

Underpayments

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How underpayments occur

Universal Credit underpayments can be caused when:

- a claimant reports a change of circumstances but information verification is delayed
- a change of circumstances is reported late
- the decision to apply limited capability for work and work-related activity is made after the end of the 4th assessment period - the relevant period
- an official error occurs
- recovery of a Universal Credit Advance is taken during an insolvency - the claimant must contact Debt Management for a refund (see Insolvency under the heading 'Insolvency and underpayments')

This list is not exhaustive

A change of circumstances is reported but information verification is delayed

If a claimant reports a change of circumstances that may affect their award, they may need to provide proof of the changes.

If a claimant reports an advantageous change of circumstances towards the end of the assessment period, there may not be time to verify the information before the next payment is due. The claimant's current award of Universal Credit is paid until the information is verified. If an underpayment occurs, see Paying arrears due to an underpayment.

Change of circumstances is reported late

If the claimant reports a change after the end of the assessment period in which it happened, they must explain the reason for the delay.

An exception to this is the payment of childcare costs which can be reported in the assessment period in which they are paid or at any point in the subsequent assessment period. See Childcare costs.

The decision maker considers all of the information the claimant provides to help them decide if the reason for lateness is acceptable. If it is not, arrears are not due

and the Universal Credit award is changed from the assessment period in which the change was reported.

Underpayments caused by official error

Universal Credit aims to pay the right amount of money every time but errors sometimes happen. These can occur when:

- calculating a benefit award
- taking action on a reported change of circumstances
- failing to act promptly on a reported change of circumstances which affects an existing benefit award

This list is not exhaustive.

Paying arrears due to an underpayment

Arrears of Universal Credit due to a claimant may be paid automatically. Where this is not possible, the Service will prompt for a manual payment through the Central Payment System (CPS) Local Payments system. They can be paid directly to the landlord if appropriate.

If a claimant requests an underpayment to be paid as a Faster Payment, the CPS payment must be recalled and reissued as a manual Faster Payment.

Before considering payment, see When arrears are not offered to Debt Management and Underpayments are offered to Debt Management.

If arrears are owed for a period of a joint claim and the couple separate, the arrears are split equally between both members of the joint claim. If one member of the joint claim cannot be contacted or has not made a claim, 50% of the arrears owed are paid to the claimant with a live claim and the remaining 50% are held until the other partner claims again.

When arrears are not offered to Debt Management

Arrears are paid to the claimant and not offered to Debt Management if any of the following reasons caused all or part of the underpayment:

- housing costs
- late verification of a child
- late verification of a disabled child
- late verification of caring costs
- childcare costs
- late verification of Limited Capability for Work Related Activity (LCWRA) when LCWRA applies from claim start date

Underpayment of housing element is due

If the claimant has 'Manage payment to landlord (MPTL) only with no Third party deductions (TPD) for rent arrears:

- Offer arrears to the claimant for any period where a MPTL was not in place, the claimant can choose to have these paid to the landlord.
- For any period where a MPTL was in place, pay the housing arrears to the landlord.

If the claimant has MPTL and also has TPD for rent arrears:

- For any period where a MPTL was in place, pay the housing arrears to the landlord.
- For any period where a MPTL was not in place, pay the arrears to the landlord up to the value of the current debt held in the UC service. (it is the landlord's responsibility to keep UC informed of the current debt) . Any excess should be offered to the claimant. The claimant can choose to have the excess paid to the landlord.

Arrears are also not offered to Debt Management when the claimant is paid late because:

- of a suspension of benefit
- they were not paid their full award at the end of the assessment period

Underpayments are offered to Debt Management

All arrears are offered to Debt Management except those listed in When arrears are not offered to Debt Management. It is important to ensure that only eligible arrears are offered.

Debt Management will decide if the arrears can be used to reduce the overpayment or any other eligible debt and then allocate any arrears.

Debt Management services will use the underpayment to offset any debt and will pay any remaining underpayments to the claimant.

If arrears relate to a joint claim, regardless of whether the joint claim is still in payment, the arrears can be withheld and used against any existing outstanding debt owed by either claimant in the joint claim if:

- both claimants in the joint claim have separate debts, the arrears are split equally and used against each claimant's debt
- only one claimant of the joint claim owes a debt, all of the arrears due can be withheld to recover the debt.