

Advances: Budgeting Advance: Guidance

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Advances

Universal Credit claimants have access to four types of advances:

- New Claim Advance
- Change of Circumstances Advance
- Benefit Transfer Advance
- Budgeting Advance

The following content focuses on Budgeting Advances.

Agents must read the Flexible Support Fund or Universal Credit Budgeting Advance before considering a Budgeting Advance.

Budgeting Advances

Budgeting Advances provide valuable access to interest free payments for one-off items. They are designed to help claimants with irregular expenses, for example:

- obtaining or retaining employment such as work clothes, tools, travelling expenses and childcare costs
- buying essential household items such as furniture (for example, a cot, pram, appliances, clothing or footwear)
- help with rent in advance or removal expenses to secure new accommodation

- improvement, maintenance and security of the home
- funeral expenses

They are not intended to help pay for unexpectedly high household bills such as an electricity or gas bill.

Budgeting Advances are discretionary payments and there is no right of appeal. If the claimant is not satisfied with the decision, they can ask for it to be looked at again.

If a claimant in a joint claim asks for a Budgeting Advance, both partners must consent to the Advance request and recovery terms the consent can be confirmed by journal message, by phone, or face to face.

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

A note must be recorded on the 'Claimant history' where a Budgeting Advance has been made or refused.

Timescales

Claimants can apply for a Budgeting Advance at any point during their Universal Credit claim if there is no previous Budgeting Advance outstanding.

Eligibility criteria

To be eligible for a Budgeting Advance, the claimant must:

- not have any recovery of a Budgeting Advance outstanding, and
- have been in continuous receipt of Universal Credit or the following qualifying benefits for at least 6 months:
 - Income Support
 - Jobseeker's Allowance (income based)
 - Employment and Support Allowance (income-related)
 - Pension Credit

A Budgeting Advance request must be:

- no less than £100 (the minimum amount)
- no more than the maximum that their circumstances allow:
- - £348 for a single adult

- £464 for a couple
- £812 for a single parent or couple with children

The claimant must:

- not have recovery of a Budgeting Advance outstanding or have a partner who has recovery of a Budgeting Advance outstanding
- not have earned more than their allowable earnings:
 - £2600 in the previous 6 assessment periods for a single claimant (with or without children)
 - £3600 in the previous 6 assessment periods for a couple (with or without children)

Earnings include:

- Maternity Allowance
- Statutory Adoption Pay
- Statutory Maternity Pay
- Statutory Neonatal Care Pay
- Statutory Parental Bereavement Pay
- Statutory Sick Pay
- Ordinary Statutory Paternity Pay
- Additional Statutory Paternity Pay

Exception to the 6-month eligibility rule

An exception to the 6-month rule may be applied if the Budgeting Advance is to help the claimant start or stay in work, for example, if it is needed for:

- upfront childcare costs
- travel costs
- work clothing
- tools

A Budgeting Advance is available for upfront childcare costs only in cases where the applicant has a confirmed job offer.

The calculation uses a formula to pro-rata the actual amounts of the earnings threshold by the number of complete assessment periods available prior to the date the application for the Budgeting Advance is made. This gives a pro-rata earnings threshold which the claimant's household earnings must not exceed, over the available complete assessment periods.

Example

A claimant has been in receipt of Universal Credit for 3 months and:

- applies for the Budgeting Advance during the fourth assessment period
- has a partner who has ongoing earnings
- needs a Budgeting Advance to help them start work

Because the household has earnings, the earnings condition is calculated by applying the following calculation: $3 \times £3600 \div 6$ (the number of complete assessment periods $(3) \times £3600$ earnings threshold for a couple \div by 6) = £1800.

The claimant's household earnings must not have exceeded £1800 over the preceding 3 complete assessment periods.

If the same claimant had been in receipt of Universal Credit for 4 months and applied for the Budgeting Advance in the fifth assessment period, the formula applied would be: $4 \times £3600 \div 6 = £2400$.

If there are 6 complete assessment periods available over which to calculate the household's earnings, the set earnings thresholds must be used. This would be £2600 for a single claimant or £3600 for a couple claim

Written notice

The claimant (and their partner) must be given written notice. This can be an electronic notification before or at the time the budgeting advance is arranged.

This notice includes the agreement to the amount of the advance and the deductions and timescale in which to repay it. It also includes the liability to repay the advance, either by deductions from Universal Credit or by other means (such as an attachment to earnings) if the Universal Credit claim is closed down.

Budgeting Advances are carefully managed to ensure that claimants do not incur an unmanageable amount of debt.

