

Personal Budgeting Support and Alternative Payment Arrangements

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Introduction

Universal Credit prepares claimants for the world of work in which 75% of employees are paid monthly. It also encourages claimants to take responsibility for their own financial affairs. Universal Credit is paid in a single monthly sum to households. Households are expected to manage their own budgets, making housing costs a priority.

It is important that claimants are able to make the same sort of decisions as those in work and develop the financial capability to do so. The purpose of this

guidance is to provide high-level information. It sets out the department's approach to provide Personal Budgeting Support (PBS) and Alternative Payment Arrangements (APA) where appropriate for Universal Credit claimants. It considers a combination of financial and other challenging factors e.g. addiction, homelessness, learning difficulties etc.

What is Personal Budgeting Support?

Personal Budgeting Support (PBS) is about helping claimants adapt to three key changes that Universal Credit brings:

- a single household payment
- being paid monthly
- Universal Credit housing costs are paid directly to the claimant - so the claimant will then be required to pay their rent to their landlord themselves

PBS will support claimants who need help to manage their money and pay their bills on time.

What are the elements of Personal Budgeting Support?

There are two elements to PBS:

- 1 Money advice to help claimants cope with managing their money on a monthly basis and paying their bills on time:
 - money advice will be offered online, by phone, or face to face
 - money advice will be delivered by external organisations with the relevant expertise to do this
- 2 Alternative Payment Arrangements (APA) for those claimants who can't manage the single monthly payment and there is a risk of financial harm to the claimant and/or their family.

How will money advice support Universal Credit claimants?

Money advice will be offered to all Universal Credit claimants when they make a new claim or at the point of migration to Universal Credit. This service is provided by external organisations such as a local authority.

Some claimants will need money advice for a short period of time, others for longer.

There will be different levels and types of money advice based on the claimants needs:

- some claimants will be signposted to online services, such as those offered by Citizens Advice, Money Advice Service or Money Saving Expert
- some will be offered single or multiple sessions over the phone

- others will be offered more intensive face to face sessions with the potential for follow up calls, if required

Money advice services will be tailored to the claimant's ability to handle each of the main Universal Credit financial changes:

- monthly payments
- single payment to the household
- housing costs are paid directly to the claimant

What is the money advice process?

The money advice process directs claimants to the most suitable service and channel in the most efficient way. This means that claimants who:

- have no need for money advice or who can use an online or phone service, are signposted quickly to the right place
- need money advice to help them manage their money will be referred to their local authority; who will determine the claimant's needs (this may involve referrals to third party organisations working alongside the local authority, for example Citizens Advice)
- need an APA, either as well as or instead of money advice, are quickly identified and it is promptly put in place

Claimants who require budgeting support to help them manage their money will be referred to the relevant provider. They will determine how often to see the claimant and the channel, based on the claimant's needs at that time.

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What are Alternative Payment Arrangements?

The move to a single monthly household payment will be a significant change to the way most benefits are currently paid. The following APAs will be available to help claimants who are identified as needing additional support:

- paying the housing costs from Universal Credit as a Managed Payment direct to the landlord
- more frequent than monthly payments
- a Split Payment of an award between partners

When can an Alternative Payment Arrangement be considered?

APAs can be considered at any point during the Universal Credit claim. The need may be identified in the Service Centre or Jobcentre, alongside PBS, or during the claim, for example because the claimant is struggling with the single monthly payment.

They can also be triggered by information received from the claimant, their appointee, their caseworker or their landlord, advising of a build-up of rent arrears.

To safeguard the claimant's home, a landlord can notify Universal Credit of a build-up of rent arrears. They can ask for the Universal Credit housing costs to be paid direct to them where a rent arrears 'trigger' has been reached. The guidance in [Annex A](#) provides more details about these 'triggers'.

When should Alternative Payment Arrangements not be offered?

The majority of claimants will be paid a single monthly payment, which will encourage personal responsibility for finances and encourage claimants to budget their money on a monthly basis. This will enable them to make a smooth transition into monthly paid work.

APAs should only be considered for those claimants who can't manage the single monthly payment and as a result there is a risk of financial harm to the claimant and/or their family.

What are the key elements to consider?

APA applications will be considered on a case by case basis, with the focus on the claimant's need.

A claimant can be considered for one or more APA based on individual circumstances and characteristics. Numerous factors should be taken into consideration when deciding whether an APA is appropriate.

For example:

- is the claimant managing to pay their bills on time, particularly their rent, and have they fallen into arrears in the past, or are they currently in arrears?
- do they think they will be able to manage a monthly budget, taking account of their income and outgoings over a calendar month?
- if the claimant is part of a couple, are they used to managing their money together and do they think they will be able to manage the single Universal Credit payment to the household?

When APAs are considered, the Tier 1 and Tier 2 factors set out in Annex A are used as an indicator to decide if these arrangements are appropriate to an individual.

All cases are assessed on an individual basis. Details from a third party i.e. the claimant's appointee, their caseworker and/or their landlord can be used to inform a decision.

In what priority order will they be considered?

APAs will be considered in the following order of priority:

1 Managed Payment to landlord.

Paying Universal Credit housing costs to the landlord will be the first priority where it is part of the Universal Credit award, in order to safeguard the claimant's home. The Managed Payment of the housing costs to the landlord would always be deducted and paid first as the priority APA.

