

Capital disregards: Guidance

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What are capital disregards?

All capital in excess of £6,000 is taken into account as capital unless it can be treated as earnings, unearned income or disregarded.

Where capital exceeds £16,000, entitlement to Universal Credit ends unless it can wholly or partly be treated as earnings, unearned income or disregarded.

Capital disregards are amounts that the claimant has, but which is not taken into account when considering entitlement to Universal Credit or calculating any assumed yield income.

Any capital, income or earnings of any dependent children will be fully disregarded for the purpose of Universal Credit.

A claimant must provide all necessary evidence to show that any capital they have can be disregarded. If there is no evidence to show that capital can be disregarded, it is included when working out the amount of capital the assessment unit has.

If a subsequent claim to Universal Credit is made, checks must be done to see whether any capital disregards for benefit arrears should be removed.

Capital can be disregarded:

- indefinitely
- for an extended period
- for a period of up to 12 months
- for a period of up to 6 months
- for more than 6 months if it is reasonable

If a claimant declares capital or savings which is above £6,000, it must be established where this has come from. A decision can then be made to decide if the capital or savings can be disregarded for the purpose of calculating the Universal Credit award.

It may be necessary to request additional information from the claimant to make this decision.

Capital disregarded indefinitely

Business assets of an operational business	These include standard items such as: <ul style="list-style-type: none">• machinery
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	<ul style="list-style-type: none"> • vehicles • fixtures • business cash held in the bank (including money held following the sale of assets) <p>Items such as customer lists and contacts, current and future contracts and goodwill may also be included.</p> <p>Any assets that are used wholly or mainly for the purposes of a claimant's trade, profession or vocation are disregarded indefinitely whilst the business is still operating.</p> <p>Illustrative example:</p> <p>Felix owns an amusement arcade in Bournemouth. He stopped working in the arcade 31 October and claimed Universal Credit on 3 November. The assets of the business are a lease on the building, gaming machines and tools used to repair the machines. Felix states the value of these assets is £45,000. He is not going to sell the assets because he needs them when he opens the arcade again the following April. The decision maker decides that the assets of the business can be disregarded.</p>
Personal Injury Compensation payments	<p>If a person has been awarded a sum of money as a result of a personal injury to themselves, the amount is disregarded as capital if the sum is either:</p> <ul style="list-style-type: none"> • held in trust • administered by the court <p>Payments made from the Criminal Injuries Compensation Fund will also be disregarded.</p> <p>Illustrative example</p> <p>Terry's wife was killed in a road traffic accident and he was awarded £36,000 which covered loss of earnings. As the award was not due to Terry suffering any injury to himself, this amount would be taken in account when calculating his capital.</p> <p>Illustrative example</p> <p>Nora received £100,000 as the result of an assault on her partner which resulted in their death. The award is held in trust and was for the psychological injury to Nora arising from them witnessing the attack. As the amount was awarded for the injury to Nora, the amount is disregarded in calculating their capital.</p>
Premises occupied as the home	<p>Premises occupied by a person as their home are disregarded indefinitely. Usually, only one set of premises can be disregarded. In some limited</p>

	<p>circumstances, more than one property can make up the premises occupied as their home.</p> <p>Premises bought but not lived in as their home by the claimant or any member of the claimant's family cannot be disregarded as premises occupied as their home. However, in limited circumstances, can be disregarded for other reasons - see below.</p> <p>Premises usually occupied as the claimant's home are disregarded if both of the following apply:</p> <ul style="list-style-type: none"> • they are not occupied for a time • the intention is to return to live in the premises as the home <p>For example, if a person goes into residential care on a temporary basis and intends to return to the house they usually occupy as their home, the house is disregarded.</p> <p>Croft land and smallholdings can be treated as part of the premises occupied as the home if they cannot be sold separately.</p>
Life insurance policies	<p>The value of a life insurance policy is disregarded indefinitely until it is paid to the claimant.</p> <p>When the insurance policy pays out it becomes capital available to the claimant and is classed as savings. Only the total amount the claimant receives will be taken into account.</p> <p>Investments which include some life insurance are disregarded indefinitely if the agreement states how payment on death is worked out.</p>
Money deposited with a housing association	<p>Money deposited with a housing association is disregarded indefinitely if the money must be deposited as a condition of living in the home.</p> <p>A housing association is a non-profit making voluntary body formed with the aim of providing good quality low-cost housing.</p>
Occupational and personal pensions	<p>Any occupational or personal pension fund which the claimant has.</p> <p>Important Note – the disregard only applies to the value of the pension fund that the claimant and/or his employer has paid into, this protects investments for retirement. It does not apply to money drawn out of the pension fund:</p>

