

Benefit Cap: Guidance

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Benefit Cap

The Benefit Cap is a limit to the total amount of benefits a claimant and other members of their household can receive.

The Benefit Cap is applied to Universal Credit. It will reduce the amount a claimant is entitled to if the total amount of benefits they receive is above the limit for their circumstances.

The Benefit Cap will not apply if a claimant or their partner are in work and earn more than the Benefit Cap earnings threshold after tax and National Insurance contributions.

An exemption also applies if a claimant, partner or child is either 'receiving' or 'entitled to' certain benefits as follows:

- **receiving** one of the following (or are not receiving them due to being in hospital or a residential care home):
 - Armed Forces and Reserve Forces Compensation Scheme - known as Armed Forces Independence Payment
 - Attendance Allowance or Pension Age Disability Payment (PADP) in Scotland
 - Disability Living Allowance or Scottish Adult Disability Living Allowance (SADLA) in Scotland
 - Child Disability Payment in Scotland

- Employment and Support Allowance (that includes the support component)
 - Industrial Injuries Benefits
 - an award of Universal Credit that includes an additional amount for limited capability for work and work-related activity
 - Personal Independence Payment
 - Adult Disability Payment
 - War Pensions
 - War Widow's or War Widower's Pension
- **entitled** to one of the following:
 - Carer's Allowance or Carer Support Payment (Scotland)
 - an award of Universal Credit that includes an additional amount for carers
 - Guardian's Allowance

Benefit Cap limit

The Benefit Cap limit is set at different levels and depends on whether a claimant:

- lives inside or outside Greater London
- is single
- is part of a couple or a lone parent

The maximum amount of benefit before the Benefit Cap applies is:

| Claimant or claim type | Inside Greater London | Outside Greater London |
|------------------------|-------------------------------|-------------------------------|
| Single claimants | £16,967 (£1,413.92 per month) | £14,753 (£1,229.42 per month) |
| Couple or lone parent | £25,323 (£2,110.25 per month) | £22,020 (£1,835.00 per month) |

Benefits taken into account

The benefits taken into account alongside Universal Credit to see if income exceeds the limit for the Benefit Cap are:

- Bereavement Allowance
- Child Benefit

- Employment and Support Allowance except where the support component is in payment
- Incapacity Benefit
- Income Support
- Jobseeker's Allowance
- Maternity Allowance
- Severe Disablement Allowance
- Widowed Parent's Allowance (or Widowed Mother's Allowance or Widow's Pension if a claimant started receiving this before 9 April 2001)

In-work exemption

The Benefit Cap is intended to be an incentive to work so there is an exemption for households that have monthly earnings at a sufficient level.

To qualify for the in-work exemption, a claimant's earnings (or if a couple - their combined earnings) must be equal to or above the earnings threshold after tax, National Insurance and pension contributions. The monthly earnings threshold is based on 16 hours work a week at the National Living Wage rate.

If the Benefit Cap is not applied and it is later identified that the claimant did not meet the in-work exemption, the cap is imposed retrospectively and overpayment action considered.

For information on earnings, see Treatment of earnings.

Move to Universal Credit claimants over State Pension age

Refer to the Benefit Cap, for the circumstances in which they are exempt from the Benefit Cap.

Grace Period

The Grace Period is when the Benefit Cap will not be applied for 9 months when a job has ended or when earnings have reduced below the monthly earnings threshold.

Note: a claimant does not have to be unemployed for a Grace Period to apply.

To qualify, a household must have earned at or above the level of the earnings threshold in each of the previous 12 months. The earnings from a claimant or partner or ex-partner can be added together to meet the earnings threshold.

If a claimant is relying on work and earnings from an ex-partner, they must have been a couple during that period of work to qualify.

If the claimant has been a victim of domestic abuse, it would be unreasonable for them to contact their ex-partner to get evidence of their earnings. For these cases, the claimant needs to confirm previous earnings from work by estimating their partner's earnings. Universal Credit will accept this figure and will not require evidence from their partner.

For information on complex needs, see Domestic abuse

For those who were working and not claiming Universal Credit, the Grace Period starts the day after the last date of employment.

A claimant who was working and receiving Universal Credit can qualify for the Grace Period from the first day of the assessment period in which earnings fall below the in-work exemption threshold.

Grace Periods are awarded for a consecutive period of time. When a Universal Credit award ends and later starts again, the agent must check whether the claimant is still within a previously allocated Grace Period. If they are, that Grace Period can still be applied.

If a couple separate:

- the remainder of any Grace Period already awarded is applied to both parties, or
- if one of the couple claims Universal Credit as a single person - a new Grace Period can be applied to the award if the claimant, partner or ex-partner earned at or above the level of the in-work exemption threshold in each of the previous 12 months

The Benefit Cap is applied from the assessment period after the assessment period in which the Grace Period ends.

Calculating benefits

Where the benefit is taken into account as unearned income on the Universal Credit award, this is the amount taken into account for the benefit cap. This includes benefits received for a month or less.

Weekly paid benefits are converted to a monthly figure. The amount the claimant is entitled to at the end of the assessment period is the amount used to convert to a monthly figure.

Housing Benefit

Any Housing Benefit in payment to a claimant is not included in the Benefit Cap calculation.

After the Housing Benefit is disregarded, if the total amount of benefits exceeds the limit - the Benefit Cap is applied to the Universal Credit award.

Reducing Universal Credit

The Universal Credit adjusted award is used in the Benefit Cap calculation.

The adjusted award is the amount after any deductions for capital, income and earnings are taken and before any sanction, overpayment or third party deductions are applied.

Eligible childcare costs that are repaid through the Universal Credit payment are not subject to the Benefit Cap.

If the total amount of benefits exceeds the Benefit Cap limit in an assessment period, the amount of the Universal Credit award is reduced by:

- the excess amount, or
- the excess amount minus any amount included in the award for childcare costs

If the childcare costs exceed the excess, the Benefit Cap is not applied.

Claimant support

Support must be provided for claimants whose benefit will be capped and where the cap will reduce their Universal Credit. The support they can get is ongoing and can include things like:

- employment support to help them find work
- budgeting support
- housing advice and signposting to local authorities to access Discretionary Housing Payments

We must ensure that claimants understand how moving into work, progressing in work and earning more will help them financially. We must also advise them of the level of earnings they need to have in order to be exempt from the Benefit Cap.

Claimants without a work coach (for example, those in No Work-Related Requirements or Light Touch regimes) with earnings below the Benefit Cap earnings threshold, must also have access to support - but this is on a voluntary basis.

The full range of support available to a claimant must be considered, this includes work coach interviews, national and local provision.

For information on available support, see:

- Discretionary Housing Payments
- Money guidance and Alternative Arrangement Payments
- Additional support

Migration

Those claimants receiving a Legacy benefit who were not entitled to any Housing Benefit will not have had the Benefit Cap applied to their Legacy benefit. In addition, some claimants may not receive enough Housing Benefit for the full Benefit Cap to be applied - but will have a 50 pence Housing Benefit award to ensure they can access Discretionary Housing Payments.

In both these cases, a claimant will not receive Transitional Protection whether they migrate naturally to Universal Credit or as part of the Move to Universal Credit process. This means they will be either newly capped or capped by a greater amount. The Benefit Cap is applied immediately on transferring to Universal Credit.

Appeals

There is no right of appeal against a decision to apply the Benefit Cap. A claimant can ask for a decision to be re-considered if they believe their benefit entitlement has been calculated incorrectly.