Principles of UC payment

UC is intended to act as a ‘surrogate wage’, and is paid in a similar way to most salaries. It is therefore paid:

- directly to the claimant, with no automatic right for a third party (e.g. a landlord) to know the details of the claim
- as a single payment, where money intended to cover the claimant’s rent is not separated out from the rest of their claim
- electronically, meaning all claimants need to have at least a basic bank account
- monthly in arrears
- as a single payment for each household.

UC is therefore a significant change from housing benefit (HB). Claimants need to take greater responsibility for managing their money, as payments are made less frequently and as the housing element is not normally separated out and paid directly to the landlord.

The government anticipates that most claimants will be able to cope with this change. However some will need additional support, such as money advice. The Department for Work and Pensions (DWP) is working with a number of local authorities, which are acting as universal support trials, to explore ways of providing help to UC claimants who need it.

Alternative payment arrangements

In some cases the government makes alternative payment arrangements (APAs) for specific claimants who are having, or are likely to have particular difficulty managing their money. These arrangements are intended to be temporary to give the landlord and other agencies time to work with the claimant and to improve their ability to manage money independently, without them running up large levels of rent arrears in the meantime.

There are three types of APAs which can be used:

- paying the housing costs element of UC directly to the landlord (sometimes referred to as managed payments or switch back). This is the most common form of APA
Part three: Payment methods

- making UC payments at more frequent intervals, for example twice instead of once a month
- splitting payments between more than one member of a household.

APAs generally last for a pre-determined period of time after which they are reviewed. The intention is that as many claimants as possible should eventually return to receiving their UC via a single monthly payment.

**Qualifying for alternative payment arrangements**

There are two ‘triggers’ which determine that a claimant is in need of an APA:

- an arrears trigger – if a claimant falls behind on their rent so that they have two months’ (or eight weeks) worth of arrears they become eligible for an APA
- a vulnerability trigger – if a landlord has reason to believe that a claimant is likely to have difficulty managing their money they can ask for an APA. There is however an expectation that landlords will support as many claimants as possible to manage their money under the standard payment arrangements. Furthermore, learning from the direct payments demonstration projects (pilot projects which tested making payment of HB direct to claimants, instead of to landlords) suggests that, in practice, predicting which households are likely to fall into arrears can be difficult.

At the moment when a landlord considers that one of their tenants requires an APA they have to apply to DWP, providing evidence that they meet one of the two sets of criteria set out above. DWP then decides on a case-by-case basis whether to make any changes to the claimant’s payment arrangements.

However the government is planning to introduce ‘trusted partner status’ for social landlords. Landlords with trusted partner status will be allowed to exercise their own judgement on whether a particular claimant meets the qualification criteria for an APA. They will not need to provide evidence to the DWP in each individual case.

Trusted partner status is intended to significantly speed up the process of arranging APAs. However it is not intended to enable landlords to secure APAs for larger numbers of their tenants than usual. DWP will expect partners to apply the same qualification criteria as it would and could review the decision to award trusted partner status to an organisation if it has reason to believe they are not doing this.

**Rent arrears under managed payments**

When a claimant is put onto managed payments as a result of rent arrears, the housing costs element of their claim is paid directly to their landlord. In addition to this a further amount can also be deducted from the remainder of their claim and added to the amount paid to the landlord, as a means of paying down the arrears that have already been accrued.

This is equivalent to third party deductions being taken from jobseeker’s allowance or other benefits under the existing HB system. Under HB these deductions are set at a flat rate of 5% of the standard allowance for a single person over 25, which equates to £3.70 per week. Under UC this has been increased to a minimum of 10% and maximum of 20% of the claimant’s standard UC allowance. This means that, where landlords choose to apply for them, deductions will vary depending on the claimant’s age and household type, but are likely to be significantly higher than they would have been under HB.