

## **Deduction Priority Order**

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### **Introduction**

There is a priority order for deductions in Universal Credit. However, it will only be applied if there is insufficient Universal Credit in payment to make all the deductions needed or if the total deductions would otherwise exceed 30% of the benefit unit's Universal Credit Standard Allowance.

### **Deductions taken before the priority order is applied**

The following deductions are taken before the priority order is applied (in order of precedence):

1. Fraud penalties.
2. Conditionality sanctions.
3. Short-term advance (Universal Credit Advance - new claim or change of circumstances).
4. First month advance (Universal Credit Advance - benefit transfer).
5. Budgeting Advance.

Only one conditionality sanction or one fraud penalty can be applied to a claimant at any one time. However, both members of a couple can have a sanction or penalty applied.

If a conditionality sanction is in place and a fraud penalty needs to be applied to a claimant's Universal Credit, the fraud penalty will take precedence. The conditionality sanction will be applied once the fraud penalty has ceased.

If a fraud penalty or conditionality sanction is being applied, an Advance cannot be recovered at the same time. The penalty or sanction will take precedence. The Advance will be recovered once the penalty or sanction has ceased. See Sanctions

If a penalty or sanction is only applied to part of the assessment period (for example, 2 days of the assessment period and the deduction totals less than 30% of the Universal Credit Standard Allowance), the other deductions can be taken up to the 30% maximum.

If a claimant or benefit unit has more than one Advance outstanding, the priority order for Advances must be applied.

### **Deductions priority order**

Deductions are taken in the following order of precedence:

#### **Last resort deductions**

- No 6 - owner-occupier service charge arrears (where the lender is not part of Mortgage Interest Direct (MID) scheme).
- No 7 - rent and/or service charges arrears (minimum deduction rate of 10%).
- No 8 - gas arrears (electricity arrears can come above gas arrears, if required)
- No 9 - electricity arrears.

#### **Enforcing social obligation deductions**

- No 10 - Council Tax or Community Charge arrears
- No 11 - fines or compensation orders (minimum deduction rate)
- No 12 - water charges arrears
- No 13 - old scheme Child Maintenance
- No 14 - Flat Rate Maintenance

#### **Ensuring recovery of benefit debt deductions**

- No 15 - Social Fund loans
- No 16 - Recoverable Hardship Payments
- No 17 - Housing Benefit and DWP Administrative Penalties.
- No 18 - Housing Benefit, Tax Credit and DWP fraud overpayments
- No 19 - Housing Benefit and DWP Civil Penalties
- No 20 - Housing Benefit, Tax Credit and DWP normal overpayments

#### **Enforcing social obligation deductions**

- No 21 - Integration Loan arrears
- No 22 - Eligible Loan arrears
- No 23 - rent and / or service charge arrears (maximum deduction rate of no less than 10% and no more than 20%)
- No 24 - fines or compensation orders (maximum deduction rate)

The Universal Credit system will be able to stop one deduction and implement another during the claim if the new debt is higher up the priority order than the recovery being deducted.

Only one deduction for fines can be taken at any one time. Any further requests cannot be accepted until the first is complete.