

Treatment of capital: Guidance

Contents

Introduction

Types of capital

Treatment of capital

Capital limits

Move to Universal Credit (managed migration)

Introduction

Capital includes all money, savings and investments held by adult members of the Universal Credit assessment unit. It is valued and taken into account as applicable capital unless any part is to be treated as earnings, unearned income or disregarded. The claimant must report any new capital and any changes to the value of existing capital.

If one member of a couple is an ineligible partner, all capital held by the assessment unit (including that of the ineligible partner) is taken into account when calculating the amount paid to the other member of the couple.

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

Types of capital

Capital could include:

- cash
- cryptoassets
- current accounts
- savings accounts
- ISAs (including Help to Buy ISAs and Lifetime ISA)
- stocks and shares
- Premium Bonds
- property and land
- trusts

This is not a complete list.

Capital does not include:

- the property occupied by the claimant as their 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.

If a person has deprived themselves of capital in order to gain entitlement or to 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, (for example, shares or property), can have a deduction in value of 10% to account for this.

The amount of any outstanding mortgage, loan or any other encumbrance secured against the asset will also be deducted so that the final figure considered for Universal Credit purposes, is effectively the equity held.

This capital value is used to determine eligibility or tariff income deduction at the end of each assessment period.

Any income received directly from capital held, such as rental from owned property, interest from a savings account, or dividends from shareholdings, is treated as part of the person's capital from the date it is due to be paid.

Other forms of household income are not considered as capital in the assessment period in which they are received. This includes employed earnings or unearned income for example:

- other benefits
- pensions

If any of this income remains unspent by the end of the assessment period after the one in which it was received, it will be considered as capital.

The exception to this is income received from capital such as interest on savings, which is treated as applicable capital from the day it is due to be paid.

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

Retrospective calculation of capital

When calculating the total capital, previous awards of Universal Credit must not be considered as income.

Any previous award of Universal Credit must not be deducted from a claimant's total capital in any assessment period. Any subsequent diminution calculation will ensure that the correct recoverable overpayment is determined correctly.

For more information, see Diminution of capital.

Cryptoassets

Cryptoassets (also known as cryptocurrencies) are a type of digital currency generally held as investments by people who expect their value to rise. They must be treated as capital in the same way as other types of investments.

The value of cryptoassets can only be obtained from the claimant who must provide a screenshot of their cryptoassets wallet that shows the value and breakdown of each asset held. When working out how much a cryptocurrency is worth, a 10% 'expense of sale' must be deducted from the total value of each cryptoassets.

There are currently over 250 types of cryptoassets.

Other or second property

If a claimant owns a property, they do not live in but rents 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.

Jobs Plus

The £400 payment a claimant receives for participating on the voluntary Jobs Plus pilot, is treated as capital and taken fully into account.

For more information on Job Plus, see Jobs Plus (Trial)

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 has been deducted.

Tax-free Childcare account

Tax-free Childcare accounts are treated as capital but only the surrender value 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.

Apprenticeship bursaries

Bursaries received for an apprenticeship scheme will be treated as capital within Universal Credit.

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 £6,000 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.

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

Move to Universal Credit (managed migration)

Move to Universal Credit (managed migration) claimants who are eligible for Transitional Protection will have capital over £16,000 disregarded for 12 assessment periods.

For the disregard eligibility criteria, see Move to Universal Credit (managed migration): Transitional Capital Disregard, eligibility.