



Department
for Work &
Pensions

Minister for Work and
Pensions (Lords)
4th Floor
Caxton House
Tothill Street
LONDON
SW1H 9DA

0207 340 4000

www.gov.uk/dwp

ministers@dwp.gsi.gov.uk

The Baroness Boycott
House of Lords

20th May 2020

Dear Rosie,

Following Baroness Lister's Oral Question in the House of Lords on 13th May 2020, I promised that I would write to you to clarify the question that you raised regarding advances and deductions.

Thank you for your suggestions regarding the announced easement to the repayment of Universal Credit advances, and a further reduction in the rate of standard deductions from 30% to 25% of a claimant's Universal Credit Standard Allowance.

The Government has already taken action to mitigate the impact of repaying advances. This includes a yearlong temporary increase in the Universal Credit standard allowance by £86.67 per month (equivalent to £20 per week), for the 20/21 tax year on top of the planned annual uprating. This increase of up to £1040 a year aims to provide additional support for managing the economic impacts of the pandemic. For the majority of claimants, this extra amount more than absorbs the cost of advance repayments – the average monthly advance repayment is around £50.

Increasing the Standard Allowance is a fairer and more generous measure than converting an advance into a grant, as the increase affects the overall entitlement of all claimants - both existing and new. In contrast, a non-repayable advance, or advance as a grant, would be an increase in entitlement for some claimants only, and create disparity between new and existing claimants.

In October 2019, the level of standard deductions was reduced from 40% to 30% of a claimant's Standard Allowance. In addition, the repayment period for advances has already been extended from 6 months to 12

months, and claimants can ask to defer advance repayments for up to 3 months in certain circumstances. As you outlined, we have further planned changes to extend the repayment period to 24 months and reduce the deductions cap to 25% by October 2021. However, bringing forward these changes could not be implemented without significant development to the UC system which would require other measures already announced to be de-prioritised. In light of current events, the Department's focus is firmly on ensuring new and existing claimants continue to receive their payments on time. We will continue to review our policies but have no plan to bring these measures forward at this time

I trust my response has reassured you that we are doing whatever it takes to support those most affected by the pandemic. The COVID-19 emergency continues to be a rapidly evolving situation and we are keeping this situation under review in order to help those in need of support.

A copy of this letter will be placed in the House Library.

Yours sincerely,

A handwritten signature in black ink that reads "Debbie Stedman Scott". The signature is written in a cursive style with a horizontal line under the name "Stedman".

**BARONESS STEDMAN-SCOTT
MINISTER FOR WORK AND PENSIONS (LORDS)**