

# Recoverable Hardship Payments

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## Introduction

Universal Credit hardship payments are referred to as Recoverable Hardship Payments (RHP) and provide financial protection for claimants whose benefit is reduced by a sanction or a Fraud Loss of Benefit penalty.

Claimants should not regard a RHP as being an automatic replacement for lost benefit or as the first resource they turn to when payments are reduced by a sanction or penalty.

The expectation is that before applying for an RHP, the claimant has looked into all possible alternative sources of support and taken all reasonable action to reduce non-essential expenditure.

Claimants are not required to take action that makes their financial position worse (such as taking out or extending loans, credit facilities or overdrafts)

Advice for Decision Makers (ADM) chapter L1 provides decision makers with advice on what are reasonable and unreasonable actions for seeking support to meet needs and reducing costs.

RHPs are made for short periods, usually up to a month. The claimant or couple must re-apply in each assessment period where payment for the preceding month was reduced by sanction or penalty. If an application is accepted, the amount payable is based on the amount of the reduction made to that previous month's award.

Payments are calculated at a daily rate to cover the claimant from the point hardship can be demonstrated to the date their next payment is (or would be) due.

Recovery of the total amount paid does not start until all sanctions and fraud penalties are completed or terminated.

At every appropriate intervention, claimants must be made aware of the availability of a RHP if a sanction is applied.

This is especially relevant if a sanction doubt is being raised at which time, claimants must also be informed of the RHP eligibility requirements as well as how and when to apply

## **Eligibility**

Before completing and submitting a RHP application, a basic check must be undertaken of the claimant's circumstances to ensure they will be eligible. The following criteria must be met:

- the sanctioned claimant should be aged 18 or over (this restriction does not apply to a claimant subject to a Fraud Loss of Benefit penalty)
- the single claimant or couple have received a payment reduced by sanction or Fraud Loss of Benefit penalty (or would have done if it was not reduced to nil)
- the sanctioned claimant or couple have had their award reduced at the daily rate equal to 100% of the Standard Allowance – or half that for a couple – for higher, medium or low-level sanction

Those claimants whose sanction applies at 40% of their Standard Allowance (or half that for a member of a couple) are not eligible for a RHP. This is because the amount of benefit remaining is equal to the maximum available as a RHP. These claimants include:

- 16/17 year olds (except where they are in a joint claim and that partner is aged 18 or over and has been subject to a higher, medium or low-level sanction)
- those in the Work Focused Interview only conditionality group

- those whose higher, medium or low-level sanction is reduced to 40% because they are in No Work Related Requirements group because they are:
  - responsible for a child under 1-year-old (including foster parents)
  - within 11 weeks before or 15 weeks after giving birth
  - within a year of adopting a child

A claimant or couple are eligible to apply for hardship if their latest payment was only partially reduced by a sanction at 100% or 50% for a couple, of their Standard Allowance.

For example, if 20 days of a 30-day assessment period are reduced, claimants can apply for hardship at the point they demonstrate they cannot meet their immediate and basic needs.

## **Conditions**

To receive a RHP the claimant or each member of a couple must demonstrate they are now meeting their work-related requirements and cannot meet their immediate, basic and essential needs.

A sanctioned single claimant or both members of a sanctioned couple must:

- have met all their work-related requirements in the previous 7 days to the date they apply for hardship
- have met the compliance condition for failure to meet any work preparation activities that led to a low-level sanction

All claimants subject to a sanction or a penalty must;

- accept that any payment is recoverable from future payments of Universal Credit, other benefits or via Debt Management (both members of the couple must accept this) once their award is no longer reduced by sanction or penalty
- not have already received a RHP in the current assessment period
- complete an application and submit any supporting information and evidence
- satisfy a decision maker that they have taken all reasonable actions to reduce non-essential costs and seek alternative sources of support
- demonstrate they are unable to meet their and any children for whom they are responsible for basic, immediate and essential needs for:
  - accommodation costs
  - heating needs

- food requirements
- hygiene needs

### **When to apply**

A claimant cannot be in hardship until they have received a payment for less than they would normally have because of the application of a sanction or penalty. This date is the earliest a RHP application can be made.

Once a reduced payment is received, claimants must be able to demonstrate they are at immediate risk of not being able to meet any of the four basic essential needs. While this is the case for all applicants, the ADM provides flexibility for circumstances where applications can be accepted in advance of when resources are expected to run out, such as where the claimant has childcare responsibilities.

A separate application must be made for each assessment period they receive a reduced (or nil) payment. This is to ensure the claimant or couple continually demonstrate they are still in hardship and making efforts to reduce costs and support themselves.

### **Labour Market conditions for payment of hardship**

The hardship provisions support the message that sanctions carry to encourage claimants to always do what is reasonable to look for/increase work or pay. This emphasises to claimants that they have a responsibility to manage their budget as a consequence of the action which lead to their loss of benefit.

To ensure sanctioned claimants are meeting their work-related requirements at the time of application for hardship they must meet the following conditions:

- the claimant, or each member of a couple, must have met the compliance condition for any low / lowest level sanction (this means any open-ended period of sanction has been brought to a close)
- the claimant, or each member of a couple, must have met all their work related activity requirements (work search and availability) in the 7 days before applying for a recoverable hardship payment - a RHP cannot be received if there is an outstanding doubt that a claimant (or their partner if they have one) has recently failed to meet their work-related requirements in the 7 day period prior to submission of the application (however, if the doubt is outstanding, a decision on this is needed, and must be prioritised - if the doubt is outstanding because the claimant needs to provide more information, for example - good reason information or evidence, remind the claimant and explain the application cannot proceed until a decision has been made on the potential sanction)

If a claimant has not complied with a work preparation activity, they must be given the opportunity to meet that condition in order for their application to proceed.

### **Calculating the Recoverable Hardship Payment**

RHPs are linked to the amount of sanction or penalty reduction applied to the most recent monthly Universal Credit payment the claimant has received.

They are calculated at 60% of the reduction, on a daily basis, covering the period from the date an application is accepted to the date before the next monthly payment of Universal Credit is (or would be) due.

If this period is 7 days or less, the RHP amount can be extended to whichever of the below is the earliest date:

- the day before payment for the following month is due
- when the sanction or penalty ends

### **Payment**

When an application is allowed, the payment must be issued to the claimant/couple as quickly as possible because of the immediacy of hardship. This should be on the day the application is accepted where practical.

The amount of hardship paid must be recorded and the amount added to the balance of any previous outstanding hardship paid.

### **Recoverable Hardship Payment recovery**

Once their Universal Credit payment is no longer reduced by a sanction or penalty, the total amount of the RHP paid is recovered at up to 40% of the claimant's Standard Allowance.

Recovery is suspended for any assessment period where the claimant or couple have earnings at least equal to the single claimant's or combined couple's Conditionality Earnings Threshold. The balance is written-off once this level of work is sustained for a period (or periods totalling) at least 6 assessment periods since the last sanction or fraud penalty reduction applied to their Universal Credit award.