	<ul style="list-style-type: none"> any income payments from a pension fund or annuity payments will be taken into account as unearned income any lump sum draw-downs or any standard lump-sum from a pension fund will be taken into account as capital in the Universal Credit assessment period in which it is received <p>If the person has reached the qualifying age for State Pension Credit and not purchased an annuity with their occupational or personal pension, a notional income will be taken into account when calculating their Universal Credit.</p>
Payment made to holders of the Victoria Cross or George Cross	Any payment made to people because they hold the Victoria Cross or George Cross is disregarded indefinitely
Payment made to former child migrants	<p>Any payment made to a former child migrant who was alive on 1 March 2018, or the beneficiaries of any former child migrant who was alive on 1 March 2018 and has since passed away, is disregarded indefinitely.</p> <p>The claimant must have been a child migrant from the United Kingdom, sent by a church, state, voluntary or other organisation to one of the receiving countries and they were not accompanied by an adult family member or sent to live with a member of their birth family.</p> <p>Each former child migrant will receive a one-off payment of £20,000.</p> <p>Information from the Child Migrants Trust about former child migrants is acceptable proof of the claimant's eligibility for payment.</p> <p>Any payment that a former child migrant may have received from any other scheme in any country is not taken into account. However, each claimant must be resident in Great Britain.</p> <p>The scheme started accepting applications in March 2019 and began paying out in April 2019. It will remain open for 2 years.</p>
Premises lived in by a close relative	<p>Premises that are occupied as a home by a close relative are disregarded indefinitely if it is their only home and the close relative has:</p> <ul style="list-style-type: none"> Limited Capability for Work, or has reached the qualifying age for State Pension Credit

	<p>A close relative means:</p> <ul style="list-style-type: none"> • parent • parent-in-law • son • son-in-law • daughter • daughter-in-law • step-parent • stepson • stepdaughter • brother • sister <p>or where any of the above is a member of a couple, the other member of the couple.</p>
Premises occupied by former partner	<p>Premises that are occupied by a former partner as their home are disregarded indefinitely if it is their only home and:</p> <ul style="list-style-type: none"> • the person and their former partner are not estranged but are living apart by force of circumstances, for example where the person is in long-term care • the person's former partner is a lone parent and occupies the premises as their home
Special compensation schemes	<p>Any payment of capital from one of a specified type of compensation scheme will be disregarded indefinitely for the calculation of capital.</p> <p>The compensation schemes are those established or approved by the Secretary of State or from a trust established with funds provided by the Secretary of State and providing compensation in respect of:</p> <ul style="list-style-type: none"> • a person having been diagnosed with variant Creutzfeldt-Jakob disease • a person being infected from contaminated blood products • the 7 July 2005 London bombings • persons who have been interned or suffered forced labour, injury, property loss or loss of a child during the Second World War • supporting persons with a disability to live independently in their accommodation • Windrush Compensation Scheme and Windrush Exceptional Payments Scheme <p>If a claim for Universal Credit is made by a partner, parent, son or daughter of a person having been diagnosed with variant Creutzfeldt-</p>

	<p>Jacob disease or infected from contaminated blood products.</p> <p>A payment of capital received from any of the following is disregarded as capital if it would be disregarded in relation to an award of State Pension Credit:</p> <ul style="list-style-type: none"> • the scheme or trust in respect of the diagnosed or infected person • the diagnosed or infected person, or • the estate of the diagnosed or infected person <p>This includes the following infected blood schemes:</p> <ul style="list-style-type: none"> • Scottish Infected Blood Support Scheme (SIBSS) • England Infected Blood Support Scheme (EIBSS) • Wales Infected Blood Support Scheme (WIBSS) • Northern Ireland Infected Blood Support Scheme (NIBSS) • Independent Living Fund • Eileen Trust • Macfarlane Trusts and MFET Limited • Skipton Fund • London Bombings Relief Charitable Fund • Caxton Foundation <p>Universal Credit does not need verification of capital or income for any of the infected blood schemes.</p> <p>Some claimants may present a letter issued by these organisations which explains the effect of these payments on benefit. Income from the above can be disregarded in the assessment of UC.</p> <p>See Appendix 2 Government Funded Trusts and Funds for more detail</p>
<p>Lesbian, Gay, Bisexual and Transgender Financial Recognition Scheme</p>	<p>From 28 February 2025, all payments from the scheme can be disregarded in the calculation of Universal Credit.</p> <p>To be eligible, applicants must have:</p> <ul style="list-style-type: none"> • served in HM armed forces between 27 July 1967 and 11 January 2000 • been affected by the ban on LGBT personnel serving in HM armed forces

