

Advances - Budgeting Advance

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Advances

Universal Credit claimants have access to four types of advance:

- New Claim Advance
- Change of Circumstances Advance
- Benefit Transfer Advance
- Budgeting Advance

The following content focuses on Budgeting Advances.

You must read Flexible Support Fund or Universal Credit Budgeting Advance before considering a Budgeting Advance.

Budgeting Advances

Budgeting Advances provide valuable access to interest free payments for one-off items. They are designed to help claimants with irregular expenses, for example:

- obtaining or retaining employment such as work clothes, tools, travelling expenses and childcare costs
- buying essential household items such as furniture, cot, pram, appliances, clothing and footwear
- help with rent in advance or removal expenses to secure new accommodation
- improvement, maintenance and security of their home
- Funeral expenses

They are not intended to help pay for unexpectedly high household bills, for example an electricity or gas bill.

Budgeting Advances are discretionary payments and there is no right of appeal. If the claimant is not satisfied with the decision, they can ask for it to be looked at again.

A 'Claimant history' note must be recorded where an offer for a Budgeting Advance has been made. If a claimant refuses the offer, this must also be recorded in 'Claimant history'.

Timescales

Claimants can apply for a Budgeting Advance at any point during their Universal Credit claim provided that recovery of a previous Budgeting Advance is not outstanding.

Eligibility criteria

To be eligible for a Budgeting Advance, the claimant must:

- not have any recovery of a Budgeting Advance outstanding, and
- have been in continuous receipt of Universal Credit or the following qualifying benefits for at least 6 months:
 - Income Support
 - Jobseeker's Allowance (income based)
 - Employment and Support Allowance (income-related)
 - Pension Credit
 - Housing Benefit

A Budgeting Advance request must be:

- no less than the minimum amount of £100
- no more than the maximum that their circumstances allow:
 - £348 for a single adult
 - £464 for a couple
 - £812 for a single parent or couple with children

The claimant must:

- not have recovery of a Budgeting Advance outstanding or have a partner who has recovery of a Budgeting Advance outstanding
- not have earned more than their allowable earnings:

- £2600 in the previous 6 assessment periods for a single claimant (with or without children)
- £3600 for a couple (with or without children)

Earnings include:

- Statutory Sick Pay
- Statutory Maternity Pay
- Ordinary Statutory Paternity Pay
- Additional Statutory Paternity Pay
- Statutory Adoption Pay
- Maternity Allowance

Exception to the 6-month rule for eligibility criteria

An exception to the 6-month rule may be applied if the Budgeting Advance is to help the claimant start or stay in work (for example, if it is needed for upfront childcare costs, travel costs, clothing or tools). However, a Budgeting Advance is available for upfront childcare costs **only** in cases where the applicant has a confirmed job offer.

The calculation uses a formula to pro-rata the actual amounts of the earnings threshold by the number of complete assessment periods available prior to the date the application for the Budgeting Advance is made. This gives a pro-rata earnings threshold which the claimant's household earnings must not exceed over the available complete assessment periods.

Example:

The claimant:

- has been in receipt of Universal Credit for 3 months
- applies for the Budgeting Advance during the fourth assessment period
- has a partner who has ongoing earnings
- needs a Budgeting Advance to help them start work

Because the household has earnings, the earnings condition is calculated by applying the following calculation: $3 \times £3600 \div 6$ (the number of complete assessment periods (3) \times £3600 earnings threshold for a couple \div by 6) = £1800.

The claimant's household earnings must not have exceeded £1800 over the preceding 3 complete assessment periods.

If the same claimant had been in receipt of Universal Credit for 4 months and applied for the Budgeting Advance in the fifth assessment period, the formula applied would be: $4 \times \text{£}3600 \div 6 = \text{£}2400$.

If there are 6 complete assessment periods available to calculate the household's earnings over, the set earnings thresholds should be used. This would be £2600 for a single claimant or £3600 for a couple.

Written notice

Before a Budgeting Advance can be made, the claimant (and their partner) must be given a written notice (this can be an electronic notification).

This notice contains their agreement to the amount of the Advance and the deductions and timescale to repay it. It also contains their liability to repay the Advance either by deductions from their Universal Credit or by other means (such as an attachment to earnings) if they leave Universal Credit.

Budgeting Advances are carefully managed to ensure that claimants do not incur an unmanageable amount of debt.

