

Background note: Deductions from Universal Credit

Up to 30% of the Universal Credit standard allowance may be deducted (reduced from 40% from October 2019). Where more than one deduction is applied, a priority order is applied, beginning with deductions for fraud and conditionality sanctions, followed by advances and 'last resort' deductions like rent and gas before 'social obligation' deductions including council tax.

If someone is struggling financially and deductions amount to more than 10% of the standard allowance and are being made for a benefit debt, a Social Fund loan or rent arrears, they can ask for the amount of those deductions alone to be reconsidered on the basis of financial hardship. The financial hardship decision is made by the Debt Management Team if deductions are being made for a benefit debt or Social Fund loan, or a DWP decision maker if deductions are being made for rent arrears only.

Other deductions remain set at fixed rates and cannot be reduced (with the exception of the flexibility to vary repayment of fines and the possibility of a payment break for advances).

Deduction rates

Type of debt	Deduction rate
Advance payments	The amount of the advance divided by 12, but no more than 30% of the standard allowance (increasing to 16 months from October 2021). ¹ Payment may be deferred by up to three months in exceptional circumstances, but repayment must be completed within 15 months.
Budgeting advances	The amount of the advance divided by 12, but no more than 30% of the standard allowance. Payment may be deferred by up to six months in exceptional circumstances but repayment must be completed within 18 months.
Benefit overpayments and civil penalties	Up to 25% of the standard allowance or 15% if earnings are less than the work allowance. Recoverable hardship payments, administrative penalties and

¹ 'Last resort' deductions may be made that exceed 30% of the standard allowance where a DWP decision maker considers this to be in the claimant's best interest to avoid eviction or disconnection from fuel utilities. Where someone has fuel or water arrears, deductions may also be made for ongoing consumption above the 30% cap.

	overpayments caused by fraud may be made up to 30% of the standard allowance.
Rent arrears	A minimum of 10% and a maximum of 20%. Where a sanction or penalty is applied, or an advance is being recovered, 10% may be deducted even if this takes total deductions above 30%.
Third-party deductions including gas, electricity and water arrears, owner occupier housing costs and Council Tax	Up to three third-party deductions may be applied, and up to 5% may be deducted each. If the total amount deducted for gas, electricity and water amounts to more than 25%, the claimant must consent to the deduction being made.
Fines	A minimum of 5% and no more than £108.35.

Source: Universal Credit Full Service Guidance, updated 28 March 2019,
www.rightsnet.org.uk/universal-credit-full-service-guidance.