	<p>There are two types of Financial Recognition Payments:</p> <ul style="list-style-type: none"> • Stage 1: covers payments to those who were dismissed or discharged under the ban and where successful, these applicants can receive a flat rate payment of £50,000 • Stage 2: applies to successful applicants at stage 1, but also to those who were not dismissed or discharged due to the ban (applications from this stage will be assessed by an independent panel with successful applicants receiving payments ranging from £1,000 to £20,000) <p>Payments can be made to the recipients of the deceased's estate if the applicant has died during the application process.</p> <p>Payments from the scheme are excluded from the DWP's compensation recovery arrangements.</p>
The We Love Manchester Emergency Fund	<p>The We Love Manchester Emergency Fund was set up following the attack in Manchester on 22 May 2017.</p> <p>All payments made from the fund can be fully disregarded from 19 June 2017.</p> <p>The disregard applies to all payments from the We Love Manchester Emergency Fund regardless of who they are paid to.</p> <p>Any payments made before 19 June 2017 are ignored as the Treasury has given us authority to carry on paying benefits without taking the payments into account on an ex-statutory basis.</p>
The London Emergencies Trust	<p>The London Emergencies Trust (LET) is providing relief for those directly affected by terrorism in London.</p> <p>Payments made by the LET for the terrorist attacks on 22 March 2017 (Westminster Bridge) or 3 June 2017 (London Bridge) can be disregarded in full from 19 June 2017.</p> <p>The disregard applies to payments from the LET regardless of who they are paid to.</p> <p>Any payments made before 19 June 2017 are ignored as the Treasury has given us authority to carry on paying benefits without taking the payments into account on an ex-statutory basis.</p>

<p>Grenfell Tower Residents' Discretionary Fund and/or other charitable payments made to victims of the tragedy</p>	<p>Following the Grenfell Tower tragedy on 14 June 2017, an extra-statutory provision applies to anyone in receipt of income-related benefits who have received compensation payments from:</p> <ul style="list-style-type: none"> • the Grenfell Tower Residents' Discretionary Fund • other charitable payments made to victims of the tragedy. Information on these charities is available on the Grenfell Tower fire: charitable funds raised and distributed page of GOV.UK <p>If the charity concerned is not on the above GOV.UK list, the payment can still be disregarded if it is established that they relate to the Grenfell Tower tragedy.</p> <p>Any payments made to claimants through these schemes must be disregarded from capital calculations indefinitely.</p>
<p>Payments made under the UK Government's Victims of Overseas Terrorism Compensation Scheme</p>	<p>Any payments made under the UK Government's Victims of Overseas Terrorism Compensation Scheme will be disregarded as capital for benefit entitlement purposes.</p> <p>This applies to all payments made under the Scheme, whether they relate to the terrorist attack in Israel on 7 October 2023 or other, unrelated terrorist attacks. The disregard will not be time-limited and mirrors the existing exemptions for other compensation payments including for the Manchester Arena bombing, the Westminster Bridge attack and the Grenfell Tower fire.</p>
<p>Cost of Living payment</p>	<p>The government is making Cost of Living Payments to claimants on certain benefits including Universal Credit.</p> <p>The Cost of Living Payment is disregarded for Universal Credit capital purposes indefinitely</p>
<p>Funeral plan contract</p>	<p>The value of a funeral plan contract is disregarded indefinitely. 'Funeral plan contract' means a contract where a person makes payments to secure the provision of a funeral and where the sole purpose of the plan is to provide for a funeral.</p>
<p>Young Carer Grant (Scottish Devolution)</p>	<p>Young Carer Grant is a long-term Scottish Government benefit, payable to young people aged 16 to 18 who have significant caring responsibilities. There is no DWP equivalent. It is disregarded indefinitely.</p>

Child abuse compensation programmes	<p>Any payments made from schemes under the following child abuse compensation programmes are now fully disregarded:</p> <ul style="list-style-type: none"> • The Historical Institutional Abuse (Northern Ireland) Act 2019 • The Redress for Survivors (Historical Child Abuse in Care) (Scotland) Act 2021; and • The London Borough of Lambeth's Children's Home Redress Scheme.
Post Office compensation payments (Horizon)	<p>Post Office compensation is to be disregarded indefinitely in the calculation of the person's capital and, if it is income, is to be disregarded in the calculation of the person's income</p> <p>Post Office compensation payment provide compensation or support in respect of the failings of the Horizon System or in the judgment in Bates and Others v Post Office Limited</p>

