Deductions

First published:02 August 2016 (version 1)Last updated:22 September 2016 (version 2)

Contents

Introduction Maximum rates of deductions Sanctions, penalties or advances being applied or deducted Benefit debts to more than one government organisation Deductions causing financial hardship Third Party Deductions Rent arrears Fines Filat Rate Maintenance Hardship and fraud- related debts Overpayments and Civil Penalties

Introduction

There are different schemes that require deductions to be made from Universal Credit .They fall into one of the 3 following categories:

Last resort deductions which safeguard vulnerable claimants who could be at risk of homelessness or disconnection of fuel	Vulnerable claimants are protected by continuing to offer last resort deductions when they are at risk of being made homeless or having their fuel supply cut-off
Enforcing social obligations when other	Enforcing social obligations is when
repayment methods have failed or are	deductions are made from a claimant's
not cost effective (court fines, Child	Universal Credit because other

Maintenance)	repayment methods have failed or are not cost effective. These could be court imposed for:
	 court fines Community Charge Council Tax arrears, where arrears have built up a Liability Order has been obtained and the claimant could face imprisonment Enforcing Social obligations could also be for maintaining extended families (for example, making deductions for Old Scheme Child Maintenance of Flat Rate Maintenance) or recovering third party loans in the case of Integration Loan arrears and Eligible Loan arrears'
Ensuring benefit debt is recovered in a cost effective manner (Social Fund loans, benefit overpayments)	A balance needs to be maintained between the possible increase in the recovery of government debt, against not causing hardship for claimants and their families However, care must also be taken to
	ensure that debt recovery doesn't act as a disincentive for moving into work.

Maximum rates of deductions

There is an overall maximum amount that can be deducted from someone's Universal Credit. This is the equivalent to 40% of the benefit unit's Universal Credit Standard Allowance. This limit is set to reduce the risk of claimants facing hardship because of the amount being deducted from their Universal Credit payment.

There are two exceptions to the maximum amount rule:

- where there are deductions for arrears of fuel or water, deductions for ongoing normal consumption will also be made but the amount deducted for normal consumption will not count towards the 40% maximum amount
- if a sanction or penalty needs to be applied or an advance needs to be deducted, last resort deductions will continue even if it means the total deductions exceed the 40% maximum amount

There are maximum deduction rates or set deduction rates for each of the individual items that require deductions to be made.

When there is only one deduction required the item's maximum deduction rate is taken. When there is more than one deduction required, provided there is sufficient Universal Credit in payment, deductions are taken for all items.

If a claimant is receiving insufficient Universal Credit to meet all deductions, or the total deductions would exceed 40% of the benefit unit's Universal Credit Standard Allowance, a priority order is applied and as many deductions as possible are taken. See <u>Deductions priority order</u>.

When calculating deduction rates in Universal Credit (excluding sanctions and penalties), fractions of a penny are rounded to the nearest penny. If the calculation results in exactly half a penny, it will be rounded up to the next full penny.

Sanctions, penalties or advances are being applied or deducted

If a sanction/penalty or advance is applied to a Universal Credit claim, deductions will continue to be made whilst there is sufficient Universal Credit in payment. The deductions will be made up to the overall maximum deduction rate, applying the priority order where appropriate.

Benefit debts owed to more than one government organisation

A claimant may have outstanding benefit debt relating to more than one government organisation. If the debts are equal to each other on the priority list, for example – they are all fraud overpayments; the maximum deduction rate for that debt type will be applied and divided equally between each relevant government organisation.

Deductions causing financial hardship

If a claimant is struggling financially, they can ask for the amount of deduction to be reconsidered on the basis of financial hardship.

Financial hardship decisions are only available when deductions amount to more than 10% of the Universal Credit Standard Allowance and are being made for any of the following:

- benefit debt
- a Social Fund loan
- rent arrears

Debt Management will make the financial hardship decision if the recovery is for a benefit debt or Social Fund Ioan. This also applies if rent arrears are being recovered (at a rate in excess of 10% of the Universal Credit Standard Allowance) in addition to deductions for a benefit debt or Social Fund Ioan.

If a claimant makes contact about deductions being made to recover benefit debt or a Social Fund loan, the claimant should be referred to Debt Management.

If Debt Management makes a decision to reduce deductions they will advise Universal Credit of the new reduced overall maximum deduction rate.

