Universal Credit Policy Briefing Note

Transitional Protection

1. Core objectives

We have said that we will offer Transitional Protection to Universal Credit recipients where circumstances have remained the same – to ensure that they will not receive less as a result of their move to UC.

In the previous briefing note we stated that we would consider further the changes of circumstance that will cause this protection to end. This updated note provides that further information, and more detail on Transitional Protection policy.

The principle of offering Transitional Protection which avoids cash loss at the point of change and which erodes over time is an established one. It is similar to the approach adopted when Income Support was introduced in 1988 and in the current move from Incapacity Benefit/Income Support to Employment and Support Allowance.

2. Considerations

The cause for claimants moving to Universal Credit will determine whether Transitional Protection will apply. Once Universal Credit is launched, some people in receipt of current benefits will be moved over in a process wholly managed by DWP. Transitional Protection will be considered in this case and will be applied where the total household Universal Credit entitlement would otherwise be lower than total existing award of benefit and tax credit at the point when they move. Other claimants will move to the Universal Credit system as a result of a change of circumstance which makes them eligible for Universal Credit, these claimants will not be entitled to Transitional Protection.

3. Key policy proposals

For many claimants Universal Credit will provide a level of support that is the same as, or higher than, the current system. 2.8m households stand to receive a higher amount under Universal Credit than they do now. There will be no cash losers directly as a result of the migration to Universal Credit where circumstances remain the same.

The Government will provide cash protection to claimants whose Universal Credit award would be less than under the old system, in the form of an extra amount to make up the difference between the old and the new. The maximum amount will be fixed at the point of change, and cash protection will continue to be paid until the value of the award under the new system overtakes the levels of the pre-Universal Credit entitlement: paragraph 6.

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outlines what happens to the cash protection as the amount of a Universal Credit award changes.

The cash protection amount will not be uprated over time along with the rest of the entitlement, and the protection will stop if a claimant ceases to claim Universal Credit or has to be reassessed for a significant change of circumstances. Any cash protection will not be applied to future claims.

4. Who is entitled to Transitional Protection?

We believe it is right to cushion recipients who are affected against a change where their circumstances have remained the same. Although the move to Universal Credit will financially benefit many claimants, the move to a simpler system will change the level of entitlements for some households who are already in receipt of existing benefits. Where a claimant is moved to Universal Credit, their circumstances have remained the same and their Universal Credit award is lower than current receipt, we will provide Transitional Protection as a cash top up to make up the difference. This Transitional Protection will be provided until there is a significant change in circumstances or the Transitional Protection is eroded to £0. This approach ensures claimants have time to adjust to the move to Universal Credit.

5. How will Transitional Protection be calculated?

Transitional Protection will be calculated by comparing the total household monthly benefit and tax credit receipt at the point of migration with the total first household Universal Credit entitlement. Where the Universal Credit entitlement is lower, Transitional Protection will be awarded as a cash amount to make up the difference.

This calculation will be undertaken ignoring any sanctions or deductions to which the household is subject to ensure that the Transitional Protection amount is based on the household entitlement at the point of transition rather than the payment amount.

The amounts of legacy benefit and Universal Credit for comparison will be those calculated after application of the Benefit Cap. This will ensure that Transitional Protection is not offered against the limits of the Benefit Cap. However, Benefit Cap rules will still apply, and so those households who are exempt from the Benefit Cap will be unaffected.

Transitional Protection will also not be offered to self-employed claimants against the effects of the Minimum Income Floor. In these cases, the Transitional Protection calculation will be carried out prior to the Minimum Income Floor being applied. Once the Minimum Income Floor is applied the household will retain their Transitional Protection amount, but no further protection will be provided. This will ensure that claimants’ circumstances other than those related to earnings are protected.

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6. How will Transitional Protection change and when will it end?

Transitional Protection will be eroded by changes in the underlying Universal Credit Award as outlined below.

Subsequent increases in Universal Credit award: for example, if a claimant qualifies for £20 cash protection and subsequently sees a rise in their underlying Universal Credit award, perhaps through a small fall in income or through uprating of the Universal Credit award, the total award will not increase until the £20 cash protection is used up. This approach ensures that people move eventually to their new rate but without seeing any cash reductions in the amount.

Subsequent decreases in Universal Credit award: if a claimant sees a fall in their Universal Credit award, maybe through an increase in their earnings, the amount of cash protection given at the point of transition will be unaffected, ensuring that work incentives are also protected.

As stated, we believe it is correct to cushion claimants who are affected by a change that the Department for Work and Pensions is making when there have been no changes in circumstance. However it is appropriate to end this protection when circumstances underlying an award are no longer recognisable as those on which the legacy calculation was made. Therefore Transitional Protection will end altogether if a claimant’s circumstances change significantly. The following occurrences are defined as a significant change in circumstance.

- A partner leaving/joining the household
- A sustained (3 month) earnings drop beneath the level of work that is expected of them according to their claimant commitment
- A sustained (3 month) increase in earnings which would lift the claimant out of Universal Credit means-tested support
- The Universal Credit claim ending
- The loss or gain of any of the elements that make up the Universal Credit award (for example, the childcare element, the housing element etc)

Once Transitional Protection has ended it will not be applied to any future awards.

7. Further work

We are working to plan the migration to Universal Credit so that claimants experience as smooth a transition as possible while also ensuring that Universal Credit is targeted on those claimants that are in most financial need.