Crisis Policy Briefing

Universal Credit:
Frequently Asked Questions

March 2017

Introduction

Universal Credit is the Government's new, simplified working age welfare system, rolling several benefits and tax credits into one single household payment. This document is intended to answer some of the more frequently asked questions about Universal Credit. It is not intended to cover every detail of how Universal Credit will work.

Contents

1. Universal Credit – the basics

1.1 What is Universal Credit?

Universal Credit rolls several existing benefits into one– for people who are in work and on a low income as well as those who are out of work.

Universal Credit is a single payment made up of different amounts depending on a household's circumstances. As well as a basic amount called the standard allowance, it can include additional support for the cost of housing, children and childcare, and the extra costs of bringing up a child with a disability. It is 100 per cent means tested and replaces the following benefits:

- Income-based Jobseeker's Allowance
- Income-related Employment and Support Allowance
- Income Support
- Child Tax Credits
- Working Tax Credits
- Housing Benefit

Other benefits will remain, including contribution-based Jobseeker's Allowance; contribution-based Employment and Support Allowance; Personal Independence Payment (or Disability Living Allowance), Child Benefit; and Carer's Allowance. So, even after 2021, some claimants will claim these benefits alongside Universal Credit.

1.2 When will it come in?

Universal Credit has already been introduced for some people. It is being rolled out gradually across the country and is expected to fully replace the current benefits system by 2021.

April 2013	First introduced in North West England, only for new single claimants with the most straightforward claims
June 2014	First claims from couples
Nov 2014	First claims from families (couples with children and lone parents)
Feb 2015	Full national roll-out began for simple claims from single people
May 2016	National roll-out of the full service begins (for all new benefit claimants)
2017	Test phase of migration to Universal Credit for some in receipt of 'legacy' benefits (Jobseeker's Allowance, Housing Benefit etc.)
2018	Migration to Universal Credit expected to roll out nationwide for those in receipt of 'legacy' benefits
2022	All claimants expected to be on Universal Credit

Universal Credit will run alongside the current benefits system during the roll-out. This means some new claimants will receive Universal Credit, whilst others will continue to receive their current ('legacy') benefits.

1.3 How much will people get?

The amount households will receive depends on their circumstances, including how many people are in the household, whether they are claiming any of the additional support mentioned above and how many hours (if any) they are working. The standard allowance for single over 25 year olds is frozen at £73.10– the same rate as Jobseeker's Allowance– until 2020/21.

2. Making a claim and receiving Universal Credit

2.1 Who is eligible for Universal Credit during the roll-out?

Universal Credit is available in every jobcentre in the country. This is a reduced version of the full Universal Credit system called the 'live service'. In most parts of the country this is only available to single jobseekers making a new claim with straightforward circumstances. Jobseekers who are homeless or live in supported or Temporary Accommodation are not eligible for Universal Credit in these areas, and should be encouraged to claim Jobseeker's Allowance instead.

From May 2016, the full service of Universal Credit is being gradually rolled out across the country. This includes all the online features of Universal Credit and will be open to all new claimants. Everyone making a new claim in these areas will have to apply for Universal Credit and will no longer be able to make a claim under the 'legacy' benefit system. In certain cases people receiving benefits under the old system will have to make a new claim for Universal Credit if their circumstances change.

Universal Credit operates on the principle that once an individual has made a claim for Universal Credit, they will no longer be able to claim under the old benefits system, even if their circumstances change.

2.2 What will happen to existing claimants?

People already claiming 'legacy' benefits will continue to do so. Some people who are claiming these 'legacy' benefits will be moved onto Universal Credit during 2017. This will be a test phase, after which wider, national migration is expected to begin in 2018. If people's circumstances remain the same they should not lose out at the point at which they switch over to Universal Credit as there will be 'transitional protections' in the form of extra payments to ensure the Universal Credit award is not less than a claimant would otherwise have received.

As outlined above, if someone has a change of circumstances which mean they need to open a new benefit claim, they may have to make a claim for Universal Credit.

