MRAssociates
Advisers to Supported Housing

T - 01475 727 089
F - 07092 882 002
W - www.mrassociates.org

Kingston House,
3 Jamaica Street, Greenock,
Renfrewshire, PA15 1XX.

What is the benefit cap?

Basic info

The benefit cap is a limit on the amount of "welfare benefit" income that a single claimant or couple under State Pension Credit age can receive for themselves and their children while out of full time work.

If the claimant is getting Universal Credit (UC) the cap works by preventing the combined sum of UC and other welfare benefits from exceeding the limit.

If the claimant is not getting UC, the cap is applied by the local authority:

- The combined sum of Housing Benefit (HB) and other welfare benefits cannot exceed the limit
- It is possible for a large family (more than six children) to receive more than the limit in benefits other than HB (mainly Child Tax Credit), in which case they can only receive the minimum HB payment of 50p per week

What are the welfare benefits that count towards the cap?

- universal credit
- housing benefit (but not any HB the claimant receives for specified accommodation)
- bereavement allowance;
- carer's allowance;
- child benefit;
- child tax credit;
- an employment and support;
- guardian's allowance;
- incapacity benefit;
- income support;
- a jobseeker's allowance;
- maternity allowance;
- severe disablement allowance;
- widowed mother's allowance;
- widowed parent's allowance;
- widow's pension

How much is the cap?

In HB, the cap is £350 a week for single people without children and £500 a week for everyone else. In UC the cap is the monthly equivalent of those amounts: £1517 and £2167.

In the July 2015 summer budget the government announced that the cap would be reduced (probably at some point during the 2016/17 tax year) as follows:

	Cap for couples and anyone with children	Cap for singles without children

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London	£23,000 (= £1916.67pcm, or about £440 a week)	£15,410 (= £1284.17pcm or about £300 a week)
Elsewhere	£20,000 (= £1666.67pcm or about £385 a week)	£13,400 (= £1116.67pcm or about £260 a week)

These reductions will be confirmed when the Welfare Reform and Work Act 2016 comes into force.

Who is not affected by the cap?

The cap applies to all working age claimants except:

- Any case where the claimant or a dependent child is receiving Disability Living Allowance or Personal Independence Payment (including cases where it is not currently being paid because the person entitled to it is in hospital)
- Any case where the single claimant or either member of the couple making the claim receives:
  - Employment and Support Allowance with the support component (or the UC equivalent)
  - Industrial Injuries benefit
  - A war pension or Armed Forces Compensation Payment (including pensions for widows and widowers)
  - The government has announced that the benefit cap will not apply to a single claimant or member of a couple receiving Carers Allowance from some point during 2016
- Exemption through current or recent work:
  - In HB:
  - A claimant (or both members of the couple claiming benefit) does enough work to be eligible in principle for Working Tax Credit (normally 24 or 30 hours depending whether they have children)
  - A claimant (or either member of a couple) who within the last 39 weeks finished paid work that lasted at least 50 out of the previous 52 weeks and who was not getting income support, jobseekers allowance or employment and support allowance
  - In UC:
  - A claimant whose earnings (or in the case of a couple whose combined earnings) are at least £430 a month
  - A claimant or couple who within the last nine months have ceased to earn that amount and did earn that amount for at least 12 months

Show me examples of when the cap does and doesn't apply in specified accommodation

Example 1: cap does not apply

The claimant is a single man occupying a hostel for single homeless people that is specified accommodation. The hostel is in London. He receives HB of £260 a week and jobseekers allowance of £73.10 a week. These benefits add up to less than the current cap of £375 a week for a single person. When the cap is reduced to £300 a week for single people in London the combined amount of HB and JSA will exceed the cap, but the HB will not count towards it because the claimant is in specified

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accommodation - the only “welfare benefit” he is receiving for benefit cap purposes is his JSA.

Example 2: cap still applies

The claimant is a woman with four children currently staying in a domestic violence refuge. She is getting income support, Child Tax Credit and HB for her housing association house (from which she has had to flee) which are currently capped at £500 a week. The charge for the refuge is £250 a week. For up to 12 months she can claim HB for both the refuge and her housing association home and the HB for the refuge will not count towards the cap. But the HB for her housing association home will still be capped so that she only gets £500 a week of welfare benefits apart from HB for the refuge.

Example 3: cap still applies

The claimant is a woman with seven children currently staying in a refuge. Her income support and Child Tax Credit already exceed £500 a week and so she can only receive 50p a week of Housing Benefit for the refuge.

Why is 50p a week of HB still paid to people who receive more than £500 a week of other benefits?

This is so that the local authority can award a Discretionary Housing Payment (DHP) if it considers the claimant’s circumstances to warrant one: unless the claimant is entitled to at least some HB (at least 50p a week) the authority cannot award a DHP.