

Deductions: Guidance

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Introduction

There are different schemes that require deductions to be made from Universal Credit. They fall into one of the 3 following categories. The table below shows the 3 categories and schemes.

Category	Scheme
<p>Last resort deductions support claimants to meet their Child Maintenance obligation and also supports the prevention of homelessness or disconnection of fuel.</p>	<p>The maximum rate of deduction known as, the overall deductions cap, is 15% of the Universal Credit Standard Allowance. However, UC can deduct “last resort deductions” even if this would result in the overall deductions cap (15% of standard allowance) being exceeded.</p> <p>Universal Credit can take a maximum 3 last resort deductions, see last resort deductions section of the Deductions Priority Order guide.</p> <p>If deductions are needed for arrears of fuel or water, we can also deduct for ongoing usage of these utilities. The amount deducted for ongoing usage will not count towards the 15%</p>

	<p>maximum amount. When arrears have been repaid, deductions for ongoing consumption also cease.</p>
<p>Enforcing social obligations when other repayment methods have failed or are not cost effective (court fines, Council Tax arrears).</p>	<p>Enforcing social obligations is when deductions are made from a claimant's Universal Credit because other repayment methods have failed or are not cost effective.</p> <p>These could be court imposed for:</p> <ul style="list-style-type: none"> • court fines • Community Charge • Council Tax arrears, • where arrears have built up a Liability Order has been obtained and the claimant could face imprisonment <p>Enforcing social obligations could also include recovering third party loans in the case of Integration Loan arrears and Eligible Loan arrears.</p>
<p>Ensuring that benefit debt is recovered in a cost-effective manner (Social Fund loans, benefit overpayments).</p>	<p>A balance needs to be maintained between the possible increase in the recovery of government debt against not causing hardship for claimants and their families.</p> <p>However, care must also be taken to ensure that debt recovery does not act as a disincentive for moving into work.</p>

Maximum rates of deductions

There is an overall maximum amount that can be deducted from someone's Universal Credit. This is the equivalent to 15% of the benefit unit's Universal Credit Standard Allowance. This limit is set to reduce the risk of a claimant facing hardship because of the amount being deducted from their Universal Credit payment.

There are two exceptions to the maximum amount rule:

- deductions for ongoing normal consumption of fuel and/or water will not count towards the 15% maximum amount

- if a sanction or penalty needs to be applied or an advance needs to be deducted, last resort deductions will continue even if it means the total deductions exceed the 15% maximum amount

There are maximum deduction rates or set deduction rates for each of the individual items that require deductions to be made.

When there is only one deduction required, that item's maximum deduction rate is taken. When there is more than one deduction required, provided there is sufficient Universal Credit in payment, deductions are taken for all items.

If a claimant is receiving insufficient Universal Credit to meet all deductions, or the total deductions would exceed 15% of the benefit unit's Universal Credit Standard Allowance, a priority order is applied and as many deductions as possible are taken. See Deductions priority order.

When calculating deduction rates in Universal Credit (excluding sanctions and penalties), fractions of a penny are rounded to the nearest penny. If the calculation results in exactly half a penny, it will be rounded up to the next full penny.

Sanctions, penalties or advances are being applied or deducted

If a sanction, penalty or advance is applied to a Universal Credit claim, deductions will continue to be made whilst there is sufficient Universal Credit in payment. The deductions will be made up to the overall maximum deduction rate applying the priority order where appropriate.

Benefit debts owed to more than one government organisation

A claimant may have outstanding benefit debt relating to more than one government organisation.

If the debts are equal to each other on the priority list, for example, they are all fraud overpayments, the maximum deduction rate for that debt type will be applied and divided equally between each relevant government organisation.

Deductions causing financial hardship

If a claimant is struggling financially, they can ask for the amount of deduction to be reconsidered on the basis of financial hardship.

Financial hardship decisions are only available when deductions are being made for any of the following:

- benefit debt
- Social Fund loan

- rent arrears

Debt Management will make the financial hardship decision if the recovery is for a benefit debt or Social Fund loan.

If a claimant makes contact about deductions being made to recover benefit debt or a Social Fund loan, they must be referred to Debt Management.

If Debt Management decides to reduce deductions, they will advise Universal Credit of the new reduced overall maximum deduction rate.

If the claimant does not have any benefit debts or Social Fund loans, Universal Credit can make a financial hardship decision on a rent arrears deduction. If the claimant satisfies the criteria for a reduction, only the minimum 10% deduction will apply.

If the decision is to reduce deductions, the new reduced overall maximum deduction rate will be applied to the case.

If a claimant contacts Debt Management and recovers for benefit debt or a Social Fund loan which are not being taken but rent arrears are being recovered at a rate in excess of 10% of the Universal Credit standard allowance, Debt Management will refer the claimant to Universal Credit.

If a claimant is having deductions taken other than for benefit debt, a Social Fund loan or rent arrears at a rate in excess of 10% of the Universal Credit Standard Allowance, they cannot have their deductions reduced. This is because other deductions have set rates, not maximum rates, with the exception of fines.