2.3 How will new claimants make a claim?

Universal Credit will be administered centrally by the Department for Work and Pensions (DWP) and not through a local office. Claims will have to be made on the internet, with claimants each having their own online account where they can report changes in circumstances.

2.4 How will Universal Credit be paid?
In general, Universal Credit will be paid in one monthly instalment, in arrears and directly into an account chosen by each household, such as a bank, building society or credit union account. This payment may include money intended to cover housing costs. Where a household is making a claim, one member of the household will usually receive the whole payment.

2.5 What about people who don't have access to the internet or can't use a computer?
Jobcentres should provide access to the internet or tell people about local places that provide free internet use. DWP has a helpline for people who need help making their claim online (Telephone 0345 600 0723 and Textphone 0345 600 0743). There is no paper application form for Universal Credit but in some cases claimants may be able to make a claim by phone or face-to-face.

DWP has run some pilot projects with local authorities aimed at helping claimants who need support accessing the internet or a computer, or who need help to improve their IT skills. This support package, called Universal Support delivered locally, is currently being evaluated.

2.6 Will there be any budgeting support or other ways of being paid for those who are struggling to manage their money?
All new claimants should be offered money advice when they first make a claim, either online, by phone or face-to-face. This package of support is offered through local authorities, and is called Universal Support delivered locally.

In some circumstances claimants will also be able to receive their payment in a different way. These are called Alternative Payment Arrangements and allow for the following:

- the housing element to be **paid directly to landlords** (see **4.4** for more details);
- the claimant to receive **more frequent payments**, usually fortnightly;
- the **payments to be split** between members of a household in certain specific situations such as financial mismanagement or domestic abuse.

Alternative Payment Arrangements can be considered at any time during a claim. Jobcentre Plus work coaches consider whether an Alternative Payment Arrangement is needed on a case-by-case basis, and make recommendations to Universal Credit staff centrally to put these arrangements in place. Alternative Payment Arrangements are subject to review and the work coach should continue discussing the claimant's financial capability with them so that when the review date is reached they can make a decision as to whether there is an on-going need for these arrangements.

Direct payments to the landlord will usually be put in place once a claimant is two months in rent arrears. Claimants can also access an Alternative Payment Arrangement if they are particularly likely to struggle. Guidance for Work Coaches makes clear that the following factors mean the claimant probably needs an Alternative Payment Arrangement:

- Homeless
- In temporary or supported accommodation
- Drug/ alcohol/ other addiction
- Mental health condition
- Domestic violence/ abuse
- Rent arrears/severe debt problems

2.7 What if a claimant doesn't have a bank account?

Universal Credit has been designed to be paid directly into a bank, building society or credit union account and most claimants will be paid this way.

In exceptional cases Universal Credit can be paid into a Post Office card account, but this will only be possible if a claimant is unable to open or manage a transactional account.

In January 2016 nine major banks launched fee-free basic bank accounts. These accounts should be made available to people who are ineligible for a bank's standard current account (and who either don't have a bank account or do have one but want to switch provider or have their existing provider open a new, functional account for them because of financial difficulty).

The accounts are designed to help people manage their money without having to worry about running up an overdraft. These new basic bank accounts do not impose bank charges if a direct debit or standing order fails and allow customers to access the entire ATM network as well as all the standard over-the-counter services at bank branches and at the Post Office.

2.8 How long will claimants have to wait between making a claim and receiving Universal Credit?

New claimants should receive their first payment around six weeks after the date on which they make a claim. This is made up of seven 'waiting days', one calendar month (since Universal Credit is paid a month in arrears) plus a further seven days to process the claim. Claimants are not entitled to Universal Credit during the seven waiting days. This means they will be paid six weeks in arrears, but only five weeks' worth of entitlement.

Some people are exempt from waiting days, including victims of domestic violence, young people leaving care and prison leavers. There is no specific exemption for people who are homeless.

