



Department
for Work &
Pensions

THE RT HON THERESE COFFEY MP
Secretary of State for Work & Pensions
Caxton House, Tothill Street, London, SW1H 9AJ

Rt Hon Stephen Timms MP
Chair, Work and Pensions Committee
House of Commons
London
SW1A 0AA

10 December 2020

Dear Stephen,

Thank you for your letter of 25th November regarding the nine-month benefit cap grace period for certain Universal Credit (UC) claimants.

As you are aware, the benefit cap is designed to restore fairness between those receiving out-of-work benefits and taxpayers in employment, and encourages people to move into work, where possible. The proportion of individuals capped remains low in comparison to the overall UC caseload; at around 3%. This is in spite of the significant action we took early in the pandemic to protect those financially impacted, including the temporary uplift to the UC Standard Allowance and increases to Local Housing Allowance rates.

Additional support is also available for those who need it. Claimants can approach their local authority for Discretionary Housing Payments, with £140m of support announced at the Spending Review. We have also launched the £170m Covid Winter Grant Scheme which will help disadvantaged people, particularly children, through the challenging winter months ahead, with food and essential utility bills over Christmas through to the end of March.

The Department is not able to provide information on the number of households who will be newly subject to the benefit cap at the end of their grace period because any estimate does not account for changes to personal circumstances which would see some claimants continue to be exempt. Consequently, the assessment you refer to has not been made.

The end date of a claimant's grace period is clearly shown on a claimant's monthly UC statement, an anonymised example of the communication provided to a claimant is attached for your reference.

I have no current plans to extend the grace period. There has been consideration of the feasibility of amending the grace period both before and after the recent recommendation from SSAC. This would require significant resource capacity that would impact on other priorities, such as our Plan for Jobs. Getting our claimants back into work remains my primary concern and, of course, returning to employment will significantly increase the likelihood of a household not being affected by the cap.

There is a statutory duty to review the levels of the cap at least once in each Parliament and this will happen at the appropriate time. I am aware we are in an unusual economic period with potentially counter intuitive and shifting trends, which will need be considered in the context of any decision regarding a review.

Yours sincerely,

Theresa

Your payment this month is

£409

This will be paid by 8pm on 2 January 2021

What you're entitled to

Standard allowance £409.89
You get a standard amount each month. You said you're single

Total entitlement before deductions	£409.89
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What we take off (deductions)

Benefit cap - £0.00
We take money off your payment as there is a limit on the total amount of benefit you can get. This includes money from other benefits, like Child Benefit.

This will not apply to you until 26 July 2021. After this date your payments might be reduced.

Search for 'benefit cap' on the GOV.UK website to find out how it's calculated.

Total deductions	£0.00
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Your total payment for this month is	£409.89
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If your circumstances change

You must immediately [report changes in your circumstances](#) that could affect your Universal Credit payments.

Help and support

[If you think we've made a mistake or want to appeal](#) **+**

[Other support you may be able to get](#) **+**



Work and Pensions Committee

House of Commons, London SW1A 0AA

Tel 020 7219 8976 Email workpencom@parliament.uk

From the Chair

Rt Hon Dr Thérèse Coffey
Secretary of State
Department for Work and Pensions

25 November 2020

Dear Thérèse,

Benefit cap: grace period

I am writing with some questions about the nine month grace period which exempts Universal Credit claimants from the benefit cap if they have a sustained work record with earnings above a specific threshold (currently £604) for the previous 12 months.

For anyone who made a claim for Universal Credit for the first time in late March, qualified for the grace period and has not found work since, that grace period will run out soon.

Between February and May 2020, the latest period for which data is available, the average amount by which a household's income was reduced because of the benefit cap was £57. People whose benefits are capped when their grace period comes to an end are therefore likely to face substantial losses of income. For those who lost their income from work in the early stages of the lockdown, those losses will hit them just before or just after Christmas—a time when household budgets are already stretched to their limits.

Members of both Houses have tried to find out how many people are likely to be affected by this. In answer to a recent question, the Minister for Employment has explained that some 160,300 Universal Credit households have a grace period due to end in December 2020—but that not all of these households will be capped when that period comes to an end. She explains that it is not possible, other than at disproportionate cost, to say how many people would have been capped if the grace period had not applied.

1. Why is it not possible, other than at disproportionate cost, for the Department to provide information about the numbers of households who are likely to be newly subject to the benefit cap at the end of their grace period?

a. Has the Department made any estimate of the numbers of households likely to be affected?

2. How does the Department let claimants know the date on which their grace period will come to an end, and the impact that the benefit cap will have on their household income? Please could we see an anonymised example of those communications?

The answer to the same question also explains that the Government currently has “no plans to change the benefit cap grace period”.

The Social Security Advisory Committee, in its recent [review of the COVID-19 temporary measures](#), has recommended that the grace period should be “made more generous”, on the grounds that “continuously earning above the threshold will have been more difficult for many in recent months.”

3. Have you considered whether to extend the grace period, or otherwise make it more generous, to reflect the unique circumstances of the coronavirus pandemic? If so, what was the outcome of that consideration?

a. Have you revisited that decision in the light of the recent recommendation from the Social Security Advisory Committee?

The Welfare Reform and Work Act 2016 requires the Secretary of State to review the benefit cap at least once in each Parliament. In response to a report from our predecessor Committee on the benefit cap, the Government noted that “during debates on the Welfare Reform and Work Bill in 2015-16, Ministers told Parliament that the review would be sensitive to the key objectives of the cap, and could take into account factors such as:

- The wider impacts of the cap on families, children, disabled people and carers;
- Earnings;
- Housing costs;
- Inflation;
- Benefit rates;
- The strength of the labour market.”

4. When do you plan to review the benefit cap in this Parliament?

We would be grateful for a response by **Thursday 10 December**.

Yours sincerely,



Rt Hon Stephen Timms MP
Chair, Work and Pensions Committee