A decision maker will make the financial hardship decision if deductions are being made for rent arrears at a rate in excess of 10% of the Universal Credit standard allowance and there is no recovery of benefit debt and / or a Social Fund loan.

If the decision is to reduce deductions, the new reduced overall maximum deduction rate will be applied to the case.

If a claimant contacts Debt Management and recoveries for benefit debt or a Social Fund loan are not being taken but rent arrears are being recovered at a rate in excess of 10% of the Universal Credit standard allowance, Debt Management will refer the claimant to Universal Credit.

If a claimant is having deductions taken other than for benefit debt, a Social Fund loan, or rent arrears at a rate in excess of 10% of the Universal Credit standard allowance, they cannot have their deductions reduced. This is because other deductions have set rates, not maximum rates, with the exception of fines.

Third Party Deductions

Third Party Deductions (excluding fines and rent arrears) will be deducted at an amount equivalent to 5% of the benefit unit's Universal Credit standard allowance. This means couples will make higher third party payments than single claimants.

The 5% is a flat rate and if the full 5% cannot be taken, no deduction will be made this includes where the 5% deduction would take a claimant above the overall maximum deduction rate of 40%).

If the total amount to be deducted for normal usage and arrears, for gas, electricity and water (added together), exceeds 25% of the aggregate of the Universal Credit standard allowance and payments for children, the claimant must consent to the deduction being made.

Rent Arrears

There will be both a maximum and minimum deduction rate for rent arrears. The amount taken will vary depending on other deductions that are being made.

The maximum amount will be an amount equivalent to no less than 10% and no more than 20% of the benefit unit's Universal Credit Standard Allowance per month.

The minimum deduction rate will be an amount equivalent to 10% of the benefit unit's Universal Credit Standard Allowance. If there is insufficient Universal Credit in payment to take the full 10% minimum, nothing will be deducted.

The maximum amount of no less than 10% and no more than 20% will be reduced pound for pound by any other deductions being made from the Universal Credit award. This is because the amount deducted for rent arrears must not go above the overall maximum deduction rate of 40% of the benefit unit's Universal Credit Standard Allowance

If a sanction or penalty is applied, or an advance is being recovered, rent arrears deductions at the minimum rate of 10% of the benefit unit's Universal Credit standard allowance are taken - even if this takes the aggregate for deductions above 40%.

Fines

Fines will have a maximum and minimum deduction rate. The maximum amount will be £108.35 per month (equivalent to £25 per week).

The minimum deduction rate will be an amount equivalent to 5% of the benefit unit's Universal Credit Standard Allowance. If there is insufficient Universal Credit in payment to take the full 5%, nothing will be deducted.

The maximum amount of £108.35 will be reduced pound for pound by any other deductions being made from Universal Credit. This is because the amount deducted for fines must not go above the overall maximum deduction rate of 40% of the benefit unit's Universal Credit Standard Allowance. This includes any fraud penalties or conditionality sanctions that are being applied, or any advances that are being recovered.

Flat Rate Maintenance

Flat Rate Maintenance (FRM) will be deducted at variable rates, depending on which Child Maintenance scheme the claimant is on. The claimant could also only be required to pay a percentage of the FRM, if they have joint responsibility for the child.

Hardship and fraud- related debts

There will be a maximum rate of deduction for hardship and fraud related debts, which include:

- Recoverable Hardship Payment
- Administrative Penalty
- fraud overpayments

Hardship and fraud- related debts will have a maximum recovery rate of an amount equivalent to 40% of the benefit unit's Universal Credit Standard Allowance. If there is insufficient Universal Credit in payment to take the full 40% deduction, for example items above the hardship and fraud debts in the priority order are being deducted, a percentage will be taken.

This will either take a claimant up to the overall maximum deduction rate of 40% of the benefit unit's Universal Credit standard allowance, or so that there is still 1p Universal Credit in payment.

Only one type of hardship or fraud-related debt can be recovered at any one time. The only exception to this is if a debt has been fully repaid, and within the same assessment period there is the opportunity to recover one of the following:

• another hardship/fraud-related debt

• another benefit debt which is lower down the priority order (for example, a Civil Penalty or normal overpayment)

If any of these apply, there must be funds available to allocate against the other debt and a further deduction must not take the total for debts above the appropriate maximum level (for example, 40% for hardship and fraud-related debts and 15% or 25% for Civil Penalties and normal overpayments)

Overpayments and civil penalties

See Overpayments.

Back to contents