Reasons why a Budgeting Advance may be declined

A Budgeting Advance must not be paid if:

- it could place the claimant in a vulnerable situation, or
- it is believed that it will not be used for the stated purpose

A check of the claimant's account may indicate that a Budgeting Advance is not suitable for the following reasons:

- the claimant may have received Budgeting Advances before and paid in a lump sum, by borrowing money from elsewhere (a new advance would then increase their debt and talking to the claimant may help the agent to decide if a new Budgeting Advance can be accepted or declined)
- the claimant may have previously received a Budgeting Advance to cover the costs of similar (or the same) items and / or used previous advances to pay for items that a Budgeting Advance is not intended for (if an advance is declined, a full explanation must be recorded in 'Claimant history')
- there may be concerns that the claimant is a victim of domestic abuse and that the advance may have been requested so that the money can be passed to another person instead of being used for its intended purpose (for more information on supporting claimants in this situation, see Domestic abuse)
- the claimant or their partner has an appointee who has not consented to the advance
- the claimant may request a Budgeting Advance to cover costs which are not related to them (for example, to buy a cot or pram when there are no children included in their claim), if it is believed that a fraudulent application for an Advance has been made, a fraud referral must be considered (see Fraud and error)
- if a Budgeting Advance is not suitable for a claimant, it must not be paid
- if a Split Payment arrangement is in place, both claimants must agree to the advance being paid

In Split Payment cases they must be referred to a team leader for case conferencing with support from the Advanced Customer Support Senior Leader (ACSSL) if required.

The claimant must also be told that their partner (or the partner's appointee) will be contacted separately. This is because consent for the advance must be provided and the repayment terms agreed before a decision can be made.

Amounts

A Budgeting Advance is only to be made if we know the claimant can afford to repay it from their Universal Credit payments within the required timescales.

Once a claimant's eligibility is confirmed, the maximum amount that can be advanced is determined by:

1. Calculating 15% of the appropriate Standard Allowance for the benefit unit. This is the maximum amount that can be deducted from a claimant's monthly Universal Credit award.
2. Taking off any existing deductions from the current award. If other deductions are higher on the Deductions Priority Order and already make up the entire deductible amount, an Advance must not be made. This will ensure that repayments of any existing priority debt repayment are not affected and DWP is not advancing money it is unlikely to recover.
3. Multiplying the remaining amount by 24. The standard maximum recovery period is 24 months.
4. Capping this figure at the appropriate overall maximum level as above in points 1 and 2.
5. Reducing the remaining amount by any capital the claimant has above £1000 (for example, if total capital held is £1300, we deduct a further £300 from the maximum Budgeting Advance available to the claimant as already calculated using the steps above).

This end figure is the maximum amount that can be advanced, although this may not automatically be awarded. This will depend on what the Budgeting Advance is needed for.

The agent must confirm what the Budgeting Advance is intended for and only an appropriate amount must be awarded subject to the maximum figure calculated above.

Recovery

Budgeting Advances will be recovered over a maximum period of 24 months.

During the recovery period, a change of circumstances could mean that the claimant and their household experience genuine hardship if recovery at the initially agreed amount continues. In these circumstances, it is possible to defer payments for up to 6 months.

Only one Budgeting Advance can be paid at a time and no further Budgeting Advance will be made available until the balance of the previous one has been cleared.

Joint claimants have joint liability for a Budgeting Advance and both claimants must confirm their agreement to the advance request and recovery terms. If the couple subsequently separate, the recovery of the advance will be taken from both of them on a 50/50 basis.

If two separate benefit units merge and one claimant is liable for an outstanding Budgeting Advance, the new benefit unit will not be eligible for a further advance until the first has been repaid in full.

If an advance is requested and a member of a joint claim is an ineligible partner, the ineligible partner has no responsibility for half of the outstanding debt.

If a claimant wants to repay the advance in a lump sum, they must be asked to ring the Debt Management phone line. See Debt Management guidance for phone numbers.

If a claimant becomes insolvent recovery must be suspended. See Insolvency guidance for more information.

Flexible Support Fund or Universal Credit Budgeting Advance

In some circumstances, the Flexible Support Fund may be the best option for a claimant rather than a Universal Credit Budgeting Advance because this does not have to be repaid.

The Flexible Support Fund must be considered before a Universal Credit Budgeting Advance when a claimant asks for help with removing barriers to them obtaining, starting or remaining in work. For example, they may need help with:

- transport costs
- work clothes
- tools
- childcare

This is not an exhaustive list.

Full details can be found in the Flexible Support Fund guidance.

If the Flexible Support Fund cannot fund the requested items, agents may then consider if a Budgeting Advance is available to the claimant.

Payment

Advances are paid by BACS transaction, to the account the claimant uses for their Universal Credit claim. It is paid within 3 working days.

If a payment is needed more quickly such as that same day, a Faster Electronic Payment can be made.

However, these must only be made in exceptional circumstances (for example, when the claimant does not have enough money to last until the advance is paid) and must be signed-off by a team leader.

Faster Electronic Payments will only be issued Monday to Saturday on banking days (excluding Bank holidays).