Capital disregarded for an extended period

Arrears of benefit and tax credits or compensation for non-payment of £5,000 or more due to official error or error of law	<p>Arrears of benefit, Tax Credits or compensation for non-payment of £5,000 or more paid due to official error or error of law can be disregarded for the length of the Universal Credit award. The disregard applies to claimants who receive a payment of arrears or compensation:</p> <ul style="list-style-type: none"> • whilst in receipt of Universal Credit or • whilst in receipt of a Legacy benefit and migrate to Universal Credit with a gap of less than a month between awards of benefit <p>This longer disregard will only be available on a transitional basis and will only apply to payments of arrears or compensation which relate to a period before Legacy benefits are abolished. Once migration to Universal Credit is complete and Legacy benefits are abolished, a standard 12-month disregard will apply to all new benefit arrears and compensation payments whether or not they are due to official error or errors of law.</p>
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Capital disregarded for up to 12 months

Arrears of benefit or compensation for late payment	<p>Any payment received within the previous 12 months by way of arrears of or compensation for late payment of certain benefits is disregarded. Those benefits are:</p>
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	<ul style="list-style-type: none"> • Universal Credit • an abolished benefit, namely: <ul style="list-style-type: none"> • income-based Jobseeker's Allowance • income-related Employment and Support Allowance • Income Support • Housing Benefit • Council Tax Benefit • Child Tax Credit • Working Tax Credit <p>■ a Social Security benefit which is not treated as unearned income for Universal Credit</p> <p>Illustrative example:</p> <p>Will received arrears of Personal Independence Payment (PIP) of £2,400 on 1 October 2013. He claimed Universal Credit from 24 February 2014. The £2,400 arrears of PIP is disregarded when calculating capital up to 30 September 2014. PIP is not treated as unearned income in Universal Credit as it provides for additional costs associated with disability.</p>
<p>The Bereavement Benefits (Remedial) Order 2023:</p> <p>Retrospective payments of Bereavement Support Payment (higher rate) and Widowed Parent's Allowance</p>	<p>Retrospective payments of:</p> <ul style="list-style-type: none"> • Bereavement Support Payment (higher rate) • Widowed Parent's Allowance <p>made under The Bereavement Benefits (Remedial) Order 2023 is treated as capital and disregarded for 12 months from the date of payment.</p> <p>Any retrospective Bereavement Support Payment (higher rate) or Widowed Parent's Allowance money remaining after the end of the 12 months will count as part of the claimant's capital and may affect their Universal Credit payment.</p>
<p>Bereavement Support Payment</p>	<p>The first payment (plus any arrears if applicable) is disregarded as capital for 12 months from date of payment.</p> <p>The following monthly payments are disregarded as income within the month they are paid.</p> <p>After the end of the 12 months any money remaining from the first payment (plus any arrears if applicable) will count as part of the claimant's capital and may affect their Universal Credit payment.</p>
<p>Energy Rebate Scheme Disregards</p>	<p>On 3 February 2022 the Government introduced the following support for rising energy costs in England:</p>

(extends to England, Wales, and Scotland)	<ul style="list-style-type: none"> households in Council Tax bands A to D will receive a £150 Council Tax rebate discretionary funding for people on low incomes or that pay Council Tax for properties in bands E to H
Move to Universal Credit (managed migration)	Move to Universal Credit (managed migration) claimants who are eligible for transitional protection will have any capital over £16,000 disregarded for up to 12 assessment periods. For the disregard eligibility criteria see Move to Universal Credit (managed migration): transitional capital disregard, eligibility.
Local Authority Retail, Hospitality and Leisure Grant Fund (RHLGF)	These should not be recorded as income but treated as capital and disregarded for 12 months.
Local authority payments	<p>Any payment made by or on behalf of a local authority within the last 12 months for any of the following is disregarded for 12 months from the day it was paid when calculating the person's capital:</p> <ul style="list-style-type: none"> children, young persons and others under certain legislation (children or young people in need and local authority looked after children or young people), or welfare needs related to disability or old age (other than living expenses)
Personal Injury Payment	<p>A Payment received as consequence of a personal injury can be disregarded for 12 months from the day it was paid if any of the following apply:</p> <ul style="list-style-type: none"> it is not held in trust it has not been used to purchase an annuity it has not been otherwise disposed of
Small Business Grant Fund (SBGF)	These should not be recorded as income but treated as capital and disregarded for 12 months.
Social Fund	A payment made from the Social Fund is disregarded for 12 months from the day it was paid.
Other Covid-19 specific grants (varies by county, region and sector)	<p>Other grants or subsidies received, which HMRC treat as taxable income, must be declared as business income.</p> <p>After this period, any monies left unspent will be treated as assets of the business, and if the business is still in existence, they will be disregarded.</p> <p>If the claimant is no longer involved in the business, disregard business assets for 6 months</p>

