

# Advances - New Claim

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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 New Claim Advances.

## New Claim Advance

The purpose of a New Claim Advance is to support claimants who can't manage until they receive their first payment of Universal Credit. Claimants must be made aware that advances are available to them if they are in financial need.

If a claimant has transferred to Universal Credit from a qualifying benefit within 1 calendar month, they must be offered a Benefit Transfer Advance not a New Claim Advance.

To establish if the claimant and their partner (if they have one) have a financial need and require an Advance, they must be asked if they have enough money to live on until the first payment of Universal Credit is due. This might be money from savings, earnings, redundancy payments or support from the claimant or partner's parents, family or friends. If the answer is no, an Advance must be offered.

A claimant is not required to have signed their Claimant Commitment before they can get an Advance, but they must:

- be unable to manage until their next payment of Universal Credit (financial need)
- have likely entitlement to Universal Credit (their ID must have been verified and there must be no doubt that the Habitual Residence Test will be satisfied)
- have the ability and agree to repay the advance

For joint claims, both claimants must satisfy the above conditions.

If a claimant from a joint claim asks for an advance, both parties must consent to the advance request and recovery terms.

If a claimant from a joint claim has an appointee, the appointee is responsible for the advance request and recovery terms.

If a claimant satisfies the conditions for a New Claim Advance, they have the choice to claim it online. If it is awarded, it will be recorded in the advances page and in 'Claimant history'.

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

It is still essential that claimants are offered an Advance and that it is processed at the first point of contact, usually at the Initial Evidence Interview.

### **Referral to a team leader**

Requests for a New Claim Advance must be referred to a team leader (HEO or above) if the claimant has previously been paid 2 or more New Claim Advances within a 12 month period and the agent wishes to pay the further Advance.

In these cases, the team leader is simply checking to see if there is strong evidence that the claimant has previously abused eligibility to receive Advance payments.

The following must be considered by the team leader:

- the number of previous New Claim Advances
- whether previous Universal Credit claims progressed to payment
- the reason for previous Universal Credit claims not progressing to payment
- if there is evidence of multiple accounts using different email addresses
- evidence of how the claimant has supported themselves financially between claims
- if an appointee does not want an Advance to be given to the claimant, the Advance must not be issued

Having a number of outstanding Advances does not stop the claimant from receiving a further Advance. Only Budgeting Advances require the claimant to have repaid an earlier Advance.

### **Claimant has received Advances previously**

A claimant must be actually entitled to Universal Credit or likely to be entitled before an Advance payment can be made.

If a claimant has been awarded an Advance payment for a previous claim, but there is evidence of those past claims to Universal Credit not then progressing to the

payment stage, this throws doubt on whether any further Advance payments can be made and further evidence can be requested before an Advance is awarded.

### **Multiple requests for Advance payments – refusal**

If it is decided that the Advance payment cannot be made because there is a doubt that the claimant is likely to be entitled to Universal Credit, the claimant must be told by using the wording below, either in the journal or over the phone. In no circumstances should this be communicated face-to-face.

“We have looked at your recent history and the information that you have given to us. Having considered these items, we do not believe that you will get an award of Universal Credit because you are unlikely to meet the eligibility criteria for that benefit. As such you do not fulfil the eligibility criteria for a Universal Credit Advance and we are not going to provide you with one at this time.”

The ‘Claimant history’ must also reflect the request and reasons for refusal.

### **Timescales**

The claimant must be asked during their initial interview whether they have enough money to live on until their first payment of Universal Credit. Agents must ensure that the claimant understands that this means any final earnings, redundancy payments or savings, or whether they live with friends or relatives.

If at that point the claimant considers that they do need an Advance, they may then ask for this up to and including the last day of their first assessment period.

The agent must have a discussion with the claimant to establish the need and affordability of an Advance. This is to prevent them from incurring any unnecessary debt.

### **Amounts**

The claimant must be informed of the maximum amount they are entitled to. This will be the lower of:

- 360% of their standard allowance
- the equivalent of their maximum Universal Credit award (including additional amounts)

The maximum amount is the total of the following if they are applicable, any:

- Standard Allowance
- Child element and Disabled Child Addition\*
- childcare costs
- Universal Credit awarded for having Limited Capability for Work or Limited Capability for Work and Work Related Activity
- Universal Credit awarded for being a carer
- housing costs

This total sum is the ‘maximum amount’ for the benefit unit.

\* The maximum amount for the Advance will only include the child additions for those children that have been verified. A claimant can apply for an increase of the Advance if the child is verified in the first assessment period.

The aim is to pay only one New Claim Advance so it is important to get the amount the claimant needs right.

By exception, a claimant may initially request an amount of Advance that is lower than the maximum amount available to them and then subsequently decide that they need the remainder. In these cases, it is possible to pay them the remainder of the first Advance (as an additional Advance) provided that the total amount they receive remains within the maximum entitlement of their first Advance. As the remainder is part of the original Advance available to them, financial need does not need to be established again.

The claimant must be offered support to calculate the most appropriate amount of Advance payment based on their monthly outgoings and their ability to repay it over the next 24 months. To avoid hardship, the repayment amount will be no more than the equivalent of 25% of the claimant's Universal Credit Standard Allowance.

## **Recovery**

The recovery period increased from 12 to 24 months for Advances taken in the first assessment period from 12 April 2021. The Advance is recovered over a maximum of 24 months by deductions from a claimant's monthly Universal Credit Standard Allowance in equal amounts over 24 equal installments, starting from the first month's award.

However, the Universal Credit Service can't commit to 24 installments of equal deductions as there may be months when the claimant doesn't have enough Universal Credit to cover the installment (for example, due to an increase in earnings).

The Universal Credit Service will calculate what can be deducted every month (up to a maximum) until the Advance has been recovered.

Claimants must be informed that they have 24 months to repay the Advance (the maximum period).

During the recovery of the Advance, exceptional circumstances may occur that were not foreseen when it was first taken out (for example, a child going into hospital which results in unexpected and regular bus or taxi fares for the parents to visit). If these circumstances push the claimant into genuine hardship and cause difficulty repaying the Advance over the agreed recovery time, a maximum 3-month deferral can be considered. Full recovery must be made within 27 months.

Joint claimants have joint liability for an Advance. If the couple subsequently separate, the recovery of the Advance will be taken from both of them on a 50/50 basis.

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 become insolvent, recovery must be suspended. See Insolvency guidance for more information.

## **Payment**

Advances are paid within 3 working days by BACS transaction into the account that the claimant is using for their Universal Credit claim.

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.