Treatment of capital

Contents

Capital

Capital includes savings, stocks and shares, property and trusts and ISAs including help to buy ISAs and Lifetime ISA. It does not include:

- the property occupied by the claimant as his or her main home
- personal injury compensation payments placed in trust funds
- certain other compensation payments
- personal pension schemes and retirement annuity contracts
- business assets
- capital belonging to a relevant child dependant within the assessment unit

Any income from capital, such as interest on savings, rent payments from second properties or dividends from shares is treated as capital.

All capital held by adults within an assessment unit is valued and taken into account as applicable capital unless it is treated as income or disregarded capital. The claimant must report any changes in value.

Where one member of a couple is an ineligible partner - their jointly owned capital is taken into account when calculating the amount paid to the other member of the couple.

Where both adults have an interest in or are joint owners of a capital asset, that asset is taken into account once.

If a person has deprived themselves of capital in order to gain entitlement or increase entitlement to Universal Credit they are treated as having that capital. For further information, see Deprivation of capital.

Treatment of capital

Applicable capital is calculated at the current market value or surrender value. Capital that incurs an expense if it were sold, such as shares, has a 10% disregard applied to the value.

Income received from capital such as interest on savings is treated as applicable capital from the day it is due to be paid.

When capital is held in a currency other than sterling, it is calculated after the deduction of any banking charge or commission payable in converting that capital into sterling.

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.

For information on when the capital value can be disregarded, see Capital disregards.

Help to save accounts

All money available to the claimant, in these accounts, including the Government bonus is treated as capital and taken fully into account.

Lifetime ISA

The Lifetime ISA is treated as capital in the same way as cash ISAs but only the surrender value is taken into account as capital. The surrender value is the amount that could be withdrawn after the 25% early withdrawal charge for claimants under 60 years of age.

Tax free Childcare account

Tax free childcare accounts are treated as capital but only the surrender value of the account is taken into account as capital. The surrender value is 80% of the money held in the account as the claimant is not able to withdraw the 20% Government top up whilst they are in receipt of Universal Credit.

Home Office resettlement grants

Home Office resettlement grants for refugees are treated as capital and taken fully into account.

Capital limits

The upper capital limit is £16,000. Claimants with applicable capital valued at over £16,000 are not entitled to Universal Credit.

Applicable capital valued at over £6,000 and up to and including the limit of £16,000 is treated as having an assumed income. The assumed income is £4.35

per month for each £250 above £6,000. For the calculation of applicable capital this is known as tariff income.

For each £250 above £6000 the claimant's Universal Credit award is reduced by a tariff income of £4.35. Where it is not a complete £250 it is rounded up to the next £250.

Where the applicable capital is valued at £6,000 and under it is disregarded.

Moving to Universal Credit

Claimants who have capital

- over £16,000, and
- were entitled to Tax Credits before moving to Universal Credit under managed migration

will receive transitional protection for 12 months to protect their cash income at the point of change.