Claimants migrating to Universal Credit from a 'legacy' benefit will not serve waiting days. Claimants who have a gap of up to six months in their Universal Credit claim because of increased earnings will similarly not serve waiting days.

2.9 Can claimants get any help while waiting for their first payment?
Claimants struggling financially while waiting for their first Universal Credit payment can apply for a Universal Credit Advance. This is a loan of up to half their expected first payment which is deducted in instalments out of future Universal Credit payments.

Universal Credit Advances will also be available to claimants transferring onto Universal Credit from the current benefits system.

For one-off items of expenditure during a claim, such as furniture, white goods or a rent deposit, Universal Credit claimants can apply for a Budgeting Advance. These will eventually replace Budgeting Loans and are similarly paid off through future Universal Credit payments. The minimum amount that can be borrowed is £100 and the maximum is £348 for single people without dependent children, £464 for couples without dependent children and £812 for those (either singles or couples) with children.

2.10 What happens if a claimants' circumstances change?
Universal Credit is paid monthly and in arrears. It is calculated to reflect, as closely as possible, the actual circumstances of a household for the previous month, including any earnings reported by the employer during that period. This means the amount paid can be adjusted to reflect changes in earnings from month to month.

If circumstances other than earnings change, then the change in award applies to the whole of that month's payment, regardless of when in the month the change occurred. For example:

- A claimant receives their Universal Credit payment on 15th of each month. This means it is always calculated based on their circumstances between 9th of the previous month and 8th of the current month (one full calendar month–referred to as the claimant's 'assessment period'– plus seven days for DWP to process the claim). On 1st August the claimant's landlord increases their rent (but still within the Local Housing Allowance rate). When the claimant receives their Universal Credit payment on 15th August it has been increased to reflect the higher rent as though the rent increase had taken place on 9th July.

- Then, on 1st December, the claimant moves to another property where the rent is lower. When they receive their Universal Credit payment on 15th December it has been decreased as though they had been paying this lower rent since 9th November.

If a change in circumstances (other than earnings) results in an increase in entitlement, the claimant will only receive the higher payment that month it they inform DWP of the change before the assessment period (the period on which the payment is based) is up. So in the first example above, the claimant would have to inform DWP by 8th August that their rent had increased. The increase in payment cannot be backdated. If a change in circumstances results in a decrease in entitlement and the claimant fails to notify DWP in time, the higher payment will be considered an overpayment and must be paid back out of future Universal Credit payments.

2.11 Can new claims be backdated?
Backdating of Universal Credit payments will only be allowed up to one month and only in limited circumstances such as ill health, disability or if the system has failed meaning the claimant is out of pocket.

2.12 Will people be able to receive Universal Credit if they, or a member of their household, is temporarily absent from home?
As a general rule people must be in Great Britain to be eligible for Universal Credit. However, people can go abroad for up to a month without this affecting their claim (although they may still be subject to work-related requirements during this time). This temporary absence can be extended to two months if a claimant's partner or child dies, and up to six months if a claimant or their child is undergoing medical care abroad.

In some circumstances the housing element can be protected for up to six months during a period of absence from the home. This includes if a member of the household is imprisoned or taken into care.

3. Work, conditionality and sanctions

3.1 Will people be better off under Universal Credit if they start working?
Part of the Government's rationale for introducing Universal Credit is to make sure people will be better off if they move into work. Various cuts to Universal Credit have made it increasingly less generous compared to when it was first designed. Independent analysis from the Institute for Fiscal Studies suggests that there will be some winners and some losers compared to the current benefits system, but that work incentives will still be stronger overall under Universal Credit.[1]

There are two main differences in the way that Universal Credit is withdrawn as claimants move into work. These are the work allowance (the amount people can earn before benefit is withdrawn– formerly known as the 'earnings disregard') and the taper (the rate at which benefits are withdrawn when someone moves into work):

- There is no work allowance for single people with no dependent children (original plans for Universal Credit foresaw a £111 per month work allowance, compared to the standard disregard for single people of £5 a week in the current benefits system). There will continue to be a work allowance for disabled people and for

[1] Browne, J., Hood, A. & Joyce, R. (2016) *The (changing) effects of universal credit.* London: Institute for Fiscal Studies

households containing children. This is £397 per month for those claiming support for housing costs and £192 for those who aren't.

