

Overpayments

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Introduction

Any payment of Universal Credit made in excess of entitlement is a recoverable overpayment, regardless of how the overpayment was caused. This includes those overpayments arising wholly as a result of official error. This is because there is a duty to protect public funds and an obligation, wherever possible, to make sure that an overpayment is recovered.

Overpayments caused by claimant error

Where the overpayment is caused by claimant error and is over £65, a Civil Penalty of £50 should also be considered. The Civil Penalty is in addition to the overpayment and [recovered](#) in the same way. A Civil Penalty may be considered and may be imposed on claimants whose actions resulted in an overpayment because they:

- negligently made an incorrect statement or gave incorrect information in connection with their Universal Credit claim / award without taking reasonable steps to correct the error
- failed, without reasonable excuse, to provide information as required
- failed, without reasonable excuse, to report a change of circumstances

Civil Penalties

In Universal Credit a Decision Maker decides whether to impose a Civil Penalty.

Decision makers may need to gather further information to help them decide whether to impose a civil penalty or not. In each case the decision maker should consider:

- what evidence they need to gather from the claimant to understand the reasons why they made the error or failed to do as required
- how that evidence will be gathered

Civil Penalties cannot be applied to a Corporate Appointee or Personal Acting Body, landlord or third party payee. It can only be applied to an individual, which can be an appointee.

If a Civil Penalty is applied to an appointee, the decision is separate to the claimant's overpayment decision. This is because the Civil Penalty applies to the appointee, not the claimant, and the appointee is responsible for payment. When the Civil Penalty is referred to Debt Management for recovery, it is important to make clear who it is to be recovered from.

Multiple failures or errors

A claimant or appointee may fail to disclose information or provide incorrect information on more than one occasion. If the changes and overpayment are being dealt with and processed at the same time then only one Civil Penalty should be considered. An example could be for a fluctuating amount of capital that might be picked up during one check.

A record must be kept, in all cases recording:

- the reasons for an overpayment decision
- the actual decision
- reasons why the decision maker has decided to impose a civil penalty or not
- the evidence to inform that decision

A Civil Penalty cannot be imposed if it has already been imposed by another benefit for the same failure or error.

A Civil Penalty cannot be applied to a fraud case if a claimant has been:

- charged with a benefit offence
- offered a caution or an [Administrative Penalty](#) as an alternative to prosecution

Couple claims

If a couple has made a joint claim for Universal Credit, only one Civil Penalty can be imposed in respect of the same overpayment. It can be imposed on either member of the claim.

However, this does not apply if one member of the couple was not, and could not reasonably be expected to have been aware of the other person's actions. A Civil Penalty could not then be imposed on the person unaware.

Right of appeal

The decision to impose a Civil Penalty is made at the same time as the overpayment decision. Claimants have the right to appeal the overpayment decision, Civil Penalty or both.

Overpayments caused by claimant fraud

If the overpayment arises because of fraud on the claimant's part, an [Administrative Penalty](#) may be offered as an alternative to prosecution. If a claimant accepts the offer of an Administrative Penalty, this is in addition to the overpayment recovery. The Fraud and Error Service decides whether to offer an Administrative Penalty and calculates the amount.

There is no right to appeal against an accepted Administrative Penalty because the claimant can choose whether to accept the offer or not.

Recovering overpayments

All overpayments are referred to Debt Management for recovery action unless they are small overpayments (SMOP).

SMOPs of £65 or under are not referred unless they arose from:

- fraud
- a direct payment made after death (between £25.01 and £65.00)

Non-fraud overpayments can be repaid by deducting 15% of the benefit unit's Universal Credit standard allowance. If the household earnings are above the level of the work allowance, an additional 10% of the standard allowance can be deducted unless this results in the household being worse off.

Fraud overpayments are repaid by deducting 40% of the benefit unit's Universal Credit standard allowance.

There is an overall maximum deduction rate for all items listed on the [priority order](#). The maximum amount that can be deducted from Universal Credit is an amount equivalent to 40% of the claimant's Universal Credit Standard Allowance. There are two exceptions to this which are:

- Deductions for normal consumption of utilities do not count towards the 40% maximum
- If a sanction or penalty is being applied, or if an advance is being recovered, priority deductions, for example arrears of fuel costs, are still taken even if the total amount of deductions is higher than the 40%.

Reducing deduction amounts

Debt Management may reduce the amount deducted where the deductions would cause hardship to the claimant.

Debt Management recoveries

If an overpayment remains outstanding at the point the claimant is no longer entitled to Universal Credit, the claimant can arrange voluntary repayment to Debt Management.

Where the claimant has moved into employment and has not made alternative arrangements to repay the overpayment, Debt Management will seek to recover the debt through a Direct Earnings Attachment (DEA) with the employer.

A DEA cannot be sought if the claimant is:

- self-employed
- on a low wage (weekly net earnings under £100 or monthly net earnings under £430)
- in the Armed Forces

The maximum rates for a DEA are based on a percentage of the debtor's specified earnings. Debt Management can consider recovery at a rate below the maximum rate if the deductions would cause hardship.

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