

# Advances

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## Introduction

Universal Credit Advances replace the previous system of interim payments and alignment Crisis Loans with one simplified system.

This change formed part of the government's reform of the Social Fund. It gives Universal Credit claimants who face short-term financial need access to interest-free payments in the period up to their first full payment. Universal Credit claimants who report a change in circumstances that will increase their entitlement can also apply for an advance.

The aim is to support claimants in financial need who can't manage until they receive their payment of Universal Credit. Evidence shows that long-term benefit claimants and those on very low incomes are unlikely to have access to savings or loans.

Claimants have access to four types of interest free advance:

- Universal Credit Advance (new claim)
- Universal Credit Advance (change of circumstances)
- Universal Credit Advance (benefit transfer)
- Budgeting Advance (interest free advance for one-off items )

The above advances are only available for claimants who meet the eligibility criteria.

A claimant is not required to have signed their Claimant Commitment before they can get an advance. See Claimant Commitment Hub, however to pay an advance evidence may have to be considered when past repeated patterns of behaviour leave doubt that the claimant is likely to be entitled to Universal Credit. For example a claimant applying for an advance then leaves Universal Credit.

Discretion will be used when considering the claimant's answers to questions around financial need, taking into account any evidence from past behaviour which might leave satisfying the conditions of entitlement in doubt.

## **Financial need**

Before a Universal Credit Advance can be awarded, a determination must be made as to whether the claimant and their partner if they have one are in financial need. To make this decision consideration must be given to the claimant's and or their partners circumstances. Consideration must be given to:

- whether the claimant/partner lives with their parents, relatives or friends
- whether the claimant/partner has any final earnings or redundancy payments
- whether the claimant/partner has any savings

There may be other follow-up questions dependent on the responses of the claimant/partner. For example why is the claimant in financial need if they have access to other resources?

These questions will be at the discretion of the agent making the decision and the decision will be made based on the answers given. If there is strong evidence that the claimant has a past pattern of behaviour of abusing the advances process, further evidence for example bank statements can be requested to establish whether there is genuine financial need.

## **Universal Credit Advance (new claim or change of circumstance) – overview**

A Universal Credit Advance is an advance of benefit for claimants in financial need. A financial need is defined as a serious risk of damage to the health or safety of the claimant, their partner, or any child or qualifying young person for whom the claimant is responsible.

To demonstrate financial need, the claimant must be able to show they will be unable to manage until their payment of Universal Credit is made. Consideration should be given to the claimant's financial needs and their ability to manage for the whole period from the date of their application for an advance to the payment of their Universal Credit.

This should take into account the claimant's normal monthly outgoings.

The claimant should not be expected to put themselves into further debt in order to manage until their first Universal Credit payment.

## **Universal Credit Advance (new claim) – timescale**

Claimants can apply for a Universal Credit Advance during their first assessment period. However, if technical problems prevent a claimant receiving their Universal Credit on the payment due date, an interim payment of 100% of their estimated award can be paid.

If outstanding evidence prevents Universal Credit being paid on the payment due date then a decision maker (DM) can only agree to pay a safe amount. For example the parts of the award that have been verified with evidence up to a maximum of 100% of their Universal Credit award. This should be recovered in full from the first payment once the Universal Credit award is finalised and only

arrears for the difference would be paid (if the Universal Credit paid to the claimant had been under assessed and a higher amount was due).

This is a substitute for the main Universal Credit payment and is only an option if it has not been possible to pay the claimant their Universal Credit and the DM is satisfied there is an underlying entitlement.

### **Universal Credit Advance (change of circumstance) – timescale**

Claimants can apply for a Universal Credit Advance (change of circumstance) during any relevant assessment period.

### **Universal Credit Advance (new claim or change of circumstance) – eligibility**

A request can be considered on a new claim prior to a claimant's first Universal Credit payment if there is underlying entitlement to Universal Credit.

No more than one Universal Credit Advance (new claim) should be necessary before the first payment of Universal Credit. This is because the advance that is agreed subject to affordability should take into account the claimant's financial needs and ability to manage until the first payment received.