- The taper for Universal Credit is 65 per cent (compared to up to 96 per cent currently) meaning claimants will effectively be able to keep 35p in every £1 they earn above the work allowance (for those claimants who have one).

The current system of 'permitted work', which enables disabled people to do a certain amount of work without their benefit claim being affected, will not continue under Universal Credit (although they will be able to take advantage of the Work Allowance).

3.2 What if someone's earnings fluctuate?
Universal Credit is designed to adjust as people move in and out of work, or have erratic earnings (see 2.10). This means people don't have to keep opening a new benefit or tax credit claim every time their circumstances change.

3.3 Will there still be run-ons for people moving into work, as there is now with Housing Benefit?
No. There are no run-ons or extended payments after moving into work under Universal Credit. These should no longer be necessary because of the changes to the taper and earnings disregard and because calculations will be made automatically and in real time (see 3.1).

3.4 Will conditionality and sanctions continue under Universal Credit?
Yes. The conditionality and sanctions regime has already been toughened in anticipation of the introduction of Universal Credit.

In order to receive Universal Credit, claimants must accept a 'Claimant Commitment'. This sets out what the claimant is expected to do as a condition for receiving Universal Credit. The Claimant Commitment has already been introduced for many Jobseeker's Allowance claimants.

Failure to comply with the work-related requirements set out in a 'Claimant Commitment' can result in a reduction in the amount of Universal Credit the claimant receives. This is usually 100 per cent of the 'standard allowance' for a set period. Claimants will not be able to receive more than one sanction within a two week period.

Unlike the old system, sanctions will run back-to-back instead of concurrently. This means, for example, that if a claimant receives a three month sanction and a six month sanction within three weeks, they will effectively be sanctioned for nine months.

3.5 Will claimants who are in work be subject to conditionality and sanctions?
Most Universal Credit claimants earning below the 'Conditionality Earnings Threshold' (a maximum of the equivalent of 35 hours at the National Minimum Wage – in future the National Living Wage for over 25s) will be required to participate in two telephone interviews with their work coach once they enter work.

The Government is currently trialling in-work conditionality with a series of pilots. Until those trials are evaluated, the majority of claimants (who won't be involved with the trials) will not be subject to any additional conditionality or sanctions.

Sanctions received before moving into work will continue whilst the claimant is working. However, sanctions will be cancelled if the claimant works for six consecutive months or more above the conditionality earnings threshold.

3.6 Will sanctioned claimants still be able to get hardship payments?
Yes. Claimants can apply for a Hardship Payment if they are sanctioned, but only if they can show that they are unable to meet their basic needs. These are paid at 60% of the amount that has been withdrawn. Unlike the old system this is a loan so has to be paid back in instalments out of future Universal Credit payments.

3.7 Will support for housing costs be affected by sanctions?
For out of work claimants a sanction will only apply to the 'standard allowance' of Universal Credit. This means that if they receive the housing addition of Universal Credit this will continue to be paid during a sanction period.

Claimants who are sanctioned under the new in-work conditionality rules may not receive the full standard allowance, as this reduces in line with earnings (see 3.1 for details of the taper). This may mean that the housing addition of Universal Credit is reduced as a result of a sanction.

4. Housing

4.1 How are housing costs calculated under Universal Credit?
Universal Credit payments can include money towards a claimant's housing costs.

For private tenants the housing addition is set at the Local Housing Allowance rate– based on the number of rooms that a household is deemed to need minus deductions for non-dependents. Local Housing Allowance rates are frozen until 2020/21. If the claimant's rent is lower than Local Housing Allowance then the housing addition will be equivalent to their actual rent.