	<p>from the date the claimant ceased business activities, or longer if necessary.</p> <p>If the claimant is intending to resume trading with the recovery from lockdown, we will apply the disregard of business capital.</p>
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Capital disregarded for up to 6 months

Note - the disregards described below that specify a period of 6 months may be extended where it is reasonable in the circumstances of the case.

<p>Premises intended to be occupied</p>	<p>Premises that a person intends to occupy as their home shall be disregarded when calculating their capital where the person:</p> <ul style="list-style-type: none"> • has gained the premises within the last 6 months but has not yet taken up occupation • is taking steps to obtain possession and they began those steps within the past 6 months • is carrying out essential repairs or alterations to make the premises fit for occupation and these started in the last 6 months <p>A person is considered to have started steps to obtain possession of premises on the date that legal advice is first sought or proceedings are started, whichever is the earlier.</p> <p>It may be decided to disregard the premises for a longer period if:</p> <ul style="list-style-type: none"> • legal proceedings are still being taken • a person has got possession and there is a good reason why they have not started to live in the premises • repairs will take longer than 6 months <p>It may be decided not to disregard the premises for a longer period if:</p> <ul style="list-style-type: none"> • a person asked for legal advice and not followed it or • obtained possession and there is no good reason why they have not moved into the premises <p>These are examples and not a complete list.</p>
<p>Premises no longer occupied</p>	<p>If a person no longer occupies premises as their home following separation from their former partner, those premises can be disregarded from the calculation of capital where they have stopped living in those premises within the past 6 months.</p>

<p>Premises a person is trying to dispose of</p>	<p>If a person is trying to dispose of premises, they can be disregarded from the calculation of capital where they are taking reasonable steps to dispose of the premises and those steps started within the last 6 months.</p> <p>It may be reasonable to disregard the premises for a longer period where, for example - the person has done all they can to sell the premises and the asking price is no more than the premises are worth.</p>
<p>Business assets</p>	<p>If a person stops involvement in a business within the last 6 months:</p> <ul style="list-style-type: none"> • and is taking reasonable steps to dispose of those assets, or • because of incapacity - but has a reasonable expectation of being re-engaged in that business on their recovery <p>Those business assets can be disregarded from the calculation of that person's capital.</p> <p>It may be reasonable to disregard for a longer period if the person is still ill or disabled and can do the work when they are fit and able.</p> <p>It may not be reasonable if there is evidence, such as medical evidence, which says the person will not be able to do the work when they are fit and able.</p> <p>In the event of their sale, assets may result in an income or capital receipt.</p>
<p>Amount to be used to purchase premises</p>	<p>If a person has received an amount within the past 6 months which is to be used to purchase premises that the person intends to occupy as their home, that amount can be disregarded from the calculation of the claimant's capital where it:</p> <ul style="list-style-type: none"> • comes from the proceeds of the sale of premises formerly occupied as the person's home • has been deposited with a housing association as a condition of the person occupying premises as their home, or • is a grant made to the person for the sole purpose of purchasing a home <p>it is reasonable to disregard the amount for a longer period if, for example:</p> <ul style="list-style-type: none"> • people have tried but not found premises which are suitable for their or a member of their family's needs (in particular, if one of them is disabled and needs a certain type of accommodation) • the person has found premises and the

	<ul style="list-style-type: none"> • sale has not been completed, or • the seller later decides not to sell
Amount from an insurance policy	<p>An amount received from an insurance policy within the past 6 months can be disregarded where it is in connection with the loss or damage to the:</p> <ul style="list-style-type: none"> • premises occupied by a person as their home • personal possessions of that person <p>it is reasonable to disregard the money for a longer period if for example the:</p> <ul style="list-style-type: none"> • repairs will take more than 6 months • replacement of personal possessions will take more than 6 months
Amount for repairs or alterations	<p>If in the past 6 months, a person has received a sum of money by way of a loan, grant or otherwise which is to be used for making essential repairs or alterations to premises occupied or intended to be occupied as the person's home, that amount can be disregarded from the calculation of the claimant's capital but only where it is used for that purpose.</p> <p>It is reasonable to disregard the grant, loan or otherwise for a longer period if the repairs and alterations will take more than 6 months.</p>