A balance must be struck between ensuring that the amount of advance asked for is not so low that the claimant can't manage and has to come back for a further advance.

Claimants can also request a Universal Credit Advance when they report a change in their circumstances which will result in a significant increase in their Universal Credit entitlement. A change in circumstances which could have the effect of increasing the Universal Credit award amounts are:

- housing
- child
- partner
- disabled child
- childcare
- carers
- Limited Capability for Work
- Limited Capability for work and work related activity
- loss of earnings (to be considered in the assessment period following the date final earnings were received)

A claimant may be entitled to more than one Universal Credit Advance (change of circumstances) in the same assessment period if each advance relates to a different change.

There are circumstances when a Universal Credit Advance (new claim) and Universal Credit Advance (change of circumstances) could both be paid in the same assessment period. This is if following a new claim to Universal Credit, a new claim advance is paid and there is a subsequent change of circumstances such as a baby born which significantly increases the overall Universal Credit award amount.

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## **Universal Credit Advance (new claim or change of circumstance) – amounts**

The maximum award for a Universal Credit Advance (new claim) in the first month before the Universal Credit payment due date is for 50% of the overall estimated amount.

For a Universal Credit Advance (change of circumstances), the maximum amount of advance is 50% of the increase to their Universal Credit estimated amount.

The amount of the advance will be calculated taking into account the claimant's ability to repay it.

## **Universal Credit Advance (new claim or change of circumstance) – recovery**

To guard against hardship, the repayment deduction amount will be no more than the equivalent of 40% of the claimant's benefit unit's Universal Credit Standard Allowance.

When a claimant makes a new claim to Universal Credit but does not get paid on or after the payment due date, a Universal Credit Advance (New Claim) can be paid in the month that follows for 100% of the overall estimated amount.

The maximum repayment period for a Universal Credit Advance (new claim) or Universal Credit Advance (change of circumstances) should be set at six months.

During the recovery of the advance, a change in circumstances for the benefit unit, could mean that recovery over six months will push them into genuine

hardship. In these circumstances, a DM can consider making an offer to defer payments for up to 3 months.

Payments can be deferred in this way only in exceptional circumstances and full recovery must be completed within 9 months.

Exceptional circumstances would be an unforeseen expense that occurs after an advance is agreed. Continued recovery for the initial agreed repayment period would cause the claimant and their household genuine hardship. An example of this is when a child goes into hospital, resulting in unexpected regular bus/taxi fares for parents to visit.

### **Universal Credit Advance (new claim or change of circumstance) – payment**

Universal Credit must be paid into the bank, building society, Credit union or Post Office Card Account( POca) account that is in the claimant's or partner's own name. If they don't have their own account, they are required to open one.

If the account is in the claimant's maiden name and it has been fully verified then Universal Credits payments can be made into that account.

Only in exceptional circumstances if the claimant cannot open one of the above accounts can a Post Office Card account, be accepted for payment of Universal Credit.

If the claimant has an appointee and the appointee becomes the claimant for Universal Credit purposes. The appointee's bank account can be used. Advances are paid by BACS transaction into the account that the claimant is using, Faster Electronic payments should only be made where there are exceptional circumstances that require this.

### **Universal Credit Advance (benefit transfer) – overview**

Most current Social Security benefits are paid fortnightly in arrears. When claimants move from existing benefits to claiming Universal Credit, help is available to support them and guard against a significant shortfall in cash flow in the first month.

Claimants can receive a Universal Credit Advance (benefit transfer) if they have been in receipt of an existing benefit within one calendar month of making the transition to Universal Credit

It is assumed that claimants who make the transition or who are migrated to Universal Credit, who qualify for a Universal Credit Advance (benefit transfer)

during the first month, are in financial need so all they need to do is request an advance for it to be paid.

### **Universal Credit Advance (benefit transfer) – timescale**

Claimants can apply for a Universal Credit Advance (benefit transfer) during their first assessment period after making a new claim for Universal Credit. They must have been in receipt of a qualifying benefit the month prior to the claim to Universal Credit.

