum UC is reduced by 63 per cent of any earnings.

Benefit cap

The maximum award is subject to the 'benefit cap' – this is £1,666.67 a month for couples or lone parents and £1,116.67 a month for single claimants without children. The cap includes other benefits such as child benefit, but is implemented by reducing the amount of UC you get.

The benefit cap does not apply in the following cases.

- Someone in your household gets disability living allowance, personal independence payment or industrial injuries benefits, carer's allowance or guardian's allowance.
- You or your partner have limited capability for work-related activity.
- You or your partner get a war disablement pension or war widow's/widower's pension.
- Your earnings or your combined earnings with your partner are at least £604 a month.
- You or your partner are unemployed after working for at least 12 months (you are exempt from the benefit cap for nine months).

If you are affected by the benefit cap you can apply for a Discretionary Housing Payment from your local authority.

Child element

You get a child element for a child for whom you are responsible. The child must be normally living with you. The child element continues until the 1 September after the 16th birthday, or if s/he is in full-time non-advanced education, until the 1 September after the 19th birthday. If the child normally lives with two or more people, you must have main responsibility for the child. You get the higher rate for one child born before 6 April 2017.

Two child limit

You can get a child element for all children born before 6 April 2017. You cannot usually get a child element for a child born on or after 6 April 2017 if you already have two or more children included in your award, unless an exception applies:

- a multiple birth, other than the first child in a multiple birth;
- adopted by you from local authority care, or placed with you for adoption;
- a child for whom you are responsible under 'non-parental caring arrangements', under certain legal provisions or who would otherwise be at risk of going into care, or a child whose parent is a child or qualifying young person for whom you are responsible;
- likely to have been conceived as a result of rape or in a coercive or controlling relationship ('non-consensual conception').

A child who comes under the exception for adoption or non-parental caring arrangement is entitled to a child element and is not counted for the purposes of the two child limit.

What about conditionality and sanctions?

There are usually work-related conditions on your entitlement to universal credit and the possibility of sanctions if you do not comply.

You must accept a '**claimant commitment**' as a condition of receiving universal credit. You are then placed into one of the four following groups:

No work-related requirements:

- people with limited capability for work-related activity because of ill health or disability – ie, those in the support group for ESA;
- lone parents or the main carer in a couple with a child under one;
- carers for a severely disabled person;
- over pension age;
- people in work earning above a set threshold ('in-work conditionality' – see below).

Work-focused interview requirement only:

- lone parents or the main carer in a couple with a child aged one;

- lone foster carers or the main carer in a fostering couple, with a foster child under the age of 16;
- people who have become a 'family and friends carer' for a child in the past year.

People in this group are required to attend periodic interviews to discuss their plans for returning to the labour market.

Work preparation and work-focused interview requirements:

- people with limited capability for work because of health or disability – ie, those in the work-related activity group for ESA;
- lone parents or the main carer in a couple with a child aged two.

People in this group are expected to take reasonable steps to prepare for work, such as attending a skills assessment, improving personal presentation, participating in training or an employment programme, and undertaking work experience or a work placement.

All work-related requirements:

Most other claimants, including lone parents and the main carer in a couple with children aged three or over, are subject to a work search requirement (including spending a set amount of time each week on making applications and registering with employment agencies, etc.) and a work availability requirement (subject to limitations as agreed).

This list is not exhaustive - there are other circumstances that mean you may be included in each group and some requirements may be temporarily lifted. Each adult in a household is placed into her/his own conditionality group depending on her/his individual situation.

In-work conditionality

If you are doing some work, you may be required to look for more work if you are earning below the minimum wage x 35 hours a week (or less if reduced availability for work has been agreed). This is initially being introduced on a trial basis and you must be notified.

Sanctions

'Higher level sanctions' may be imposed on you if you are subject to all work-related requirements. This includes failure for no good reason to prepare or apply for work, take up an offer of paid work; and ceasing work or losing pay voluntarily or through misconduct. This may result in a reduction of your award, for a maximum of twenty-six weeks, depending on the number and regularity of such failures. The amount sanctioned is the same as the adult standard allowance, or half of it if one member of a couple is sanctioned. Other sanctions may be imposed if you are subject to work preparation requirements for failure to undertake work-related activity, or in the work-focused interview group for failure to attend an interview. These may be imposed for a period until you meet the compliance condition, or for up to 26 weeks.

Hardship payments may be available if you have been subject to sanctions and are, or will be in 'hardship'. Hardship payments are payable at 60 per cent of the standard adult allowance, and are recovered in future.

How do you claim and get paid?

Universal credit is administered by the Department for Work and Pensions (DWP). Couples must make a joint claim. You must normally claim online and subsequent contact must usually also be online, including having access to an online account with details of your award and a facility for reporting changes of circumstances.

Payments are usually monthly, paid directly by the DWP into your account, including amounts for rent. There is provision for alternative payment arrangements, including to split payments for a couple if it appears necessary to protect the interests of you or your family.

Short-term advance

You can request an advance within five days of your claim, or following a change of circumstances, of up to 100% of your estimated entitlement. This is discretionary and you must be in financial need. A short-term advance is usually recovered over 12 months.

Budgeting advance

You can ask for a budgeting advance to meet an intermittent expense (eg, furniture, household equipment, childcare costs, rent in advance or a deposit). Unless the payment is for expenses for getting or keeping work, you must have been receiving UC (or IS, JSA or ESA) continuously for at least 6 months. Advances are discretionary, with no right of appeal, and are recovered by deductions over 12 months.

Scottish choices

The Scottish Government has some control over payment of UC. In Scotland, claimants have the right to request to:

- be paid UC twice a month rather than monthly;
- have the UC housing element paid direct to landlords.

There is no requirement for any special circumstances and the DWP must agree to a request unless it considers it to be unreasonable. The twice-monthly payment can only be requested after the end of the first monthly assessment period, so that the next payment at the midpoint of the month will be for half the expected monthly entitlement.

Is there a right of appeal?

There is a right of appeal to the First-tier Tribunal against decisions concerning entitlement to UC and sanctions, as with the current benefits and tax credits system. However, you must first request a mandatory reconsideration before you can appeal.

FURTHER INFORMATION AND ADVICE

CPAG'S ADVICE LINES FOR ADVISERS AND SUPPORT WORKERS

Scotland

0141 552 0552 Monday to Thursday, 10am to 4pm, Friday 10am to 12 noon

Email: advice@cpagscotland.org.uk for any benefit issue

CPAG'S advice lines are only for frontline workers. If you are having problems with your own universal credit claim and are in need of advice you should contact your local [Citizens Advice Bureau](#) or other local welfare rights service.

Department for Work and Pensions

Universal Credit Helpline

Telephone: 0800 328 5644

Welsh language: 0800 328 1744

NGT Text Relay: 18001 then 0800 328 5644

Textphone: 0800 328 1344

Website: gov.uk/universal-credit

EARLY WARNING SYSTEM

The Early Warning System gathers information and case studies about how changes to the benefit system are affecting the wellbeing of children, families and the communities and services that support them. This helps us explain the impact on families and work for improvements in the system, to deliver better outcomes for children.

Find out more and how to get involved at cpag.org.uk/policy-campaigns/early-warning-system

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