Treatment of capital

Capital

Capital includes 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.
Personal possessions are not 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 their savings and capital held by everyone in the assessment unit.
If both adults in an assessment unit are joint owners of a capital asset, the asset is only taken into account once.
Capital of dependent children must be reported even though it is ignored in the assessment of Universal Credit.

Common types of savings and other capital

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

- cash savings
- money in 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
- Lifetime ISA

The Lifetime ISA is a longer-term tax-free savings account (only the surrender value will be taken into account as capital for the calculation of Universal Credit). The surrender value of the Lifetime ISA for people under the age of 60 years will be 75% of the amount in the account (i.e. the account balance less the 25% early withdrawal charge) and any additional administration charges applied by the Lifetime ISA provider for early withdrawal.

Less common types of savings and other capital

The following are less common types of savings/ capital:

- capital bonds
- income bonds
- stocks and shares
- savings and other capital held outside the United Kingdom
- 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 or property held in trust
- money from the sale of a house
- money from the sale of building society windfall shares
- draw downs from pensions (unless claimant is over state pension age)
- land and premises (other than the premises where a person lives)
    - buildings (business or domestic)
    - machinery
    - boats, caravans
- Help to save
- a lump-sum or one-off payment; some examples of these can be:
    - compensation for a personal injury
    - compensation related to the bombings in London on 7th July 2005
    - a charitable payment

Other / second property

Where a claimant owns a property they do not live in but rents it out, both the value of the property and the income they receive from renting the property is treated as capital.

The capital amount of the property is the current market value or surrender value less the outstanding mortgage and any expenses incurred in the sale of the property.

Help to save

The Government plans to introduce Help to Save accounts by April 2018.
Help-to-Save will work by providing a 50% Government bonus of up to £50 per month of savings deposited into a Help-to-Save account.
The bonus will be paid after two years, with savers able to continue saving for a further two years, meaning people can save up to £2,400 and benefit from total Government bonuses worth up to £1,200.
All money available to the claimant, in these accounts, including the Government bonus must be treated as capital in the Universal Credit assessment.

How savings and other capital affect Universal Credit

Unless savings and other capital can be disregarded, 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. Capital in excess of £6,000 is treated as yielding an income (known as “assumed yield income”) of £4.35 per month for each complete £250 over £6,000. Any excess which is not a complete £250 will be treated as yielding £4.35 per month. For example, if they have savings of £6,249 their Universal Credit award is reduced by £4.35. This must be verified and recorded.
Capital over £16,000 (above the upper capital limit)	The claimant is not eligible for Universal Credit. This must be verified and recorded.

These capital limits apply to the capital which is available to all the adults in 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.

If income is received from capital, any actual income received is treated as part of their capital from the day it is due to be paid to them. For example: rental income from a property, interest on savings or dividends.

Income from boarders or lodgers renting a room in the claimant’s home is not treated as capital as their own home is not capital. It is also not treated as unearned income and therefore not usually taken into account in the Universal Credit assessment. However, if the income is from renting out rooms in their house as business, for example running a B&B, that income is taken into account in the same way as other self employed earnings."