For joint claims, only one claimant must have been in receipt of a qualifying benefit.

### **Universal Credit Advance (benefit transfer) – eligibility**

The Universal Credit Advance (benefit transfer) is only available to claimants who are already getting existing benefits or who were getting existing benefits one month before they claimed Universal Credit.

Qualifying benefits include:

- JSA(IB)
- ESA(IR)
- IS
- HB
- Tax Credits

This also includes where a partner is being claimed for by a claimant prior to their move to claiming Universal Credit.

Claimants will not need to demonstrate hardship to qualify for this advance.

There are circumstances when a Universal Credit Advance (benefit transfer) and a Universal Credit Advance (change of circumstances) could both be paid in the same assessment period. This is if following a new claim to Universal Credit, a Universal Credit Advance (benefit transfer) is paid and there is a subsequent change of circumstances. For example a baby being born which significantly increases the overall Universal Credit award amount.

### **Universal Credit Advance (benefit transfer) – amounts**

The maximum advance amount will be up to 50% of the expected total Universal Credit award. It should be paid 5 days after it is requested.

The claimant should be advised of the need to budget this money to last until they receive their first Universal Credit payment.

## **Return to or joining a Universal Credit claim from existing benefits**

If an existing benefit claimant forms a couple with someone who has a Universal Credit claim they will not be eligible for a Universal Credit Advance (benefit transfer) on forming that couple. Instead the Universal Credit claimant will have to apply for a Universal Credit Advance (change of circumstances) if they need extra financial support.

If a claimant has already received a Universal Credit Advance (benefit transfer) for an assessment period they can't receive another Universal Credit Advance (benefit transfer) for the same assessment period.

## **Universal Credit Advance (benefit transfer) – appeals**

Unlike other Universal Credit advances, claimants can appeal against a decision not to award a Universal Credit Advance (benefit transfer).

It is however unlikely an appeal will arise. This is because in nearly all situations the claimant will receive an advance if they request it. Unlike other Universal Credit advances where there are hardship or affordability tests for a claimant, there is no need to demonstrate this to receive a Universal Credit Advance (benefit transfer).

## **Universal Credit Advance (benefit transfer) – recovery**

The advance is recovered by deducting from a claimant's monthly Universal Credit Standard Allowance in equal amounts over 12 equal installments, starting from the first month's award.

However, the Universal Credit system can't commit to 12 installments of equal deductions, as there may be months when the claimant doesn't have enough Universal Credit to cover the installment (due to increase in earnings).

The Universal Credit system will calculate what can be deducted every month (up to a maximum) until the advance has been recovered.

Example:

If a claimant is due a monthly award of £1200:

1. They receive an advance of £600 (50%) to cover the transitional costs in the first month.
2. £50 will then be deducted from each monthly award for 12 equal instalments to recover the advance.
3. Their monthly payment for the first twelve months is therefore £1150 which is £1200 – (£600/12).



## **Universal Credit Advance (benefit transfer) recovery from earnings**

The advance can be recovered from earnings if the claimant leaves Universal Credit.

Any outstanding debt to be repaid will be recovered as an overpayment by Debt Management. This includes recovery from earnings.

## **Universal Credit Advance (benefit transfer) – payment**

As the advance is a payment of Universal Credit, it is treated the same as other payments. The advance can only be paid into the Universal Credit claimant's bank account or, where appropriate, into the account of their appointee.

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## **Budgeting Advance – overview**

Budgeting Advances provide valuable access to interest free payments for one-off items. They are available to claimants who have been receiving Universal Credit or an income-related benefit continuously for a period of 6 months and have no income, or a very low income.

They are designed to help claimants with irregular expenses, for example:

- linked to obtaining or retaining employment such as work clothes, tools, travelling expenses and childcare costs
- buying essential household items such as furniture, cot, pram, appliances, clothing and footwear
- help with rent in advance or removal expenses to secure new accommodation
- improvement, maintenance and security of their home

Budgeting Advances are not intended to help pay for unexpectedly high household bills for example an electricity or gas bill.