2 More Frequent Payments

3 Split Payments

Splitting payment of an award between partners should only be considered in certain circumstances, for example:

- financial abuse where one partner mismanages the Universal Credit payment
- where domestic violence is an issue and the couple decide to remain together in the same household, but only one claim to Universal Credit is made

This is not a complete list.

If the claimant meets the criteria for either (2) or (3) above, their landlord (if they have rental liability) will automatically be paid Universal Credit housing costs direct, with the remaining Universal Credit paid as appropriate.

In summary a claimant could therefore have any of the following combinations:

- housing costs paid direct to landlord only
- More Frequent Payments only (for non-householders)
- Split Payment only
- housing costs paid direct to landlord and More Frequent Payments
- housing costs paid direct to landlord and Split Payments
- More Frequent Payments and Split Payments (for non-householder couples where appropriate)
- housing costs paid direct to landlord, More Frequent Payments and Split Payments

The above aims to support those claimants over time in developing their budgeting capability and at the same time safeguarding their home.

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When can a Managed Payment to a landlord be requested?

A Managed Payment to a landlord can be made when:

- a claimant is in arrears with their rent for an amount equal to, or more than, two months of their rent (a third party deduction to recover the rent arrears can also be requested at this point)

or

- a claimant has continually underpaid their rent over a period of time, and they have accrued arrears of an amount equal to or more than one month's rent

The one month trigger is intended to prevent claimants in rent arrears reaching the two month trigger point, which could result in eviction from their home.

Underpayment of rent may indicate more serious underlying issues, and the implementation of managed payments and referral to Personal Budgeting Support (PBS) may prevent these problems escalating.

What additional evidence is required to support the Managed Payment of the housing cost application?

The claimant, their representative or landlord will be asked to provide additional information to support the request for the Managed Payment, and will include the following:

- proof of rent arrears, which must show the current balance on the rent account, including the amount of rent outstanding and the amount of rent due for each payment period
- (A rent book, rent statement or letter from the landlord to the claimant on letter-headed paper are all acceptable as proof of rent arrears)
- a full breakdown of how the rent arrears have been calculated, for example the period over which the arrears have accrued
- the landlord's contact details – their name and address plus their bank/building society account number and sort code for the payment

Once evidence is received the information will be used to decide whether or not a Managed Payment is appropriate and inform both the landlord and claimant.

The Managed Payment to the landlord will be reviewed at a stage considered appropriate, with a view to the tenant returning to the single monthly payment, having received additional PBS where appropriate.

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More Frequent Payments

Universal Credit is paid monthly. However, where it is identified that a claimant is finding it difficult to budget monthly, they can have their Universal Credit divided over the month to be paid more frequently i.e. twice monthly or, exceptionally, four times a month.

These can only be paid at the end of their first assessment period and would, in the majority of circumstances, be half their Universal Credit award, with the remaining half paid 14/15 days later. In very exceptional cases they could be paid four times a month e.g. a quarter of their Universal Credit payment after the end of the first assessment period and the rest paid at 7/8 day intervals.

In cases where their Universal Credit includes the housing cost, this would be accompanied by a managed payment to the landlord to safeguard their home and provide greater assistance for the claimant household.

Split Payments

In very exceptional circumstances payment of Universal Credit can be divided between two members of the household. This is known as a Split Payment.

Split Payments are to prevent hardship to the claimant and their family and should only be considered in certain specific situations, for example in domestic violence cases or where financial abuse occurs and one partner mismanages the Universal Credit payment. Unlike appointee action, the claimant keeps full responsibility for their claim and any related activity (e.g. Work Programme activity).

A Split Payment can be paid to two separate members of the household, with the larger percentage allocated to the person with primary caring responsibilities i.e. the one with child care. This is to ensure the health and well-being of the majority of the household.

If a Split Payment is to be made, the decision maker must also consider a Managed Payment of the Universal Credit Housing cost to the landlord, where there is a rental liability.

When are Split Payments considered?

Split Payments are normally considered to prevent hardship to the claimant and their family, for example if the Universal Credit claimant is not managing their financial affairs and not meeting their family's day to day needs. Split Payments should be considered when the claimant:

- states financial mismanagement and/or financial abuse
- states that there are domestic violence issues
- can't or will not budget for their own or their family's basic day to day needs

Can a claimant appeal against an Alternative Payment Arrangement?

There is no right of appeal against the decision; however the decision can be reviewed by the same or different agent if further information is provided.

When will Alternative Payment Arrangements be reviewed?

APAs will be reviewed to take account of a claimant's changing circumstances and characteristics. The aim is to deliver money advice through the PBS process to build the claimant's financial capability so that, in time, they can manage the Universal Credit single monthly payment.

The agent will decide on the review period and each case will vary as claimants who are awarded an APA will have different characteristics, and therefore a one size fits all approach is not considered appropriate.

Discretion is used to decide on the best review period to be set using information provided by the claimant, their representative and/or landlord, to help inform the APA review period.

If a claimant has more than one APA in place, the review period may be slightly longer than if they only had one. However, each case will need to be considered individually based on the claimant's circumstances and characteristics. For some claimants who are particularly vulnerable, for example those who have a long term mental health condition with no one to support them, it may be more appropriate to have a longer review period.

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