For social tenants the housing addition will be similar to Housing Benefit– based on the eligible rent, minus any deductions for under-occupation (the bedroom tax) and/or non-dependents. The housing addition for social tenants is in future expected to be capped at Local Housing Allowance rates, including the Shared Accommodation Rate.

Claimants who are working will have their housing addition withdrawn at the 65 per cent taper, along with the rest of their Universal Credit award. For claimants who have a work allowance, the taper will only apply to earnings above this threshold (see 3.1).

Scotland is to gain some new devolved powers allowing the Scottish Government some flexibility over how the housing addition of Universal Credit is managed. This may mean this is managed slightly differently in future for Scottish claimants.

4.2 Will deductions for non-dependents still be made in the same way?
No. Under Universal Credit, deductions for non-dependants are made at a flat rate of £69.37 per month per non-dependent, regardless of their income. This is known as the Housing Cost Contribution. For the first time deductions will be applied to unemployed 21 to 24 year olds.

There will be some exemptions. The Housing Cost Contribution will not apply when the claimant(s) is:

- blind or registered as blind

Or when the claimant(s) is in receipt of:

- the care component of disability living allowance at the middle or highest rate
- attendance allowance (including the Armed Forces Independence Payment)
- the daily living component of a personal independence payment (PIP)

For couples both claimants must meet the criteria above to qualify for an exemption.

The Housing Cost Contribution will also not apply for those non-dependants who are:

- under 21 years old
- a prisoner
- a lone parent with a child under five years old

Or for those non-dependents who are in receipt of:

- pension credit
- the care component of disability living allowance at the middle or highest rate
- attendance allowance (including the Armed Forces Independence Payment)
- the daily living component of a personal independence payment (PIP)
- carer's allowance

If the non-dependent is part of a couple both members must meet the criteria above to qualify for an exemption.

The Housing Cost Contribution will be deducted for each non-dependant in the household until the housing addition of the claimant's Universal Credit award is reduced to zero. The Housing Cost Contribution can only be deducted from the housing addition of Universal Credit.

During the transition to Universal Credit, a new exemption to deductions will be made for households where the lead tenant (a parent, for example) is still receiving Housing Benefit and a non-dependent (e.g. their adult son or daughter) receives Universal Credit in their own right, is under 25 and out of work.

4.3 Will it be possible to keep rent from lodgers?
Yes. Under Universal Credit, tenants will be able to keep full rental income from lodgers without it affecting their claim. Lodgers, boarders and sub-tenants will not be counted as occupying a room in the calculation of the housing addition of Universal Credit. That means they will not be allocated a bedroom in determining:

- the relevant Local Housing Allowance rate in the private sector; or
- whether an under-occupation deduction is applied in the social sector (i.e. their room will still be treated as a 'spare room')

A lodger is not classed as a non-dependent so non-dependent deductions will also not apply.

Income received from lodgers will be fully disregarded and so will have no impact on the amount of Universal Credit the claimant is awarded, unless it exceeds the threshold at which it becomes taxable income (currently £7,500).

4.4 Will direct payments to landlords be possible?
The majority of claimants will receive their entire Universal Credit payment directly, including the housing addition, and will have to make their own rent payments out of this.

In some exceptional circumstances, however, payment of the housing addition direct to landlords will be considered. These are called Alternative Payment Arrangements and can be put in place once a claimant has accrued two months of rent arrears or if they are considered 'vulnerable'. This process is explained in more detail at 2.6.

4.5 How will supported exempt accommodation, such as hostels and refuges, be treated under Universal Credit?
Help towards housing costs for those living in supported accommodation will continue to be provided through Housing Benefit for the time being, and not via Universal Credit. The Government is currently conducting a review of supported accommodation, with a view to determining the future funding arrangements for hostels and refuges.

4.6 What support will be available under Universal Credit for people living in Temporary Accommodation?
Support for households living in Temporary Accommodation is calculated differently under Universal Credit. It is paid at the Local Housing Allowance rate in relation to the household size, regardless of the number of rooms actually being occupied, or the actual rent if this is lower.