Budgeting Advances are discretionary payments. There is no right of appeal if the claimant is not satisfied with the decision, they can ask for it to be looked at again.

## **Budgeting Advance – timescales**

Claimants can apply for a Budgeting Advance at any point during their assessment period.

## **Budgeting Advance – eligibility criteria**

To be eligible for a Budgeting Advance the claimant must not have repayment of a Budgeting Advance outstanding and also have been in continuous receipt of Universal Credit or the following qualifying benefits, for at least 6 months:

- Income Support (IS)
- Jobseeker's Allowance (income-based) (JSA)(IB)
- Employment and Support Allowance (income-related) (ESA)(IR)
- Pension Credit
- Housing Benefit (HB)

A Budgeting Advance request must be:

- no less than the minimum amount of £100
- no more than the maximum their circumstances allow:
  - £348 for a single adult
  - £464 for a couple
  - £812 for a single person or couple with children

The claimant must:

- not have repayment of a Budgeting Advance outstanding or have a partner who has repayment of a Budgeting Advance outstanding
- not have earned more than their allowable earnings:
  - £2600 in the previous 6 assessment periods for a single claimant (with or without children)
  - £3600 for a couple (with or without children)

Earnings include:

- Statutory Sick Pay
- Statutory Maternity Pay
- Ordinary Statutory Paternity Pay
- Additional Statutory Paternity Pay
- Statutory Adoption Pay
- Maternity Allowance

## **Exception to the 6 month rule for eligibility criteria**

An exception to the 6 month rule may be applied if the advance is to help the claimant start or stay in work. For example, it is needed for upfront childcare costs, travel costs, clothing or tools. However, a Budgeting Advance is available for upfront child care costs only in cases where the applicant has a confirmed job offer.

The calculation uses a formula to pro-rata the actual amounts of the earnings threshold by the number of complete assessment periods available prior to the

date the application for the Budgeting Advance is made. This gives a pro-rata earnings threshold which the claimant's household earnings must not exceed over the available complete assessment periods.

For example, a claimant:

- has been in receipt of Universal Credit for 3 months
- applies for the Budgeting Advance during the 4th assessment period
- has a partner who has on-going earnings
- needs a Budgeting Advance to help them start work

Because the household has earnings, the earnings condition would be calculated by applying the following calculation:  $3 \times \text{£}3600 \div 6$  (the number of complete assessment periods (3)  $\times$   $\text{£}3600$  earnings threshold for a couple  $\div$  by 6) =  $\text{£}1800$ .

The claimant's household earnings must not have exceeded  $\text{£}1800$  over the preceding 3 complete assessment periods.

If the same claimant had been in receipt of Universal Credit for 4 months and applied for the Budgeting Advance in the fifth assessment period, the formula applied would be:  $4 \times \text{£}3600 \div 6 = \text{£}2400$ .

If there are 6 complete assessment periods available to calculate the household's earnings over, the set earnings thresholds should be used. This would be  $\text{£}2600$  for a single claimant or  $\text{£}3600$  for a couple.

## **Budgeting Advance – written notice**

Before a Budgeting Advance can be made, the claimant (and their partner) must be given written notice (this can be an electronic notification). This notice will contain their liability to repay the advance either by deductions from their Universal Credit or by another means such as an attachment to earnings.

Budgeting Advances are carefully managed to ensure that claimants do not incur an unmanageable amount of debt.

Before a Budgeting Advance can be made, the claimant (and their partner) must be given a written notice (this can be an electronic notification). This notice will contain their agreement to the amount of the advance and the deductions and timescale to repay it and their liability to repay the advance either by deductions from their Universal Credit or by another means such as an attachment to earnings if they leave Universal Credit.

Budgeting Advances are carefully managed to ensure that claimants do not incur an unmanageable amount of debt.

## **Budgeting Advance – amounts**

A Budgeting Advance will only be made if we know the claimant can afford to repay it from their Universal Credit payments within the required timescales.