Reasons why a Budgeting Loan may be declined

A Budgeting Advance must not be paid if it could put the claimant in a vulnerable situation or it is believed it will not be used for the stated purpose. A check of the claimant's account may indicate that a Budgeting Advance is not suitable, for example:

- the claimant may have received Budgeting Advances before and paid them off in a lump sum, this may be because they have borrowed money from elsewhere to repay which means a new Advance would increase their level of debt (a discussion with the claimant may help the agent to decide if a new Budgeting Advance should be accepted or declined)
- the claimant may have previously received a Budgeting Advance to cover the costs of similar (or the same) items and they may have used previous Advances to pay for things that a Budgeting Advance is not intended for (a note in 'Claimant history' must explain why the Advance has been declined)
- there may be concerns that the claimant is a victim of domestic abuse and the Advance may have been requested so that the money can be passed to another person instead of the intended purpose of a Budgeting Advance (for more information on supporting claimants in this situation, see Domestic abuse)

- the claimant or their partner has an appointee who has not consented to the advance
- the claimant may request a Budgeting Advance to cover costs which aren't applicable to them, for example, asking for help to buy a cot or pram, however there are no children declared on their Universal Credit claim (if it is believed that a fraudulent application for an Advance has been made a fraud referral should be considered, see Fraud and Error)
- if a Budgeting Advance is not suitable for a claimant, it must not be paid.
- if a Split Payment arrangement is in place, both claimants must agree to the advance being paid and these cases must be referred to a team leader for case conferencing with support from the Advanced Customer Support Senior Leader (ACSSL) if required and the claimant must be told their partner (or the partner's appointee) will be contacted separately (this is so that they can provide consent for the Advance and that they agree the repayment terms before a decision can be made)

Amounts

A Budgeting Advance will only be made if it is known the claimant can afford to repay it from their Universal Credit payments within the required timescales.

Once a claimant's eligibility is confirmed, the maximum amount that can be advanced is calculated in the following way:

1. Calculate 25% of the appropriate Standard Allowance for the benefit unit. This is the maximum amount that can be deducted from a claimant's monthly Universal Credit award.
2. Take off any existing deductions from benefit. If other deductions which are higher on the Deductions Priority Order already account for the entire deductible amount, no Advance should be made. This will ensure repayments of any existing priority debts they have are not affected and further ensure that DWP is not advancing money it is unlikely to recover.
3. Multiply the remaining amount by twelve. The standard maximum recovery period is 12 months.
4. Cap this figure at the appropriate overall maximum level as above in 1 and 2, for example £348, £464 or £812.
5. Reduce the remaining amount in proportion to any capital the claimant has above £1000 (for example, if total capital held is £1,300 we deduct a

further £300 from the maximum Budgeting Advance available to the claimant as already calculated using the steps above).

This end figure is the maximum amount that can be advanced, although the claimant will not automatically be given the maximum. This will depend on what the Budgeting Advance is needed for.

The agent must confirm what the Budgeting Advance is for and only an appropriate amount should be given limiting it to the maximum figure.

Recovery

Budgeting Advances will be recovered over a maximum of 12 months (or 18 months only in exceptional circumstances).

During the recovery of the Advance, a change in the circumstances of the benefit unit could mean that recovery over 12 months will push the claimant into genuine hardship. In these circumstances, it is possible to defer payments for up to 6 months.

Payments can be deferred in this way in exceptional circumstances only and full recovery must be completed within 18 months.

Exceptional circumstances would be an unforeseen expense that occurs after an Advance is agreed. Continued recovery for the initial agreed repayment period would cause the claimant and their household genuine hardship. An example of this is when a child goes into hospital, resulting in unexpected regular bus or taxi fares for parents to visit.

Only one Budgeting Advance can be paid at a time.

No further Budgeting Advances will be made available until the balance of the previous Budgeting Advance is cleared. If two benefit units merge and one claimant is liable for an outstanding Budgeting Advance, the new benefit unit is not eligible for a further Budgeting Advance until the first has been repaid in full.

If an Advance is requested and at that time a member of the joint claim is an ineligible partner, the ineligible partner has no responsibility for half of the outstanding debt.

A claimant may want to repay the advance in a lump sum. In these circumstances they should be asked to ring the Debt Management phone line. See Debt Management guidance for phone numbers

If a claimant becomes insolvent recovery must be suspended. See Insolvency guidance for more information.

Flexible Support Fund or Universal Credit Budgeting Advance

The Flexible Support Fund may be the best option for a claimant instead of a Universal Credit Budgeting Advance which they'll have to repay.

Therefore, if a claimant requests help to remove barriers preventing them from obtaining, starting or remaining in work - the Flexible Support Fund must be considered first before a Universal Credit Budgeting Advance.

For example, the claimant may need support for

- transport costs
- work clothes
- tools
- childcare

These are examples, not a complete list.

Full details can be found in the Flexible Support Fund guidance.

If the items requested can't be funded through the Flexible Support Fund, consider whether a Universal Credit Budgeting Advance is available to the claimant.

Payment

Advances are paid by BACS transaction into the account that the claimant is using for their Universal Credit claim within three working days.

If a payment is needed more quickly, provision can be made for a same day Faster Electronic payment. These should only be made where there are exceptional circumstances that require this and must be signed off by a team leader (HEO or above) for example, when the claimant does not have enough money to last until the Advance is paid.

Faster Electronic Payments will only be issued Monday to Saturday (excluding Bank holidays) as these are banking days.