Third Party Deductions

Third Party Deductions (excluding rent arrears) will be deducted at an amount equivalent to 5% of the benefit unit's Universal Credit Standard Allowance. This means couples will make higher third-party payments than single claimants.

The 5% is a flat rate and if the full 5% cannot be taken, no deduction will be made. This includes cases where the 5% deduction would take a claimant above the overall maximum deduction rate of 15%

If the total amount to be deducted for normal usage and arrears, for gas, electricity and water (added together), exceeds 25% of the aggregate of the Universal Credit Standard Allowance and payments for children, the claimant must consent to the deduction being made.

Deductions for arrears of gas, electricity and water can only be made on the property where the claimant currently resides, not for any properties they

previously lived in. When a claimant moves address, all deductions must be stopped on their previous address.

Rent arrears

There will be both a maximum and minimum deduction rate for rent arrears. The amount taken will vary depending on other deductions that are being made.

A rent arrears deduction can be a maximum of 15% of the Standard Allowance or as low as 10% of the Standard Allowance if other deductions are being taken.

The amount of no less than 10% and no more than 15% will be reduced pound for pound by any other deductions being made from the Universal Credit award.

This is because the amount deducted must not go above the overall maximum deduction rate of 15% of the benefit unit's Universal Credit Standard Allowance. The exception to this is if a sanction or penalty is applied, or an advance is being recovered, rent arrears deductions at the minimum rate of 10% of the benefit unit's Universal Credit standard allowance are taken: even if this takes the aggregate for deductions above 15%

If there is insufficient Universal Credit in payment to take the full 10% minimum, nothing will be deducted.

To be eligible the claimant must:

- live in the property to which the rent arrears apply
- have equal to 2 months' worth of rent arrears, this means the 2 months can have accrued over a longer period of time
- when applying a new deduction, the claimants earned income must not exceed the work allowance for the prior Assessment period

Where housing costs are covered by a local authority such as for specified or temporary accommodation, a request for deductions from the claimants Universal Credit for rent arrears can be considered.

The claimants rent arrears must be with the local authority making the request for deductions.

Service charge arrears

If a claimant has an award of Universal Credit that includes housing costs or they receive Housing Benefit, a deduction for arrears of rent that includes service charges may be applied.

To be eligible, the service charge must be in the rental agreement or license agreement and the claimant:

- lives in the property to which the rent arrears and service charges apply
- has equal to 2 months' worth of rent arrears, this means the 2 months can have accrued over a longer period of time
- when applying a new deduction, the claimants earned income must not exceed the work allowance for the prior Assessment period

The eligible service charges are whatever is included in the rental agreement or license agreement.

Fines

The fines deduction rate will be an amount equivalent to 5% of the benefit unit's Universal Credit Standard Allowance. If there is insufficient Universal Credit in payment to take the full 5%, nothing will be deducted.

Only one deduction for fines can be taken at any one time, any further requests cannot be accepted until the first is complete.

Child Maintenance

Child Maintenance will be deducted at a flat rate and the amount is set out in legislation. The claimant could also only be required to pay a percentage of the Flat Rate Maintenance if they have joint responsibility for the child.

Hardship and fraud-related debts

There will be a maximum rate of deduction for hardship and fraud related debts, which include:

- Recoverable Hardship Payment
- Administrative Penalty
- fraud overpayments

Hardship and fraud related debts will have a maximum recovery rate of an amount equivalent to 15% of the benefit unit's Universal Credit Standard Allowance. If there is insufficient Universal Credit in payment to take the full ~~25%~~ 15% deduction (for example, items above the hardship and fraud debts in the priority order are being deducted), a percentage will be taken.

This will either take a claimant up to the overall deductions cap of 15% of the benefit unit's Universal Credit standard allowance, or so that there is still one pence of Universal Credit in payment.

Only one type of hardship or fraud related debt can be recovered at any one time. The only exception to this is if a debt has been fully repaid, and within the same assessment period there is the opportunity to recover one of the following:

- another hardship or fraud-related debt
- another benefit debt which is lower down the priority order (for example, a Civil Penalty or normal overpayment)

If any of these apply, there must be funds available to allocate against the other debt and a further deduction must not take the total for debts above the appropriate maximum level (for example, 15% for hardship and fraud related debts and 15% for Civil Penalties and normal overpayments).

Debt enquiries

Where a claimant has a debt enquiry direct them to Gov UK - Find out who to contact about money taken off your Universal Credit payment.

Where it is clear the enquiry is not for Universal Credit the claimant is asked to contact Debt Management on 0800 916 0647.

If the claimant cannot use these options and the issue is unresolved a referral using the Handover Tool to Debt Management can be made.

Details of the query and any relevant information must be recorded in notes to aid Debt Management when contacting the claimant.

For vulnerable claimants

Where the claimant is:

- struggling and in severe financial hardship
- vulnerable

Referrals can be made to Debt Management using the internal telephone number or email address before the Handover Tool. It must only be used in the circumstances listed above.

Overpayments and Civil Penalties

See Overpayments.