Universal Credit Advances

One of the most common questions I’m asked when doing our training sessions <http://universalcreditadvice.com/housing-associations/training> is – how will claimants exist with no money between their last wage or payment of legacy benefits until Universal Credit’s first payment kicks in 5/6 weeks later?

The answer lies in what are known as Advance Payments, which are effectively loans that have to be repaid from future UC payments.

Child Poverty Action Group (CPAG) has just issued an excellent briefing note which explains when and how claimants can access such funds and the method and rate of repayment. I have copied and pasted the key parts of their note in the following paragraphs. The full piece can be found here <http://www.cpag.org.uk/stba/uc-advances>

When can you get a UC Advance?

You may be able to get an Advance of UC if you who are in financial need due to delay by DWP in paying your UC on a:

* new claim or
* change of circumstances or
* ‘benefit transfer’ (which is when you transfer from [legacy benefits](http://www.cpag.org.uk/stba/glossary))

DWP guidance says different time limits apply to the different types of Advance:

* You can request a UC Advance (benefit transfer) *at any time* during your first assessment month.
* You cannot, however, ask for a UC Advance (new claim) or a UC Advance (change of circumstance) *within 3 working days* of the end of your assessment month.[**1**](http://www.cpag.org.uk/stba/uc-advances#footnote1_cz92ow2)

Example of when DWP say you’d be too late to get an Advance

You make a new claim for UC on Wednesday 20/4/15. This means your assessment month runs until Tuesday 19/5/15 and your first pay day is one week later: Tuesday 26/5/15.

You run out of money on Friday 15/5/15 but it is now too late to get a UC Advance (new claim) because you are within 3 working days of the end of your assessment month. The 3 working days are 15/05/2015, 18/05/2015 and 19/05/2015. (16/05/2015 and 17/05/2015 are a Saturday and Sunday and are not working days.)

Effectively you’ll have nothing to live on for 11 days, Friday 15/5/15 to Tuesday 26/5/15, but DWP guidance will remind them to signpost you to [local welfare](http://www.cpag.org.uk/lwas).

How much UC Advance can you get?

There are two limits on how much UC Advance you can be paid and you receive whichever is lower.

1. The repayment cap is 40% of your monthly standard allowance for 6 months unless exceptional circumstances apply:
2. The maximum Advance on a new claim or benefit transfer is 50% of your estimated award or, on significant change of circumstance, 50% of the expected increase in your award.

Example 1: maximum Advance is lower than repayment cap

Jim is 30 years old and single. He has just lost his job and claims UC. His rent is £282.18 a month, which is within his local housing allowance limit.

Maximum Advance

|  |  |
| --- | --- |
|   | £ |
| Standard Allowance  | 317.82 |
| Housing element | 282.18 |
| Estimated total monthly UC | 600.00 |
| Maximum Advance is 50% of estimated UC | 300.00 |

Repayment cap

 40% of monthly standard allowance for 6 months: 317.82 x 6 x 40% = £762.77

Therefore UC Advance is £300

Example 2: repayment cap is lower than maximum Advance

Gemma is 30 years old and is a single parent with 3 children. Her rent is £541.76 a month, which is within her local housing allowance limit.

She needs a UC Advance (benefit transfer) when she transfers from [legacy benefits](http://www.cpag.org.uk/stba/glossary) to UC.

Maximum Advance

|  |  |
| --- | --- |
|   | £ |
| Standard Allowance  | 317.82 |
| First child element  | 277.08 |
| Other child elements 231.67 x 2 =  | 463.34 |
| Housing element |  541.76 |
| Estimated total monthly UC | 1600.00 |
| Maximum Advance is 50% of estimated UC |  800.00 |

Repayment cap

 40% of monthly standard allowance for 6 months: 317.82 x 6 x 40% = £762.77

Therefore UC Advance is £762.77

How do you ask for a UC Advance?

You can ask for a ‘benefit transfer’ Advance when you meet your UC adviser face to face (as part of your transfer from [legacy benefits](http://www.cpag.org.uk/stba/glossary)). The DWP Universal Credit [Meanings of Terms](https://about.universalcredit.service.gov.uk/kms/SitePages/category-GUID%3D5bd5d09c-091d-4f3b-b863-1b1e5dec884eLevel%3D1.htm) page states that: “all [you] need to do is request an advance for it to be paid.” You can also apply in writing or by phone.

But you cannot apply face to face with a UC adviser for Advances on a new claim or change of circumstance: DWP guidance states that, if you try to apply face to face, they will direct you use the phone instead. You can also apply in writing.

Can you get more than one UC Advance?

In the case of Advances on *either* benefit transfer *or* new claim, DWP guidance is that you can only get one Advance. The situation is different for Advances on changes of circumstance: in the (fairly unlikely) event that you have 2 or more different changes of circumstance during the same assessment month, you could get 2 or more different UC Advances for change of circumstance.[**8**](http://www.cpag.org.uk/stba/uc-advances#footnote8_32bgxmg)

CPAG believes the guidance on benefit transfer and new claim Advances is too restrictive: the Payment on Account Regulations are silent about the limits to how many Universal Credit Advances you can get during the same assessment month.[**9**](http://www.cpag.org.uk/stba/uc-advances#footnote9_equy30i)

If DWP refuses a further Advance on either benefit transfer or new claim and you want to dispute this, see our [challenging-decisions](http://www.cpag.org.uk/stba/challenging-decisions) page.

How long do you get to repay?

DWP guidance states that Advances must be recovered over a maximum of

* 6 months for a UC Advance (new claim or change of circumstances) or
* 12 months for a UC Advance (benefit transfer)

Repayment starts from your next UC pay day after you get your Advance unless you can get it deferred (see below).[**10**](http://www.cpag.org.uk/stba/uc-advances#footnote10_4kwhi1x)

Can you get your repayments deferred?

In exceptional circumstances you can get the start date of your repayments deferred (postponed) for up to 3 months. Unhelpfully, DWP guidance states that the time to ask them to defer your repayment start date does not include the day when you actually apply for your Advance.  It is not clear how soon after you apply that they can consider your request to defer.

What is the maximum rate of recovery?

The maximum rates of recovery of UC Advances are laid down in Regulation 11 of the [Social Security (Overpayments and Recovery) Regulations 2013](http://www.legislation.gov.uk/uksi/2013/384). This provides for rates of:

* 15% of your standard allowance if you don't have earned income, or
* 25% of your standard allowance if you do have earned income, or
* 40% of your standard allowance where there is fraud or deception or you are repaying a hardship payment

CPAG believes that the 15% and 25% rates will normally apply. By contrast DWP guidance states that the maximum rate of recovery (the repayment cap) is 40% of your monthly standard allowance. But as regulations have legal precedence over guidance, regulation 11 must be superior to the repayment cap guidance.

If DWP insists on a rate of recovery of more than 15% of your standard allowance (or 25% if you have earnings) and you want to dispute this, see our [challenging-decisions](http://www.cpag.org.uk/stba/challenging-decisions) page.

Extracts from CPAG Briefing

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