Once a claimant's eligibility is confirmed, their maximum amount that can be advanced is calculated in the following way:

1. Calculate 40% of the appropriate Standard Allowance for the benefit unit – this is the maximum amount that can be deducted from a claimant's monthly Universal Credit award.
2. Take off any existing deductions from benefit – if other deductions which are higher on the Deductions Priority Order already account for the entire deductible amount, no advance should be made (this will ensure repayments of any existing priority debts they have are not affected, and ensure that DWP is not advancing money it is unlikely to recover).
3. Multiply the remaining amount by twelve – the standard maximum recovery period is 12 months.
4. Cap this figure at the appropriate overall maximum level as above in 1 and 2, for example £348, £464 or £812.
5. Reduce the remaining amount in proportion to any capital the claimant has above £1000, for example if total capital held is £1,300 then we deduct a further £300 from the maximum Budgeting Advance available to the claimant as already calculated using the steps above.

This end figure is the maximum amount that can be advanced, although the claimant will not automatically be given the maximum. The decision maker (DM) will consider what the Budgeting Advance is needed for and advance only the appropriate amount, but limiting it to this maximum end figure.

Budgeting Advances are paid using the BACS system unless there are exceptional circumstances, for example if there are compelling reasons why the claimant urgently needs the money and can't wait for the BACS payment.

## **Budgeting Advance – recovery**

Budgeting Advances will be recovered over 12 months (18 months in exceptional circumstances).

During the recovery of the advance, a change in the circumstances of the Benefit Unit could mean that recovery over twelve months will push the claimant into genuine hardship. In these circumstances, a DM can consider making an offer to defer payments for up to 6 months.

Payments can be deferred in this way only in exceptional circumstances and full recovery must be completed within 18 months.

Exceptional circumstances would be an unforeseen expense that occurs after an advance is agreed. Continued recovery for the initial agreed repayment period would cause the claimant and their household genuine hardship. An example of this is when a child goes into hospital, resulting in unexpected regular bus/taxi fares for parents to visit.

Only one Budgeting Advance can be paid at a time. No further Budgeting Advances will be made available until the balance of the previous Budgeting Advance is cleared. If two benefit units merge and one claimant is liable for an outstanding Budgeting Advance, the new benefit unit is ineligible for a further Budgeting Advance until the first has been repaid in full.

## **Budgeting Advance or Flexible Support Fund**

In certain circumstances a Budgeting Advance is not always appropriate.

A claimant may request a Budgeting Advance under £100 to help them start work or remain in work, for example for:

- transport costs
- work clothes
- tools

These are examples, not a complete list.

Or to help obtain employment but is not entitled to Universal Credit, for example, they are going into work and will not have future entitlement to Universal Credit

In these circumstances the Flexible Support Fund should be considered to help the claimant with their request.

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## **Couples who have received a Universal Credit Advance**

If a Universal Credit couple split up before an advance has been recovered, any outstanding advance will be split 50/50 between the couple and recovered from their single Universal Credit awards.

If a claimant joins a Universal Credit award to form a couple, the outstanding advance repayments should be recovered from the couple Universal Credit award. This is the case even if the other Universal Credit claimant is also having an advance recovered themselves. If that couple split, the whole of the outstanding balance will be assigned to the claimant who brought it into the relationship.

The total recovery should be capped at 40% of the standard allowance; even if that means that the repayment period extends beyond the maximum repayment period for one or both of the advances.

If both claimants are having benefit advances recovered the period of recovery will continue unaltered until the awards are paid off.

Example: the new person joins the Universal Credit claim with 4 repayments left and the other Universal Credit claimant has 6 repayments left. They will continue paying the same amounts until the 4 and 6 repayments are made.

However, the total recovery should be capped at 40% (this includes other Universal Credit deductions being made for other UC Advances, Third Party Deductions etc) of the Standard Allowance even if that means that the repayment period extends beyond the maximum repayment period for one or both of the advances.

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