From April 2017 there will no longer be a management fee for Temporary Accommodation. This funding will instead be provided to local authorities as an upfront grant payment. This change will apply to households in receipt of Housing Benefit as well as those receiving Universal Credit.

4.7 Will housing costs be protected for those who are recently bereaved?
Yes but with some changes. Under Universal Credit, claimants will continue to receive their full entitlement for three months if someone in the household dies. This provision is not as generous as the old system, where Housing Benefit is protected for 52 weeks.

4.8 Will housing costs still be protected for those who could previously pay their rent?
No. Under Housing Benefit rules, claimants who had been able to meet their rent without claiming Housing Benefit for 52 weeks are entitled to a 13 week period during which time their rent is met in full, regardless of Local Housing Allowance rates or the number of spare rooms they have. This typically affects those who have been made redundant. There is no such provision under Universal Credit. Claimants will therefore only receive what they are entitled to within the usual rules that determine the calculation of the Universal Credit housing addition (see 4.1).

4.9 Will tenants who are moving home still get support to cover the rent on both properties if their new tenancy starts before the old one finishes?
In most cases, no. Under the old system, claimants are able to claim Housing Benefit on two properties to cover a notice period when the overlap between tenancy agreements is unavoidable. Under Universal Credit this will not be possible, unless the new property is being adapted for a disabled person.

Universal Credit can however be paid on two homes for up to twelve months if the claimant has to move out of their home due to fear of violence, provided they intend to return to the property.

4.10 Will private landlords be informed that their tenant is receiving Universal Credit?
In most cases private landlords will not need to be informed that their tenant is receiving Universal Credit. Claimants will however need to provide evidence of their tenancy in order to claim the housing addition of Universal Credit. If they are unable to provide this evidence, DWP may contact the claimant’s landlord to request this. Private landlords should not be contacted as a matter of course and tenants should first be given the opportunity to provide the necessary evidence themselves.

4.11 Can rent arrears be paid off through Universal Credit payments?
Yes. Rent arrears can be deducted from Universal Credit payments and paid directly to the landlord, to cover rent arrears of two months or more. The amount deducted is between 10% and 20% of the standard allowance, depending on whether any other deductions are being made. This is a much higher deduction than the flat rate of £3.70 per week that is deducted under the legacy benefit system to pay off rent arrears.

4.12 Will 18 to 21 year olds be able to claim support for their housing costs?
Not necessarily. From April 2017 most single unemployed Universal Credit claimants aged 18 to 21 in full service areas will not be able to claim the housing element. However, this

does not apply to those who can't work because of caring responsibilities or a disability or to those who have been working for the previous six months. Young people living in homeless hostels or domestic violence refuges are also exempt, given that these will continue to be funded through Housing Benefit and not Universal Credit, at least in the short term (see 4.5).

The Government has also introduced a series of exemptions, allowing single 18 to 21 year olds who cannot live at home with their parents to access support for their housing costs. This includes a general exemption for those for whom it is inappropriate to live in the family home, and an exemption for young people living in temporary accommodation.

About Crisis

Crisis is the national charity for single homeless people. We are dedicated to ending homelessness by delivering life-changing services and campaigning for change. Our innovative education, employment, housing and well-being services address individual needs and help people to transform their lives.

As well as delivering services, we are determined campaigners, working to prevent people from becoming homeless and advocating solutions informed by research and our direct experience. Crisis has ambitious plans for the future and we are committed to help more people in more places across the UK. We know we won't end homelessness overnight or on our own but we take a lead, collaborate with others and, together, make change happen.

For more information, please contact:
Alice Ashworth, Senior Policy Officer, Crisis
Tel: 020 7426 3893
alice.ashworth@crisis.org.uk

Crisis
66 Commercial Street
London E1 6LT
Tel: 0300 636 1967
Fax: 0300 636 2012

www.crisis.org.uk