Treatment of capital

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Introduction

Universal Credit provides income-replacement support for people who do not have assets available to meet their basic needs. While it is important to protect the incentive for claimants to save, people with substantial capital must take responsibility for their own support.

For the purpose of Universal Credit, examples of capital can include savings, stocks and shares, property and trusts. Income derived from capital, such as interest on savings, rent payments from a second premises or dividends from shares is also treated as capital. Some capital can be disregarded when calculating Universal Credit – see Capital disregards.

Total value of savings and capital

Claimants must report the total value of all savings and other types of capital held by an assessment unit. This includes money that is being saved for something specific.
If both adults in an assessment unit have a beneficial interest in or are joint owners of a capital asset, the asset is only taken into account once.

The total amount of savings and capital includes:

- all the items the assessment unit has in the common types of savings and other capital list below
- all the items the assessment unit has in the less common types of savings and other capital list below
- any other types of savings and other capital

The exception to this is the capital of dependent children, as this is not taken into account in the assessment unit of Universal Credit.

Common types of savings and other capital:

The following are examples of common types of savings and other capital:

- cash savings
- bank or building society accounts
- Post Office accounts
- Individual Savings Accounts (ISAs)
- internet accounts (including PayPal)
- money in a Save as You Earn scheme
- personal pension schemes
- National Savings and Investments
- National Savings Certificates
- Premium Bonds (Premium Bonds are government savings bonds that pay no interest and are entered into a monthly lottery.)
- redundancy payments (apart from payments in lieu of earnings or holiday pay)
- Credit Union accounts
- any other similar types of savings and other capital

Less common types of savings and other capital

The assessment unit may also have some of the following less common types of savings and other capital which must be taken into account:

- capital bonds
- income bonds
- stocks and shares (a share is a stake in a company and when someone buys shares they become a joint-owner of the company along with all the other shareholders)
- Personal Equity Plans (PEPs)
- trust funds (a trust fund is a legal arrangement that allows one or more people to manage capital on behalf of somebody else (often children, people with disabilities or elderly people)
- an inheritance
- money from the sale of a house
- money from the sale of building society windfall shares
- land and capital assets (other than the premises where a person lives)

For Universal Credit a capital asset means things owned. This can include:

- premises
- land
- buildings (domestic and business)
- machinery
- boats, caravans (these are examples, not a complete list)
- money or property held in trust
- savings and other capital held outside the United Kingdom
- a lump-sum or one-off payment such as:
  - compensation for a personal injury
  - money which has been borrowed
  - one made by the Home Office to people on the Refugee Resettlement Programme
  - one made to recompense people who have incorrectly had to pay care charges in the past
  - compensation related to the bombings in London on 7th July 2005
  - a charitable payment
- other investments (for example Investment ISAs)
- any other similar less common types of savings and other capital

Personal possessions are not treated as capital.

How savings and other capital affect Universal Credit

Unless savings and other capital can be disregarded or treated as unearned income, the full amount reported will be taken into account as follows:

Capital of £6,000 or less (below the lower capital limit)	This will not affect how much Universal Credit a claimant can get but it must still be declared and recorded.
Capital over £6,000 and up to and including £16,000 (the upper capital limit)	This will affect how much Universal Credit a claimant can get. For each £250 (or any part of £250) a claimant has over £6,000, their Universal Credit is reduced by £4.35 in each assessment period. For example, if they have savings of £6,249 their Universal Credit award is reduced by £4.35.
Capital over £16,000 (above the upper	The claimant is not eligible for

capital limit)	Universal Credit.

These capital limits apply to the capital which is available to the assessment unit not just the benefit unit for the UC claim. If the claimant is a one of a couple but makes a claim as a single person, the claimant's capital is treated as including the capital of the other member of the couple.
See also Capital disregards.

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